Celeo Concesiones e Inversiones, S.L. and subsidiaries

Consolidated Annual Accounts and
31 December 2019

Consolidated Directors' Report
2019

(With Auditor's Report Thereon)

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Celeo Concesiones e Inversiones S.L.
and subsidiaries

Consolidated financial statements at 31 December 2019, 2018 and 1 January 2018
(Thousands of Euros)

Assets	31/12/2019	31/12/2018	01/01/2018
-			
Non-current assets			
Intangible assets			
Goodwill (Note 7)	683,468	1,125	1,125
Other intangible assets (Note 8)	76,175	-	2
Property, plant and equipment (Note 9)	1,213,361	37,548	40,072
Right-of-use assets (Note 10)	25,406	1,984	2,285
Investments accounted for using the equity method (Note 11)	99,433	294,181	330,389
Non-current financial assets (Note 12)	714,327	2,332	2,185
Deferred tax assets (Note 17)	80,457	3,347	3,532
Total non-current assets	**2,892,627**	**340,517**	**379,590**
Current assets			
Inventories	905	-	-
Trade and other receivables (Note 13)	67,990	1,505	1,464
Trade receivables from related companies (Note 21)	51	799	119
Receivables from public entities	9,593	52	181
Assets for current income tax	1,494	590	573
Other receivables	3,929	-	-
Current investments in related companies (Note 21)	8	2	-
Other current assets	2,008	67	78
Cash and cash equivalents (Note 13)	158,718	9,059	7,296
Non-current assets held for sale (Note 6)	27,717	-	-
Total current assets	**272,413**	**12,074**	**9,711**
Total assets	**3,165,040**	**352,591**	**389,301**

Consolidated financial statements at 31 December 2019, 2018 and 1 January 2018
(Thousands of Euros)

Equity and Liabilities	31/12/2019	31/12/2018	01/01/2018
Equity (Note 14):			
Equity attributed to holders of equity instruments of the Parent:			
Capital	166,671	90,344	90,344
Other reserves	830,034	314,894	347,387
Translation differences	91	(76,061)	(49,955)
Valuation adjustments	3,228	(40,219)	(53,815)
Profit/(loss) for the year attributable to the Parent	227,523	21,197	10,165
	1,227,547	**310,155**	**344,126**
Non-controlling interests (Note 14)	**89,884**	**-**	**-**
Total equity	**1,317,431**	**310,155**	**344,126**
Non-current liabilities:			
Provisions for liabilities and charges	381	-	-
Financial liabilities for the issue of bonds and other negotiable securities (Note 15)	705,185	35,185	36,922
Debts with credit institutions (Note 15)	789,985	-	-
Derivative financial instruments (Note 15)	82,593	-	-
Lease liabilities (Note 10)	28,187	2,212	2,539
Other non-current liabilities	12,614	329	-
Deferred tax liabilities (Note 17)	77,071	1,398	1,402
Total non-current liabilities	**1,696,016**	**39,124**	**40,863**
Current liabilities:			
Provisions for liabilities and charges	-	60	-
Financial liabilities for the issue of bonds and other negotiable securities (Note 15)	25,876	1,803	1,806
Debts with credit institutions (Note 15)	30,552	-	-
Derivative financial instruments (Note 15)	16,508	-	-
Trade payables to associates and related companies (Note 21)	12,229	861	244
Trade and other payables	41,875	161	1,120
Lease liabilities (Note 10)	697	55	11
Liabilities for current income tax	5,781	190	-
Other current liabilities	18,075	182	1,131
Total current liabilities	**151,593**	**3,312**	**4,312**
Total equity and liabilities	**3,165,040**	**352,591**	**389,301**

Celeo Concesiones e Inversiones S.L.
and subsidiaries

Consolidated Income Statements for the years ended 31 December 2019 and 2018
(Thousands of Euros)

	2019	2018
Continuing operations:		
Revenues (Note 19)	46,432	12,562
Other operating income	224	26
Supplies (Note 19)	(7,302)	(319)
Personnel expenses (Note 19)	(2,625)	(2,360)
Depreciation, amortisation, impairment and charges to provisions (Note 19)	(16,187)	(3,002)
Other operating expenses (Note 19)	(7,850)	(2,566)
Impairment and profit/(loss) of disposals of fixed assets	7,744	-
Net profit/(loss) of equity method investees included in the ordinary business activities (Notes 6 and 11)	204,066	19,270
Negative difference on business combinations (Note 6)	14,802	-
Results from operating activities	**239,310**	**23,611**
Finance income (Note 19)	210	-
Finance costs (Note 19)	(9,662)	(1,640)
Exchange (gains)/losses	(2)	8
Profit/(loss) (net) from financial assets measured at fair value	-	(382)
Impairment and profit/(loss) on disposal of financial instruments	(3)	(3)
Loss before income tax	**229,853**	**21,594**
Income tax (Note 18)	(2,657)	(397)
Profit/(loss) from continuing operations	**227,196**	**21,197**
Profit/(loss) for the year	**227,196**	**21,197**
Attributable to:		
Shareholders of the Parent	227,523	21,197
Non-controlling interests (Note 14)	(327)	-

Celeo Concesiones e Inversiones S.L.
and subsidiaries

Consolidated Statements of Comprehensive Income for the years ended 31 December 2019 and 2018
(Thousands of Euros)

	2019	2018
CONSOLIDATED PROFIT/(LOSS)	**227,196**	**21,197**
Other comprehensive income:		
Items that will not be classified to profit/(loss)	-	-
Items that will be reclassified to profit/(loss)		
- Cash flow hedging, net of tax effect (Note 14)	3,976	286
- Translation differences for financial statements of businesses abroad	83,790	(791)
- Share of other comprehensive income of equity-accounted investees	31,833	(12,005)
Other overall income for the year, net of tax	**119,599**	**(12,510)**
Comprehensive income attributable to:	**346,795**	**8,687**
a) Holders of equity instruments of the Parent	347,122	8,687
b) Non-controlling interests	(327)	-

Celeo Concesiones e Inversiones S.L.
and subsidiaries

Consolidated Statements of **Changes in Equity for the years ended 31 December 2019 and 2018**
(Thousands of Euros)

Thousands of Euros	**Capital**	**Share premium**	**Accumulated Reserves**	**Valuation adjustments**	**Translation differences**	**Net profit/(loss) for the year**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**90,344**	**307,214**	**40,173**	**(53,815)**	**(49,955)**	**10,165**	**-**	**344,126**
Total recognised income and expense for 2018	-	-	-	13,596	(26,106)	21,197	-	**8,687**
Distribution of profit/(loss):								
Reserves	-	-	10,165		-	(10,165)	-	**-**
Refund of the share premium (Note 14)	-	(40,109)	-	-	-	-	-	**(40,109)**
Other movements	-	-	(2,549)	-	-	-	-	**(2,549)**
Balance at 31 December 2018	**90,344**	**267,105**	**47,789**	**(40,219)**	**(76,061)**	**21,197**	**-**	**310,155**
Total recognised income and expense for 2019	-	-	-	43,447	76,152	227,523	(327)	**346,795**
Contributions by Shareholder	-	-	6,967	-	-	-	-	**6,967**
Distribution of profit/(loss):								
Reserves	-	-	21,197	-	-	(21,197)	-	**-**
Capital increases (Note 14)	76,327	494,259	-	-	-	-	-	**570,586**
Dividends (Note 14)	-	(8,587)	-	-	-	-	-	**(8,587)**
Change to the consolidated Group	-	-	-	-		-	90,211	**90,211**
Other movements	-	-	1,304	-	-	-	-	**1,304**
Balance at 31 December 2019	**166,671**	**752,777**	**77,257**	**3,228**	**91**	**227,523**	**89,884**	**1,317,431**

Celeo Concesiones e Inversiones S.L.
and subsidiaries

Consolidated Statements of **Cash Flows for the year ended 31 December 2019 and 2018**
(Thousands of Euros)

	2019	2018
Cash flows from operating activities:		
Consolidated income for the year before tax	229,853	21,594
Adjustments by-		
Depreciation, amortisation, impairment and charges to provisions	16,187	2,322
Impairment and profit/(loss) of disposals of fixed assets	(7,744)	-
Provisions for risks and expenses and other provisions (Note 19)	321	-
Net profit/(loss) of equity method investees included in the ordinary business activities (Note 11)	(204,066)	(19,270)
Impairment and net profits/losses on disposal of financial instruments and other assets	3	3
Negative difference in business combinations (Note 6)	(14,802)	-
Financial income (Note 19)	(210)	-
Finance costs (Note 19)	9,662	1,640
Exchange (gains)/losses	2	(8)
Income tax	2,657	397
Funds generated from operations	**31,863**	**6,678**
Changes in operating assets and liabilities::		
Trade and other receivables	290	(41)
Inventories	665	-
Trade and other payables	(2,325)	(872)
Change in other current assets	428	62
Change in other current liabilities	161	(297)
Income tax paid	155	(173)
Net cash flows from operating activities (I)	**31,237**	**5,357**
Cash flows from investing activities::		
Proceeds from business combinations	163,222	-
Payments for acquisition of group companies, associates and jointly controlled entities (Note 6)	(14,249)	-
Payments for acquisition of financial assets (Note 12)	(28)	(191)
Payments for acquisition of property, plant and equipment (Note 9)	(15)	(127)
Payments for acquisition of intangible assets (Note 8)	(47)	-
Proceeds from the disposal of financial assets (Note 13)	-	44
Dividends received (Note 11)	-	40,109
Proceeds from disposal of group companies, associates and jointly controlled entities	8,667	-
Net cash flows used in investing activities (II)	**157,550**	**39,835**
Cash flows from financing activities:		
Cash received from financial debt and other non-current borrow ings (Note 15)	-	24
Interest paid	(28,458)	(1,484)
Payments of financial debt and other non-current borrow ings (Note 15)	(19,050)	(1,860)
Dividends paid (Note 14)	(8,587)	-
Payments from other ow n equity instruments (Note 14)	-	(40,109)
Capital increase and share premium	16,967	-
Net cash flows from financing activities (III)	**(39,128)**	**(43,429)**
Net increase in cash and cash equivalents (I+II+III)	**149,659**	**1,763**
Cash and cash equivalents at beginning of year	9,059	7,296
Cash and cash equivalents at end of year	**158,718**	**9,059**

1. Nature, Activities and Composition of the Group

Celeo Concesiones e Inversiones, S.L. (hereinafter, the Company or Parent) was incorporated with limited liability under Spanish law on 27 April 2009. The Company's registered office and tax address is at Avenida General Perón nº 38, Madrid (Spain).

It carries out the following statutory activities, both in Spain and abroad:

a) The subscription, acquisition, disposal, transfer, holding, management and administration of all types of shares, bonds and equity securities in all types of entities and/or companies engaged in business activities, whether or not they are listed on the stock exchange, expressly excluding the activities of collective investment entities.

b) The holding, operation and management of all types of concessions, subconcessions, management of public services, administrative and joint authorisations and permits for works and services from the Central or Regional Governments, Provincial, Local, Autonomous Institutions and Entities and in general from any foreign State or public Authority, international organisations and institutions.

c) The development, design, exploitation, management, administration, operation, maintenance, conservation and complementary services, as well as the contracting and subcontracting of the construction and execution of infrastructure, public, private and mixed work, production and transmission facilities for all types of energy, and the supply, purification, transformation and treatment of all types of water and waste.

d) The acquisition, transfer, investment, possession and administration of capital and production goods, raw materials and energy, consumer goods, movable and immovable property or real rights of any kind or nature.

e) The provision, both to the companies in which it holds a stake and to third parties, of technical advisory services, financial and legal management, administration, research, financing studies, marketing, technology transfer and other similar benefits related to the management of investee companies, their financial structure or the activities mentioned in the preceding paragraphs.

The Company holds stakes in several subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. The subsidiaries basically carry out the different activities that make up the corporate objects listed above, mainly the promotion, exploitation and management of transmission lines, and also operating plants for generating wind, solar thermal and photovoltaic power. The Group also has investments in associated companies, which are accounted for using the equity method.

The information relating to interests in group companies and associates accounted for using the equity method included in the consolidation of the Celeo Concesiones e Inversiones Group (hereinafter, the Group) at 31 December 2019 and 2018 and 1 January 2018 is shown in Appendix I.

Until 17 December 2019, the Parent, whose shareholders are detailed in Note 14, was controlled by Elecnor, S.A., the ultimate Parent of the Elecnor Group. Elecnor, S.A.'s registered and fiscal office is in Madrid, at Calle Marqués de Mondéjar, 33 (Spain). Elecnor, S.A. and its subsidiaries file consolidated annual accounts prepared according to the International Financial Reporting Standards adopted by the European Union (hereinafter, IFRS-EU), which is why Celeo Concesiones e Inversiones, S.L., did not prepare annual accounts benefiting from the subgroup exception.

Since 17 December 2019, following the capital increase described in Note 14, the Parent is jointly controlled by two shareholders: Elecnor, S.A. with a 51% holding and Pasterze Investments Holding B.V. (hereinafter, APG Group) with a 49% holding. The latter is the company validly incorporated and existing in accordance with the laws of the Netherlands whose registered office and tax address is in Heerlen, Oude Lindestraat, 70, in the Netherlands. Therefore from this date onward, the subgroup exception mentioned above is no longer applicable and the Parent has prepared its first consolidated annual accounts (see Note 6.2).

2. Basisof presentation

a) Basis of presentation and regulatory financial reporting framework applicable to the Group

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Celeo Concesiones e Inversiones, S.L. and of the consolidated companies. The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Celeo Concesiones e Inversiones, S.L. and subsidiaries at 31 December 2019 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

As mentioned in the previous section, the Group had not drawn up consolidated annual accounts in the past, under the exemption provided for in the Code of Commerce for the subgroups of groups whose parent is subject to the legislation of a European Union member country. Consequently these consolidated annual accounts for 2019 are the first that the Group prepares under IFRS-EU, and therefore subject to IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes for 2019 include comparative figures for the previous year, which were obtained using the principles mentioned. The statement of financial position also includes the balances at 1 January 2018 as required under IFRS 1.

These consolidated annual accounts for the years ended 31 December 2019 and 2018, and the consolidated opening statement of financial position at 1 January 2018, have been prepared using the latest version of all applicable standards published by the IASB and adopted by the EU Regulatory Commission, which must necessarily be applied at 31 December 2019, as described in Note 3.

The directors of the Parent consider that the consolidated annual accounts for 2019, drawn up on 04 May 2020, will be approved with no changes by the shareholders at their Annual General Meeting.

These consolidated annual accounts have been prepared on a going concern basis using the historical cost principle, except for business combinations and derivative financial instruments which are measured at fair value and investments in associates which are measured using the equity method.

b) First-time adoption of EU-IFRS

The Group has prepared its consolidated annual accounts for 2019 considering 1 January 2018 as the date of first-time application, according to IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

As stated in Note 1, on the date of first-time application the Group was a subgroup of the Elecnor Group, which since 2005 prepares and draws up its consolidated annual accounts under the IFRS-EU (it adopted the IFRS-EU on 1 January 2004). For the purposes of the consolidated annual accounts preparation of the Elecnor Group, the Company and its subsidiaries prepared a consolidation package in accordance with IFRS-EU.

According to IFRS 1, if a subsidiary adopts the IFRS-EU for the first time later than its parent, that entity will have to measure its assets and liabilities in its financial statements in one of the following ways:

- The carrying amount that would be included in the parent's consolidated financial statements, at the parent's date of transition to IFRS-EU, if no adjustments were made for consolidation and for the effects of the business combination in which the parent acquired the subsidiary; or
- The carrying amounts applying the rest of the IFRS-EU based on the subsidiary's date of first adoption. In this case, the options under IFRS 1 chosen by the subsidiary may differ from those of the parent.

The directors of the Parent have elected to measure the assets and liabilities of the Company in its first consolidated annual accounts for the carrying amounts that were included in the consolidated annual accounts of the last parent, established on the date of its transition to the IFRS-EU, not making any adjustments for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiaries.

c) Adoption of International Financial Reporting Standards (IFRS)

Standards, amendments and interpretations issued, endorsed by the European Union, that the Group expects to adopt as from 1 January 2020 or later (they have not been adopted in advance)

- IAS 1 (Amendments) and IAS 8 (Amendments) “Definition of material or of relative importance”. This amendment clarifies the definition of material or of relative importance and how it should be applied by inclusion in the definition guidance that until now has featured elsewhere in IFRS Standards; improving the explanations accompanying the definition; and ensuring that the definition of material is consistent across all IFRS Standards.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- IFRS 9, IAS 39 and IFRS 7 (Amendments) “Interest Rate Benchmark Reform (IBOR)”. Amendments that make it possible to reduce any possible effects of the uncertainty caused by reforming the IBORs, preventing any disruption of the hedging relationships affected.

Given the Group's activities, the effect of the application of the new standards, amendments or interpretations on the Group's consolidated annual accounts when they are applied for the first time is considered not to be significant for the Group.

Standards and interpretations issued by the International Financial Reporting Standards Board (IFRS), pending approval by the European Union

At the date of preparation of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations that are pending adoption by the European Union:

- IFRS 3 (Amendments) “Business combinations”. IFRS 3 is amended to limit and clarify the definition of a business, and to permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- IAS 1 (Amendments) “Presentation of financial statements: classification of liabilities as current or non-current”. IAS 1 is amended to promote uniformity in application and clarify the requirements for determining whether a liability is current or non-current.

d) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent’s functional and presentation currency.

e) Material accounting estimates and significant assumptions and judgements in applying accounting policies

The information in these consolidated annual accounts is the responsibility of the board of directors of the Parent.

The preparation of the consolidated annual accounts in accordance with IFRS-EU requires the application of significant accounting estimates and the making of judgements, estimates and assumptions in the process of applying the Group's accounting policies. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

Relevant accounting estimates and assumptions

- Business combinations: determination of the fair values of the interests held prior to the business combination and to the determination of the fair values of assets and liabilities acquired (Note 6).

- The evaluation of possible impairment losses on certain assets with an indefinite useful life, including goodwill (Notes 7, 8).

- Ordinary revenues for the provision of services derived from concession contracts within the scope of IFRIC 12 “Service Concession Arrangements”, are recognised considering the degree of completion of the service at the closing date once the corresponding profit margin has been set. For this, each year it is necessary to re-estimate the total costs to be incurred over the entire period of the concession (Note 12).

- Impairment of financial assets: calculated on the basis of expected loss (Notes 12 and 13).

- Recognition and measurement of provisions and contingencies: assumptions for determining the likelihood of occurrence and the estimated amounts of outflows (Note 16).

- Recognition and measurement of deferred tax assets: estimations and assumptions used for assessing the recoverability of tax credits (Note 17).

Although estimates are calculated by the Parent’s directors based on the best information available at 31 December 2019, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

Relevant judgements

The information on judgements made when applying Group accounting policies which have a significant effect on the amounts recognised in the financial statements is included in the following notes:

- Consolidation: determination of control (Notes 6 and 3 b)).

- Leases: classification of leases (Note 10).

- Non-current assets held for sale (Note 11)

f) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes for 2019 include comparative figures for the previous year, with the exception of the consolidated statement of financial position for which it also presents those corresponding to 1 January 2018, as this is the first-time application of the IFRS-EU.

g) Changes to the consolidated Group

The most significant changes arising in the scope of consolidation in 2019 were as follows:

- On 31 July 2019 the Group, through the company Celeo Termosolar, S.L., acquired 42.57% and 44.30% of the holding in the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively, taking over control of those businesses whose corporate object consists of the construction and exploitation of three parabolic trough solar thermal power plants in Extremadura and Castilla-La Mancha (see Note 6).

- On 20 December 2019, the Group sold the company Tramperase, S.L., engaged in project promotion, for Euros 11,774 thousand, having obtained a capital gain of Euros 7,744 thousand, recorded under the heading "Impairment and profit/(loss) of disposal of fixed assets" on the attached consolidated income statement.

