

# Consolidated Annual Report and Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

# Atlantica Yield plc Consolidated Annual Report and Financial Statements

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## Strategic Report

This Strategic Report has been prepared to provide information to shareholders to assess the Group's strategies and the potential for the strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The directors, in preparing this Strategic Report, have complied with Section 414C of the Companies Act 2006.

The Strategic Report discusses the following areas:

- Nature of the business.
- Business model, strategy and objectives.
- Fair review of the business.
- Key performance indicators.
- Principal risks and uncertainties.
- Environment, Social and Governance.
- Section 172 statement.
- Going concern basis.

### Nature of the business

Atlantica Yield plc (hereinafter "we", "our", the "Company" or "Atlantica"), a Company registered in England and Wales and incorporated in the United Kingdom, is a sustainable infrastructure company that owns and manages renewable energy, efficient natural gas power, transmission and transportation infrastructures and water assets. We currently have operating facilities in North America (United States, Mexico and Canada), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa). The Company intends to expand its portfolio, maintaining North America, South America and Europe as our core geographies.

As of December 31, 2019, we own or have an interest in a portfolio of high-quality and diversified assets in terms of type of asset, technology and geographic footprint. Our portfolio consists of 25 assets with 1,496 MW of aggregate renewable energy installed generation capacity, 343 MW of efficient natural gas-fired power generation capacity, 10.5 M ft<sup>3</sup> per day of water desalination and 1,166 miles of electric transmission lines.

All of our assets have contracted revenues (regulated revenues in the case of our Spanish assets and Chile TL3) and are underpinned by long-term contracts. As of December 31, 2019, our assets had a weighted average remaining contract life of approximately 18 years. Most of the assets we own or in which we have an interest have project-finance agreements in place.

We intend to take advantage of, and leverage our growth strategy on, favorable trends in the clean power generation, transmission and transportation infrastructures and water sectors globally, including energy scarcity and the focus on the reduction of carbon emissions. Our portfolio of operating assets and our strategy focus on sustainable technology including renewable energy, efficient natural gas, water infrastructure, and transmission networks as enablers of a sustainable power generation mix. Renewable energy is expected to represent in most markets the majority of new investments in the power sector in most markets, according to Bloomberg New Energy Finance 2019. Approximately 50% of the world's power generation by 2050 is expected to come from renewable sources, which indicates that renewable energy is becoming mainstream. Global installed capacity is expected to shift from 57% fossil fuels today to approximately two-thirds renewables by 2050. A 12-terawatt expansion of generating capacity is estimated to require approximately \$13.3 trillion of new investment between now and 2050 – of which approximately 77% is expected to go to renewables. Another approximately \$843 billion of investment goes to batteries along with an estimated \$11.4 trillion expected to go to transmission and distribution during that period. We believe regions will need to complement investments in renewable energy with investments in efficient natural gas, in transmission networks and in storage. We believe that we are well positioned to benefit from the expected transition towards a more sustainable power generation mix. In addition, we believe that water is going to be the next frontier in a transition towards a more sustainable world. New sources of water are needed worldwide and water desalination and water transportation infrastructure should help make that possible. We currently participate in two water desalination plants with a 10 million cubic feet capacity and we have reached an agreement to acquire a third.

We are focused on high-quality and long-life facilities as well as long-term agreements that we expect will produce stable, long-term cash flows. We intend to grow our cash available for distribution and our dividend to shareholders through organic growth and by acquiring new assets and/or businesses where revenues may not be fully contracted.

The address of our registered office is Great West House, GW1, 17th floor, Great West Road, Brentford, United Kingdom TW8 9DF.

## **Events during the period**

### *2019 acquisitions*

In January 2019, we entered into an agreement with Abengoa under the Abengoa Right of First Offer Agreement ("ROFO Agreement") for the acquisition of Befesa Agua Tenes, a holding company which owns a 51% stake in Tenes, a water desalination plant in Algeria that is similar in several aspects to our Skikda and Honaine plants. The price agreed for the equity value was \$24.5 million, of which \$19.9 million was paid in January 2019 as an advanced payment. Closing of the acquisition was subject to conditions precedent, including approval by the Algerian administration. The conditions precedent set forth in the share purchase agreement were not fulfilled as of September 30, 2019. Therefore, in accordance with the terms of the share purchase agreement the advanced

payment has been converted into a secured loan to be reimbursed by Befesa Agua Tenes, together with 12% per annum interest, through a full cash-sweep of all the dividends generated to be received from the asset. The share purchase agreement requires that the repayment occurs no later than September 30, 2031. In October 2019, we received a first payment in the amount of \$7.8 million through the cash sweep mechanism.

In April 2019, we entered into an agreement to acquire a 30% stake in Monterrey, a 142 MW gas-fired engine facility including 130 MW installed capacity and 12 MW battery capacity. The acquisition closed on August 2, 2019 and we paid \$42 million for the total equity investment. The asset, located in Mexico, has been in operation since 2018 and represents our first investment in electric batteries. It has a U.S. dollar-denominated 20-year PPA with two international large corporations engaged in the car manufacturing industry as well as a 20-year contract for the natural gas transportation from Texas with a U.S. energy company. The PPA also includes price escalation factors. The asset is the sole electricity supplier for the off-takers, it has no commodity risk and also has the possibility to sell excess energy to the North-East region of the country once the plant is connected to the grid. We have also entered into a ROFO agreement with the seller of the shares for the remaining 70% stake in the asset.

On May 24, 2019, Atlantica and Algonquin formed AYES Canada, a vehicle to channel co-investment opportunities in which Atlantica holds the majority of voting rights. AYES Canada's first investment was in Amherst Island, a 75 MW wind plant in Canada owned by the project company Windlectric, Inc. ("Windlectric"). Atlantica invested \$4.9 million and Algonquin invested \$92.3 million, both through AYES Canada, which in turn invested those funds in Amherst Island Partnership, the holding company of Windlectric. Since Atlantica has control over AYES Canada under IFRS 10 "Consolidated Financial Statements", its consolidated financial statements initially showed a total investment in the Amherst Island project of \$97.2 million, accounted for as "Investments carried under the equity method" (see Note 13 to the Consolidated Financial Statements) and Algonquin's portion of that investment of \$92.3 million as "Non-controlling interest". In addition, and under certain circumstances considered remote by both companies, Atlantica and Algonquin have options to convert shares of AYES Canada currently owned by Algonquin into Atlantica ordinary shares in exchange for a higher stake in the plant, subject to the provisions of the standstill and enhanced collaboration agreements with Algonquin.

On May 31, 2019, we entered into an agreement with Abengoa to acquire a 15% stake in Rioglass, a multinational manufacturer of solar components in order to secure certain Abengoa obligations. The investment was \$7 million, and it is classified as available for sale and is expected to generate interest income for us once divested.

On August 2, 2019, we closed the acquisition of ASI Operations, the company that performs the operation and maintenance services to Solana and Mojave plants. The consideration paid was \$6 million. Additionally, we have internalized part of the operation and maintenance activities contracted in two wind assets, maintaining a direct relationship with the supplier for the turbine maintenance services.

On October 2, 2019, we closed the acquisition of ATN Expansion 2, as previously announced, for a total equity investment of approximately \$20 million. The offtaker is Enel Green Power Peru. Transfer of the concession agreement is pending authorization from the Ministry of Energy in Peru.

If this authorization were not to be obtained within an eight-month period, the transaction would be reversed with no penalties to Atlantica.

*Chapter 11 by PG&E, the off-taker of our Mojave plant*

On January 29, 2019, PG&E, the off-taker for Atlantica Yield with respect to the Mojave plant, filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). As a consequence, PG&E did not pay the portion of the invoice corresponding to the electricity delivered for the period between January 1 and January 28, 2019, which was due on February 25, given that the services relate to the pre-petition period and any payment therefore would require approval by the Bankruptcy Court. However, Mojave Solar filed a 503(b)(9) claim for the portion of energy delivered 20 days prior to the PG&E filing, which was approved by an order of the Bankruptcy Court on August 15, 2019. Mojave Solar filed a general unsecured claim on October 17, 2019 for the remaining outstanding balance of energy. Further, PG&E has paid all invoices due to Atlantica Yield corresponding to the electricity delivered after January 28. Due to the PG&E Chapter 11 filings, a default of the PPA agreement with PG&E occurred. Since PG&E failed to assume the PPA within 180 days from the commencement of PG&E's Chapter 11 proceeding, a technical event of default was triggered under our Mojave project finance agreement in July 2019. Although we do not expect the acceleration of debt to be declared by the DOE, the project debt agreement does not have what International Accounting Standards define as an unconditional right to defer the settlement of the debt for at least twelve months, as the event of default provision make that right not totally unconditional, and therefore the debt has been presented as current in our financial statements. As of December 31, 2019, Mojave had \$707 million outstanding under its project financing agreement with the Federal Financing Bank, with a guarantee from the DOE (US Department of Energy). Additionally, Mojave represented approximately 13.5% of 2018 project level cash available for distribution. Chapter 11 bankruptcy is a complex process and we do not know at this time whether PG&E will seek to reject the PPA or not. However, PG&E has continued to be in compliance with the remaining terms and conditions of the PPA, including with all payment terms of the PPA up through the date hereof with the exception of services for prepetition services that became due and payable after the chapter 11 filing date. It remains possible that at any time during the chapter 11 proceeding, PG&E may decide to cease performing under the PPA and attempt to reject or renegotiate the terms of its contract with us. If PG&E rejected the contract and stopped making payments in accordance with the PPA, Mojave could fail in servicing its debt under its project finance agreement, which would also cause a default under the project finance agreement. If not cured or waived, an event of default in the project finance agreement could result in debt acceleration and, if such amounts were not timely paid, the DOE could decide to foreclose on the asset. Further, it is possible that the current timetable for confirmation could be delayed due to various matters relating to the treatment of claims, including claims that may arise during the Chapter 11 case. The PG&E bankruptcy has heightened the risk that project level cash distributions could be restricted for an undetermined period of time, thereby impacting our corporate liquidity and corporate leverage. Mojave project cash distributions to the corporate level normally take place at the end of the year. The last distribution received at the corporate level took place in December 2018. Unless the technical event or default is cured or waived, distributions may not be made during the pendency of the bankruptcy. Such events may have a material adverse effect on our business, financial condition, results of operations and cash flows.

On January 29, 2020, one year following its chapter 11 bankruptcy filing, PG&E announced that the majority of stakeholders were supportive of PG&E's proposed plan of reorganization and a schedule to confirm the plan by May 27, 2020 was filed with the Bankruptcy Court. PG&E's proposed plan is contingent upon having access to a California state-run wildfire fund, with such access contingent on several factors including approval from the California governor.

Although Atlantica did not receive any distribution from Mojave in 2019, we have compensated these distributions through two measures:

- (1) On April 30, 2019, we entered into the Note Issuance Facility 2019, a senior unsecured financing with Lucid Agency Services Limited, as agent, and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of the euro equivalent of \$300 million. The proceeds were used to prepay and subsequently cancel in full the 2019 Notes<sup>1</sup> and for general corporate purposes. The Note Issuance Facility 2019 provides that we may elect to, subject to the satisfaction of certain conditions, capitalize interest on the notes issued thereunder for a period of up to two years from closing at our discretion, subject to certain conditions. We elected to capitalize interest on the notes issued under the Note Issuance Facility 2019 for the upcoming quarters
- (2) In June 2019, we signed our first ESG-linked financial guarantee line with ING Bank, N.V. The guarantee line has a limit of approximately \$39 million. The cost is linked to Atlantica's environmental, social and governance performance under Sustainalytics, a leading sustainable rating agency. The green guarantees will be exclusively used for renewable assets. We are using and expect to continue use this guarantee line to progressively release restricted cash in some of our projects, providing additional financial flexibility.

#### *Agreement with Algonquin*

On May 9, 2019, Algonquin, Abengoa-Algonquin Global Energy Solutions ("AAGES") and Atlantica entered into the Enhanced Cooperation Agreement, and Algonquin and Atlantica entered into a subscription agreement pursuant to which, among other things, Atlantica agreed to permit Algonquin to acquire, and Algonquin agreed to purchase, a 1.4% stake in Atlantica. Algonquin completed this on May 22, 2019. On May 31, 2019, AAGES (AY Holdings) B.V. entered into an accelerated share purchase transaction with Morgan Stanley & Co. LLC, pursuant to which AAGES acquired 2,000,000 ordinary shares, bringing its total equity interest in Atlantica up to 44.2%. Under this agreement, we agreed with Algonquin to analyze jointly during the next six months Algonquin's contracted assets portfolio in the U.S. and Canada to identify assets where a drop down could add value for both parties, according to each company's key metrics. This process is taking longer than initially expected and we cannot guarantee that it will result in investments. Furthermore, the Shareholders Agreement has been amended to allow Algonquin to increase its shareholding in Atlantica up to a 48.5% without any change in corporate governance. Algonquin's voting rights and rights to appoint directors are limited to a 41.5% and the difference between Algonquin's ownership and 41.5% will vote replicating non-Algonquin's shareholders vote.

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<sup>1</sup> On November 17, 2014, we issued the 2019 Notes in an aggregate principal amount of \$255 million with an original maturity date of November 15, 2019. On May 31, 2019 we prepaid the 2019 Notes before maturity in accordance with the terms thereof with the proceeds of the notes issued under the Note Issuance Facility 2019.

On November 1, 2017, Algonquin agreed to acquire 25.0% of our shares from Abengoa and upon completion of this acquisition, became our largest shareholder. In addition, Algonquin and Abengoa created a joint venture, Abengoa-Algonquin Global Energy Solutions or “AAGES”, to jointly invest in the development and construction of clean energy and water infrastructure contracted assets. On March 5, 2018 we entered into a ROFO agreement with AAGES, which provides us with a right of first offer on any proposed sale, transfer or other disposition of AAGES ROFO Assets. In addition, we entered into a ROFO agreement with Algonquin covering certain of their non-U.S. and non-Canadian assets. Additionally, on November 27, 2018, Algonquin acquired from Abengoa the remaining 16.5% of our shares previously held by Abengoa and in 2019, Algonquin progressively increased its stake in our shares up to 44.2%.

Abengoa S.A. (“Abengoa”) was until 2018 our largest shareholder and is currently our largest supplier. Abengoa has been undergoing a debt restructuring process. In addition, Abengoa was the engineering, procurement and construction (“EPC”) supplier in most of our assets and maintains certain obligations with some of our assets under those EPC agreements.

#### *Financing Agreements*

On April 30, 2019, we entered into the Note Issuance Facility 2019, a senior unsecured financing with Lucid Agency Services Limited, as agent, and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of the euro equivalent of \$300 million. The notes under the Note Issuance Facility 2019 were issued in May 2019 and are due on April 30, 2025. The Note Issuance Facility 2019 includes an upfront fee of 2% paid upon drawdown. From their issue date to December 31, 2019 interest on the notes issued under the Note Issuance Facility 2019 accrued at a rate per annum equal to the sum of 3-month EURIBOR plus a margin of 4.65%. The principal amount of the notes issued under the Note Issuance Facility 2019 was hedged with an interest rate swap, resulting in an all-in interest cost of 4.4%. Starting January 1, 2020, the applicable margin for the determination of interest on the notes issued under the Note Issuance Facility 2019 decreased to 4.50% resulting in an all-in interest cost of 4.24, following satisfaction of the requirements set forth in the Note Issuance Facility 2019 for such margin decrease, including the effectiveness of the Spanish Royal Decree-law 17/2019 which approved a reasonable rate of return higher than 7%. The Note Issuance Facility 2019 provides that we may elect to, subject to the satisfaction of certain conditions, capitalize interest on the notes issued thereunder for a period of up to two years from closing at our discretion, subject to certain conditions. We elected to capitalize interest on the notes issued under the Note Issuance Facility 2019 for the upcoming quarters.

The notes issued under the Note Issuance Facility 2019 are guaranteed on a senior unsecured basis by our subsidiaries ABY Concessions Infrastructures, S.L.U., ABY Concessions Perú S.A., ACT Holding, S.A. de C.V., ASHUSA Inc., ASUSHI Inc. and Atlantica Investments Limited. If we fail to make payments on the notes issued under the 2019 Note Issuance Facility, the guarantors are requested to repay on a joint and several basis.

The proceeds of the notes issued under the 2019 Note Issuance Facility were used to prepay and subsequently cancel in full the 2019 Notes and for general corporate purposes.

On May 10, 2018, we entered into a \$215 million Revolving Credit Facility with a syndicate of banks with Royal Bank of Canada as administrative agent and Royal Bank of Canada and Canadian



Imperial Bank of Commerce, as issuers of letters of credit. This facility was increased by \$85 million to \$300 million in January 2019. In addition, on August 2, 2019 the facility was further increased by \$125 million to a total limit of \$425 million and the maturity of a portion of loans in a principal amount of \$387.5 million extended from December 31, 2022, with the remaining \$37.5 million maturing on December 31, 2021. As of December 31, 2019, we had \$84 million outstanding under the Revolving Credit Facility and \$341.0 million available.

### *Regulation in Spain*

Revenues in our solar assets in Spain are mainly defined by regulation and some of the parameters defining the remuneration are subject to review every six years.

According to Spanish Royal Decree 413/2014, solar electricity producers in Spain receive: (i) the pool price for the power they produce and (ii) a payment based on the standard investment cost for each type of plant. This payment based on investment (in €/MW of installed capacity) is supplemented, in the case of solar plants, by an “operating payment” (in €/MWh produced). This economic regime seeks to allow a “well-run and efficient enterprise” to recover the costs of building and running a plant, plus a reasonable return on investment (project investment rate of return). The rate applicable during the first regulatory period was 7.398%. The first regulatory period ended on December 31, 2019. The values of parameters used to calculate the payments can be changed at the end of each regulatory period.