- On 17 December 2019 the Group, through the Parent, acquired a 49% holding in the company Celeo Redes, S.L., in which it held a non-controlling interest (see Note 11). The acquisition has taken place by way of a non-cash contribution made by the APG Group to the Parent of 49% of the interests that it held until that date in the Celeo Redes subgroup, in exchange receiving shares in the Parent for a nominal value plus a share premium of Euros 560,493 thousand (see Notes 14 and 6.2). With this acquisition the Sole Shareholder of the Group, Elecnor, S.A., has entered into a shareholders' agreement with the APG Group, for the joint control of the Group, now holding a 51% interest in the Parent, Celeo Concesiones e Inversiones, S.L.

During the year 2018, there were no significant changes to the scope of the consolidated Group, except as explained in Note 11.

3. Accounting principles

a) Subsidiaries

Subsidiaries are entities over which the Company exercises control, either directly or indirectly through subsidiaries. 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.

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

Transactions and balances with Group companies and unrealised profit or loss were eliminated in the consolidation process. However, unrealised losses were considered to be an indicator of the impairment of the assets transferred.

The accounting policies of subsidiaries were adapted to the Group's accounting policies, for transactions and other events that are similar and took place in comparable circumstances.

The annual accounts or financial statements of subsidiaries used in the consolidation process refer to the same presentation date and the same period as those of the Parent.

Non-controlling interests in the net assets of subsidiaries are recognised in equity separately from the Parent's equity. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, i.e. any difference is recognised directly in equity.

In the decreased holding in a subsidiary which entails losing control over it, the Group recognises a profit/(loss) for the difference between the consideration received plus the fair value of any investment held in the entity plus the carrying amount of the non-controlling interests and the carrying amount of the consolidated net assets. Other comprehensive income relating to the subsidiary is transferred entirely to profit/(loss) or reserves depending on its nature. Consolidated net assets include goodwill, inasmuch as the entity disposed of constitutes a business. If the entity disposed of constitutes a business which formed part of a cash-generating unit or a group of cash-generating units to which goodwill had been assigned, the goodwill will be assigned to the part disposed of and to the part retained on the basis of fair value and recoverable value, respectively.

The fair value of the investment retained is the acquisition cost for the purposes of its subsequent measurement according to its classification.

b) Business combinations

The Group applied the exception to the acquisition method provided for in IFRS 1 "First-time Adoption of International Financial Reporting Standards" so only the business combinations made as from 1 January 2004, the date of the Elecnor Group's transition to the IFRS-EU, have been accounted for using the acquisition method. No companies had been acquired prior to that date.

In business combinations, the Group applies the acquisition method.

The acquisition date is the date on which the Group obtains the control of the acquired business.

The consideration paid for the business combination is determined on the acquisition date based on the sum of the fair values of the assets delivered, liabilities incurred or assumed, equity instruments issued and any contingent liabilities that depend on future events or compliance with certain conditions in exchange for the control of the acquired business.

The consideration paid excludes any disbursement not forming part of the exchange for the business acquired. Cost relating to the acquisition are recognised as an expense as they are incurred.

On the acquisition date the Group recognises the assets acquired and the liabilities assumed. Liabilities assumed include contingent liabilities insofar as they represent present obligations arising from past events and their fair value may be reliably measured. The Group also recognises the indemnification assets provided by the seller at the same time and on the same measurement basis as the indemnified item of the business acquired, taking into account, where appropriate, the risk of insolvency and any contractual limitations on the indemnified amount.

Non-current assets or disposal groups of the items classified as held for sale are excluded from the application of this principle.

The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in a separate item on the consolidated income statement.

If the business combination can only be determined provisionally, the identifiable net assets are initially recognised for their provisional values, recognising any adjustments made during the measurement period as if they were known on the acquisition date, restating the comparative figures for the previous year, where appropriate. In any case, any adjustments to the provisional values only include information relating to the facts and circumstances existing on the acquisition date and which, had they been known, would have affected the amounts recognised at that date.

After that period, adjustments are only made to the initial measurement for error corrections.

In business combinations achieved in stages, the excess between the consideration given, plus the value assigned to non-controlling interests, plus the fair value of the prior interest in the business acquired and the net value of the assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests, the prior investment and the identification and measurement of net assets acquired, is recognised in profit/(loss). The Group recognises the difference between the fair value of the prior interest in the business acquired and the carrying amount in consolidated profit/(loss) or in other comprehensive income. The Group also reclassifies the deferred amounts in other comprehensive income corresponding to the prior interest to reserves or profit/(loss), as the case may be.

If the Group has no prior interest in the business acquired, any excess between the value assigned to non-controlling interests, and the net value of the assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

Loss of control

When the Group loses its control over a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the interest retained in the company are recognised at fair value at the date on which control is lost, and any difference is recognised. Other comprehensive income relating to the subsidiary is reclassified to profit/(loss) or reserves depending on its nature.

Non-controlling interests

Non-controlling interests in subsidiaries acquired are recognised on acquisition date by their percentage share of the fair value of identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Non-controlling interests are presented in consolidated equity separately from the equity attributed to the shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement (consolidated total comprehensive income).

The Group's share and the share of the non-controlling interests in the consolidated profit/(loss) for the year (the total consolidated comprehensive income for the year) and the changes in the net equity of the subsidiaries, after considering the adjustments and eliminations resulting from consolidation, it is determined based on the shares held at the end of the year, without considering the possible exercise or conversion of potential voting rights and having discounted the effect of dividends, declared or not, for preferred shares with cumulative rights that have been classified in net equity accounts. However, the Group's share and the share of the non-controlling interests are determined considering the eventual exercise of potential voting rights and other derivative financial instruments that, substantially, currently grant access to the economic benefits associated with shares in the ownership, i.e. the right to future dividends and changes to the value of the subsidiaries.

Profit/(loss) and each component of the other comprehensive income are allocated to the equity attributable to the shareholders of the Parent and to the non-controlling interests in proportion to their investments, even if this results in a debit balance of non-controlling interests. The agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

c) Associated companies

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Non-current assets or disposable groups of items that are classified as held for sale are not amortised and instead they are valued at the lowest of either their book value or their fair value minus the costs of sale or disposal by other means.

The excess between the cost of the investment and the percentage corresponding to the Group in the fair values of the identifiable net assets is recorded as goodwill, which is included in the carrying amount of the investment. The shortfall, after the evaluation of the investment costs and the identification and valuation of the net assets of the associate, is recorded as income for the determination of the investor's stake in the results of the associate in the year in which it was acquired.

If the investment results from the loss of control of a dependent company that was not part of a business, the cost of the investment is the fair value, net of the eliminations of the results derived from the loss of control.

The accounting policies of the associated company have been subject to temporary and valuation homogenisation in the same way as the subsidiaries.

The Group's share in the profit or loss of associates obtained after the acquisition date is accounted for as an increase or decrease in the value of the investments with a credit or debit to share in profit or loss of equity-accounted investees in the consolidated income statement. 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, based on the nature of the investment, in other comprehensive income in the consolidated statement of comprehensive income. 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.

The Group's share of the profit or loss of an associate and changes in equity is calculated to the extent of the Group's interest in the associate at year end and does not reflect the possible exercise or conversion of potential voting rights. However, the Group's share is determined considering the eventual exercise of potential voting rights and other derivative financial instruments that, substantially, currently grant access to the economic benefits associated with shares in the ownership, i.e. the right to future dividends and changes to the value of the associated companies.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate. For the purpose of recognising impairment losses in associates, net investments are considered as the carrying amount of the investment after applying the equity method plus any other item which in substance forms part of the investment in the associate. The excess of the losses over the equity instrument investment is applied to the remaining items in reverse order of settlement. Subsequent profits obtained by associates for which impairment losses are limited to the value of the investment are recognised to the extent that they exceed previously unrecognised losses.

In this sense, if the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, it does not recognise its share in any further losses. The investment in the associate is the carrying amount of the investment determined using the equity method, plus any other non-current portion that, in substance, forms part of the Group's net investment in the associate.

Unrealised profits and losses in transactions between the Group and associated companies are only recognised when they correspond to the interests of other unrelated investors. The recognition of unrealised losses that constitute evidence of impairment of the asset transferred is exempt from the application of this criterion. However, the profits and losses derived from transactions between the Group and associated companies of net assets that constitute a business are recognised in full.

In a decreased holding in an associate that does not entail a loss of significant influence or if the Group loses the joint control of a joint venture and retains significant influence, the Group recognises a profit/(loss) for the difference between the consideration received and the proportional part of the carrying amount of the interest sold. Other comprehensive income corresponding to the proportional part of the associate sold is reclassified to income or expenses or reserves as if the associate had directly sold the assets or liabilities associated with it. If the transaction entails a loss, the Group checks the impairment of the residual investment retained.

Impairment

Once the equity method has been applied, the Group evaluates whether there is objective evidence of impairment of the net investment in the associated entity.

The calculation of the impairment is determined as a result of the comparison of the carrying amount associated with the net investment in the associate with its recoverable value, the recoverable value being the greater of the value in use or the fair value minus the costs of sale or disposal by another means. In this sense, the value in use is calculated based on the Group's share in the current value of the estimated cash flows from ordinary activities and the amounts that may result from the final disposal of the associate.

The recoverable amount of the investment in an associate is measured in relation to each associate, unless it is not a cash-generating unit (CGU).

d) Joint arrangements

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

- Joint ventures: Investments in joint ventures are accounted for using the equity method described above.

- Joint operations: 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 Group’s acquisition of the initial and subsequent interest in a joint operation that constitutes a business, is recognised applying the principles used for business combinations based on the percentage of its interest in the individual assets and liabilities.

e) Foreign currency transactions and balances

Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

Translation of foreign operations

The Group has not opted to apply the exemption relating to accumulated translation differences under IFRS 1 "First-time adoption of the IFRS". The Group has therefore recognised the accumulated translation differences backdated to its date of transition to the IFRS Standards (1 January 2018).

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

These criteria are also applicable to the translation of the financial statements of equity-accounted companies, with translation differences attributable to the Group recognised in other comprehensive income.

Translation differences recorded in other comprehensive income are recognised in results as an adjustment to the result of the sale, following the criteria set out in the sections on subsidiaries and associated companies.

f) Borrowing costs

The Group recognises the costs for interest directly attributable to the acquisition, construction or production of qualified assets as the higher value thereof. Qualified assets are those that require a substantial period of time before they can be used or disposed of. To the extent that the financing was obtained specifically for the qualified asset, the amount of interest to be capitalised is determined based on the actual costs incurred during the year minus the income obtained from the temporary investments made with these funds (Note 3.h).

The capitalisation of interest begins when the expenses related to the assets have been incurred, interest has been incurred and the necessary activities are being carried out to prepare the assets or parts thereof for their intended use or sale and it ends when all or most of the activities necessary to prepare the assets or parts of assets for their intended use or sale have been completed. However, the capitalisation of interest is suspended during periods in which the development of activities is interrupted, if this occurs for a significant period of time, unless the temporary delay is necessary to put the asset into operating condition or for its sale.

g) Non-current assets held for sale

Non-current assets or disposable groups of items, whose carrying amount will be recovered mainly through a sale transaction instead of continuous use, are classified as non-current assets held for sale. In order classify non-current assets or disposable groups of items as held for sale, they must be available in their current condition for sale, subject exclusively to the usual and usual terms applicable to sale transactions and the transaction must be considered highly likely.

Non-current assets or disposable groups of items that are classified as held for sale are not amortised and instead they are valued at the lowest of either their carrying amount or their fair value minus the costs of sale or disposal by another means.

When the Group acquires a non-current asset or disposal group, including subsidiaries and all or part of the investment in associated companies or joint ventures exclusively with a view to their subsequent disposal or swap, it classifies them as held for sale at the acquisition date only if the transaction anticipated is expected to take place within one year and the requirements are met for being considered highly probable that the sale will take place within a short period following the acquisition. At the time of initial recognition of this type of asset, it is initially measured at the value for which it would have been recognised had it not been classified as available-for-sale or for its fair value less costs to sell or other form of disposal, whichever is the lower.

h) Intangible assets

Goodwill

Goodwill is determined following the criteria set out in the section on business combinations.

Goodwill is not amortised, but its depreciation is checked yearly or earlier, if there are indications that an asset may potentially be impaired. For these purposes, goodwill resulting from a business combination is assigned to each of the Group’s cash-generating unit (CGU) or groups CGUs of the Group that are expected to benefit from the synergies of the combination and the criteria are applied as referred to in section j) Value impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment losses related to goodwill may not be reversed in subsequent periods.

Other intangible assets

Intangible assets comprise computer software and rights of way for electricity transmission lines, which are carried at cost, less any accumulated amortisation and impairment losses.

Rights of way for electricity transmission lines have indefinite useful lives and are therefore not subject to amortisation. The Group tests intangible assets for impairment at least annually or whenever there is an indication that intangible assets with indefinite useful lives may be impaired.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Intangible assets are amortised on a straight-line basis over their useful lives.

Impairment of assets

The Group measures and determines the impairment losses and reversals of impairment losses for intangible assets in accordance with the criteria set forth in section k.

i) Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised at cost, minus accumulated depreciation and, if applicable, the accumulated loss due to impairment.

Capitalised costs include borrowing costs on external financing accrued during the construction period on construction work exceeding one year.

Self-constructed assets are recognised at accumulated cost; i.e. external costs plus in-house costs, determined on the basis of warehouse materials consumed, and manufacturing costs calculated using hourly absorption rates similar to those used for the measurement of inventories. In 2019 and 2018 no amounts were recognised for this item in the consolidated income statement.

As the Group does not have to incur significant costs for dismantling related to the closure of its facilities, the accompanying consolidated statement of financial position does not include any related provision.

Subsequent costs

Following the initial recognition of the asset, only the costs incurred that generate future economic benefits that can be classified as probable where the amount of the aforementioned costs can be reliably measured are capitalised. In this regard, the routine maintenance costs for tangible fixed assets are expensed against income when they are incurred.

The replacement of elements of tangible fixed assets subject to capitalisation entail the reduction of the carrying amount of the elements replaced. In cases in which the cost of the elements replaced has not been amortised independently and it was not practical to determine their carrying amount, the replacement cost is used as an indication of the cost of the elements at the time of their acquisition or construction.

Depreciation

Property, plant and equipment is depreciated by distributing the depreciable amount using the straight-line method over its useful life.

Depreciation of property, plant and equipment is determined by applying the following criteria:

	Years of useful life
Buildings	33-50
Technical installations and machinery (*)	10-25
Tools and equipment	3 -10
Furniture and fixtures	3-10
Information technology equipment	3-5
Motor vehicles	2-10
Other fixed assets	3-10

(*) Includes the machinery and facilities used for solar projects, mainly wind turbines.

The Group reviews the residual value, useful life and amortisation method for intangible assets at the end of each year. Changes to initially established criteria are accounted for as a change in accounting estimates.

Impairment of assets

The Group measures and determines the property, plant and equipment's impairment losses and reversals in accordance with the criteria set forth in section k.

The Parent's directors consider that the carrying amount of the assets does not exceed their recoverable amount, which is calculated on the basis of the future cash flows that the assets will generate (Note 3.j).

j) Right-of-use assets and lease liabilities

At the date of first-time application of the IFRS-EU, for leases in which the Group acts as lessee, the Group has decided to measure the lease liability at the present value of the remaining lease payments under the agreement, discounted using the lessee's incremental rate on the date of transition to the IFRS-EU. Right-of-use assets are measured for an amount equal to the value of the liability. The Group has analysed whether a contract existing at the transition date is or contains a lease.

(i) *Identification of a lease*

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, or contains a lease if it grants the right to control the use of the asset identified for a period of time in return for remuneration. The length of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reassesses the conditions when a contract is amended.

(ii) *Lessee accounting records*

In contracts that contain one or more lease components and other than for leases, the Group considers all the components as a single lease component.

The Group has elected to not apply the accounting policies indicated below for short-term leases and those in which the value of the underlying asset is less than the equivalent of Euros 5,000 thousand. At 31 December 2019 the heading Right-of-use assets mainly relates to leases for premises and for the land where the photovoltaic power stations and solar thermal power plants are located. In contracts of this kind, the Group recognises payments on a straight-line basis during the term of the lease.

At the commencement of the lease term, the Group recognises a right-of-use asset and a lease liability.

The right-of-use asset is composed of the amount of the lease liability, any lease payment made on or before the starting date, less any incentives received, the direct start-up costs incurred and an estimate of the costs to be incurred for dismantlement and restoring the site, as indicated in the accounting policy for provisions.

The Group measures the lease liability as the present value of the lease payments which are outstanding at the commencement date. The Group discounts the lease payments at the appropriate incremental interest rate, unless it can reliably determine the implicit interest rate of the lessor. In this respect, the lease liability has been initially measured using the incremental interest rate, which represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group uses different discount rates for each country and based on the remaining lease terms; the discount rates used are 4.95% for leases in Spain, between 4.96% and 5% for leases in Chile and between 9% and 10.56% for leases in Brazil; based on the length of the contracts which is where most of the leases subject to this standard are located.

The outstanding lease payments are composed of fixed payments, less any incentives receivable, variable payments that depend on an index or rate, valued initially at the index or rate applicable on the starting date, amounts that are expected to be paid under residual value guarantees, the price for exercising the purchase option the exercise of which is reasonably certain and the indemnity payments for termination of the contract, provided that the lease term reflects the exercise of the termination right.

The Group measures right-of-use assets at cost, less accumulated depreciation and any impairment losses, adjusted by any reassessment of the lease liability.

If the contract transfers ownership of the asset to the Group at the end of the lease term or if the right-of-use asset includes the price of the purchase option, the depreciation criteria indicated in the section for property, plant and equipment are applied from the lease commencement date until the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the starting date until the date of the useful life of the right or the end of the lease term.

The Group applies the criteria for impairment of non-current assets set out in section "k" to right-of-use assets.

The Group measures the lease liability increasing it by the interest accrued, decreasing it by the payments made and reassessing the carrying amount due to any amendments to the lease or to reflect any reviews of the in-substance fixed lease payments.

The Group records any reassessments of the liability as an adjustment to the right-of-use asset, until it is reduced to zero, and subsequently in profit/(loss).

The Group reassesses the lease liability discounting the lease payments at an updated rate, if any change is made to the lease term or any change in the expectation of the purchase option being exercised on the underlying asset.

The Group reassesses the lease liability if there is any change in the amounts expected to be paid for a residual value guarantee or any change in the index or rate used for determining payments, including any change for reflecting changes in market rents once these have been reviewed.

k) Impairment of the value of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

Likewise, regardless of the existence of any indication of impairment, the Group reviews, at least once yearly, the potential impairment that might affect goodwill and intangible assets with an indefinite useful life - Rights of way for electricity transmission lines.

The recoverable amount is calculated for each individual asset, unless it cannot be estimated. In this case, the recoverable amount is determined for the cash generating unit (CGU) to which these assets belong. In this sense, the electric easements do not generate cash flows independently and therefore, in order to analyse their possible impairment, the flows of the CGU to which they belong will be used.

The recoverable amount of the assets is the higher of their fair value less costs and their value in use.

The asset's value in use is calculated as a function of the estimated future cash flows deriving from the use of the asset, the expectation about possible changes in timing of those 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 expected to derive from the asset.

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the difference with a charge to depreciation, amortisation, impairment and provisions in the attached consolidated income statement.

At each closing date, the Group tests for any signs that the impairment recognised in previous years no longer exists or may have diminished. Impairment losses corresponding to goodwill cannot be reversed. Impairment losses on assets other than goodwill are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

l) Administrative concessions

The Group operates certain assets through service concession arrangements granted by different public sector entities.

Based on the characteristics of the contracts, the Group analyses whether they fall within the scope of IFRIC 12, “Service Concession Arrangements”.

For concession arrangements subject to IFRIC 12, construction and other services rendered are recognised using the revenue recognition criteria.

In this way, the fair value of the service provided will be similar to the fair value of the total consideration received minus the cost of construction.