On July 27, 2018, CNMC (the regulator for the electricity system in Spain) issued a draft proposal for the calculation of the reasonable rate of return for the regulatory period 2020-2025. On November 2, 2018, CNMC issued its final report with a proposed reasonable rate of return of 7.09%. In December 2018 the government issued a draft project law proposing a reasonable rate of return of 7.09%, with the possibility of maintaining the 7.398% reasonable rate of return under certain circumstances. On November 24, 2019, the Spanish government approved Royal Decree-law 17/2019 setting out a 7.09% rate of reasonable return applicable from January 1, 2020 until December 31, 2025 as a general rule and the possibility, under certain circumstances including not having any ongoing legal proceeding against the Kingdom of Spain, of maintaining the 7.398% reasonable rate of return for two consecutive regulatory periods. The reasonable return is no longer calculated by reference to the Spanish government 10-year bonds but by reference to the weighted average cost of capital (WACC). The WACC is the calculation method that most of the European regulators apply in most of the cases to determine the return rates applicable to regulated activities within the energy sector. As a result, some of the assets in our Spanish portfolio are receiving a remuneration based on a 7.09% reasonable rate of return until December 31, 2025 while others are receiving a remuneration based on a 7.398% reasonable rate of return until December 31, 2031. We estimate the impact of this change to be approximately € 3 million per year reduction in our cash available for distribution.

### **Asset portfolio and operations**

Our portfolio consists of 15 renewable energy assets, a natural gas-fired cogeneration facility, a minority stake in a 142 MW gas-fired engine facility with battery storage, several electric transmission lines and minority stakes in two water desalination plants, all of which are fully operational. We expect that the majority of our cash available for distribution over the next three

years will be in U.S. dollars, indexed to the U.S. dollar or in euros. We intend to maintain a ratio of over 80% of our cash available for distribution denominated in U.S. dollars or euros and to hedge the euros for the upcoming 24 months on a rolling basis. As of December 31, 2019, approximately 92% of our project-level debt was hedged against changes in interest rates through an underlying fixed rate on the debt instrument or through interest rate swaps, caps or similar hedging instruments. The following table provides an overview of our current assets as of December 31, 2019:

Assets	Type	Ownership	Location	Currency <sup>(1)</sup>	Capacity	Offtaker	Counterparty	COD <sup>(3)</sup>	Contract
					(Gross)		Credit		Years
							Rating <sup>(2)</sup>		Left <sup>(4)</sup>
Solana	Renewable (Solar)	100% Class B <sup>(5)</sup>	Arizona (USA)	USD	280 MW	APS	A-/A2/A-	2013	24
Mojave	Renewable (Solar)	100%	California (USA)	USD	280 MW	PG&E	D/WR/WD	2014	20
Solaben 2/3 <sup>(6)</sup>	Renewable (Solar)	70% <sup>(7)</sup>	Spain	EUR	2x50 MW	Wholesale market/Spanish Electric System	A/Baa1/A-	2012	18 / 17
Solacor 1/2 <sup>(8)</sup>	Renewable (Solar)	87% <sup>(9)</sup>	Spain	EUR	2x50 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2012	17 / 17
PS10/20 <sup>(10)</sup>	Renewable (Solar)	100%	Spain	EUR	31 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2007 & 2009	12 / 14
Helioenergy 1/2 <sup>(11)</sup>	Renewable (Solar)	100%	Spain	EUR	2x50 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2011	17 / 17
Helios 1/2 <sup>(12)</sup>	Renewable (Solar)	100%	Spain	EUR	2x50 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2012	18 / 18
Solnova 1/3/4 <sup>(13)</sup>	Renewable (Solar)	100%	Spain	EUR	3x50 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2010	15 / 15 / 16
Solaben 1/6 <sup>(14)</sup>	Renewable (Solar)	100%	Spain	EUR	2x50 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2013	19 / 19
Seville PV	Renewable (Solar)	80% <sup>(15)</sup>	Spain	EUR	1 MW	Wholesale market/Spanish Electric System	A /Baa1/A-	2006	16
Kaxu	Renewable (Solar)	51% <sup>(16)</sup>	South Africa	ZAR	100 MW	Eskom	BB/Baa3/ BB+ <sup>(17)</sup>	2015	15
Palmatir	Renewable (Wind)	100%	Uruguay	USD	50 MW	Uruguay	BBB/Baa2/ BBB- <sup>(18)</sup>	2014	14
Cadonal	Renewable (Wind)	100%	Uruguay	USD	50 MW	Uruguay	BBB/Baa2/ BBB- <sup>(18)</sup>	2014	15
Melowind	Renewable (Wind)	100%	Uruguay	USD	50 MW	Uruguay	BBB/Baa2/ BBB- <sup>(207)</sup>	2015	16
Mini-hydro Peru	Renewable (Hydro)	100%	Peru	USD	4 MW	Peru	BBB+/A3/ BBB+	2012	13
ACT	Efficient Natural Gas	99.99% <sup>(19)</sup>	Mexico	USD	300 MW	Pemex	BBB+/ Baa3/ BB+	2013	13

Monterrey	Efficient Natural Gas	30%	Mexico	USD	142 MW	Industrial Customers	Not rated	2018	19
ATN	Transmission Line	100%	Peru	USD	379 miles	Peru	BBB+ /A3/ BBB+	2011	21
ATS	Transmission Line	100%	Peru	USD	569 miles	Peru	BBB+ /A3/ BBB+	2014	24
ATN2	Transmission Line	100%	Peru	USD	81 miles	Minera Las Bambas	Not rated	2015	13
Quadra 1/2	Transmission Line	100%	Chile	USD	49 miles/32 miles	Sierra Gorda	Not rated	2014	15 / 15
Palmucho	Transmission Line	100%	Chile	USD	6 miles	Enel Generacion Chile	BBB+ /Baa2/ BBB+	2007	18
Chile TL3	Transmission Line	100%	Chile	USD	50 miles	CNE (National Energy Commission)	A+ /A1/A	1993	Regulated
Honaine	Water	25.5% <sup>(19)</sup>	Algeria	USD	7 M ft <sup>3</sup> /day	Sonatrach/ADE	Not rated	2012	18
Skikda	Water	34.2% <sup>(20)</sup>	Algeria	USD	3.5 M ft <sup>3</sup> /day	Sonatrach/ADE	Not rated	2009	14

*Notes:*

- (1) Certain contracts denominated in U.S. dollars are payable in local currency.
- (2) Reflects the counterparty's issuer credit ratings issued by Standard & Poor's Ratings Services, or S&P, Moody's Investors Service Inc., or Moody's, and Fitch Ratings Ltd, or Fitch.
- (3) COD stands for Commercial Operation Date
- (4) Number of years remaining on contract as at December 31, 2019.
- (5) On September 30, 2013, Liberty agreed to invest \$300 million in Class A shares of Arizona Solar Holding, the holding company of Solana, in exchange for a share of the dividends and the taxable loss generated by Solana.
- (6) Solaben 2 and Solaben 3 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (7) Itochu Corporation, a Japanese trading company, holds 30.0% of the shares in each of Solaben 2 and Solaben 3.
- (8) Solacor 1 and Solacor 2 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (9) JGC Corporation, a Japanese engineering company, holds 13.0% of the shares in each of Solacor 1 and Solacor 2.
- (10) PS10 and PS20 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (11) Helioenergy 1 and Helioenergy 2 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (12) Helios 1 and Helios 2 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (13) Solnova 1, Solnova 3 and Solnova 4 are separate special purpose vehicles with separate agreements but they are treated as a single platform.

- (14) Solaben 1 and Solaben 6 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (15) Instituto para la Diversificación y Ahorro de la Energía, or IDEA, a Spanish state-owned company, holds 20.0% of the shares in Seville PV.
- (16) Industrial Development Corporation of South Africa owns 29.0% and Kaxu Community Trust owns 20.0% of Kaxu.
- (17) Refers to the credit rating of the Republic of South Africa.
- (18) Refers to the credit rating of Uruguay, as UTE is unrated.
- (19) 1 share is owned by Abengoa México, S.A. de C.V. and 1 share is owned by Abener Energía, S.A., both wholly owned by Abengoa.
- (20) Algerian Energy Company, SPA owns 49.0% of the shares in Honaine and Sacyr Agua, S.L. and a subsidiary of Sacyr S.A. owns the remaining 25.5%.
- (21) Algerian Energy Company, SPA owns 49.0% of the shares in Honaine and Sacyt Agua, S.L., and a subsidiary of Sacyr S.A. owns the remaining 25.5%.

## **Business model, strategy and objectives**

Atlantica is a sustainable infrastructure company that owns and manages renewable energy, efficient natural gas power, transmission and transportation infrastructures and water assets. We currently have operating facilities in, North America (United States, Mexico and Canada), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa). We intend to expand our portfolio, maintaining North America, South America and Europe as our core geographies.

Our primary business strategy is to generate stable cash flows through our portfolio of assets under long term contracts or under regulation. We intend to distribute a stable cash dividend to our shareholders. Our objective is to increase the dividend, while ensuring the ongoing stability and sustainability of our business.

We will seek to grow our cash available for distribution and our dividend to shareholders through organic growth and by acquiring new assets. We believe that our diversification by business sector and geography provides us with access to different sources of growth. We expect to deliver organic growth through the optimization of the existing portfolio and through investments in the expansion of our current assets, particularly in our transmission lines sector. In addition, we expect to acquire assets from AAGES. We expect to complement this with acquisitions from third parties and potential new future partnerships. We intend to grow our business in the segments where we are already present, maintaining renewable energy as our main segment and with a focus in North and South America.

We intend to take advantage of, and leverage our growth strategy on, favorable trends in the clean power generation, transmission and transportation infrastructure and water sectors globally, including energy scarcity and the focus on the reduction of carbon emissions. Our portfolio of operating assets and our strategy focuses on sustainable technology including renewable energy, efficient natural gas, and transmission networks as enablers of a sustainable power generation mix and on water infrastructure. Renewable energy is expected to represent in most markets the majority of new investments in the power sector, according to Bloomberg New Energy Finance 2019, approximately 50% of the world's power generation by 2050 is expected to come from renewable sources, which indicates that renewable energy is becoming mainstream. Global

installed capacity is expected to shift from 57% fossil fuels today to approximately two-thirds renewables by 2050. A 12-terawatt expansion of generating capacity is estimated to require approximately \$13.3 trillion of new investment between now and 2050 – of which approximately 77% is expected to go to renewables. Another approximately \$843 billion of investment goes to batteries along with an estimated \$11.4 trillion to be expected to go to transmission and distribution during that period. We believe regions will need to complement investments in renewable energy with investments in efficient natural gas, in transmission networks and in storage. We believe that we are well positioned to benefit from the expected transition towards a more sustainable power generation mix. In addition, we believe that water is going to be the next frontier in a transition towards a more sustainable world. New sources of water are needed worldwide and water desalination and water transportation infrastructure should help make that possible. We currently participate in two water desalination plants with a 10 million cubic feet capacity and we have an investment in a third desalination plant through a loan.

We are focused on stable, long-term contracted or regulated assets in the power and water sectors, including renewable energy, efficient natural gas generation and transmission and transportation infrastructures, as well as water sectors. We intend to grow our cash available for distribution and our dividend to shareholders through organic growth and by acquiring new assets and/or businesses where revenues may not be fully contracted.

We believe we can achieve organic growth through the optimization of the existing portfolio, price escalation factors in many of our assets and the expansion of current assets, particularly our transmission lines, to which new assets can be connected. We currently own three transmission lines in Peru and four in Chile. We believe that current regulations in Peru and Chile provide a growth opportunity by expanding transmission lines to connect new clients. Additionally, we should have repowering opportunities in certain existing generation assets.

Additionally, we expect to acquire assets from third parties leveraging the local presence and network we have in geographies and sectors in which we operate. We have also entered into and intend to enter into agreements or partnerships with developers or asset owners to acquire assets in operation, construction or development. We may also invest directly or through investment vehicles with partners in assets under development or construction, ensuring that such investments are always a small part of our total investments.

In addition, we have in place exclusive agreements with AAGES and Algonquin. The AAGES ROFO Agreement provides us with a right of first offer on any proposed sale, transfer or other disposition of certain of AAGES's assets. The Algonquin ROFO Agreement provides us a right of first offer on any proposed sale, transfer or other disposition of any of Algonquin's contracted facilities or with infrastructure facilities located outside of the United States or Canada which are developed under expected long-term revenue agreements or concession agreements.

With this business model, our objective is to pay a consistent and growing cash dividend to shareholders that is sustainable on a long-term basis. We expect to distribute a significant percentage of our cash available for distribution as cash dividends and we will seek to increase such cash dividends over time through organic growth and through the acquisition of assets. Pursuant to our cash dividend policy, we intend to pay a cash dividend each quarter to holders of our shares.

We intend to use the following investment guidelines in evaluating prospective acquisitions in order to successfully execute our growth strategy:

- generally high quality offtakers or regulated revenues with long-term contracted revenue;
- limited exposure to assets under construction or development, generally co-investing with partners;
- project financing in place at each project or mechanisms to obtain it at COD;
- management and operational systems and processes at an adequate level;
- focus on regions and countries that provide an optimal balance between growth opportunities and security and risk considerations, including the United States, Canada, Mexico, Chile, Peru, Uruguay, Colombia and the European Union; and
- preference for U.S. dollar-denominated revenues, but we could also acquire assets or business that generate revenues in other currencies.

Our plan for executing this strategy includes the following key components:

- (1) Focus on stable, long-term contracted or regulated assets in the power and water sectors, including renewable energy, efficient natural gas generation and transmission and transportation infrastructures, as well as water sectors. We intend to focus on owning and operating stable, long-term contracted sustainable infrastructures, for which we believe we possess extensive experience and proven systems and management processes, as well as the critical mass to benefit from operating efficiencies and scale. We expect that this will allow us to maximize value and cash flow generation. We intend to maintain a diversified portfolio in the future, maintaining a large majority of our revenues from low-carbon footprint assets, as we believe these technologies will undergo significant growth in our targeted geographies.
- (2) Maintain geographic diversification across three principal geographic areas. Our focus on three core geographies, North America, South America and Europe, helps to ensure exposure to markets in which we believe the renewable energy, efficient natural gas and transmission and transportation sectors will continue growing significantly.
- (3) Increase cash available for distribution through the optimization of the existing portfolio and through the investments in the expansion of our current assets, particularly in our transmission lines, to which new assets can be connected. We intend to grow our cash available for distribution to shareholders through organic growth that we expect to deliver through the optimization of the existing portfolio, price escalation factors in many of our assets as well as through investments in the expansion of our current assets, particularly in our transmission lines sector. We intend to increase production in our assets through further management and optimization initiatives and in some cases through repowering. We currently own three transmission lines in Peru and four in Chile. Current regulations in Peru and Chile provide a growth opportunity by expanding transmission lines to connect new clients. We have identified several opportunities to grow organically in Peru and Chile by expanding our current assets. These opportunities consist of (i) new clients that need to use our current assets, in situations where virtually no investments are required from us, while we will get additional revenues from these new business opportunities and (ii) expansion of current transmission lines to grant access to new clients. In this case, certain investments are required to build new assets that

connect the new clients to our current backbone transmission lines. We would expect that in some cases these new assets would become part of our concession assets contract with the State, for which we would be remunerated.

- (4) Increase cash available for distribution through the acquisition of new sustainable infrastructure, including renewable energy, efficient natural gas and transmission and transportation infrastructures, as well as water assets. We will seek to grow our cash available for distribution to shareholders by acquiring new assets, typically contracted or regulated. We have an exclusive ROFO agreement with AAGES and Algonquin. We further expect to execute similar agreements with other developers or asset owners or enter into partnerships with such developers or asset owners in order to acquire assets in operation or to invest directly or through investment vehicles in assets under development or construction, ensuring that such investments are always a small part of our total investments. We have already executed some partnerships. Finally, we expect to acquire assets from third parties leveraging the local presence and network we have in the geographies and sectors where we operate. We believe that our know-how and operating expertise in our key markets together with a critical mass of assets in several geographic areas and the access to capital provided by being a listed company will assist us in realizing our growth plans.
- (5) Foster a low-risk approach. We intend to maintain a portfolio of contracted assets with a low-risk profile for all or part of our revenues by engaging with creditworthy offtake counterparties and entering into long-term contracted revenue agreements. Over 80% of cash available for distribution is in U.S. dollars or euros, and we hedge euros for the upcoming 24 months on a rolling basis. We further mitigate the risk of our investments by pursuing proven technologies in which we have significant experience, located in countries where we believe conditions to be stable and safe. In certain situations, we could invest, or co-invest with partners, in assets before they enter into operation, in assets with shorter or partially contracted revenue periods, or subject to regulation, or in assets with revenue in currencies other than U.S. dollar or euro. Additionally, our policies and management systems include thorough risk analysis and risk management processes that we apply whenever we acquire an asset, and which we are obligated to review monthly throughout the life of the asset. Our policy is to insure all of our assets whenever economically feasible.
- (6) Maintain financial strength and flexibility. We intend to maintain a solid financial position through a combination of cash on hand and undrawn credit facilities.

Lastly, we believe that we are well positioned to execute our business strategies because of the following competitive strengths:

- Stable and predictable long-term cash flows with attractive tax profiles.
- Highly diversified portfolio by geography and technology.
- A sustainable growth strategy



## A fair review of the business

During 2019, our renewable assets continued to generate solid operating results. Production in Spain increased year-on-year due to higher solar radiation in the first half of the year. In South Africa, Kaxu continued to deliver strong performance and increased production with respect to the previous year. These increases were partially offset by lower energy generation in the United States resulting from lower solar radiation in the first half of 2019, longer than expected maintenance stops in the first quarter and reduced capacity in Mojave in the second half of the year. Production from Atlantica's wind assets increased significantly as a result of the contribution of Melowind, which was acquired in December 2018. Regarding Atlantica's assets for which revenue is based on availability, they continue to deliver solid performance with high availability levels in ACT, our efficient natural gas plant, in transmission lines and in water assets.

### *Factors that affect comparability of our results of operations*

- Acquisitions mentioned previously and acquisitions closed during the year 2018.
- Exchange rates

Our functional currency is the U.S. dollar, as most of our revenues and expenses are denominated or linked to U.S. dollars. All our companies located in North America, South America and Algeria have their PPAs, or concessional agreements, and financing contracts signed in, or totally or partially indexed to, U.S. dollars. Our solar power plants in Spain have their revenues and expenses denominated in euros, and Kaxu, our solar plant in South Africa, has its revenues and expenses denominated in South African Rand.