Given that the Group provides various services (construction, maintenance and operation) under these contracts, revenue is recognised based on the fair value of each service rendered.

The Group accounts for the consideration received for construction contracts as a financial asset to the extent that there is an unconditional contractual right to receive cash or another financial asset either directly from the transferor or from a third party.

Consequently:

- The concessions for electricity transmissions in Brazil in which the Celeo Redes subgroup participates are regulated under the pertinent Concession Contract signed between the Concessionaria de Transmissão (the concession operator) and the Brazilian Electricity Regulatory Agency (ANEEL).

- The Concession Contract regulates the concession operator's obligation to construct infrastructures and operate the installations for a period of 30 years. As a counterparty, the contract establishes the unconditional right to receive cash from the concession operator, through the setting of a fixed and quantified remuneration, the Permitted Annual Revenue (RAP), which the concession grantor will receive during the period of operation of the infrastructure.
- The RAP is updated periodically to reflect the effect of certain economic variables, particularly inflation.
- The concession operator's responsibility is limited to maintaining the infrastructure available for use, and remuneration remains unchanged irrespective of whether the infrastructure is used or not.
- There is a protocol of penalties applied by ANEEL for circumstances in which the infrastructure is not available for reasons attributable to the concession operator but these are limited to a maximum of 12.5% of the RAP for the last 12 months, i.e. 87.5% of the RAP is collected in any case. These penalties have been immaterial in recent years.

Maintenance and operation services

The Group recognises revenues from maintenance and operation services in concession contracts as explained in section q.1.

m) Financial instruments

Recognition and classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument developed in IAS 32 "Financial instruments: Presentation".

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

For valuation purposes, the Group classifies financial instruments in the categories of financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading or compulsorily valued at fair value through profit or loss, financial assets and liabilities valued at amortised cost and financial assets valued at fair value through other comprehensive income, separating the equity instruments so designated from other financial assets. The Group classifies financial assets other than those designated at fair value through profit or loss and equity instruments designated at fair value through other comprehensive income based on the business model and the characteristics of the contractual flows. The Group classifies financial liabilities as valued at amortised cost, except those designated at fair value through profit or loss and those held for trading.

The Group classifies a financial asset at amortised cost if it is maintained within the framework of a business model whose objective is to hold financial assets to obtain contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount (SPPI).

The Group classifies a financial asset at fair value through other comprehensive income if it is maintained within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

The business model is determined by the Group's key personnel at a level that reflects the way in which they jointly manage groups of financial assets to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual amounts received during the life of the instrument. The Group manages the assets that are held in the portfolio to receive these specific contractual cash flows. To determine whether the cash flows are obtained through the collection of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for the sales and the expectations related to future sales activity. However, the sales themselves do not determine the business model and, therefore, cannot be considered in isolation. Instead, it is the information on past sales and future sales expectations that provides indicative data on how to achieve the Group's stated objective with respect to the management of financial assets and, more specifically, the way in which the cash flows are obtained. The Group considers the information on past sales with the context of the reasons for these sales and the conditions that existed at that time in comparison with the current conditions. For these purposes, the Group considers that commercial debtors and accounts receivable that are going to be transferred to third parties and that will not lead to their derecognition, remain within the scope of this business model.

Although the objective of the Group's business model is to maintain financial assets to receive contractual cash flows, the Group does not maintain all of the instruments until maturity. Therefore, the Group has as a business model the holding of financial assets to receive contractual cash flows even if sales of these assets have occurred or are expected to occur in the future. The Group considers that this requirement is fulfilled as long as the sales are due to an increase in the credit risk of the financial assets. In all other cases, at an individual and aggregate level, the sales must be insignificant if they are frequent or infrequent if they are significant.

The contractual cash flows that are SPPI are consistent with a basic loan agreement. In a basic loan agreement, the most significant elements of interest are generally consideration for the time value of money and credit risk. However, in an agreement of this type, the interest also includes consideration for other risks, such as liquidity and costs, including the administrative aspects of a basic loan associated with the holding of the financial asset for a certain period. Furthermore, the interest can include a profit margin that is consistent with a basic loan agreement.

The Group designates a financial liability at the beginning at fair value through profit or loss, if doing so eliminates or significantly reduces any inconsistency in the assessment or recognition that would otherwise arise, if the valuation of the assets or liabilities or the recognition of their results are carried out on different bases or if a group of financial liabilities or financial assets and financial liabilities is managed and its yield is evaluated based on its fair value, in accordance with a documented investment or risk management strategy, and information related to this group is provided internally on the same basis to the key personnel of the Group's management.

The Group classifies all other financial liabilities, except for financial guarantee contracts, commitments to grant loans at an interest rate that is lower than the market rate and financial liabilities resulting from a transfer of financial assets that do not meet the requirements for derecognition or that are recognised using the continuing involvement approach, as financial liabilities at amortised cost.

Category of financial instruments at fair value

The following table shows an analysis of financial instruments that at 31 December 2019 and 2018 are measured at fair value subsequent to their initial recognition, grouped into levels from 1 to 3, depending on the system used for calculating fair value:

- Level 1: their fair value is obtained from direct observation of their listing on active markets for identical assets and liabilities.
- Level 2: their fair value is determined from observation of the inputs market, different inputs to the quoted prices included in Level 1 and which are observable for assets and liabilities, whether directly (as price) or indirectly (derived from prices).
- Level 3: their fair value is determined using measurement methods that include inputs for the assets and liabilities not directly observable on the markets.

	Fair value at 31 December 2019			
	Thousands of Euros			
	Level 1	**Level 2**	**Level 3**	**Total**
Non-current liabilities				
Derivative financial instruments (Note 15)	-	82,593	-	82,593
Current liabilities				
Derivative financial instruments (Note 15)	-	16,508	-	16,508
	-	**99,101**	-	**99,101**

At 31 December 2018 the Group had no financial instruments measured at fair value after initial recognition.

Financial assets and liabilities at amortised cost

Financial assets and liabilities ate amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Impairment

The Group recognises in profit or loss a value correction for the expected credit losses of financial assets valued at amortised cost, fair value through other comprehensive income, accounts receivable for financial leases, contract assets, loan commitments and financial guarantees.

For financial assets designated at fair value through other comprehensive income, the expected loss of credit is recognised in other comprehensive income and does not reduce the fair value of the assets.

The Group evaluates the valuation adjustment at each closing date at an amount equal to the expected credit losses in the following twelve months for financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

When evaluating whether there is a significant increase in credit risk, the Group considers all reasonable and justifiable forward-looking information, specifically:

- Internal and external credit risk ratings;
- Current or expected adverse changes in the business, financial or economic conditions that could cause a significant change to the borrower's ability to meet their obligations;
- Current or expected significant changes to the borrower's operating income;
- Significant increases in the credit risk for other financial instruments of the same borrower;
- Significant changes to the value of the guarantee that supports the obligation or the quality of the guarantees or improvements of the credit of a third party;

Notwithstanding, the Group recognises the expected loss of credit over the life of the instrument for trade debtors or contract assets.

Interest and dividends

The Group recognises interest using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and without considering the expected credit losses, except for financial assets acquired or originated with incurred losses.

Dividends from investments in equity instruments are recognised in profit or loss when the Group is entitled to receive them, it is likely to receive the economic benefits and the amount can be reliably estimated.

Derecognitions and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications to initially recognised liabilities are recognised as an extinguishment of the original financial liability and recognition of a new financial liability, provided the instruments have substantially different terms.

The Group considers that the terms are substantially different if the current value of the cash flow discounted under the new terms, including any fees paid net of any fees received, and using for the purpose of the discount the original effective interest rate, differs by at least 10 per cent from the current discounted value of the remaining cash flows of the original financial liability.

If the exchange is recognised as the extinguishment of the original financial liability, the costs or fees are recognised in profit and loss. Otherwise, the modified cash flows are discounted at the original effective interest rate, recognising any difference with the previous carrying amount in profit or loss. Furthermore, the costs or fees adjust the liability's carrying value and are amortised using the amortised cost method during the remaining life of the modified liability.

The Group recognises the difference between the carrying amount of the financial liability or of a part of it that is cancelled or assigned to a third party and the consideration paid, including any asset transferred other than the cash or liability charged to profit or loss.

Hedge accounting

Derivative financial instruments are initially recognised using the criteria set out above for financial assets and liabilities. Derivative financial instruments that do not meet the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair value through changes in profit and loss. Derivative financial instruments that do meet the criteria for hedge accounting are initially recognised for their fair value, plus, where appropriate, any transaction costs that are directly attributable to acquiring them less, where appropriate, any transaction costs that are directly attributable to their issue. Nevertheless, transaction costs are recognised subsequently in income, as they do not form part of the effective change in the hedge.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. The documentation includes the identification of the hedging instrument, the item hedged, the nature of the risk hedged and the manner in which the Group measures the effectiveness of the hedge.

The accounting for hedging transactions only applies when there is an economic relationship between the item hedged and the hedging instrument, the credit risk does not have a dominant effect on the changes in value resulting from that economic relationship and the hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually uses to hedge that amount of the hedged item. However, this designation must not reflect an imbalance between the weights of the hedged item and the hedging instrument that generates a hedge ineffectiveness, regardless of whether or not it is recognised that could give rise to an accounting result that is contrary to the purpose of the hedge accounting.

For cash flow hedges of the forecast transactions or a component of them, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group evaluates whether or not the relationship meets the requirements of effectiveness prospectively both at the beginning of the hedging relationship and continuously thereafter. At the end of each year or when significant changes occur that affect the effectiveness requirements, the Group evaluates their effectiveness.

The Group carries out a qualitative evaluation of the effectiveness, as long as the fundamental conditions of the instrument and of the hedged item match. When the fundamental conditions do not match fully, the Group uses a hypothetical derivative with fundamental conditions that are equivalent to the hedged item to evaluate and measure the inefficiency.

The Group only designates assets, liabilities, firm commitments and transactions that are highly likely as hedged items. The item hedged may be a single item or a group of items.

Cash flow hedges

The Group recognises in other comprehensive income the losses or gains from the valuation at fair value of the hedging instrument that correspond to the part that has been identified as an effective hedge.

For the hedges of transactions expected that result in the recognition of a financial asset or liability, the associated losses or profits that have been recognised in other comprehensive income are reclassified and charged to the results for the same year or the years during which the asset acquired or the liability taken on affected the result in the same section of the consolidated income statement.

Discontinuation of hedge accounting

If the hedge relationship ceases to fulfil the requirements for effectiveness in respect of the hedge ratio, but the risk management objective remains the same for that relationship, the Group adjusts the hedge ratio so that the criteria for the hedge relationship continue to be met (rebalancing). The rebalancing refers to the adjustments made to the designated amounts of the item hedged or of the hedging instrument for an existing relationship, intended to maintain the hedge ration that meets the hedge effectiveness requirements. The Group recognises the rebalancing as a continuation of the hedge relationship. On the rebalancing date the Group determines the ineffectiveness of the relationship and recognises any ineffectiveness in profit/(loss).

The Group only discontinues the hedge relationship prospectively if all or part of the hedge relationship fails to meet the requirements specified. This includes situations in which the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiry or termination if that operation is consistent with the Group's documented risk management objective.

In cash flow hedges, the cumulative amount in other comprehensive income is not taken to profit/(loss) until the forecast transaction occurs. Notwithstanding the above, cumulative amounts recognised in other comprehensive income are reclassified as finance income or expenses when the Group does not expect the forecast transaction to take place.

n) Inventories

This heading of the consolidated statement of financial position contains the assets that Group expects to consume in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of items that are not ordinarily interchangeable is assigned by using specific identification of their individual costs; the weighted average cost is used for the remainder.

Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

o) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows corresponding to interest received and paid and dividends received and paid as financing and investment activities.

p) Provisions

The Group recognises provisions for the estimated amount required to settle its liabilities, whether legal or constructive, probable or certain, associated with contingencies, ongoing litigation or obligations, when such liabilities arise as a result of past events, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are recognised when the liability or obligation arises, with a charge to the relevant consolidated income statement heading based on the nature of the obligation, and for the present value thereof, when the effect of discounting the obligation is material.

The amounts recognised in the consolidated statement of financial position relate to the best estimate at year end of the expenditure required to settle the present obligation, after taking into account the risks and uncertainties associated with the provision.

Provisions are reversed against results when it becomes unlikely that outflows will be required to cancel the obligation. The reversal is made against the item of profit/(loss) in which the corresponding expense is recorded, and any excess is recognised in the item Other income.

Contingent liabilities relating to possible obligations (dependent on the occurrence or non-occurrence of uncertain future events) or to present obligations that do not qualify for the recognition of a provision (because they are not probable or they cannot be measured reliably) are not recognised.

q) Revenue recognition

Revenue from sales and services rendered is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes.

q.1 Services rendered

Ordinary income from rendering services is recognised considering the degree of completion of the rendering at the balance sheet date, providing that the result of the transaction may be reliably estimated. This is the case when the amount of revenues, degree of completion, costs already incurred and those pending can be reliably measured and it is likely that the economic rewards deriving from rendering the service will be received.

q.2 Interest and dividends

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.

Dividends from investments in equity instruments are recognised in profit or loss when the Group is entitled to receive them.

q.3 Contract amendments

The Group recognises contract amendments once they have been approved by the parties.

The Group recognises a contract amendment as a separate contract when:

a) the scope of the contract is increased due to the addition of goods or services that are different and;

b) The contract price is increased by an amount that reflects the individual price of the additional goods or services, plus any adjustment to reflect the particular circumstances of the contract.

If there is no separate contract, the original contract finalises, to the extent that the residual goods or services are different from those previously delivered. In this case, the Group recognises the residual and the new consideration, on a prospective basis, with the obligations or different goods or services within an obligation, yet to be delivered.

Otherwise, the amount of the amendment is allocated to all the obligations, including any that may have been delivered previously, recognising an adjustment to the income earned to date.

The Group allocates the changes in the transaction price to the contract obligations in the same way as at the start of the contract, so the Group does not reallocate the transaction price to reflect the changes in the independent selling prices after the start of the contract. The amounts allocated to obligations met are recognised as income or a reduction of income once the amendment takes place. The Group recognises a change in the transaction price using the preceding criteria for contract amendments.

Nevertheless, in the case of a change in transaction price occurring after a contract amendment, the Group allocates the effect of the change to the obligations identified prior to the amendment, inasmuch as the price change is attributable to a variable consideration pledged before the amendment and the amendment is not booked as a separate contract, but as a finalisation of the original contract. In all other occasions when the amendment is not booked as a separate contract, the Group allocates the change in the transaction price to the obligations of the amended contract, that is to say, to the obligations that were yet to be performed or partially pending performance after the amendment.

In contract amendments accepted by the parties but in which the transaction price is not yet approved, the Group recognises the amendment for the amount for which it is expected to be highly likely that there will be no significant reversal of the income. The Group adjusts the estimates of the transaction price at each reporting date.

r) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount payable or recoverable for taxes on consolidated fiscal profit or loss in the year. Current tax assets or liabilities of income are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are corporate income tax amounts payable in the future relating to temporary differences, while deferred tax assets are corporate income tax amounts recoverable due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application. In this connection, a temporary difference is understood to mean the difference between carrying the value of assets and liabilities and their taxable base.

Current or deferred income tax is recognised in profit and loss unless there is a transaction or economic event that has been recognised in the same financial year or another year, against net equity or from a business combination.

Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases, except when:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income;
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

Recognition of deferred tax assets

The Group recognises deferred tax assets providing:

- it is probable that sufficient taxable income will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised;
- they correspond to temporary differences associated with investments in subsidiaries, associates and joint ventures that will reverse in the foreseeable future and sufficient taxable profit is expected to be generated against which the temporary differences can be offset.

It is considered likely that the Group will obtain sufficient taxable profits in the future to offset deferred tax assets, provided there are sufficient deductible temporary differences, relating to the same tax authority and referring to the same taxpayer, the reversal of which is expected in the same tax year as the deductible temporary differences are expected to be reversed or in years in which a tax loss emanating from a deductible temporary difference may be offset against prior or subsequent profit.

In determining future taxable profit, the Group takes into account tax planning opportunities, provided it intends to adopt them or is likely to adopt them.

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by the applicable tax rates in the years in which the assets are expected to be realised or the liabilities paid, based on rules and rates that are approved or about to be approved and having considered the fiscal consequences deriving from the manner in which the Group expects to recover the assets or settle the liabilities.

At the end of each year, the Group reviews the carrying value of deferred tax assets with a view to reducing that value to the extent that it is not likely that there will be sufficient future tax credit carryforwards to offset them.

Deferred tax assets that do not meet the aforementioned criteria are not recognised in the consolidated statement of financial position. At the end of each year, the Group reviews whether or not the conditions have been fulfilled to recognise deferred tax assets that have not previously been recognised.

Tax uncertainties

If the Group considers it unlikely that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, it takes that uncertainty into account for determining the taxable income, tax bases, tax credits for tax loss carryforwards, deductions or tax rates. The Group determines the effect of uncertainty on its Corporation Tax return using the expected value method if the range of possible outcomes is very disperse, or the most likely outcome method if the outcome is binary or centred on one value. In those cases in which tax assets or liabilities calculated using these criteria are greater than the amount stated in the voluntary tax settlements, they will be shown as current or non-current in the consolidated statement of financial position based on the expected date of recovery or settlement and, where appropriate, taking into account the amount of the corresponding late-payment interest on the liability as it accrues in the income statement. The Group records changing facts and circumstances regarding tax uncertainties as a change in estimates.

The Group recognises and shows penalties in accordance with the accounting policy indicated for provisions.

Classification

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

s) Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities. The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.

- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents. The Group classifies the interest and dividends received as investment activities.

- Financing activities. Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

The cash flows from operating activities relate to the Group's routine operations.

The net cash flows from investment activity are mainly caused by new investments in subsidiaries, other intangible assets, property, plant and equipment, rights of use and concessions (see Notes 6, 8, 9, 10 and 12).

Additionally, the net cash flows from financing activities mainly correspond to amortisation of financial liabilities according to the contractual calendar and the refund of the share premium (see Notes 14 and 15).

t) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as “Other operating expenses” in the period in which they are incurred.

Property, plant and equipment acquired by the Group for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group’s activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section h).

4. Financial Risk Management Policy

The Group is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring, supervising and limiting the concentration of risks. Financial risk management and containment is performed on a coordinated basis by corporate management and the various business units and subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

Currency risk

Exchange risk arises from transactions that the Group performs on the international markets during the course of its business. Certain income and procurement costs are denominated in currencies other than the functional currency of each country where the subsidiaries operate. For this reason, the risk of fluctuating exchange rates of these currencies against the functional currency could have an impact on the Group's profit/(loss).

In order to manage and minimise this risk, the Group uses hedging strategies, since its objective is to generate income only through its ordinary business and not by speculating on exchange rate fluctuations. The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency.

At 31 December 2019, the Group's most significant foreign currency balances corresponded to the debt in UF held by the Chilean subsidiaries whose functional currency is the US dollar, (see Note 14).

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities pegged to floating interest rates. The Group actively manages its exposure to interest rate risk in order to mitigate its exposure to the changes in interest rates resulting from the debts taken on with a variable interest rate, and, where appropriate, using hedging instruments to minimise the interest rate for the funding. The hedging instruments, which are specifically assigned to financial debt, are limited to the same nominal value and are essentially IRSs, the aim of which is to convert loans originally arranged at variable rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.

Additionally, as mentioned in Note 15, at 31 December 2019 with the entry of the Celeo Redes subgroup, the Group had bonds issued in the capital market at a fixed interest rate in 2017 and 2019.

Liquidity risk

Liquidity risk is mitigated through the Group's policy of holding cash and highly liquid, non-speculative, short-term instruments through leading banks in order to be able to meet its future commitments, and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

The maturities of financial liabilities are itemised in Note 15

With regard to transmission lines of the Celeo Redes subgroup which entered the Group on 17 December 2019 (see Note 6), specifically those operated as concessions in Brazil, the Operador Nacional do Sistema Eléctrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession operator of the companies from which collections must be made: generators, large consumers and transmission entities connected to the system. Prior to connecting to the system, these companies deposit a guarantee. In the event of default, the guarantee is executed and they are immediately disconnected from the system, with the payment obligation distributed among the remaining system users. The concession operator's collections are therefore guaranteed by the national electricity system.