Our strategy is to hedge cash distributions from our Spanish assets. We hedge the exchange rate for the distributions from our Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through currency options, we have hedged 100% of our euro-denominated net exposure for the next 12 months and 75% of our euro-denominated net exposure for the following 12 months. We expect to continue with this hedging strategy on a rolling basis.

Although we hedge cash-flows in euros, fluctuations in the value of the euro in relation to the U.S. dollar may affect our operating results. In subsidiaries with a functional currency other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates. Revenue, expenses and cash flows are translated using average rates of exchange. Fluctuations in the value of the South African rand in relation to the U.S. dollar may also affect our operating results.

Apart from the impact of translation differences described above, the exposure of our income statement to fluctuations of foreign currencies is limited, as the financing of projects is typically denominated in the same currency as that of the contracted revenue agreement. This policy seeks to ensure that the main revenue and expenses in foreign companies are denominated in the same currency, limiting our risk of foreign exchange differences in our financial results.

- In our discussion of operating results, we have included foreign exchange impacts in our revenue by providing constant currency revenue growth. The constant currency presentation is not a measure recognized under IFRS and excludes the impact of fluctuations in foreign



currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations. We calculate constant currency amounts by converting our current period local currency revenue using the prior period foreign currency average exchange rates and comparing these adjusted amounts to our prior period reported results. This calculation may differ from similarly titled measures used by others and, accordingly, the constant currency presentation is not meant to substitute for recorded amounts presented in conformity with IFRS as issued by the IASB/EU nor should such amounts be considered in isolation.

- Agreement to repurchase long-term operation and maintenance variable services

The operation and maintenance services received in some of our Spanish solar assets include a variable portion payable in the long-term. On April 26, 2018, we purchased from Abengoa the long-term operation and maintenance payable accrued until December 31, 2017, which amounted to \$57.3 million. We paid \$18.3 million for this payable and as a result, in the second quarter of 2018, we recorded a one-time gain for the difference, amounting to \$39.0 million which was recorded in "Other Operating Income".

- Project debt refinancing

In the second quarter of 2018, we refinanced Helios 1/2 and Helioenergy 1/2. Under the new IFRS 9, when there is a refinancing with a non-substantial modification of the original debt, there is a gain or loss recorded in the income statement. This gain or loss is equal to the difference between the present value of the cash flows under the original terms of the former financing and the present value of the cash flows under the new financing, each discounted at the original effective interest rate. As a result, we recorded non-cash financial income of \$36.6 million in the second quarter of 2018.

- Impairment of Solana

In the fourth quarter of 2018, we recorded an impairment of \$42.7 million relating to Solana due to the underperformance of the plant in the past few years and the uncertainty of the production level expected in the future. See Note 3 and 12 of our Annual Consolidated Financial Statements.

Detail of the changes in Revenue, Operating Profit and Profit for the Year attributable to the Parent Company are detailed below:

\$ in millions	<b>2019</b>	<b>2018</b>
Revenue	1,011.5	1,043.8
Operating Profit	500.5	487.9
Profit/(loss) for the Year	74.6	55.3
Profit / (Loss) for the Year Attributable to the Parent Company	62.1	41.6

Revenue decreased by 3.1% to \$1,011.5 million for the year ended December 31, 2019, compared to \$1,043.8 million for the year ended December 31, 2018. The decrease was primarily due to the effect of the depreciation of the euro and the South African rand against the U.S. dollar. On a constant currency basis, revenue for the year ended December 31, 2019 would have remained stable at \$1,043.6 million, compared to year ended December 31, 2018.

Operating Profit increased by 2.6% to \$500.5 for the year ended December 31, 2019, compared to \$487.9 million for the year ended December 31, 2018. The increase was mainly due to a decrease of Depreciation and amortization expenses primarily because in 2018 there was a \$42.7 million impairment related to Solana with no corresponding amount in 2019. In addition, Other Operating Expenses were lower in 2019 due to lower O&M costs in ACT, since a major overhaul took place during the first half of 2019. Operation and maintenance costs in ACT are higher in the quarters prior to the major overhaul. The decrease of expenses was partially offset by a decrease in other operating income corresponding to a one-time income of \$39 million recorded in 2018 with no corresponding amount in 2019.

Profit attributable to the parent company increased by 49.3% to \$62.1 million for the year ended December 31, 2019, compared to a profit of \$41.6 million for the year ended December 31, 2018. This is mainly due the increased in Operating Profit as per described above and a lower income tax expense in 2019.

### *Liquidity*

As of December 31, 2019, our cash and cash equivalents at the project company level were \$496.8 million compared to \$524.8 million as of December 31, 2018. In addition, our cash and cash equivalents at the Company level were \$66.0 million as of December 31, 2019 compared to \$105.0 million as of December 31, 2018. Additionally, as of December 31, 2019, we had approximately \$341 million available under our Revolving Credit Facility and therefore a total corporate liquidity of \$407 million. On August 2, 2019, we entered into an amendment to our Revolving Credit Facility, which increased the commitments thereunder by an additional amount of \$125 million, which represents a total amount of \$425 million.

We expect our ongoing sources of liquidity to include cash on hand, cash generated from our operations, project debt arrangements, corporate debt and the issuance of additional equity securities, as appropriate, and given market conditions. Our financing agreements consist mainly of the project-level financing for our various assets, the Note Issuance Facility 2019, the Revolving Credit Facility, the Note Issuance Facility 2017, overdraft with a local bank and our commercial paper program.

On February 10, 2017, we entered into the Note Issuance Facility 2017, a senior secured note facility with Elavon Financial Services DAC, UK Branch, as gent, and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €275 million (approximately \$308.4 million), with three series of notes: series 1 notes worth €92 million which mature in 2022; series 2 notes worth €91.5 million which mature in 2023; and series 3 notes worth €91.5 million which mature in 2024. Interest on all series accrues at a rate per annum equal to the sum of 3-month EURIBOR plus 4.90%. We fully hedged the principal amount of the notes issued under the Note Issuance Facility 2017 with a swap that fixed the interest rate at 5.50%. We expect to repay in full and cancel all series of notes issued under the Note Issuance Facility 2017 with the

proceeds of the 2020 Green Private Placement.

In July 2017, we signed a line of credit with a bank for up to €10.0 million (approximately \$11.2 million) which is available in euros or U.S. dollars. Amounts drawn accrue interest at a rate per annum equal to EURIBOR plus 2.25% or LIBOR plus 2.25%, depending on the currency. On December 13, 2019, the terms of the credit facility have been modified and the maturity date has been extended from July 4, 2020 to December 13, 2021 and the new interest rate per year set is EURIBOR plus 2% or LIBOR plus 2%, depending on the currency. As of December 31, 2019, the Company had drawn down an amount of \$10.1 million.

On April 30, 2019, we entered into the Note Issuance Facility 2019, a senior unsecured financing with Lucid Agency Services Limited, as agent, and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of the euro equivalent of \$300 million. The notes under the Note Issuance Facility 2019 were issued in May 2019 and are due on April 30, 2025. The 2019 Note Issuance Facility includes an upfront fee of 2% paid upon drawdown. From their issue date to December 31, 2019 interest on the notes issued under the Note Issuance Facility 2019 accrued at a rate per annum equal to the sum of 3-month EURIBOR plus a margin of 4.65%. The principal amount of the notes issued under the Note Issuance Facility 2019 was hedged with an interest rate swap, resulting in an all-in interest cost of 4.4%. Starting January 1, 2020, the applicable margin for the determination of interest on the notes issued under the Note Issuance Facility 2019 decreased to 4.50% resulting in an all-in interest cost of 4.24, following satisfaction of the requirements set forth in the Note Issuance Facility 2019 for such margin decrease, including the effectiveness of the Royal Decree-law 17/2019 which approved a reasonable rate of return higher than 7%. The Note Issuance Facility 2019 provides that we may elect to, subject to the satisfaction of certain conditions, capitalize interest on the notes issued thereunder for a period of up to two years from closing at our discretion, subject to certain conditions. We elected to capitalize interest on the notes issued under the Note Issuance Facility 2019 for the upcoming quarters.

On May 10, 2018, we entered into a \$215 million Revolving Credit Facility with a syndicate of banks with Royal Bank of Canada as administrative agent and Royal Bank of Canada and Canadian Imperial Bank of Commerce, as issuers of letters of credit. This facility was increased by \$85 million to \$300 million in January 2019. In addition, on August 2, 2019 the facility was further increased by \$125 million to a total limit of \$425 million and the maturity of a portion of loans in a principal amount of \$387.5 million extended from December 31, 2022, with the remaining \$37.5 million maturing on December 31, 2021. As of December 31, 2019, we had \$84 million outstanding under the Revolving Credit Facility and \$341.0 million available. Loans under the facility accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus a percentage determined by reference to our leverage ratio, ranging between 1.60% and 2.25% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus 1/2 of 1.00%, (ii) the prime rate of the administrative agent under the Revolving Credit Facility and (iii) LIBOR plus 1.00%, in any case, plus a percentage determined by reference to our leverage ratio, ranging between 0.60% and 1.00%.

In June 2019, we signed our first ESG-linked financial guarantee line with ING Bank, N.V.. The guarantee line has a limit of approximately \$39 million. The cost is linked to Atlantica's environmental, social and governance performance under Sustainalytics, a leading sustainable rating agency. The green guarantees will be exclusively used for renewable assets. We are using

and expect to continue to use this guarantee line to progressively release restricted cash in some of our projects, providing additional financial flexibility.

On October 8, 2019, we filed a euro commercial paper program with the Alternative Fixed Income Market (MARF) in Spain. The program allows Atlantica to issue short term notes over the next twelve months for up to €50 million, with such notes having a tenor of up to two years. As of the date of this report we have issued €25 million under the program at an average cost of 0.66%.

On February 6, 2020, we completed the pricing of a total amount of €290 million (approximately \$320 million), senior secured notes maturing in June 20, 2026, (2020 Green Private Placement) which are expected to be issued under a senior secured note purchase agreement to be entered into with a group of institutional investors as purchasers. Interest on the notes to be issued under the 2020 Green Private placement is expected to accrue at a rate per annum equal to 1.96%. Signing of the note purchase agreement is expected to occur on or about April 1, 2020 and closing is expected to occur promptly thereafter, subject to certain conditions. We cannot guarantee the such conditions will be satisfied and that closing will occur. In the case the transaction is closed, if at any time the rating of such senior secured notes is below investment grade, the interest rate thereon would increase by 100 basis points until such notes are rated again investment grade.

The 2020 Green Private Placement complies with the Green Bond Principles and has a second party opinion by Sustainalytics. The proceeds of the 2020 Green Private Placement are expected to be used to repay in full and cancel all series of notes issued under the Note Issuance Facility 2017. As previously mentioned, on January 29, 2019, PG&E, the off-taker of Mojave filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court. The PG&E bankruptcy has heightened the risk that project level cash distributions could be restricted for an undetermined period of time, thereby impacting our corporate liquidity and corporate leverage. Mojave project cash distributions to the corporate level normally takes place at the end of the year, the last distribution received at the corporate level took place in December 2018. Unless the event or default is cured or waived, distributions may not be made during the pendency of the bankruptcy.

Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our financing agreements will be adequate to meet our future liquidity needs for at least the next twelve months.

In 2019, we paid total dividends of \$1.57 per share to our shareholders (see the "Directors' Report-Dividends" for amount of each quarterly dividend). In 2018, we paid \$1.33 per share.

As previously stated within this Consolidated Annual Report, all our assets have contracted revenues (regulated in the case of Spain and Chile TL3) and collectively have a weighted-average remaining contract life of approximately 18 years as of December 31, 2019. To gain an overall fair review of the business we enclose below a detailed breakdown of our results of operations for the years ended as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
\$ in millions		
Revenue	1,011.5	1,043.8
Other operating income	93.8	132.5
Employee benefit expenses	(32.2)	(15.1)
Depreciation, amortization and impairment charges	(310.8)	(362.7)
Other operating expenses	(261.8)	(310.6)
<b>Operating profit</b>	<b>\$ 500.5</b>	<b>\$ 487.9</b>
Financial income	4.1	36.4
Financial expense	(408.0)	(425.0)
Net exchange differences	2.7	1.6
Other financial (expense)/income, net	(1.1)	(8.2)
<b>Financial expense, net</b>	<b>\$ (402.3)</b>	<b>\$ (395.2)</b>
Share of profit of associates carried under the equity method	7.4	5.2
<b>Profit before income tax</b>	<b>\$ 105.6</b>	<b>\$ 97.9</b>
Income tax	(31.0)	(42.6)
<b>Profit/(Loss) for the year</b>	<b>\$ 74.6</b>	<b>\$ 55.3</b>
(Loss) attributable to non-controlling interests	(12.5)	(13.7)
<b>Profit/(Loss) for the year attributable to the parent company</b>	<b>\$ 62.1</b>	<b>\$ 41.6</b>

### Revenue

Revenue decreased by 3.1% to \$1,011.5 million for the year ended December 31, 2019, compared to \$1,043.8 million for the year ended December 31, 2018. The decrease was primarily due to the effect of the depreciation of the euro and the South African rand against the U.S. dollar. On a constant currency basis, revenue for the year ended December 31, 2019 would have remained stable at \$1,043.6 million, compared to year ended December 31, 2018. Although we hedge our net cash flow exposure to the euro, variations in the euro to U.S. dollar exchange rate affect our revenues and Further Adjusted EBITDA. The decrease in revenue was also due in part to lower production from our U.S. solar assets, resulting from lower solar radiation in the first half of 2019, longer than expected maintenance stops in the first quarter and reduced capacity in Mojave in the second half of the year. These effects were partially offset by an increase in revenues from our recent acquisitions of wind and transmission assets and solid operational performance in the rest of our assets.

The constant currency presentation is an Alternative Performance Measure, not a measure recognized under IFRS and excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations. We calculate constant currency amounts by converting our current period local currency revenue using the prior period foreign currency average exchange rates and comparing these adjusted amounts to our prior period reported results. This calculation may differ from similarly titled measures used by others and, accordingly, the constant currency presentation is not meant to substitute for recorded amounts presented in conformity with IFRS as issued by the IASB/EU nor should such amounts be considered in isolation.

### *Other operating income*

The following table sets forth our other operating income for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
<b>Other operating income</b>	<b>\$ in millions</b>	
Grants	59.1	59.4
Income from various services	34.7	34.2
Income from purchase of long-term O&M payable	-	39.0
<b>Total</b>	<b>93.8</b>	<b>132.6</b>

Other operating income decreased by 29% to \$93.8 million for the year ended December 31, 2019, compared to \$132.5 million for the year ended December 31, 2018. The decrease was mainly due to the one-time gain we recorded in the second quarter of 2018 in relation to the purchase from Abengoa of the long-term operation and maintenance payable accrued until December 31, 2017, which amounted to \$57.3 million. We paid \$18.3 million for this and as a result in the second quarter of 2018 we recorded a one-time gain equal to the difference, amounting to \$39.0 million. Excluding this one-time impact, other operating income for the year ended December 31, 2019 was in line with the same period of 2018.

Grants represent the financial support provided by the U.S. government to Solana and Mojave and consist of investment tax credit cash grant ("ITC Cash Grant") and an implicit grant related to the below market interest rates of the project loans with the Federal Financing Bank. Income from various services include amounts received for our U.S. solar assets from our EPC contractor under their obligations and amounts received from insurance claims.

### *Employee benefits expenses*

Employee benefit expenses increased by 113% to \$32.2 million for the year ended December 31, 2019, compared to \$15.1 million for the year ended December 31, 2018. The increase is primarily due to the internalization of operation and maintenance services in our U.S. solar assets, following the acquisition of ASI Operations on July 30, 2019. The operation and maintenance costs for these assets were mainly recorded as "Other operating expenses" until July 30, 2019. We expect this internalization to result in a cost reduction of \$0.5 million to \$0.6 million per year, which corresponds to the margin fee previously paid to Abengoa. The increase of employee benefit expenses is also due to a \$4.7 million reversal in the fourth quarter of 2018 of the accrual of the 2016-2018 LTIP. The plan covered the three-year period 2016 to 2018 and was paid in March 2019.

### *Depreciation, amortization and impairment charges*

Depreciation, amortization and impairment charges decreased by 14.3% to \$310.8 million for the year ended December 31, 2019, compared with \$362.7 million for the year ended December 31, 2018, mainly due to the recognition of a \$42.7 million impairment relating to Solana during the fourth quarter of 2018 with no corresponding amount in 2019. The decrease is also due to a reversal of the impairment provisions in ACT in 2019 as a result of the application of IFRS 9. IFRS 9 requires impairment provisions to be based on the expected credit losses on financial assets rather than on

actual credit losses and the expected loss decreased in the year ended December 31, 2019. This decrease was partially offset by the increase resulting from the new assets acquired at the end of 2018.

### *Other operating expenses*

The following table sets forth our other operating expenses for the years ended December 31, 2019 and 2018:

	Year ended December 31,			
	2019		2018	
<b>Other operating expenses</b>	<b>\$ in millions</b>	<b>% of revenue</b>	<b>\$ in millions</b>	<b>% of revenue</b>
Raw Materials	9.7	1.0%	10.6	1.0%
Leases and fees	1.9	0.2%	1.7	0.2%
Operation and maintenance	116.0	11.5%	145.8	13.8%
Independent professional services	41.6	4.1%	43.2	4.1%
Supplies	25.8	2.6%	26.0	2.3%
Insurance	24.0	2.4%	24.2	2.6%
Levies and duties	34.8	3.4%	37.5	3.5%
Other expenses	8.0	0.8%	21.6	2.0%
<b>Total</b>	<b>261.8</b>	<b>26.0%</b>	<b>310.6</b>	<b>29.0%</b>

“Other operating expenses” decreased by 16% to \$261.8 million for the year ended December 31, 2019, compared to \$310.6 million for the year ended December 31, 2018. This decrease was mainly due to lower costs in ACT since a major overhaul took place during the first half of 2019. Operation and maintenance costs in ACT are higher in the quarters prior to the major overhaul. The decrease was also due in part to the internalization of the operation and maintenance services in our U.S. solar assets which commenced on July 30, 2019, given most of the costs have been recorded in “Employee benefit expenses” since that date.