The transmission lines of the Celeo Redes subgroup in Chile belong to that country's national grid (previously known as the backbone system), in which the National Electrical Coordinator (CEN) coordinates the flow of payments to transmission companies. From 2019 the companies that generate or distribute electricity are responsible for making payments to the transmission companies, thus portfolio of payers is diversified. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Credit risk

The main credit risk arises from trade receivables, when the counterparty or customer fails to meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, the Group has customers with very high credit ratings. Additionally, an analysis is carried out of the customer's financial creditworthiness and specific conditions are included in the contract aimed at guaranteeing that the price will be received.

In the case of the renewable projects in Spain, under the Electricity Regulation Framework in force, the power generated is sold on the Iberian Electricity Market (MIBEL), receiving revenue from the market operator OMIE with a system of guaranteed payments and guarantee from the National Commission on Markets and Competition CNMC, the entity regulating the electricity markets in Spain, under the Ministry of Industry.

The Group always tries to maximise the measures that are being taken to mitigate this risk and to regularly analyse its exposure to credit risk, making the corresponding valuation adjustments for impairment. At 31 December 2019 and 2018 there were no past-due receivables or impaired balances (see Note 13.a).

Regulatory risk

Regulatory Risk and, in particular, risk relating to renewable energy, is closely monitored by the Group in order to adequately record its impact on the consolidated income statement.

5. Distribution of profit/(loss):

The directors of the Parent will propose to the shareholders at their Annual General Meeting that the losses for the year ended 31 December 2019 should be carried forward as prior years' losses.

The distribution of the profits of the Parent for the year ended 31 December 2018, approved by the Sole Shareholder on 28 May 2019, consisted of allocating Euros 4,329,082 to the legal reserve and transferring the remainder to accumulated loss from previous years:

	Euros
Balance	
Profit for the year	43,290,807
Distribution	
Legal reserve	4,329,081
Offsetting of losses from previous years	38,961,725
	43,290,806

At 31 December 2019 non-distributable reserves amounted to Euros 4,720,268 and in both years corresponded entirely to the legal reserve (Euros 391,186 in 2018).

6. Business combinations

6.1 Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L.

On 31 July 2019, the Group, through the company Celeo Termosolar, S.L, acquired holdings of 42.57% and 44.30% in Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively. At that time the Group held a non-controlling interest in both companies (see Note 11). Both companies have their registered offices in Madrid and their main activity is the construction and exploitation of three parabolic trough solar thermal power plants in Extremadura and Castilla-La Mancha.

During the period between the acquisition date and year end, the business acquired has generated regular income and consolidated profit/(loss) for the Group amounting to Euros 35,133 thousand and losses of Euros 108 thousand, respectively.

If the acquisition had taken place at 1 January 2019, the regular income of the Group and consolidated statement income for the year ended on 31 December 2019 would have been higher by Euros 55,425 thousand and lower by Euros 1,046 thousand, respectively.

The breakdown of the consideration paid, the fair value of the net assets acquired and the excess in net assets acquired over the cost of the combination is as follows:

	Thousands of Euros	
	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.
Consideration paid		
Cash paid	3,403	10,846
Total consideration paid	3,403	10,846
Non-controlling interests	735	-
Fair value of the prior investment in the business	12,910	24,169
Fair value of the net assets acquired	23,473	43,392
Excess in net assets acquired over the acquisition cost	6,425	8,377

The amount of the excess in net assets acquired over the acquisition cost, amounting to Euros 14,802 thousand, was recognised in the item “Negative difference on business combinations” on the attached consolidated income statement for 2019.

The measurement at fair value of 55% and 55.7% of the previous non-controlling interests held in the businesses acquired (Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively), amounting to Euros 46,332 thousand, has entailed recognising a loss for a total figure of Euros 9,253 thousand, which has been recognised under the item “Profit/(loss) for equity method investees included in the ordinary business activities” on the consolidated income statement for 2019.

In addition, the transfer to the income statement of the valuation adjustments of the Celeo Group in equity at the date of taking over control associated to the interests in those companies has entailed the recognition of a loss for a total of Euros 47,445 thousand, which was recognised under the item “Profit/(loss) for equity method investees included in the ordinary business activities” on the consolidated income statement for 2019.

The fair value of the main assets acquired and liabilities assumed is shown below:

	Thousands of Euros	
	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.
Assets		
Right-of-use assets (Note 10)	-	19,159
Property, plant and equipment (Note 9)	214,191	410,083
Current assets	15,901	31,958
Other assets (Note 12)	4,358	125
Deferred income tax assets (Note 17)	26,928	53,823
Liabilities		
Long-term debt and derivatives	215,967	420,020
Current liabilities	15,346	27,009
Other liabilities	2,773	8,596
Deferred income tax liabilities (Note 17)	3,819	16,131
Total net assets	23,473	43,392
Amount paid in cash	3,403	10,846
Cash and cash equivalents of the company acquired	6,220	12,155
Cash effect of the acquisition	(2,817)	(1,309)

The calculation criterion for the main assets and liabilities at the time of taking control is shown below:

- Licence: measured using the Multi Excess Earnings Method (MEEM) which calculates the value of the asset as the sum of expected future excess earnings discounted to their present value after deducting the contributory asset charges. The key parameters used for measuring this intangible were the EBITDA and a 6.52% discount rate. This asset has been valued at 20 million euros and is recorded in Property, plant and equipment.

- Property, plant and equipment: they are measured using the depreciated replacement cost method.

- Deferred assets: measured on the basis of the best estimate of future taxable earnings and tax legislation in force at the time of taking control.

6.2 Celeo Redes subgroup

On 17 December 2019 the Group, through the Parent, acquired 49% of the participation in the company Celeo Redes, S.L. The Group at that date had a non-controlling interest in that company (see Note 11). Celeo Redes, S.L. has its registered offices in Madrid and its main activity is the development, design, exploitation, management and maintenance of production and transmission facilities for all types of energy, and the supply, purification, transformation and treatment of all types of water and waste. Celeo Redes, S.L. is the head of a subgroup of subsidiaries based in Chile and Brazil which mainly develop, operate and manage transmission lines.

If the acquisition had taken place at 1 January 2019, the regular income of the Group and consolidated results for the year ended on 31 December 2019 would have been higher by Euros 127,784 thousand and Euros 16,591 thousand Euros, respectively.

The purchase price, paid on 17 December 2019, consists of the Parent handing over its 7,582,215 newly created shares, each with a nominal value of Euros 10, valued at a total of Euros 560,493 thousand. The new shares are created with a total share premium of Euros 484,671 thousand, i.e. a share premium of Euros 63.92 per share (see Note 14 a).

The breakdown of the consideration paid, the provisional fair value of the net assets acquired and the provisional goodwill on consolidation is as follows:

	Thousands of Euros
Consideration paid	
Shares of the Parent handed over	560,493
Total consideration paid	560,493
Non-controlling interests	89,476
Fair value of the prior investment in the business	583,371
Fair value of net assets acquired	550,997
Goodwill	682,343

The measurement at fair value of 51% of the previous interests held in the business acquired, amounting to Euros 256,903 thousand, has entailed recognising a profit for a total figure of Euros 326,468 thousand, which has been recognised under the item “Profit/(loss) of equity method investees included in the ordinary business activities” on the consolidated income statement.

In addition, the transfer to the income statement of the translation differences and valuation adjustments of the Group in equity at the date of taking over control associated to the interest it held in the Celeo Redes subgroup, a loss of Euros 83,753 thousand and a profit of Euros 2,111 thousand respectively, has entailed a total loss of Euros 81,642 thousand which was recognised under the item “Profit/(loss) for companies involved in the regular business activity using the equity method” on the consolidated income statement.

The provisional fair value of the main assets acquired and liabilities assumed is shown below:

	Thousands of Euros
	Celeo Redes subgroup
Assets	
Other intangible assets (Note 8)	76,137
Right-of-use assets (Note 10)	4,889
Property, plant and equipment (Note 9)	568,564
Investments accounted for using the equity method (Note 11)	99,433
Non-current financial assets (Note 12)	707,908
Deferred income tax assets (Note 17)	2,274
Current assets	228,128
Liabilities	
Long term debts and other financial liabilities (Note 15)	967,176
Lease liabilities (Note 10)	5,010
Other non-current liabilities	6,981
Deferred income tax liabilities (Note 17)	55,364
Current liabilities	101,805
Total net assets	550,997
Cash and cash equivalents of the company acquired	144,847
Cash effect of the acquisition	(144,847)

At the date of drawing up these consolidated annual accounts, considering the date on which the business combination took place, the Group is in the process of allocating the purchase price corresponding to the acquisition following the principles of IFRS 3 *Business combinations*. Under this standard, the fair value of certain assets acquired and liabilities assumed is based on the best information available on the acquisition date. The business combination has given rise to provisional goodwill amounting to Euros 682,342 thousand. The allocation of the price should be considered as provisional and the amounts for the fair value of assets acquired and liabilities assumed will be modified during 2020, based on more information available, following the criteria provided for in that standard. Under applicable legislation, the Group directors have one year from the acquisition date, to present final figures. At today's date it is estimated that, on the basis of the definitive allocation of the purchase price, the values of the operating licences for the businesses in Chile and Brazil will be recognised, and also an adjustment in the value of non-current financial assets in respect of their acquisition-date fair value.

As the date when control was acquired was 17 December 2019, the values of assets acquired and liabilities assumed at 31 December 2019 were taken as being the allocation of the purchase price. The possible impact on the consolidated income statement for 2019 is not considered to be relevant.

7. Goodwill

The breakdown of the balance under the heading “Intangible assets – Goodwill” on the consolidated statements of financial position for 2019 and 2018, based on the companies from where it originates, and the changes during those years, are as follows:

2019

	Thousands of Euros				
	Balance at 31/12/2018	**Additions**	**De-Registrations**	**Other**	**Balance at 31/12/2019**
Fully consolidated companies:					
Other businesses					
- Helios Inversión y Promoción Solar, S.L.U.	1,125		-	-	1,125
- Celeo Redes subgroup	-	682,343	-	-	682,343
	1,125	**682,343**	**-**	**-**	**683,468**

2018

	Thousands of Euros				
	Balance at 01/01/2018	**Impairment**	**De-Registrations**	**Other**	**Balance at 31/12/2018**
Fully consolidated companies:					
Other businesses					
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	-	-	1,125
	1,125	**-**	**-**	**-**	**1,125**

Additions for the year ended 31 December 2019 result from the business combination of the Celeo Redes subgroup (see Note 6.2).

As indicated in Note 3.k the Group annually reviews goodwill for impairment.

The cash-generating unit considered for the effects of the corresponding impairment testing of goodwill included in the previous table is identified with the company to which it was allocated as.

The recoverable amount is the greater between market value less selling costs and the value-in-use, this being taken to be the current value of the estimated future cashflows, approved by the directors and considered as fair. The assumptions used in calculating value-in-use include discount rates, growth rates and expected changes in selling prices and costs. The directors of the Parent estimate discount rates which reflect the time value of money and the risks specific to the cash-generating unit.

The Celeo Redes subgroup has carried out no impairment testing as it considers that the fair value of the transaction completed just a few days from year end is the best foundation for the value of non-current assets which are recognised provisionally. At the date of drawing up these annual accounts, the assets and liabilities are yet to be allocated to the different cash-generating units of the Celeo Redes subgroup.

The sensitivity analyses carried out by the directors, which include variations based on the differences arising in the principal estimates for the previous year have also revealed no impairment.

8. Other intangible assets

Movement in 2019 and 2018 is as follows:

	Thousands of Euros		
	Rights of way for electricity transmission lines	**Computer software**	**Total**
COST:			
Balance at 1 January 2018	**-**	**13**	**13**
Balance at 31 December 2018	**-**	**13**	**13**
Change to the consolidated Group (Note 6)	75,103	1,034	76,137
Additions	-	47	47
Balance at 31 December 2019	**75,103**	**1,094**	**76,197**
ACCUMULATED AMORTISATION:			
Balance at 1 January 2018	**-**	**(11)**	**(11)**
Amortisation for the period	-	(2)	(2)
Balance at 31 December 2018	**-**	**(13)**	**(13)**
Amortisation for the period	-	(9)	(9)
Balance at 31 December 2019	**-**	**(22)**	**(22)**
NET COST:			
At 1 January 2018	**-**	**2**	**2**
At 31 December 2018	**-**	**-**	**-**
At 31 December 2019	**75,103**	**1,072**	**76,175**

The assets under the heading “Rights of way for electricity transmission lines” coming from the variation in the scope of consolidation due to the business combination of the Celeo Redes subgroup (see Note 6) mainly relate to the perpetual easement of electricity transmission lines in Chile whose useful life is indefinite, meaning they cannot be depreciated but they are subject to annual evaluation for impairment. These tests allow the Group to conclude that there is no impairment risk since, when subjected to very far-reaching sensitivity analyses, no impairment was revealed.

The heading “Computer software” at 31 December 2018 relates to licences for the management system for the data base of the Parent.

At 31 December 2019 and 2018 the Group maintains the software applications of the Parent in use for the amount of Euros 13,000; they are fully amortised.

9. Property, plant and equipment

Movement in 2019 and 2018 is as follows:

	Thousands of Euros							
	Land	**Buildings, technical installations and machinery**	**Furniture and fixtures**	**Information technology equipment**	**Motor vehicles**	**Other items of property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
COST:								
Balance at 1 January 2018	**32**	**41,500**	**751**	**-**	**-**	**83**	**-**	**42,366**
Additions	-	105	-	-	-	22	-	**127**
Translation differences	9	-	-	-	-	-	-	**9**
Balance at 31 December 2018	**41**	**41,605**	**751**	**-**	**-**	**105**	**-**	**42,502**
Change to the consolidated Group (Note 6)	230	1,036,979	302	234	104	-	154,989	**1,192,838**
Additions	-	1	1	13	-	-	-	**15**
Disposals	-	(1,504)	-	-	-	-	-	**(1,504)**
Translation differences	(1)	-	-	-	-	-	-	**(1)**
Balance at 31 December 2019	**270**	**1,077,081**	**1,054**	**247**	**104**	**105**	**154,989**	**1,233,850**
ACCUMULATED AMORTISATION:								
Balance at 1 January 2018	**-**	**(2,244)**	**-**	**-**	**-**	**(50)**	**-**	**(2,294)**
Amortisation for the period	-	(2,645)	-	-	-	(15)	-	**(2,660)**
Balance at 31 December 2018	**-**	**(4,889)**	**-**	**-**	**-**	**(65)**	**-**	**(4,954)**
Amortisation for the period	-	(15,495)	(25)	(15)	-	-	-	**(15,535)**
Balance at 31 December 2019	**-**	**(20,384)**	**(25)**	**(15)**	**-**	**(65)**	**-**	**(20,489)**
NET COST:								
At 1 January 2018	**32**	**39,256**	**751**	**-**	**-**	**33**	**-**	**40,072**
At 31 December 2018	**41**	**36,716**	**751**	**-**	**-**	**40**	**-**	**37,548**
At 31 December 2019	**270**	**1,056,697**	**1,029**	**232**	**104**	**40**	**154,989**	**1,213,361**

The heading “Buildings, technical installations and machinery” at 31 December 2019 relates to the investments:

- In transmission lines in Chile which enter under the business consolidation of the Celeo Redes subgroup (see Note 6.2). These investments relate to power transmission lines under ownership, so these assets are not subject to the application of IFRIC 12, as that asset will not be transferred to the grantor.

- In the two solar thermal power plants belonging to the company Aries Solar Termoeléctrica, S.L. and the ASTEXOL 2 thermoelectric solar plant of the company Dioxipe Solar, S.L. which enter under business consolidation (see Note 6.1).

The heading “Property, plant and equipment under construction” at 31 December 2019 relates mainly to investments in the construction of photovoltaic plants of the companies in the Celeo Redes subgroup: investments in the construction of six photovoltaic plants owned by the companies of the São João de Piaui FV subgroup, which are expected to be commissioned in 2020; investments in the work on the transmission line in Chile owned by the subsidiaries Mataquito Transmisora de Energía S.A. and Casablanca Transmisora de Energía S.A.

The cost of the items of Property, plant and equipment that are fully depreciated and still in use at 31 December 2019 amounts to Euros 591 thousand (Euros 124 thousand in 2018).

It is Group policy to take out insurance policies to cover any possible risks to which its property, plant and equipment is exposed, and any possible claims that might arise from engaging in its business; those policies are considered to provide sufficient cover for the risks to which they are subject.

10. Right-of-use assets and lease liabilities

The breakdown and the changes per class of right-of-use assets during 2019 were as follows:

a) *Type of lease contract*

	Thousands of Euros			
	Land	**Motor vehicles**	**Other**	**Total**
Balance at 1 January 2018	**1,487**	**-**	**1,341**	**2,828**
Valuation adjustments	14	-	25	**39**
Balance at 31 December 2018	**1,501**	**-**	**1,366**	**2,867**
Valuation adjustments	15	-	2	**17**
Change to the consolidated Group (Note 6)	20,365	95	3,588	**24,048**
Balance at 31 December 2019	**21,881**	**95**	**4,956**	**26,932**
Accumulated depreciation at 1 January 2018	**(384)**	**-**	**(159)**	**(543)**
Charges (Note 19)	(50)	-	(290)	**(340)**
Accumulated depreciation at 31 December 2018	**(434)**	**-**	**(449)**	**(883)**
Charges (Note 19)	(345)	-	(298)	**(643)**
Accumulated amortisation at 31 December 2019	**(779)**	**-**	**(747)**	**(1,526)**
NET COST:				
Net cost at 1 January 2018	**1,103**	**-**	**1,182**	**2,285**
Net cost at 31 December 2018	**1,067**	**-**	**917**	**1,984**
Net cost at 31 December 2019	**21,102**	**95**	**4,209**	**25,406**

b) Breakdown of payments and lease liabilities-

The analysis of the contractual maturity dates for lease liabilities, including future interest payable, is as follows:

	Thousands of Euros
	2019
Up to six months	318
From six months to one year	379
From one to two years	1,008
From two to three years	715
From three to four years	817
Over four years	25,647
Total	**28,884**

11. Equity-Accounted Investees

Details of the Group's investments in associates at 31 December 2019 and 2018, which are accounted for using the equity method (see Note 3.c), are as follows:

	Thousands of Euros	
Company	**2019**	**2018**
Celeo Redes subgroup	-	236,866
Dioxipe Solar, S.L.	-	24,033
Aries Solar Termoeléctrica, S.L.	-	33,282
Cachoeira Paulista Transmissora de Energia, S.A.	29,648	-
Jaurú Transmissora de Energia, S.A.	34,920	-
Brilhante Transmissora de Energia, S.A.	30,922	-
Brilhante Transmissora de Energia, S.A. II	3,943	-
Total	**99,433**	**294,181**

Appendix II attached shows the main figures for the companies registered using the equity method.

At 31 December 2019, as a result of the business combination described in Note 6.2, the Group has derecognised the investment booked using the equity method in the Celeo Redes subgroup and it booked the assets acquired and the liabilities assumed of the subgroup at their fair value (see Note 6.2), including the holdings in the associates for the Celeo Redes subgroup: Cachoeira Paulista Transmissora de Energia S.A., Jaurú Transmissora de Energia S.A., Brilhante Transmissora de Energia, S.A. and Brilhante Transmissora de Energia, S.A. II.

Furthermore, as a result of taking control of the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. on 31 July 2019, the Group derecognised those investments booked using the equity method (see Note 6.1), the total value of which at that date was Euros 46,332 thousand.

Jaurú Transmissora de Energia, S.A. and Cachoeira Paulista Transmissora de Energia, S.A.