### *Operating profit*

As a result of the above factors, operating profit increased by 2.6% to \$500.5 million for the year ended December 31, 2019, compared with \$487.9 million for the year ended December 31, 2018.

### *Financial income and financial expense*

	Year ended December 31,	
	2019	2018
<b>Financial income and financial expense</b>	<b>\$ in millions</b>	
Financial income	4.1	36.4
Financial expense	(408.0)	(425.0)
Net exchange differences	2.7	1.6
Other financial income, net	(1.1)	(8.2)
<b>Financial expense, net</b>	<b>(402.3)</b>	<b>(395.2)</b>



### *Financial income*

“Financial income” decreased to \$4.1 million for the year ended December 31, 2019, compared to \$36.4 million for the year ended December 31, 2018, mainly due to a non-cash financial income of \$36.6 million recorded in the second quarter of 2018, resulting from the refinancing of Helios 1/2 and Helioenergy 1/2. Under the new IFRS 9, when there is a refinancing with a non-substantial modification of the original debt, there is a gain or loss recorded in the income statement. This gain or loss is equal to the difference between the present value of the cash flows under the original terms of the former financing and the present value of the cash flows under the new financing, discounted both at the original effective interest rate.

### *Financial expense*

The following table sets forth our financial expense for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
<b>Financial expense</b>	<b>\$ in millions</b>	
Expenses due to interest:		
Loans with credit entities	(259.4)	(256.7)
Other debts	(89.3)	(100.1)
Interest rates losses derivatives: cash flow	(59.3)	(68.2)
<b>Total</b>	<b>(408.0)</b>	<b>(425.0)</b>

Financial expense decreased by 4% to \$408.0 million for the year ended December 31, 2019, compared to \$425.0 million for the year ended December 31, 2018. The decrease is mainly due to the decrease in interest on other debts, which consists of interest on the notes issued by ATS, ATN and Solaben Luxembourg and interests related to the investments from Liberty. Decrease in 2019 in interest and other debt is primarily due to a lower financial cost related to the Liberty liability compared to the previous year. In 2018 we updated the accounting model used to calculate this liability taking into account the past underperformance of Solana and recorded a non-cash expense. This decrease was partially offset by the increase in interest from loans with credit entities due to cancelation costs and fees related to the prepayment in full of the 2019 Notes in the second quarter of 2019 and to the increase and extension of the Revolving Credit Facility signed on August 2, 2019.

Losses from interest rate derivatives designated as cash flow hedges correspond primarily to transfers from equity to financial expense when the hedged item is impacting the consolidated condensed income statement.



### *Other financial income/(expense), net*

<b>Other financial income/(expenses)</b>	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$ in millions</b>	
Other financial income	14.2	14.4
Other financial losses	(15.3)	(22.6)
<b>Total</b>	<b>(1.1)</b>	<b>(8.2)</b>

“Other financial income/(expense), net” decreased to an expense of \$ 1.1 million for the year ended December 31, 2019 compared to a net expense of \$8.2 million for the year ended December 31, 2018. Other financial income in 2019 is primarily interest on deposits. Other financial expense primarily corresponds to expenses for guarantees and letters of credit, wire transfers, other bank fees and other minor financial expenses. The decrease in other financial expense was mostly due to \$6.2 million cost recorded in the second quarter of 2018 in relation to the cancelation of project guarantees in Mojave.

### *Share of profit of associates carried under the equity method*

Share of profit of associates carried under the equity method increased by 43% to \$7.5 million in the year ended December 31, 2019 compared to \$5.2 million in the year ended December 31, 2018. This includes the results of Honaine and Monterrey, which are recorded under the equity method. The increase was primarily due to an increase in the contribution from Honaine.

### *Profit/(loss) before income tax*

As a result of the previously mentioned factors, we reported a profit before income taxes of \$105.6 million for the year ended December 31, 2019, compared to a profit before income taxes of \$97.9 million for the year ended December 31, 2018.

### *Income tax*

The effective tax rate for the periods presented has been established based on management’s best estimates. For the year ended December 31, 2019, income tax amounted to an expense of \$30.9 million, with a profit before income tax of \$105.6 million. For the year ended December 31, 2018, income tax amounted to a \$42.6 million of expense, with a profit before income tax of \$97.9 million. The effective tax rate differs from the nominal tax rate mainly due to permanent differences and treatment of tax credits in some jurisdictions.

### *Profit attributable to non-controlling interests*

Profit attributable to non-controlling interests was \$12.5 million for the year ended December 31, 2019 compared to \$13.7 million for the year ended December 31, 2018. Profit attributable to non-controlling interest corresponds to the portion attributable to our partners in the assets that we consolidate (Kaxu, Skikda, Solaben 2/3, Solacor 1/2 and Seville PV).

### *Profit / (loss) attributable to the parent company*

As a result of the previously mentioned factors, profit attributable to the parent company was \$62.1 million for the year ended December 31, 2019, compared to a profit of \$41.6 million for the year ended December 31, 2018.

### **Key Performance Indicators**

In addition to the factors described above, we closely monitor the following key drivers of our business sectors' performance to plan for our needs, and to adjust our expectations, financial budgets and forecasts appropriately.

	<b>As of December, 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Renewable Energy</b>		
MW in operation <sup>1</sup>	1,496	1,496
GWh produced <sup>2</sup>	3,236	3,058
<b>Efficient Natural Gas Power</b>		
MW in operation <sup>3</sup>	343	300
GWh produced <sup>2</sup>	2,090	2,318
Availability (%) <sup>4</sup>	95.0%	99.8%
<b>Electric Transmission</b>		
Miles in operation <sup>1</sup>	1,166	1,152
Availability (%) <sup>5</sup>	100.0%	99.9%
<b>Water</b>		
Mft <sup>3</sup> in operation <sup>1</sup>	10.5	10.5
Availability (%) <sup>5</sup>	101.2%	102.0%

<sup>1</sup>Represents total installed capacity in assets owned at the end of the period, regardless of our percentage of ownership in each of the assets.

<sup>2</sup>Includes curtailment in wind assets for which we receive compensation.

<sup>3</sup>Includes 43MW corresponding to our 30% share of Monterrey since August 2, 2019.

<sup>4</sup>Major maintenance overhaul held in Q1 and Q2 2019, as scheduled, reduced production and electric availability as per the contract. GWh produced in 2019 also includes 30% production from Monterrey since August 2019.

<sup>5</sup>Electricity availability refers to operational MW over contracted MW.

<sup>6</sup>Availability refers to actual availability divided by contracted availability.

During 2019, our renewable assets continued to generate solid operating results. Production in Spain increased year-on-year due to higher solar radiation in the first half of the year. In South Africa, Kaxu continued to deliver strong performance and increased production. These increases were partially offset by lower energy generation in the United States resulting from lower solar radiation in the first half of 2019, longer than expected maintenance stops in the first quarter and reduced capacity in Mojave in the second half of the year. In Mojave certain improvements in one of our turbines carried out by General Electric in late 2018 resulted in technical difficulties in 2019, which has caused the plant to produce at reduced capacity in the second half of 2019. Production from Atlantica's wind assets increased significantly as a result of the contribution of Melowind, which was acquired in December 2018. Regarding Atlantica's assets for which revenue is based on availability, they continue to deliver solid performance with high availability levels in our efficient natural gas plant ACT, in transmission lines and in water assets.

Total installed capacity increased by 43 MW in our Efficient Natural Gas Power assets due to the acquisition of Monterrey. Since August 2, 2019 we include our 30% share of the asset. We also increased our miles in operation to 1,166 miles in December 2019 compared to 1,152 miles in December 2018. The increase corresponds to the acquisition of ATN Expansion 2.

In addition to what we disclose on the table above, our main KPIs are Revenues and Further Adjusted EBITDA, discussed below.

## **Our Segment Reporting**

We organize our business into the following three geographies where the contracted assets and concessions are located:

- North America;
- South America; and
- EMEA.

In addition, we have identified the following business sectors based on the type of activity:

- Renewable Energy, which includes our activities related to the production electricity from solar power and wind plants;
- Efficient natural gas power, which includes our activities related to the production of electricity and steam from natural gas;
- Electric transmission, which includes our activities related to the operation of electric transmission lines; and
- Water, which includes our activities related to desalination plants.

As a result, we report our results in accordance with both criteria.

In our segment discussion, we use Further Adjusted EBITDA, which is an Alternative Performance Measure. Our management believes Further Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. This measure is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. This measure is widely used by other companies in the same industry. Our management uses Further Adjusted EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations, and in communications with our board of directors, shareholders, creditors, analysts and investors concerning our financial performance.