On 26 December 2018 the Celeo Redes subgroup, through its subsidiary Celeo Redes Brasil, S.A., finalised the purchase of the shares of two companies (33% of the shares of Jaurú Transmissora de Energia, S.A. (JTE) and 100% of the shares of Cachoeira Paulista Transmissora de Energia, S.A. (CPTE)) from Isolux Energia de Participações, S.A. for a total sum of Euros 46.7 million. These acquisitions take place under the agreement with the investment fund APG Infrastructure Pool 2012 (APG), which was one of the joint shareholders of the Celeo Redes subgroup, under which those investments will be integrated into a company in which Celeo Redes Brasil, S.A. and that investment group both hold equal stakes of 50%; therefore the investments in those companies are shown as associated companies within the Celeo Redes subgroup for the amount of Euros 23.7 million.

On 31 July 2019 the Celeo Redes subgroup carried out the same transaction for purchasing the shares of the company Jaurú Transmissora de Energia S.A. (JTE), from Cobra Brasil Serviçios, Comunicaçoes e Energía S.A. for a total of Euros 6.5 million, adding 33% to the interest acquired in 2018. This acquisition, the same as the two above, falls under the agreement initiated in 2018 with the APG fund; therefore, this investment will be integrated into a company in which Celeo Redes Brasil, S.A. and that investment group both hold equal stakes of 50%. As of 31 December 2019 the incorporation of APG has not yet been finalised, although there is an agreement between both parties whereby they have agreed to jointly take the relevant decisions regarding the aforementioned shares, for example with regard to financial policy decisions and/or operational matters, during the period up to the aforementioned incorporation.

Taking into account the content of these agreements and the final objective of the investments, at 31 December 2019 the Group does not have control over JTE. Furthermore, taking into account the fact that the Group plans to only hold 50% of the investments in these companies, they are shown as associates for the sum of Euros 23.7 million (Euros 12 million for Jaurú Transmissora de Energia S.A. (JTE) and Euros 21 million for Cachoeira Paulista Transmissora de Energia S.A. (CPTE)).

The remaining shares, 33% of JTE and 50% of CPTE, which during the year 2020 are expected to be transferred to the investor group APG for an amount equivalent to 50% of the purchase price, are presented as non-current assets held for sale for the amount of Euros 27,717 thousand.

At 31 December 2019, the activity of the equity-accounted companies comprises the operation of public service concessions for electricity transmission in Brazil included within the scope of IFRIC 12 (Note 3.l).

Movement in 2019 and 2018 was as follows:

	Thousands of Euros	
	2019	**2018**
Opening balance	**294,181**	**330,389**
Capital increase	5,516	-
Companies entering the consolidated Group	99,433	-
Companies leaving the consolidated Group	(303,235)	-
Share in profits/(losses)	15,938	19,270
Translation differences	(7,638)	(25,315)
Dividends received	-	(40,109)
Share in other comprehensive income	(5,862)	13,310
Other movements	1,100	(3,364)
Closing balance	**99,433**	**294,181**

<u>Celeo Redes subgroup</u>

In 2014, the Group signed the agreement with the APG Group who acquired 49% of the company Celeo Redes, S.L. As described in Note 6.2, Celeo Redes, S.L. has its registered offices in Madrid and its main activity is the development, design, exploitation, management and maintenance of production and transmission facilities for all types of energy, and the supply, purification, transformation and treatment of all types of water and waste. Celeo Redes, S.L. is the head of a subgroup of subsidiaries based in Chile and Brazil which mainly develop, operate and manage transmission lines.

After analysing the agreements between the shareholders, which regulated the relations between them, their dealings, management and the running of the company, as well as the different aspects of project development, in particular, any reserved issues for which any decision to be made requires a unanimous vote, the Group considered that the company Celeo Redes, S.L. was controlled jointly by two shareholders: Elecnor, S.A. with a 51% holding and APG Group with a 49% holding. Consequently, under the consolidation principles described in Note 3.c, the assets and liabilities of the Celeo Redes subgroup should be integrated using the equity method, until taking control in December 2019 (see Note 6.2).

Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L.

In 2010, the Group acquired 55% of the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., whose corporate object consists of the construction and exploitation of three parabolic trough solar thermal power plants in Extremadura and Castilla-La Mancha. Furthermore, in that year several agreements were signed between the shareholders of these companies, which regulated their relations as shareholders, their relations with the companies themselves, the management and the running of the companies, as well as the different aspects of the development of the projects and their subsequent phases. In particular, a number of reserved issues would be established for which any decision to be made requires a unanimous vote.

Given the nature of the reserved issues and the systems of majorities established for adopting agreements relating to them, under the consolidation principles described in Note 3.c, the Group considered that the holdings in those companies should be classified as joint ventures; accordingly those holdings have been consolidated using the equity method until taking control in 2019 (see Note 6.1).

12. Non-Current Financial Assets

Details of non-current financial assets other than equity-accounted investees are as follows:

Thousands of Euros	Non-Current Financial Assets		Total
	Administrative concessions	Other investments	
Balance at 1 January 2018	**-**	**2,185**	**2,185**
Additions	-	191	**191**
De-Registrations	-	(44)	**(44)**
Balance at 31 December 2018	**-**	**2,332**	**2,332**
Additions	-	28	**28**
De-Registrations	-	(424)	**(424)**
Change to the consolidated Group (Note 6)	684,672	27,719	**712,391**
Balance at 31 December 2019	**684,672**	**29,655**	**714,327**

a) Administrative concessions-

At 31 December 2019, once the Celeo Redes subgroup was included in the scope of consolidation (see Note 6.2), the Group is in the process of developing and executing a number of projects under concession arrangements to construct, operate and maintain various electricity transmission lines in Brazil through its subsidiaries incorporated for this purpose, the Brazilian Parent of which is Celeo Redes Brasil, S.A. Pursuant to the concession arrangements, as remuneration for the construction, exploitation and maintenance work, the Group will receive a fixed amount over the term of the concession that does not depend on the use, if any, made of the transmission lines. Concession terms are approximately 30 years. The amount receivable will be revalued periodically based on certain variables such as interest rates, the standard consumer price index and other market benchmark rates, as provided for in the various agreements, although such changes would not be material.

Under the concession arrangements the Group undertakes to have the transmission facilities fully installed within a specified period of time and also to provide operation and maintenance services, using quality materials and equipment. It also undertakes to maintain the facilities and use appropriate operating methods to ensure good standards of constant, efficient, safe, up-to-date service, making ongoing efforts to reduce costs, ensure social integration and protect the environment. The concession operator may not assign or pledge the assets associated with the public transmission service without ANEEL's authorisation.

The concession will be terminated in the following cases: the arrangement comes to an end, reaches its expiry date, is rescinded, rendered null and void due to defects or irregularities or the transmission entity is dissolved. At the end of the concession all the assets relating to the service will revert to the concession grantor. The corresponding evaluations and analyses will be conducted and used to calculate any indemnity to which the transmission entity may be entitled. The assets must be in proper working and technical condition, maintained in accordance with the grid procedures approved by the ANEEL, so that the public energy transmission service can continue.

Upon expiry, ANEEL is empowered to extend the contract. The maximum renewal term is the same concession term and must be requested by the transmission entity. An agreement may also be reached to extend the concession term in the public interest and under the terms and conditions stipulated in the arrangement.

The transmission entity may request the termination of the arrangement in the event that the grantor breaches the terms and conditions. In this case the transmission entity may not interrupt the supply of the service until the rescission is approved by means of a court order declaring the arrangement terminated.

In accordance with the criteria described in Note 3.l), the Group initially recognises a financial asset for the fair value of the amounts receivable for the construction of the infrastructure, which is subsequently measured at amortised cost using the effective interest method.

Details of the expected collection maturities for the non-current balance at 31 December 2019 are as follows:

	Thousands of Euros
	2019
2021	8,534
2022	8,241
2023	7,813
2024	10,315
2025 and subsequent years	649,769
Total	**684,672**

b) Other non-current assets-

Details of "Other non-current assets" in the above table are as follows:

	Thousands of Euros	
	2019	**2018**
Debt service reserve account	21,144	-
Other	8,511	2,332
	29,655	**2,332**

The heading "Debt service reserve account" at 31 December 2019 corresponds entirely to the amount of the reserve account to service the debt of the Brazilian concessionary companies.

At 31 December 2019 and 2018, the heading "Others" mainly reflects surplus cash that the Group invests in long-term deposits. These deposits accrue interest at market rates.

Non-current financial assets at 31 December 2019 and 2018 are recorded at their amortised cost.

13. Current Financial Assets

a) Trade and other receivables-

Trade and other receivables under current assets in the consolidated statement of financial position include the Group's receivables from transactions with third parties.

At 31 December 2019 and 2018, there were no past-due receivables or impaired balances, whilst non-due receivables amounted to Euros 67,990 thousand and Euros 1,505 thousand, respectively.

b) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2019	**2018**
Cash equivalents	90,563	12
Cash	68,155	9,047
	158,718	**9,059**

The balance of "Cash equivalents" at 31 December 2019 mainly comprises the temporary acquisition of very short-term deposits, which earn interest at market rates. On maturity, the related amounts are reinvested in assets of a similar nature and term depending on the cash needs at any given time.

14. Equity

a) Share capital-

At 31 December 2019 and 2018 the Parent's shareholders were as follows:

	% ownership	
	2019	**2018**
Elecnor, S.A.	51%	100%
Pasterze Investments Holding B.V.	49%	-
	100%	**100%**

The Company, by virtue of what was agreed by the Sole Shareholder on 22 October 2019, has increased its share capital by the sum of Euros 501 thousand, by creating 50,106 shares with a nominal value of 10 Euros each, of the same class and series as those already existing. The new shares have been created with a total share premium of Euros 9,519 thousand, i.e. a share premium of Euros 189.99 per share. The new shares have been put into circulation and taken up and paid in full by the Sole Shareholder Elecnor, S.A., together with the corresponding share premium, through the offsetting of loans.

Pursuant to what was agreed by the Sole Shareholder on 22 October 2019, the Company has increased its share capital by the sum of Euros 3.6 thousand, by creating 361 shares each with a nominal value of Euros 10, through the non-cash contribution of 3,150 shares in the Spanish company Celeo Termosolar, S.L, which account for 0.069% of the share capital. The new shares have been created with a total share premium of Euros 69 thousand, i.e. a share premium of Euros 190.08 per share. The new shares were taken up and paid in full by the Sole Shareholder Elecnor, S.A., together with the corresponding share premium.

Pursuant to what was agreed by the Sole Shareholder on 17 December 2019, the Company has increased its share capital by the sum of Euros 75,822 thousand by creating 7,582,215 shares each with a nominal value of Euros 10, with a total share premium of Euros 484,671 thousand, that is to say, a share premium of Euros 63.92 per share, making a total of Euros 560,493 thousand. The new shares were taken up and paid in full by Pasterze Investments Holding B.V., together with the corresponding share premium, through the non-cash contribution of 20,404,444 shares (corresponding to 49% of the share capital) of the Spanish company Celeo Redes, S.L in which the Parent formerly held joint control with Pasterze Investments Holding B.V. With this, based on a shareholders' agreement, the Group is now under the joint control of Elecnor, S.A. and Pasterze Investments Holding B.V. who hold 51% and 49%, respectively, of the stock of the Parent of the Group.

On 17 December 2019 the Shareholders General Meeting of the Parent decided to change the nominal value of the shares of the Parent from Euros 10 to Euro 1, leaving the share capital divided into 166,670,560 shares each with a nominal value of Euro 1. It was also decided to divide the shares of the Parent into two different classes: Class A, which are owned entirely by Elecnor, S.A., and Class B, which are owned entirely by Pasterze Investments Holding B.V. The classes of shares shall have the rights and obligations attributed to them in the consolidated bylaws. Accordingly, at 31 December 2019 the share capital of the Parent stood at Euros 166,670,560.

At 31 December 2018 the Parent's share capital was Euros 90,343,740 represented by 9,034,374 shares of Euro 10 par value each, all of the same class, subscribed and fully paid, and all confer the same shareholder rights. There were no restrictions for their free transfer.

At 31 December 2018 the Sole Shareholder of the Parent was Elecnor, S.A., making the Company a Sole Proprietorship and it was registered as such in the Mercantile Registry.

	Thousands of Euros							
	01.01.2018	**Change in market value**	**Settlement**	**31.12.2018**	**Change in market value**	**Settlement**	**Changes to the consolidated Group (Notes 6.1 and 6.2)**	**31.12.2019**
Fully consolidated companies -								
Cash flow hedges:								
Interest rate swaps	(1,034)	-	286	(748)	(3,770)	7,746	-	3,228
Total valuation adjustments in equity								
for full consolidation	**(1,034)**	**-**	**286**	**(748)**	**(3,770)**	**7,746**	**-**	**3,228**
Equity-accounted investees	(52,781)	12,799	511	(39,471)	(5,862)	-	45,333	-
Total valuation adjustments	**(53,815)**	**12,799**	**797**	**(40,219)**	**(9,632)**	**7,746**	**45,333**	**3,228**

b) Valuation adjustments-

Movement in this item in 2019 and 2018 is as follows:

c) Share premium-

This reserve is freely distributable.

The share premium at 31 December 2019 of Euros 752,777 (Euros 267,105 thousand at 31 December 2018), arises from the capital increases carried out during the past years.

The capital increases carried out during 2019 have generated a share premium of Euros 494,259 thousand corresponding to 7,632,682 new shares.

According to the minutes of the Shareholders Meeting of the Parent held on 20 December 2019, it was decided to pay a dividend of Euros 8,587 thousand to the shareholder owning the Class A shares, Elecnor S.A., with a charge against unrestricted reserves.

According to the minutes of the Sole Shareholder of the Parent dated 28 February 2018, it was decided to repay Euros 40,109 thousand to the Sole Shareholder with a charge against the available share premium reserve.

d) Other reserves-

Legal reserve-

The legal reserve has been appropriated in compliance with Article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

This reserve is not distributable to shareholders and may only be used to cover losses on the income statement if no other reserves are available. This reserve may be used to increase share capital.

In 2019 the Parent allocated Euros 4,329 thousand to the legal reserve which, at 31 December 2019, stood at Euros 4,720 thousand with the increase.

At 31 December 2019 and 2018, the Parent had not set up this reserve with the minimum limit established by the Spanish Companies Act.

e) Contributions by Shareholders

On 3 December 2019, Elecnor, S.A. as Sole Shareholder, made a non-returnable capital contribution, that is, to the reserves of the Parent, for an amount of Euros 6,967 thousand.

f) Non-controlling interests-

Details of non-controlling interests in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Integraçao Maranhense Tranmissora de Energía, S.A.	30,929	-
Caiuá Transmissora de Energia, S.A.	15,779	-
Cantareira Transmissora de Energia, S.A.	42,768	-
Dioxipe Solar, S.L.	408	-
Total	**89,884**	**-**

Movement in non-controlling interests in 2019 and 2018 is as follows:

	Thousands of Euros
Balance at 1 January 2018	-
Balance at 31 December 2018	-
- Change to the consolidated Group	90,211
- Share in profits/(losses)	(327)
Balance at 31 December 2019	**89,884**

g) Translation differences-

The cumulative translation differences recognised in equity at 31 December 2019 and 2018 for each of the main currencies are as follows:

Translation differences	Thousands of Euros	
	2019	**2018**
Brazil	-	(76,107)
Chile	-	96
Other	91	(50)
Total	**91**	**(76,061)**

The reduction of the translation differences at 31 December 2019 is mainly due to the recognition of Euros 83,753 thousand in profit/(loss), as an adjustment to the earnings from the sale arising from the business combinations of the Celeo Redes subgroup (see Note 6).

15. Financial Debt

The composition of the headings “Financial liabilities for the issuance of bonds and other negotiable securities”, “Debts with credit institutions” and “Financial Derivatives” in the non-current and current liabilities section of the consolidated financial statements at 31 December 2019 and 2018, as well as their classification, is as follows:

	Thousands of Euros			
	2019		**2018**	
	Non-current	**Current**	**Non-current**	**Current**
Financial liabilities for the issue of bonds and other negotiable securities	705,185	25,876	35,185	1,803
Debts with credit institutions	789,985	30,552	-	-
Derivative Financial Instruments	82,593	16,508	-	-
Total	**1,577,763**	**72,936**	**35,185**	**1,803**

At 31 December 2019 all the Group’s financial liabilities related to financial liabilities at amortised cost except for hedge derivatives which are measured at their fair value.

The main characteristics of financial liabilities for the headings “Bonds and other marketable securities”, “Debts with credit institutions” and “Derivative financial instruments” that were most significant at 31 December 2019 and 2018 were as follows:

2019

Type	Company	Currency	Interest rate	Year due	Nominal value (*)	Current	Non-current
Bonds and other marketable securities							
	Celeo Redes Chile Transmisión SPA	USD/UF	5.15%	30/11/2049	326,651	2,888	62,570
	Celeo Redes Operación Chile, S.A.	USD/UF	5.20% (USD) and 2.99% (UF)	30/06/2047	531,040	12,343	486,840
	Cantareira Transmissora de Energia, S.A.	BRL	IPCA + 6.91%	15/08/2032	21,890	2,248	20,389
	Celeo Redes Transmissora de Energia, S.A.	BRL	CDI + 0.75%	15/11/2023	123,730	7,012	101,585
	Celeo Fotovoltaico, S.A.	EUR	3.948%	2038	36,144	1,383	33,800
Debts with credit institutions							
	São João de Piaui FV I, S.A.	BRL	IPCA + +2.1851%	15/01/2039	14,778	-	12,155
	São João de Piaui FV II, S.A.	BRL	IPCA + +2.185%	15/01/2039	14,778	-	11,616
	São João de Piaui FV III, S.A.	BRL	IPCA + +2.1851%	15/01/2039	14,778	-	10,790
	São João de Piaui FV IV, S.A.	BRL	IPCA + +2.1851%	15/01/2039	14,778	-	12,159
	São João de Piaui FV V, S.A.	BRL	IPCA + +2.1851%	15/01/2039	14,778	-	11,657
	São João de Piaui FV VI, S.A.	BRL	IPCA + +2.1851%	15/01/2039	14,778	-	10,378
	Integração Maranhense Transmissora de Energia, S.A.	BRL	TJLP + +2.42%	15/02/2029	31,130	2,949	17,158
	Cantareira Transmissora de Energia, S.A.	BRL	TJLP + 2.12%	15/02/2029	93,008	8,399	90,808
	Encruzo Novo Transmissora de Energia, S.A.	BRL	TJLP + 2.42%	05/10/2026	11,624	886	5,464
	Pedras Transmissora de Energia, S.A.	BRL	TJLP + +2.21%	27/12/2023	9,856	340	4,821
	Caiuá Transmissora de Energia, S.A.	BRL	TJLP + 1.97%	15/02/2028	18,527	1,661	10,940
	Coqueiros Transmissora de Energia, S.A.	BRL	TJLP + +2.58%	15/07/2024	4,991	374	1,412
	Linha de Transmissão Corumbá, S.A.	BRL	TJLP + 2.28%	15/02/2028	21,152	1,593	11,210
	Serra de Ibiapaba Transmissora de Energia, S.A.	BRL	108.5% CDI	29/01/2021	83,217	-	85,224
	Serra de Ibiapaba Transmissora de Energia, S.A.	BRL	IPCA + 1.57%	22/08/2044	141,468	-	-
	Dioxipe Solar, S.L.	EUR	2.53% + euribor	2037	189,345	5,511	176,432
	Aries Solar Termoeléctrica, S.L.	EUR	3.275%+euribor	2037	339,748	8,840	317,762
Derivative Financial Instruments							
	Aries Solar Termoeléctrica, S.L.	EUR	4.10%	2025	262,768	10,947	55,180
	Dioxipe Solar, S.L.	EUR	4.04%	2025	133,105	5,562	27,413
						72,936	**1,577,763**

2018

Type Company	Currency	Interest rate	Year due	Nominal value (*)	Current	Non-current
Bonds and other marketable securities						
Celeo Fotovoltaico, S.A.	EUR	3.948%	30/06/2038	41,600	1,803	35,185
					1,803	**35,185**

(*) At the exchange rate at the end of the year.

The breakdown by maturity of the non-current part of the financial liabilities is as follows for the years 2019 and 2018:

Debts with maturing in	Thousands of Euros 31/12/2019
2021	127,282
2022	103,235
2023	148,370
2024 and subsequent years	1,198,876
Total	**1,577,763**

Debts with maturing in	Thousands of Euros 31/12/2018
2020	1,934
2021	1,935
2022	1,935
2023 and subsequent years	29,381
Total	**35,185**

Financial liabilities for the issue of bonds and other negotiable securities-

The balance under the heading “Financial liabilities for the issuance of bonds and other negotiable securities” in the non-current and current liabilities section at 31 December 2019 mainly relate to:

- The issue of bonds for the project intended for funding the transmission lines in Chile, formalised by the company Celeo Redes Operación Chile, S.A. belonging to the Celeo Redes subgroup on 11 May 2017.

This bond issue, which totalled USD 593.9 million and matures in 2047 (30Y term), comprises two tranches; an international tranche in USD amounting to USD 379 million, at a fixed annual interest rate of 5.2%, and a Chilean tranche in Unidades de Fomento (UF) amounting to UF 5,410,500 (around USD 214 million) at a fixed annual interest rate of 2.99%.

The funds from this bond issue are secured by the projects and were earmarked for the refinancing (early repayment of existing financing) of the transmission lines projects in Chile, and the remainder, for other corporate uses of the issuing company or its shareholders.

- The issue of bonds for funding the Diego de Almagro Transmisora de Energía projects (now operational) and the construction of Casablanca Transmisora de Energía and Mataquito Transmisora de Energía, on 25 November 2019. These bonds were traded as a Private Placement and subject to New York legislation, and they were taken up entirely by Allianz Global Investors. The bonds will be amortised in full over the next 30 years. On 6 December, the first amount was drawn for the amount of USD 78.7 million.

Furthermore there are certain obligations assumed by the accredited institutions with regard to fulfilling the Debt Service Coverage Ratio (DSCR) and the obligation to set up a debt service reserve account (DSRA); failure to do could be grounds for the mandatory early termination of those loans. In the opinion of the directors of the Parent, those obligations were met in 2019, and they are expected to be met in the future.

- The bond issue made by the company Celeo Fotovoltaico, S.A. on 29 December 2016 for a nominal amount of Euros 41,600 thousand. This funding provides for the obligation to set up a maintenance reserve account and a debt service reserve account and fulfilment of DSCR.

Financial liabilities from debts with credit institutions-

Debts with credit institutions largely corresponding to the subsidiaries Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. which include the funding that has been drawn up through “Project Finance”.

On 5 March 2010 and 15 April 2011 Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively signed loans for the amounts of Euros 238,745 thousand and Euros 443,790 thousand, respectively. The loans are structured in two tranches: “tranche A” for partially funding the project costs, and “tranche B” for issuing guarantees. These loans have been granted by the BBVA (Agent Bank) and a banking syndicate. The interest rate is set at EURIBOR plus a spread.

The obligations stipulated in the contract include the undertaking to keep the calculation of the DSCR above certain limits. The distribution of dividends during the term of the Financing Agreement will be subject to the mentioned fulfilment of the DSCR. Furthermore, a pledge agreement was signed for credit rights and shares representing 100% of the company’s share capital.

Derivative Financial Instruments-

According to its risk management policy, the Group uses derivative financial instrument to hedge the risks to which its future cashflows are exposed resulting from interest rate fluctuations, which would affect the profit/(loss) of the Group.

These operations are intended to mitigate the effect that any interest rate fluctuations might have on the future cash flows for certain credits and loans tied to floating interest rates, associated to the funding for the projects of the subsidiaries Aries Solar Termoeléctrica, S.L. and Dioxipe Solar, S.L., who entered the consolidation scope as business combinations (see Note 6). At 31 December 2019 the total nominal value of the liabilities on which interest rate hedges had been arranged was Euros 395,873 thousand.

Interest rate swaps have the same, or lower, nominal amount as the outstanding principals of the hedged loans.

In 2019, after taking control of the companies Aries Solar Termoeléctrica, S.L. and Dioxipe Solar, S.L., no events have arisen that would require modifying the hedge accounting policy initially adopted for accounting for derivatives.

16. Contingencies

At 31 December 2019 the Group has bank and other guarantees related to its normal business operations amounting to Euros 181,202 thousand (Euros 4.444 thousand in 2018), of which Euros 74,761 thousand are associated with bank financing and Euros 106,441 thousand with execution and promotion (Euros 4,444 thousand with execution and promotion at 31 December 2018).

17. Deferred tax assets and liabilities

Details of "Deferred tax assets" and "Deferred tax liabilities" the attached consolidated statement of financial position during the years 2019 and 2018 are as follows:

	01/01/2018	Taken to the assets and liabilities valuation reserve	Other	31/12/2018	Taken as credit or charge to income statement	Taken to the assets and liabilities valuation reserve	Business combination (Note 6)	Other	31/12/2019
Deferred tax assets									
Measurement of derivative									
financial instruments (Note 15)	**345**	(96)	-	**249**	(4,123)	(85)	29,609	-	**25,650**
Property, plant and equipment/intangible assets	**337**	(46)	-	**291**	-	(39)	5,528	-	**5,780**
Tax credits	**123**	-	-	**123**	(418)	-	19,684	-	**19,389**
Tax deductions and tax credits									
carried forward	**184**	-	-	**184**	(646)	(12)	1,943	-	**1,469**
Other deferred tax assets	**2,543**	(43)	-	**2,500**	108	(662)	26,261	(38)	**28,169**
	3,532	**(185)**	**-**	**3,347**	**(5,079)**	**(798)**	**83,025**	**(38)**	**80,457**
Deferred tax liabilities:									
Property, plant and equipment/intangible assets	**875**	-	(5)	**870**	136	-	22,124	-	**23,130**
Financial assets	**-**	-	-	**-**	-	-	36,264	-	**36,264**
Other deferred tax liabilities	**527**	-	1	**528**	-	223	16,926	-	**17,677**
	1,402	**-**	**(4)**	**1,398**	**136**	**223**	**75,314**	**-**	**77,071**

Deferred tax assets and liabilities that are expected to be realised or reversed in periods of less than 12 months are not significant.

The headings "Deferred tax assets – Property, plant and equipment/Intangible assets" and "Deferred tax liabilities –Property, plant and equipment/Intangible assets" on the preceding table mainly include the temporary differences arising as a result of the differences between the carrying amounts of certain items of property, plant and equipment and intangible assets and their tax bases as well as the temporary differences arising from the differences between the carrying amounts of book depreciation and tax depreciation of those items of non-current assets.

The headings “Deferred tax assets - Tax credits” and “Deferred tax assets - tax deductions and tax credits carried forward” on the preceding table include, respectively, unused tax loss carryforwards and available deductions of various Group companies, which have been capitalised as the Parent’s directors consider that they will be recovered against estimated profits in the coming years.

Deferred taxes related to financial assets correspond to the fiscal impact of recording revenue in accordance with the administrative concession regulations (Note 3.l)) and to paying tax based on the invoicing carried out each year.

18. Income tax

The Parent files tax returns under Spanish Income Tax Law 27/2014 of 27 November 2014, which was approved on 28 November 2014.

At the end of the year 2019, the Parent has inspections pending by the tax authorities for the years 2016 to 2019 for all taxes except Income Tax, for which it has the years 2015 to 2018 pending inspection due to the fact that the term for the presentation of income tax is 25 calendar days following the six months after the end of the tax period and therefore the income tax for the year 2018 will not be open to inspection until 25 July 2020.

Nonetheless, the taxation authorities' right to examine or investigate tax loss carryforwards (whether available or already offset), double taxation relief and tax credits aimed at incentivising certain activities (whether applied or available) becomes statute-barred ten years as from the day after the filing deadline for the tax return or self-assessment for the tax period in which the right of offset or application was generated. After this period, the Group must justify the tax loss carryforwards or tax credits by presenting the assessment or self-assessment and its accounts together with evidence of their having been filed during the aforementioned period at the Mercantile Registry.

As a result of the different interpretations that can be made of current tax legislation, contingent tax liabilities may exist which cannot be objectively quantified. Nevertheless, in the opinion of the directors of the Parent, the possibility of any future tax inspection giving rise to such contingent liabilities in the Group companies is remote and, in any case, the tax debt that might arise would not have a material effect on the consolidated annual accounts of the Group.

Details of the income tax expense accrued in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Consolidated profit before income tax	**229,853**	**21,594**
Non-deductible expenses	17,672	830
Non-computable income	-	-
Net profit/(loss) of equity method investees included in the ordinary business activities (Note 11)	(204,066)	(19,270)
Other	(12,546)	(673)
Uncapitalised tax loss carryforwards	(737)	(1,442)
Adjusted accounting profit	**30,176**	**1,039**
Gross tax calculated at the tax rate in force in each country (*)	8,270	233
Other adjustments	(5,613)	164
Income tax expense	**2,657**	**397**

(*) The fully consolidated foreign branches and companies calculate the Income Tax expense and the amounts due for them for other applicable taxes in accordance with the prevailing tax rates and legislation in each respective country.

Details of the main components of the income tax expense accrued in 2019 and 2018 were as follows:

	Thousands of Euros	
	2019	**2018**
Current tax		
Present year	3,055	174
Other adjustments	(5,613)	223
Deferred tax		
Amount of the deferred tax expense/income relating to the origination and reversal of temporary differences	5,215	-
Income tax expense	**2,657**	**397**

Details of the amounts and years of origin of deductible temporary differences, tax losses or credits for which deferred tax assets have not been recognised in the consolidated statements of financial position at 31 December 2019 and 2018, are as follows (in thousands of Euros):

Unused tax loss carryforwards	31/12/2019
Year originated:	
2013	2,432
2014	3,548
2015	2,883
2016	1,513
2017	4,983
2018	5,920
2019	15,273
Total	**36,552**

Unused tax loss carryforwards	31/12/2018
Year originated:	
2013	8
2014	18
2015	17
2016	2
2017	1,448
2018	13
Total	**1,506**

The tax loss carryforwards unused at 31 December 2019, described above, were generated by the Parent and the subsidiaries Celeo Redes, S.L. and Celeo Redes Brasil, S.A. and their future recoverability is conditional upon each respective company's ability to generate sufficient taxable profits, with no time limit for their offset in the case of those generated by Celo Redes, S.L. The Group has not activated these negative tax bases as the directors do not consider their recovery likely as the companies that generated them are holding companies whose income corresponds mainly to dividends that are not taxable.

19. Income and Expenses

Revenues-

Details of this item in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Services rendered	46,432	12,562
Total	**46,432**	**12,562**

Profit/(loss) for equity method investees included in the ordinary business activities-

Details of this item in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Share in profit/(loss) of equity method investees included in the ordinary business activities (Note 11)	15,938	19,270
Loss on the phased acquisition of Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. (Note 6.1)	(56,698)	-
Profit on the phased acquisition of the Celeo Redes subgroup (Note 6.2)	244,826	-
Total	**204,066**	**19,270**

Supplies-

Details of this item in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Subcontracts	7,302	319
Total	**7,302**	**319**

Other operating expenses-

Details of profit and loss in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Leases	384	416
Repairs and maintenance	79	63
Independent professional services	1,098	575
Insurance premiums	615	28
Supplies	1,012	45
Bank services	238	116
Taxes	3,355	586
Other expenses	1,069	737
Total	**7,850**	**2,566**

Taxes at 31 December 2019 and 2018 correspond mainly to various rates applicable to the Brazilian subsidiaries as a result of its tax regulations.

Personnel expenses-

Details of this item in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Salaries and wages	2,185	2,013
Compensation	72	-
Social Security payable by the Company	350	325
Other employee benefits expenses	18	22
Total	**2,625**	**2,360**

Depreciation, amortisation and provisions-

Details of this item in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	**2018**
Allocation for depreciation of property, plant and equipment (Note 9)	15,075	2,660
Allocation for amortisation of intangible assets (Note 8)	469	2
Allocation for amortisation/depreciation of right-of-use assets (Note 10)	643	340
Total	**16,187**	**3,002**

Finance income -

Finance revenue relates to the application of the effective interest rate method to the financial assets under the category of financial assets at amortised cost.

Finance costs -

At 31 December 2019, finance costs relate to the application of the effective interest rate method to the financial liabilities at amortised cost, except for Euros 7,746 thousand net of the tax effect for the expense corresponding to the transfer of the accounting hedges to the income statement (Euros 286 thousand net of the tax effect for the expense corresponding to the transfer of the accounting hedges to the income statement in 2018) (see Note 14 b).

20. Employee Information

The average headcount, by professional category, in 2019 and 2018 is as follows:

	Average headcount	
	2019	**2018**
Management	5	5
Technical area	17	16
Administration	10	10
Total	**32**	**31**

Of the Group's average headcount in 2019, no employees were on temporary employment contracts (1 employee in 2018).

Furthermore, the distribution by gender as of 31 December 2019 and 2018 of the personnel and the Group's directors is as follows:

	31.12.2019		31.12.2018	
Professional category	**Male**	**Female**	**Male**	**Female**
Directors	6	-	11	-
Management	5	-	5	-
Technical area	209	24	11	4
Administration	83	49	7	5
Manual workers	29	-	-	-
Total	**332**	**73**	**34**	**9**

During 2018 the Group had no employees with a disability rating of 33% or more (or higher (or equivalent local rating).

21. Related Party Balances and Transactions

21.1. Related Party Balances and Transactions of the Group

Related party transactions have been carried out at arm's length. Transactions carried out by the Group with investees that are not fully consolidated and with other related companies during 2019 and 2018 are as follows:

2019

	Thousands of Euros		
	External services and other expenses	**Sales and other operating income**	**Finance costs**
Equity-accounted investees:			
Celeo Redes subgroup	-	2,271	-
Dioxipe Solar, S.L.	54	-	-
Aries Solar Termoeléctrica, S.L.	107	-	-
Other companies:			
Elecnor Chile, S.A.	65	-	-
Elecnor, S.A.	17,188	-	85
Aplicaciones Técnicas de la Energía, S.L.	22	-	-
SAPIR	-	13	-
SADAR	-	13	-
DEIMOS	9	-	-
Total	**17,445**	**2,297**	**85**

2018

	Thousands of Euros	
	External services and other expenses	**Sales and other operating income**
Equity-accounted investees:		
Celeo Redes subgroup	-	2,244
Dioxipe Solar, S.L.	-	3,842
Aries Solar Termoeléctrica, S.L.	-	183
Other companies:		
Elecnor México, S.A.	141	-
Elecnor, S.A.	416	-
Aplicaciones Técnicas de la Energía, S.L.	29	-
SAPIR	-	13
SADEP	-	13
Total	**586**	**6,295**

At 31 December 2019 and 2018, balances receivable from and payable to investees that are not fully consolidated and other related companies, deriving from the above transactions, are as follows:

	Thousands of Euros					
	2019			2018		
	Receivables		Payables	Receivables		Payables
	Trade receivables from related companies	Current investments in related companies	Trade payables to associates and related companies	Trade receivables from related companies	Current investments in related companies	Trade payables to associates and related companies
Elecnor Chile, S.A.	25	-	-	-	-	-
Elecnor México, S.A.	-	-	-	-	-	181
Elecnor, S.A.	-	-	4,827	-	-	127
Elecnor Brasil, S.A.	15	-	7,359	-	-	-
Celeo Redes subgroup	-	-	-	258	-	553
Dioxipe Solar, S.L.	-	-	-	508	-	-
Aries Solar Termoeléctrica, S.L.	-	-	-	18	-	-
SAPIR	5	1	-	4	-	-
SADEP	6	1	-	11	2	-
Apolo	-	6	-	-	-	-
Sistema Evacuación Albuera	-	-	43	-	-	-
Total	**51**	**8**	**12,229**	**799**	**2**	**861**

21.2 Remuneration of the Board of Directors

a) *Remuneration and other benefits-*

Since the incorporation into the capital of the APG Group, on December 17, 2019, the members of the Parent's board of directors have not received any remuneration, loans, guarantees or advances in their capacity as such, nor have they any pension, life insurance or other benefit plans with the Parent. The members of the Board of Directors prior to the entry of the APG Group received remuneration of 202 thousand euros in 2019 and 212 thousand euros in 2018.

b) *Conflicts of interest concerning the directors of the Parent-*

The directors of the Parent and the persons related to them have not incurred in any situation of conflict of interest that has to be reported in accordance with the provisions of article 229 of the Revised Spanish Companies Act.

c) *Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent-*

In 2019 and 2018 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

21.3 Remuneration of Senior Management

Until 17 December 2019, Senior Management functions were carried out directly by the Parent's Board of Directors, who have received the remuneration described in Note 21.2 (a).

As from 17 December 2019, following the business combination described in Note 6.2, Senior Management functions are performed jointly by the two shareholders: Elecnor, S.A. and APG Group.

Members of Senior Management received no remuneration whatsoever in 2019 or 2018.

22. Audit Fees

KPMG Auditores, S.L., the auditors of the Group's annual accounts, have invoiced the Company the following net fees for the professional services provided during the years ended 31 December 2019 and 2018:

	Thousands of Euros	
Description	**2019**	**2018**
For audit services	116	24
Total	**116**	**24**

The amounts included in the previous table include all of the fees related to the services performed during the years 2019 and 2018, regardless of when they were invoiced.

Moreover, other affiliates of KPMG International invoiced the Group in the years ended on 31 December 2019 and 2018 for net fees relating to professional services, as follows:

Description	Thousands of Euros	
	2019	**2018**
For audit services	392	-
For other accounting verification services	31	-
Tax advisory services	47	-
For other services	-	-
Total	**470**	**-**

Other auditors also invoiced the Group in the years ended on 31 December 2019 and 2018 for net fees relating to professional services, as follows:

Description	Thousands of Euros	
	2019	**2018**
Tax advisory services	47	-
Consultancy services	279	-
Total	**326**	**-**

23. Average Supplier Payment Period. Third Additional Provision. "Reporting Requirement" of Law 15/2010 of 5 July 2010

Details of the average supplier payment period for Spanish consolidated companies during 2019 and 2018 are as follows:

	Days	
	2019	**2018**
Average supplier payment period	27	23
Transactions paid ratio	23	17
Transactions payable ratio	37	9
	Expressed in thousands of Euros	
Total payments made	32,963	41,733
Total payments outstanding	5,349	4,771

The information shown in the above table on payments to suppliers refer to those that are trade payables for amounts owing to suppliers for goods and services, in such a way as to include the information relative to the items contained under the heading "Trade and other payables- Payables for purchases and services rendered".

24. Environmental information

The commitment to protecting the environment, respecting environment and efficiency in the consumption of energy resources are common denominators in the Group's activities and form part of the organisation's culture and values.

The Group has defined and set in place measures to limit the potential environmental impact of its activities.

The Group's environmental management strategy is governed by the following principles of action:

- Constantly seeking to balance financial profitability and environmental protection, resulting in approaches whereby the two concepts mutually reinforce each other.
- Considering environmental factors when making investment decisions regarding new projects and when studying activities to undertake.
- Involving employees through appropriate training and awareness campaigns.
- Involving other stakeholders (customers, suppliers and society in general) in the ongoing search for useful solutions to the challenge of protecting the environment and energy resources.

The Group has not carried out any research and development activities in 2018 and 2019 that are considered significant for these purposes.

25. Events after the Reporting Period

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent spread world-wide to over 150 countries has led to the virus outbreak being classified as a pandemic by the World Health Organisation since 11 March. The majority of Governments are taking restrictive measures to contain the propagation which include: isolation, confinement, quarantine and restrictions to the free movement of people, closing public and private establishments except for those used for basic needs and healthcare, closed borders and a substantial reduction of transport by air, sea, rail and road. In Spain, the Government issued Royal Decree 463/2020 on 14 March 2020 declaring the state of emergency for managing the health crisis caused by COVID-19, initially for a period of 15 calendar days, which was extended three times by a further 15 calendar days in 26 March, 9 and 22 April 2020.

This situation is having a significant effect on the world economy due to the interruption or slowing down of the supply chains and the significant increase of economic uncertainty which is evidenced by a greater volatility in the price of assets, exchange rates and reduced long-term interest rates. To mitigate the economic impacts, on Wednesday 13 March, Royal Decree-Law 7/2020, of 12 March, was passed in Spain, under which urgent measures were adopted to respond to the economic and social impact of COVID-19, and subsequently, on 18 March, Royal Decree-Law 8/2020, of 17 March, was passed on extraordinary urgent measures adopted for addressing the economic and social impact of COVID-19.

Taking into consideration the complexity of the markets due to globalisation and the absence, for the time being, of any effective medical treatment against the virus, the consequences for the Group's operations are uncertain and will largely depend on the evolution and spread of the pandemic in the coming months and on the ability of all economic operators affected to react and adapt.

Accordingly, at the time of drawing up these Consolidated Annual Accounts it is premature to make a detailed assessment or quantification of the possible impact that COVID-19 will have on Celeo Concesiones e Inversiones, S.L. and its group of companies, due to the uncertainty of its consequences in the short, medium and long term. In any case, the consequences resulting from COVID-19 are considered as an event subsequent to closing which does not require any adjustment to the consolidated annual accounts for 2019, notwithstanding that they should be recognised in the consolidated annual accounts for 2020.

In this respect, at the present time there has been no drop in the business forecast by the Group for the first months of 2020 as a consequence of COVID-19, although it is not possible to assess whether that situation will continue and to what extent in the future.

However, considering the measures adopted by the different governments of the countries where the Group operates for managing the health crisis situation provoked by COVID-19, the directors and Management of the Company have made a preliminary evaluation of the current situation using the best information available. Due to the considerations expressed above, this information could be incomplete. The following aspects are highlighted from that evaluation:

- Liquidity risk: the general situation of the markets will foreseeably lead to a general increase in liquidity pressures on the economy, and a squeeze on credit. In this respect, Liquidity Risk is mitigated through the Group's policy of holding cash and highly liquid, non-speculative, short-term instruments through leading banks in order to be able to meet its future commitments, and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

- Operating Risk: the changing and unforeseeable state of events could entail a risk of temporary discontinuation of some of the activities carried out by the Group. Accordingly, we have established working groups and specific procedures aimed at constantly monitoring and managing the evolution of our operations, in order to minimise the impact on them.

- Risk of variation in certain financial figures: the factors mentioned above could lead to a lower figures in the next financial statements under the more relevant headings for the Group, such as "Revenue" or "Profit after taxes", or for the key indicators (Net Debt-to-EBITDA Ratio) although for the time being it is not possible to reliably quantify their impact, taking into account the conditioning factors and restrictions already commented.

In 2020 the Group will assess the impact of the events described above and of those which might occur in the future on the equity and financial position at 31 December 2020 and on the results of its operations and its cash flows for the year ended on that date.

Lastly, we would highlight that the directors and Management of the Group are constantly monitoring the evolution of the situation in order to be able to successfully address any possible impact, both financial and non-financial, that might be produced.

Appendix I: Company information

2019	Registered office	Auditor	Activity	% direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Subsidiary of:				
CELEO CONCESIONES E INVERSIONES, S.L.				
Celeo Energía, S.L.	SPAIN	***	Holding	100,00%
Celeo Redes, S.L.U.	SPAIN	KPMG	Holding	100,00%
Celeo Termosolar, S.L.U.	SPAIN	***	Holding	100,00%
Helios Inversión y Promoción Solar, S.L.U.	SPAIN	***	Holding	100,00%
CELEO ENERGIA, S.L.U.				
Celeo Energía Brasil, LTDA	BRAZIL	***	Development, construction and exploitation of all kind of power and services, waste treatment, etc.	100,00%
Celeo Energía Chile, SPA	CHILE	***	Development, construction and exploitation of all kind of power and services, supplies, waste treatment, etc.	100,00%
Celeo Luz de Mexicali I, S.A. de C.V.	MÉXICO	***	Development, construction and operating of photovoltaic plants	100,00%
Celeo Luz de Mexicali II, S.A. de C.V.	MÉXICO	***	Development, construction and operating of photovoltaic plants	100,00%
CELEO REDES, S.L.U.				
Celeo Redes Chile, Ltda.	CHILE	KPMG	Holding	100,00%
Celeo Redes Brasil, S.A.	BRAZIL	KPMG	Holding	100,00%
CELEO REDES CHILE Ltda				
Celeo Redes Operación Chile, S.A.	CHILE	KPMG	Holding	100,00%
CRC Transmisión, S.p.A.	CHILE	KPMG	Holding	100,00%
CELEO REDES OPERACIÓN CHILE, S.A.				
Alto Jahuel Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	100,00%
Charrua Transmisora De Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	100,00%
CRC TRANSMISIÓN, S.p.A.				
Diego de Almagro Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	100,00%
Casablanca Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	100,00%
Mataquito Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	100,00%

(***) Companies not required by law to have their annual accounts audited.

Appendix I: Company information

2019	Registered office	Auditor	Activity	% direct or indirect ownership
CELEO REDES BRASIL, S.A.				
Encruzo Novo Transmissora De Energia, Ltda	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
Integraçao Maranhense Tranmissora De Energia, S.A	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Linha De Transmissao Corumba, Ltda	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
Caiua Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Cantareira Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Coqueiros Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
Pedras Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
Serra De Ibiapa Transmissora de Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
Paratins Amazonas Transm. de Energía, S.A.	BRAZIL	KPMG	Investments in other domestic or international companies to participate in consortiums	100,00%
Celeo Redes Expansoes, S.A.	BRAZIL	***	Holding	100,00%
Celeo Redes Transmissao de Energía, S.A.	BRAZIL	KPMG	Holding	100,00%
Celeo Redes Transmissao e Renovaveis, S.A.	BRAZIL	KPMG	Holding	100,00%
CELEO REDES TRANSMISSAO DE ENERGIA, S.A.				
Vila Do Conde Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
LT Triangulo, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	100,00%
CELEO REDES TRANSMISSAO E RENOVAVEIS, S.A.				
Celeo Sao Joao Do Piaui FV I, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Celeo Sao Joao Do Piaui FV II, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Celeo Sao Joao Do Piaui FV III, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Celeo Sao Joao Do Piaui FV IV, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Celeo Sao Joao Do Piaui FV V, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Celeo Sao Joao Do Piaui FV VI, S.A.	BRAZIL	KPMG	Development, construction and operating of photovoltaic plants	100,00%

(***) Companies not required by law to have their annual accounts audited.

Appendix I: Company information

2019	Registered office	Auditor	Activity	% direct or indirect ownership
CELEO TERMOSOLAR, S.L.				
Solar Renewables Spain S.A.R.L. (**)	LUXEMBURG	***	Holding	100,00%
Dioxipe Solar, S.L.	SPAIN	KPMG	Development, construction and operating of solar thermal plants	97,57%
Aries Solar Termoeléctrica, S.L.	SPAIN	KPMG	Development, construction and operating of solar thermal plants	100,00%
HELIOS INVERSION Y PROMOCIÓN SOLAR, SL.U.				
Celeo Fotovoltaico,S.L.U.	SPAIN	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Consolidated investees **Equity-accounted investees (Note 10)**				
Subsidiary of:				
CELEO REDES BRASIL, S.A.				
Brilhante Transmissora De Energia, S.A.	BRAZIL	PWC	Operation of public service concessions for electricity transmission	50,00%
Brilhante II Transmissora De Energia, S.A.	BRAZIL	PWC	Operation of public service concessions for electricity transmission	50,00%
Jauru Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	66,66%
Cachoeira Paulista Transmissora de Energía, S.A.	BRAZIL	Chronus Auditores	Operation of public service concessions for electricity transmission	50,00%

(**) Company acquired in 2019
(***) Companies not required by law to have their annual accounts audited.

Appendix I: Company information

2018	Registered office	Auditor	Activity	% direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Subsidiary of:				
Consolidated investees				
CELEO CONCESIONES E INVERSIONES, S.L.U.				
Celeo Energía, S.L.	SPAIN	***	Holding	100,00%
Celeo Termosolar, S.L.	SPAIN	***	Holding	100,00%
Helios Inversión y Promoción Solar, S.L.U.	SPAIN	***	Holding	100,00%
CELEO ENERGIA, S.L.U.				
Celeo Energía Brasil, LTDA	BRAZIL	***	Promotion, construction and exploitation of all kind of power and services, waste treatment, etc.	100,00%
Celeo Energía Chile, SPA	CHILE	***	Promotion, construction and exploitation of all kind of power and services, supplies, waste treatment, etc.	100,00%
Celeo Luz de Mexicali I, S.A. de C.V.(*)	MEXICO	***	Development, construction and operating of photovoltaic plants	100,00%
Celeo Luz de Mexicali II, S.A. de C.V.(*)	MEXICO	***	Development, construction and operating of photovoltaic plants	100,00%
HELIOS INVERSION Y PROMOCIÓN SOLAR, SL.U.				
Celeo Fotovoltaico, S.L.U	SPAIN	KPMG	Development, construction and operating of photovoltaic plants	100,00%
Consolidated investees				
Equity-accounted investees (Note 10)				
Celeo Redes, S.L.U.	SPAIN	KPMG	Holding	51,00%
CELEO REDES, S.L.U.				
Celeo Redes Chile, Ltda.	CHILE	KPMG	Holding	51,00%
Celeo Redes Brasil, S.A.	BRAZIL	KPMG	Holding	51,00%
CELEO REDES CHILE Ltda				
Celeo Redes Operación Chile, S.A.	CHILE	KPMG	Holding	51,00%
CELEO REDES OPERACIÓN CHILE, S.A.				
Alto Jahuel Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	51,00%
Charrua Transmisora De Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	51,00%
Diego de Almagro Transmisora de Energía, S.A.	CHILE	KPMG	Development, construction and operation of electricity facilities	51,00%

(*) Companies incorporated in the year 2018
(**) Company acquired in 2018
(***) Companies not required by law to have their annual accounts audited.

Appendix I: Company information

2018	Registered office	Auditor	Activity	% direct or indirect ownership
CELEO REDES BRASIL, S.A.				
Encruzo Novo Transmissora De Energia, Ltda	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Integraçao Maranhense Tranmissora De Energia, S.A	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26,01%
Linha De Transmissao Corumba, Ltda	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Caiua Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26,01%
Cantareira Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26,01%
Coqueiros Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Pedras Transmissora De Energía, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Brilhante Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25,50%
Brilhante II Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25,50%
Jauru Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25,50%
Cachoeira Paulista Transmissora de Energía, S.A. (**)	BRAZIL	Chronus Auditores	Operation of public service concessions for electricity transmission	25,50%
Celeo Redes Transmissao de Energía, S.A. (*)	BRAZIL	KPMG	Holding	51,00%
CELEO REDES TRANSMISSAO DE ENERGIA, S.A.				
Vila Do Conde Transmissora De Energia, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
LT Triangulo, S.A.	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51,00%
Dependiente de:				
CELEO TERMOSOLAR, S.L.				
Dioxipe Solar, S.L.	SPAIN	KPMG	Development, construction and operating of solar thermal plants	55,00%
Aries Solar Termoeléctrica, S.L.	SPAIN	KPMG	Development, construction and operating of solar thermal plants	55,70%

(*) Companies incorporated in the year 2018
(**) Company acquired in 2018
(***) Companies not required by law to have their annual accounts audited.

CELEO REDES, S.L. AND SUBSIDIARIES

Summary of financial information of equity-accounted investees companies

31 December 2019

(Expressed in thousands of Euros)

	Brilhante Transmissora de Energia, S.A.	Jaurú Transmissora de Energia, S.A.	Brilhante II Transmissora de Energia, S.A.	Cachoeira Paulista Transmissora de Energia, S.A.
Information from the statement of financial position				
Non-current assets	63,892	99,370	4,583	32,183
Non-current liabilities	13,786	40,391	329	15,419
Non-current financial liabilities (*)	9,205	20,839	-	-
Total non-current net assets	**50,106**	**58,979**	**4,254**	**16,764**
Current assets	5,372	6,494	1,229	7,715
Cash and cash equivalents	3,470	1,171	1,054	4,882
Current liabilities	3,854	5,862	62	6,430
Current financial liabilities (*)	2,206	3,912	-	-
Total current net assets	**1,518**	**632**	**1,229**	**1,285**
Net assets	**51,624**	**59,611**	**5,421**	**18,049**
Percentage ownership	0.60	0.33	0.50	0.50
Share of net assets	30,974	19,671	2,711	9,025
Carrying amount of the investment (**)	30,922	34,920	3,943	29,648
Information from the income statement				
Revenue	11,443	16,363	1,083	16,754
Depreciation and amortisation	(2,512)	(3,722)	(172)	(1,299)
Interest income	143	318	42	524
Interest expense	(1,243)	(4,709)	-	(2,939)
Income tax expense/(income)	(1,111)	(1,112)	(116)	(1,779)
Profit/(loss) from continuing operations	3,569	2,160	707	9,141
Profit/(loss) for the year	3,569	2,160	707	9,141
Other comprehensive income	(1,724)	(735)	(89)	318
Total comprehensive income	**1,845**	**1,425**	**618**	**9,459**
Dividends received	988	1,328	238	927

(*) Excludes the accounts of trade payables and other payables, provisions and deferred tax liabilities.
(**) The difference compared with the share of net assets/reconciliation is due to harmonisation with international standards and Group policies.

CELEO REDES, S.L. AND SUBSIDIARIES

Summary of financial information of equity-accounted investees companies

31 December 2018

(Expressed in thousands of Euros)

	Celeo Redes Group	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.
Information from the statement of financial position			
Non-current assets	1,229,881	243,669	450,215
Non-current liabilities	841,077	214,643	402,429
Non-current financial liabilities (*)	793,291	210,680	388,189
Total non-current net assets	**388,804**	**29,056**	**47,786**
Current assets	188,193	8,376	17,017
Cash and cash equivalents	128,491	1,852	3,648
Current liabilities	82,317	15,044	21,022
Current financial liabilities (*)	42,656	10,481	18,172
Total current net assets	**105,876**	**(6,668)**	**(4,005)**
Net assets	**494,680**	**22,388**	**43,781**
Percentage ownership	0.51	0.55	0.56
Share of net assets	252,287	12,313	24,386
Carrying amount of the investment (**)	236,866	24,033	33,282
Information from the income statement			
Revenue	65,697	28,260	58,674
Depreciation and amortisation	(5,882)	(12,081)	(24,992)
Interest income	97,783	-	-
Interest expense	(50,336)	(11,436)	(24,482)
Income tax expense/(income)	(20,159)	44	1,775
Profit/(loss) from continuing operations	50,376	(7,088)	(7,615)
Profit/(loss) for the year	50,376	(7,088)	(7,615)
Other comprehensive income	19,585	1,973	4,018
Total comprehensive income	**69,961**	**(5,115)**	**(3,597)**
Dividends received	40,109	-	-

(*) Excludes the accounts of trade payables and other payables, provisions and deferred tax liabilities.
(**) The difference compared with the share of net assets/reconciliation is due to harmonisation with international standards and Group policies.

2019 Directors' Report - Celeo Group

for the year ended 31 December 2019

Contents

1. Introduction

In 2019 the Celeo Group had a consolidated net profit of Euros 227 million attributed to the Parent, which represents an increase of Euros 206 million compared to 2018 (Euros 21 million). This increase arises for the following reasons:

- On 17 December 2019 the Group, through the Parent, acquired a 49% holding in the company Celeo Redes, S.L., in which it held an interest of 51%. The acquisition has taken place by way of a non-cash contribution made by Pasterze Investments Holding B.V. (APG Group) of 49% of the interest that it held until that date in the Celeo Redes, in exchange receiving shares in the Parent. The arrangement means the Group is now jointly controlled under a shareholders' agreement by Elecnor, S.A. and APG, who now hold 51% and 49% of the Company respectively. The transfer of the holding in the Celeo Redes subgroup gave rise to a gain of Euros 245 million.

- On 31 July 2019 the Group, through the company Celeo Termosolar, S.L., acquired a 42.57% and 44.30% holding in the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively, taking over control of those businesses which are the owners of three parabolic trough solar thermal power plants in Extremadura and Castilla-La Mancha. As a result of this business combination, the Celeo Group recorded a loss of Euros 42 million from the acquisition and business combination.

Sales rose to Euros 46 million, up from Euros 13 million in 2018. That increase mainly related to the sale recognised since 31 July of the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. after changing the consolidation method from the equity method to the full consolidation method.

EBITDA stood at Euros 255 million, up from Euros 26 million in 2018. That difference is explained by the changes in the scope of consolidation described above.

In addition to the relevant events described above, a number of important transactions took place during the year which, if not mentioned, the general overview of the Group would be incomplete:

- In July the Brazilian subsidiary, Celeo Redes Brasil, concluded the acquisition of the 33.3% interest held by the Cobra Group in Jaurú Transmissora de Energía, S.A. (JTE). For this acquisition, Celeo Redes has disbursed BRL 59 million.

- Also, through its investee, Celeo Redes Chile Transmisión, a bond issue was signed on 25 November 2019 for Dollars 325 million, traded as a Private Placement and subject to New York legislation, and they were taken up entirely by Allianz Global Investors. The bonds, which will be amortised in full over the next 30 years, will be used for funding the Diego de Almagro Transmisora de Energía project (now operational) and the construction of Casablanca Transmisora de Energía and Mataquito Transmisora de Energía. On 6 December, the first amount was drawn for the amount of Dollars 78.7 million.

- On 20 December 2019, the Group sold the company Tramperase, S.L., engaged in project development, for Euros 11,774 thousand, having obtained a capital gain of Euros 7,744 thousand.

2. Business model and economic backdrop

2.1. Business model

The Celeo Group implements a business model that consists of managing infrastructure projects through investments in assets for energy transmission and production. It currently has projects in Brazil, Chile and Spain.

2.1.1 Transmission market in Brazil

Celeo Concesiones participates in this market in projects regulated by ANEEL (National Electricity Agency), the organisation that regulates electricity in Brazil. For newly constructed projects, ANEEL defines the maximum annual revenue allowed ("Receita Anual Permitida", RAP) for each transmission line to be tendered. The bidder with the lowest RAP will be awarded the concession, subject to the following:

- The concession period is 30 years from the date of award, with the possibility of being extended upon expiry for a further 30 years, with a revised RAP. During this period, the concession holder has to guarantee the availability of the assets and have an O&M programme and top-level insurance in place.
- The concession holder is responsible for the development and construction of the infrastructure before the Commercial Start-up Date established in the tender documents. In general, this period is 2 to 4 years.
- The RAP is revised each year on the basis of the inflation observed, and there are additional adjustments established in the terms of the tendering procedure for each project, to guarantee the return for the concession holder.

2.1.2 Transmission market in Chile

The National Energy Commission (CNE), the regulating organisation in Chile, in its tenders for energy transmission, defines the maximum Annual Transmission Value per Tranche (VATT) for each project; this value comprises both the yearly repayment for the investment value and the annual operating and maintenance costs. The bidder with the lowest RAP will be awarded the project, subject to the following:

- The successful bidder will be the owner of the project for an unlimited time. During this period, the concession holder has to have an O&M programme and top-level insurance in place.
- The concession holder is responsible for the development, construction and operating before the Commercial Start-up Date established. In general, this period is 3 to 5 years.
- The VATT is revised annually taking into account the inflation rate during the first 20 years, and then based on the general system in which the revenue is revised every 4 years for the new replacement value of the assets of the system and regulated returns.

2.1.3 Regulation of renewable energy in Spain

In June 2014, an amendment was passed which revises the return on investment, limiting the returns from renewable energy projects during their useful life, with the aim of obtaining a reduction or elimination of the electrical market's tariff deficit.

The change in the remuneration mechanism involved changing from the premium system to a specific remuneration system which is based on both the investment (remuneration for the investment, or Rinv) and on the operation (remuneration for the operation, or Rop).

This way, each type of plant was classified (Installation Type) according to its technology, location and year of construction, and is assigned a series of features specific to each project according to which each plant was granted the Rinv and the Rop, under the premise that they will receive a reasonable return which at that time was fixed at 7.4% before taxes. The Rinv and the Rop supposedly covered both the investment cost and the operating cost not covered by the revenue generated by selling to the pool.

In each regulatory half period (3 years), the specific remuneration is calculated for each Installation Type (IT). Therefore, depending on the technology, the installed power and the year when it was commissioned have specific values and the theoretical return on the project during its useful life is equivalent to the reasonable return established for each regulatory period (6 years).

In February 2019, a bill was passed on Climate Change and Energy Transition. The ambitious proposals establish targets for 2030 for reducing greenhouse gas emissions by 21 %, below the 1990 level. It is uncertain whether the proposals will actually become into government policy and it is expected that the new Government will support an increase in renewable energy.

Lastly, this year Royal Decree-Law 17/2019 was passed, under which urgent measures were adopted in response to the need to adapt the remuneration parameters affecting the electricity system. This establishes a reasonable return of 7.09% for facilities producing energy from renewable sources, cogeneration and waste, applicable during the second regulatory period (2020-2025). However, any renewable, cogeneration and waste facilities receiving remuneration when RD-Law 9/2013 came into force, and under certain circumstances, are permitted to maintain the reasonable return of 7.398% fixed for the first regulatory period, during the second and third regulatory periods (2020-2031). The photovoltaic plants of the Helios subgroup will continue with this latter reasonable return during this period.

2.2. Economic situation

2.2.1. Brazil

The GDP in Brazil went up by 0.6% quarter on quarter in July-September and April-June, increasing the estimated GDP growth in 2019 to 1.2% (previously 0.9%).

Before the outbreak of COVID-19, while growth in Brazil was expected to slow down in 2020 due to deceleration in the USA and a modest economic growth world-wide, a stimulus has been expected due to increased investment (lower interest rates and infrastructure concessions and privatisation) and private consumption, while the labour market gradually improves and credit increases.

Meanwhile, on the supply side, no great impetus was expected from the components of the services sector, which has been affected by limitations on productivity. However, the retail trade, financial services and telecommunications would be the main beneficiaries of a recovery in private consumption.

Agriculture and imports of goods and services showed the highest growth rates, and also industry and private consumption. However, government consumption and exports of goods and services showed negative growth.

The pace of recovery of the Brazilian economy remained gradual in the first half-year of 2019. As a result, the industrial capacity utilisation rates continued to be low, with a slight decrease in the unemployment rate, mainly bolstered by undeclared work. In this debilitated economic climate, domestic credit to non-financial corporations grew at a similar rate to the previous half-year period.

The market participants reduced their concerns regarding political and tax risks - although those risks were still considered to be the major source of vulnerability to financial stability - but they did express their concern for the international scenario. The institutions continued relying on the financial system capacity to absorb any adverse impacts.

As for growth forecasts for 2020-2024, they were expected to be backed up by the approval of the pension reform and the simplification of the taxation system, and also partial developments in other points of the microeconomic reform programme.

Inflation stood at 3.3% in August, lower than this year's target which was fixed at 4.25%, leaving room for greater monetary adaptation by the central bank without generating pressure on prices. The weak domestic demand contributes to the low inflation rate and it is unlikely that any increase in the minimum salary will be much higher than inflation, unlike in the past. Inflation is expected to go up moderately in 2020-24, other than for periodic food shortages related to climate or an unexpected increase in oil prices. A more solid political framework is helping to anchor inflation expectations more effectively than in the past.

Furthermore, the Brazilian Real was expected to vary in terms of trade and the sensation of overall risk of Brazil. An escalation of the trade war between the United States and China in August contributed to heavy selling on the emerging markets, and brought the Real close to 3.65 BRL/USD, causing the central bank to intervene. Nevertheless, the demand from Brazil's principal export markets, such as the United States and China, underwent a slowdown in growth in 2019. Excluding the volatility associated to external factors, economic recovery was expected to increase the value of the Real.

Brazil is one of the greatest producers of hydroelectric power in the world and has huge reserves of oil and gas, which will convert the country into one of the ten major oil exporters in the world. Oil production is expected to increase greatly in the coming years as the discoveries of "pre-salt" oil reserves will stimulate production. Annual electricity consumption went up by 1% from 2017 to 2018, after falling by nearly 1.1% between 2015 and 2016, due to sharp tariff increases and the worst recession in Brazil in modern history, which affected consumption and industry. A moderate increase in consumption was expected in 2019-2023, as a result of economic recovery in Brazil, beginning in 2017.

Although at the end of 2018 the president, Jair Bolsonaro, said he had no intention of privatising "strategic" energy assets, the privatisation programme for the country is on the political agenda. The Bolsonaro government apparently would seek to privatise the main energy companies such as Petróleo Brasileiro (Petrobras) and Centrais Elétricas Brasileiras (Eletrobras). The government aims at reducing the size of the public sector while at the same time stimulating foreign investment, as well as economic efficiency and growth.

The main changes in Brazil's energy supply during the next year will be the decreased share of petroleum by-products on the total consumption (from 34% in 2019 to 32% in 2029) and an increased share of other renewable energies.

S&P gave Brazil a long-term international rating of BB- since January 2018.

2.2.2. Chile

The president, Sebastián Piñera, who took office in March 2018, does not have a majority in Congress, which undermines the progress in his agenda for reforms and weakens confidence in the government. Sebastián Piñera has been facing serious governance challenges since mid October 2019, when a wave of protest against inequality broke out and shook the country.

The growth in GDP has slowed at an estimated rate of 1.3% since 2019, as protests interrupted economic activity. Further slow-downs are predicted in 2020, up to 1%, not counting the effects of COVID-19. Recovery as from 2021 is forecast to be based on higher copper prices and a revival in consumption and investment.

Under citizen pressure to improve the quality of the social security system, Pinera's government relegated tax consolidation to a second level. The tax deficit was expected to average 3.7% of the GDP in the forecast period 2020-24.

In September, the Central Bank of Chile reduced the annual interest rates by 50 base points to 2%, citing the global economic downturn and the weak domestic economic activity. It was expected that the Central Bank of Chile would maintain the interest rate without change for the best part of 2020. The economy was expected to pull out of the crisis from 2021 to 2024.

The forecast was that the current account deficit would continue decreasing by 2.9% in 2020 (from 3% of the GDP in 2019) as a result of fewer imports of durable and capital goods due to the weak demand from consumers and investors. The deficit will again widen to 3.1% of the GDP in 2021, due to a larger deficit in primary income, in addition to the increase in debt service obligations and the repatriation of profits from multinationals based in Chile, before gradually going down again to 2.6% in 2024.

In recent months, the currency continues being vulnerable to changes in copper prices and to the sensation of global risk, and also to the situation of domestic political instability.

After closing 2019 at 744.6 CLP/USD, the Peso continued on a downward trend during the first weeks of January 2020. However, the Central Bank announced an exchange intervention of USD 20 billion; this measure is consistent with monetary policy (based on the inflation targets and exchange rate flexibility) and, during the course of 2020, as a result of investor confidence once the protests end, the appreciation is expected to gather momentum as from 2021, before the currency starts stabilising at around 658.6 CLP/USD in 2023-24.

Under the continuous pressure of large-scale protests, the perspective of the Piñera government was to embark on policies designed to reduce income inequality, raise salaries and address the high costs of electricity and energy. The emphasis on reforms favouring companies would be replaced by a shift in emphasis to social reform policies, such as how to improve the quality of the medical service and education, the Social Security, and pensions and salaries.

After going up by an estimated 2.7% in 2018, electricity consumption was expected to increase by an annual average of 3% between 2019 and 2023, reflecting the trends in general economic performance during the period. Expansion would be boosted by a sustained demand from the industrial sector which accounts for almost 60% of total consumption, and by higher commercial use in the central, more populated regions.

Despite having a higher GDP per capita and lower poverty levels than other major economies in the region, the continuing lack of equality in income and a sharp fall in the poverty rate, creating a growing middle class with growing expectations, has resulted in dissatisfaction due to the lack of opportunities and a limited political system.

The reforms outlined up until now include an increase in basic pensions, a higher minimum salary, an exemption in the recent increased transport and electricity rates, and the introduction of an insurance scheme to cover medication.

The president, Sebastián Piñera, adopted and strong line approach, imposing a state of emergency before adopting a more conciliatory position, announcing a series of reforms and reorganising his entire cabinet to re-focus on the problems raised by the demonstrators. However, the demonstrators have not yet seen their demands met by the measures announced, which raises serious challenges in the fields of economy, policy and governance.

S&P changed the long-term foreign currency rating of Chile from AA- to A+ since July 2017.

The political situation is expected to continue being controversial while the discussions on constitutional reform dominate the political scene, until the next presidential elections at the end of 2021.

2.2.3. Spain

The actual growth in GDP was 2.1% in 2019, compared to 2.4% in 2018. This slow-down in growth is in line with the trend for moderate growth in the 2016-2018 period. El growth of private consumption and the gross fixed investment has been held back by diminishing confidence, due to a slowing of the growth in jobs, the concern for the economic consequences of geopolitical tensions, and the slowdown in global production.

For 2020, before the outbreak of COVID-19, the IMF estimated the rate of GDP growth at 1.6%, which placed us three tenths above the average forecast for the Eurozone, with an estimated 1.3%. These forecasts were also maintained at similar levels for 2021.

Spain is the sixth highest energy consumer in the European Union. Total energy consumption followed a downward trend between 2007 and 2014, but has gone up since 2015 in line with cyclical economic recovery. The energy policy is linked to the EU strategy which requires Member States to collectively reduce greenhouse gas emissions by 20%.

The daily average market price on the Spanish electricity market for 2019 went up to Euros 47.68/MWh. Average monthly prices have ranged between Euros 61.97/MWh in January and Euros 33.80/MWh in December.

3. Analysis of the key performance indicators for the year

3.1. Consolidated data

Celeo Group

At 31 December for each year and in thousands of Euros

Results	**2019**	**2018**	**Variation**
Operating profit	239,310	23,611	>100%
EBITDA	255,497	26,613	>100%
Profit before tax	229,853	21,594	>100%
Net profit	227,523	21,197	>100%
Equity			
Equity	1,317,431	310,155	>100%
Revenue			
Sales	46,432	12,562	>100%

The main figures for the year were affected by changes in the scope of consolidation described in section 1 of this report.

3.2. Sales by activity

Celeo Group

At 31 December for each year and in thousands of Euros

Geographical region	2019	2018	Variation
Brazil	-	-	-
Chile	-	-	-
Spain	46,432	12,562	>100%
	46,432	**12,562**	**>100%**

Activities	2019	2018	Variation
Electricity	-	-	-
Production	46,432	12,562	>100%
	46,432	**12,562**	**>100%**

Sales in Brazil and Chile commenced after the consolidation of Celeo Redes, at the end of 2019, described in section 1 of this report.

4. Capital Management Policy

A fundamental part of the Celeo Group's strategy is to observe a policy of financial prudence. The capital structure is defined by the commitment to solvency and the objective of maximising shareholders returns.

5. Financial Risk Management Policy

The Celeo Group is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring, supervising and limiting the concentration of risks. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

The first risk to be mitigated arises from the transactions that the Group performs in international markets in the course of its business, namely market risk due primarily to foreign currency risk. Part of the contracts are denominated in currencies other than the functional and presentation currency of each country. For this reason, the risk of fluctuating exchange rates of these currencies could have an impact on the Group's profits. In order to manage and minimise this risk, the Celeo Group uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating on exchange rate fluctuations. The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency.

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities pegged to floating interest rates. The Celeo Group actively manages its exposure to interest rate risk in order to mitigate its exposure to the changes in interest rates resulting from the debts taken on with a variable interest rate, and, where appropriate, using hedging instruments to minimise the interest rate for the funding.

On the other hand, liquidity risk is mitigated by the policy of holding cash and highly liquid and non-speculative short-term instruments, such as deposits at first-rate financial institutions order to be able to meet its future commitments.

The main credit risk arises from trade receivables, when the counterparty or customer fails to meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, the Celeo Group has customers with very high credit ratings.

With regard to transmission lines operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made. Prior to connecting to the system, these companies deposit a guarantee. In the event of default, the guarantee is executed and they are immediately disconnected from the system, with the payment obligation distributed among the remaining system users. The concession operator's collections are therefore guaranteed by the national electricity system. In this connection, we would highlight that in the years in which the Group has been operating these lines, none of the users have failed to make payment.

The transmission lines in Chile belong to that country's grid at national and zonal level, in which the National Electricity Coordinator (Coordinador Eléctrico Nacional (CEN)) coordinates the flow of payments to transmission companies. The current system, in which those responsible for paying the transmission companies were the generating companies, was applied up to December 2018. From 2019, the distributors were brought in as the companies responsible for payment. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

6. Environment

The commitment to protecting the environment, respecting environment and efficiency in the consumption of energy resources are common denominators in Celeo Group's activities and form part of the organisation's culture and values.

Celeo Group has defined and set in place measures to limit the potential environmental impact of its activities.

The Group's environmental management strategy is governed by the following principles of action:

- Constantly seeking to balance financial profitability and environmental protection, resulting in approaches whereby the two concepts mutually reinforce each other.
- Considering environmental factors when making investment decisions regarding new projects and when studying activities to undertake.
- Involving employees through appropriate training and awareness campaigns.
- Involving other stakeholders (customers, suppliers, funders and society in general) in the ongoing search for useful solutions to the challenge of protecting the environment and resources.

Celeo Concesiones e Inveriones, S.L. has not carried out any research and development activities in 2019 that are considered significant for these purposes.

7. Human resources

Personnel

Celeo Group

At 31 December each year	2019	2018	Variation
Brazil	285	248	+15%
Chile	81	64	+27%
Spain	33	32	+3%
	399	**344**	**+16%**

People are the Celeo Group's principal asset. Accordingly, the Group bases its general strategy on values such as talent and teamwork under conditions of the highest possible levels of safety. Occupational health and safety is therefore a common denominator of all the activities carried out by the Group. Part of the Group's culture is its commitment to health and safety. This commitment goes beyond legal requirements and customer requests, with clear and demanding objectives: no accidents and no tolerance of failure to comply with the health and safety measures established by the company.

At the end of 2019, the Group's workforce had increased by 55 (16%) from the number at year-end 2018, bringing the total to 399 employees.

8. Significant events after the reporting period

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent spread world-wide to over 150 countries has led to the virus outbreak being classified as a pandemic by the World Health Organisation since 11 March. The majority of Governments are taking restrictive measures to contain the propagation which include: isolation, confinement, quarantine and restrictions to the free movement of people, closing public and private establishments except for those used for basic needs and healthcare, closed borders and a substantial reduction of transport by air, sea, rail and road. In Spain, the Government issued Royal Decree 463/2020 on 14 March 2020 declaring the state of emergency for managing the health crisis caused by COVID-19, initially for a period of 15 calendar days, which was extended three times by a further 15 calendar days in 26 March, 9 and 22 April 2020.

This situation is having a significant effect on the world economy due to the interruption or slowing down of the supply chains and the significant increase of economic uncertainty which is evidenced by a greater volatility in the price of assets, exchange rates and reduced long-term interest rates. To mitigate the economic impacts, on Wednesday 13 March, Royal Decree-Law 7/2020, of 12 March, was passed in Spain, under which urgent measures were adopted to respond to the economic and social impact of COVID-19, and subsequently, on 18 March, Royal Decree-Law 8/2020, of 17 March, was passed on extraordinary urgent measures adopted for addressing the economic and social impact of COVID-19.

Taking into consideration the complexity of the markets due to globalisation and the absence, for the time being, of any effective medical treatment against the virus, the consequences for the Group's operations are uncertain and will largely depend on the evolution and spread of the pandemic in the coming months and on the ability of all economic operators affected to react and adapt.

Accordingly, at the time of drawing up these Consolidated Annual Accounts it is premature to make a detailed assessment or quantification of the possible impact that COVID-19 will have on Celeo Concesiones e Inversiones, S.L. and its group of companies, due to the uncertainty of its consequences in the short, medium and long term. In any case, the consequences resulting from COVID-19 are considered as an event subsequent to closing which does not require any adjustment to the consolidated annual accounts for 2019, notwithstanding that they should be recognised in the consolidated annual accounts for 2020.

In this respect, at the present time there has been no drop in the business forecast by the Group for the first months of 2020 as a consequence of COVID-19, although it is not possible to assess whether that situation will continue and to what extent in the future. However, considering the measures adopted by the different governments of the countries where the Group operates for managing the health crisis situation provoked by COVID-19, the directors and Management of the Company have made a preliminary evaluation of the current situation using the best information available. Due to the considerations expressed above, this information could be incomplete. The following aspects are highlighted from that evaluation:

- Liquidity risk: the general situation of the markets will foreseeably lead to a general increase in liquidity pressures on the economy, and a squeeze on credit. In this respect, Liquidity Risk is mitigated through the Group's policy of holding cash and highly liquid, non-speculative, short-term instruments through leading banks in order to be able to meet its future commitments, and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

- Operating Risk: the changing and unforeseeable state of events could entail a risk of temporary discontinuation of some of the activities carried out by the Group. Accordingly, we have established working groups and specific procedures aimed at constantly monitoring and managing the evolution of our operations, in order to minimise the impact on them.

- Risk of variation in certain financial figures: the factors mentioned above could lead to a lower figures in the next financial statements under the more relevant headings for the Group, such as "Revenue" or "Profit after taxes", or for the key indicators (Net Debt-to-EBITDA Ratio) although for the time being it is not possible to reliably quantify their impact, taking into account the conditioning factors and restrictions already commented.

In 2020 the Group will assess the impact of the events described above and of those which might occur in the future on the equity and financial position at 31 December 2020 and on the results of its operations and its cash flows for the year ended on that date.

Lastly, we would highlight that the directors and Management of the Group are constantly monitoring the evolution of the situation in order to be able to successfully address any possible impact, both financial and non-financial, that might be produced.

9. Outlook for 2020

The Celeo Group maintains its commitment to growth in the national international market, based both on the projects that it has in its portfolio and the possibility of participating in tenders and developments in other Latin American countries which offer opportunities for expansion and growth.

Brazil continues with its process of expanding the installed capacity of transmission lines and substations. The Brazilian Electricity Regulatory Agency (ANEEL) predicts transmission line tenders for 3,585 km in 2020. Additionally, here will be generation tenders of the type LEN A-4 and A-6 where there are possibilities offered by the electricity generation market through photovoltaic generation projects are being studied, which may represent an opportunity to continue along the path of growth and diversification.

With regard to Chile, prospects for new main line and regional tenders include transmission lines and several substations with a total investment value of around USD 95.2 million. These opportunities are in addition to any reinforcements that may be approved by the CNE on the Group’s existing lines.

Given this scenario, the Group plans to continue with the continuous improvement of its general and productive structures to adapt them to the volume of activity of the different businesses it engages in.

With all of this in mind, the Celeo Group begins the year 2020 with good prospects for the growth of both its turnover and for creating value.

10. Share capital and acquisition of own shares

At 31 December 2019 the share capital of Celeo Concesiones e Inversiones, S.L. was represented by 166,670,560 subscribed and fully paid shares of EUR 1 par value each.

Celeo Concesiones e Inversiones, S.L. 's shares are not listed on any secondary market.

Celeo Concesiones e Inversiones, S.L. did not acquire any own shares in 2019.

11. Related-party transactions

For information on related-party transactions pursuant to article 15 of Royal Decree 1362/2007, we refer to the disclosures in the notes to the consolidated financial statements for the year ended 31 December 2019.