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Reconciliation of profit/(loss) for the year to Further Adjusted EBITDA</b>	<b>(\$ in millions)</b>	
<b>Profit/(loss) for the year attributable to the parent company</b>	62.1	41.6
Profit/(loss) attributable to non-controlling interest from continued operations	12.5	13.7
Income tax	30.9	42.6
Share of loss/(profit) of associates carried under the equity method	(7.5)	(5.2)
Financial expenses, net	402.3	395.2
<b>Operating profit/(loss)</b>	<b>500.5</b>	<b>487.9</b>
Depreciation, amortization and impairment charges	310.8	362.7
<b>Further Adjusted EBITDA</b>	<b>811.2</b>	<b>850.6</b>

	<b>Year ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>\$ in</b>	<b>% of</b>	<b>\$ in</b>	<b>% of</b>
	<b>millions</b>	<b>revenue</b>	<b>millions</b>	<b>revenue</b>
<b>Revenue by geography</b>				
North America	333.0	32.9%	357.2	34.2%
South America	142.2	14.1%	123.2	11.8%
EMEA	536.3	53.0%	563.4	54.0%
<b>Total revenue</b>	<b>1,011.5</b>	<b>100.0%</b>	<b>1,043.8</b>	<b>100.0%</b>

	<b>Year ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>\$ in</b>	<b>% of</b>	<b>\$ in</b>	<b>% of</b>
	<b>millions</b>	<b>revenue</b>	<b>millions</b>	<b>revenue</b>
<b>Further Adjusted EBITDA by geography</b>				
North America	305.1	91.6%	308.8	86.4%
South America	115.3	81.1%	100.2	81.3%
EMEA	390.8	72.9%	441.6	78.4%
<b>Further Adjusted EBITDA<sup>(1)</sup></b>	<b>811.2</b>	<b>80.2%</b>	<b>850.6</b>	<b>81.5%</b>

*Note:*

- (1) Further Adjusted EBITDA is an Alternative Performance Measure. Further Adjusted EBITDA is calculated as profit/(loss) for the year attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interest from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in the Annual Consolidated Financial Statements. Further Adjusted EBITDA is not a measure of performance under IFRS as issued by the IASB/EU, and you should not consider Further Adjusted EBITDA as an alternative to operating income or profits or as a measure of our operating performance, cash flows from operating, investing and financing activities or as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that Further Adjusted EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. Further Adjusted EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Further Adjusted EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results. See "Presentation of Financial Information—Non-GAAP Financial Measures."

	<b>Volume produced/availability</b>	
	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Volume by geography</b>		
North America (GWh) <sup>(1)</sup>	3,397	3,700
North America availability <sup>(1) (2)</sup>	95.0%	99.8%
South America (GWh) <sup>(3)</sup>	516	349
South America availability <sup>(4)</sup>	100.0%	100.0%
EMEA (GWh)	1,413	1,326
EMEA availability <sup>(4)</sup>	101.2%	102.0%

*Note:*

- (1) Major maintenance overhaul conducted in Q1 and Q2 2019 in ACT, as scheduled, which reduced electric production, as per the contract. GWh produced in 2019 also includes 30% production from Monterrey since August 2019
- (2) Electric availability refers to operational MW over contracted MW with Pemex
- (3) Includes curtailment production in wind assets for which we receive compensation
- (4) Availability refers to actual availability divided by contracted availability

### *North America*

Revenue decreased by 6.8% to \$333 million for the year ended December 31, 2019, compared to \$357.2 million for the year ended December 31, 2018. The decrease was primarily due to lower production from our U.S. solar assets, mainly as a result of lower solar radiation in the first half of 2019, longer than expected maintenance stops in the first quarter and reduced capacity in Mojave in the second half of the year. Further Adjusted EBITDA margin increased to 91.6% in the year ended December 31, 2019, compared to 86.4% from the previous year. The increase was mainly due to ACT, where a major scheduled overhaul took place in the first half of 2019, as operation and maintenance costs are higher in the quarters prior to such major overhauls.

### *South America*

Revenue increased by 15.4% to \$142.2 million for the year ended December 31, 2019, compared to \$123.2 million for the year ended December 31, 2018. Production increased by 51.8% and availability remained in line with the same period of last year. Further Adjusted EBITDA increased by 15.1% to \$115.3 million for the year ended December 31, 2019 compared to \$100.2 million for the year ended December 31, 2018. Production, revenue and Further Adjusted EBITDA increase was primarily a result of the contribution of the newly acquired assets in the region consisting of Melowind, Chile TL3 and ATN Expansion 1 and since October 2019 ATN Expansion 2. Further Adjusted EBITDA margin remained stable in the year ended December 31, 2019 compared to the previous year.

### *EMEA*

Revenue decreased by 4.8% to \$536.3 million for the year ended December 31, 2019, compared to \$563.4 million for the year ended December 31, 2018. This revenue decrease was mainly due to the depreciation of the euro and the South African rand against the U.S. dollar for the year ended

December 31, 2019 compared to the previous year. On a constant currency basis, revenue for the year ended December 31, 2019 would have been \$568.4 million, representing a 0.9% increase compared to the period ended December 31, 2018. The decrease is also due to lower electricity prices in Spain, which affects a small portion of our revenues in accordance with the regulation in place. This decrease was partially offset by increased production in Spain and South Africa, where our assets continue to deliver solid operational performance. Further Adjusted EBITDA decreased by 11.5% to \$390.8 million for the year ended December 31, 2019 compared to \$441.6 million for the period ended December 31, 2018. Further Adjusted EBITDA margin decreased to 72.9% for the year ended December 31, 2019 compared to 78.4% for the previous year. The decrease was mainly due to the \$39 million one-time gain we recorded in the second quarter of 2018.

	Year ended December 31,			
	2019		2018	
	\$ in Millions	% of revenue	\$ in millions	% of revenue
<b>Revenue by business sector</b>				
Renewable energy	761.1	75.2%	793.5	76.0%
Efficient natural gas power	122.3	12.1%	130.8	12.5%
Electric transmission lines	103.5	10.2%	96.0	9.2%
Water	24.6	2.4%	23.5	2.3%
<b>Total revenue</b>	<b>1,011.5</b>	<b>100.0%</b>	<b>1,043.8</b>	<b>100.0%</b>

	Year ended December 31,			
	2019		2018	
	\$ in Millions	% of revenue	\$ in millions	% of revenue
<b>Further Adjusted EBITDA by business sector</b>				
Renewable energy	603.7	79.3%	664.4	83.7%
Efficient natural gas power	107.5	87.9%	93.9	71.8%
Electric transmission lines	85.6	82.7%	78.4	81.7%
Water	14.4	58.5%	13.9	59.1%
<b>Further Adjusted EBITDA<sup>(1)</sup></b>	<b>811.2</b>	<b>80.2%</b>	<b>850.6</b>	<b>81.5%</b>

Note:

- (1) Further Adjusted EBITDA is calculated as profit/(loss) for the year attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interest from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in the Annual Consolidated Financial Statements. Further Adjusted EBITDA is not a measure of performance under IFRS as issued by the IASB/EU, and you should not consider Further Adjusted EBITDA as an alternative to operating income or profits or as a measure of our operating performance, cash flows from operating, investing and financing activities or as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that Further Adjusted EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. Further Adjusted EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Further Adjusted EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results. See "Presentation of Financial Information—Non-GAAP Financial Measures."

<b>Volume by business sector</b>	<b>Volume produced/availability</b>	
	<b>Year ended December 31, 2019</b>	<b>2018</b>
Renewable energy (GWh) <sup>(1)</sup>	3,235	3,049
Efficient natural gas power (GWh) <sup>(2)</sup>	2,090	2,318
Efficient natural gas power availability <sup>(3)</sup>	95%	99.8%
Electric transmission availability <sup>(4)</sup>	100%	99.9%
Water availability <sup>(4)</sup>	101%	102%

Note:

- (1) Includes curtailment production in wind assets for which we receive compensation
- (2) Major maintenance overhaul conducted in Q1 and Q2 2019 in ACT, as scheduled, which reduced electric production, as per the contract. GWh produced in 2019 also includes 30% production from Monterrey since August 2, 2019
- (3) Electric availability refers to operational MW over contracted MW with Pemex. Major overhaul held in Q1 and Q2 2019, as scheduled, which reduced the electric availability as per the contract with Pemex
- (4) Availability refers to actual availability divided by contracted availability

### *Renewable energy*

Revenue decreased by 4.1% to \$761.1 million for the year ended December 31, 2019, compared to \$793.5 million for the year ended December 31, 2018. Further Adjusted EBITDA decreased by 9.1% to \$603.7 million for the period ended December 31, 2019, compared to \$664.4 million for the period ended December 31, 2018. Revenue decreased mainly due to the depreciation of the euro and the South African rand against the U.S. dollar during 2019 compared to 2018. On a constant currency basis, revenue for period ended December 31, 2019 would have been \$793.2 million, stable compared to December 31, 2018 revenue. The decrease was also due to lower production in our solar assets in the United States, mainly due to lower solar radiation in 2019, longer than expected maintenance stops in the first quarter and reduced capacity in Mojave in the second half of 2019. This decrease was partially offset by an increase in production in Spain and Kaxu, which continue to deliver solid operational performance and by an increase resulting from the contribution of the newly acquired Melowind asset. Further Adjusted EBITDA and Further Adjusted EBITDA margin decrease were due to the factors mentioned above as well as to the \$39 million one-time gain recorded in 2018 described in "Other Operating Income". See "Comparison of the Years Ended December 31, 2019 and 2018 Other operating income".

### *Efficient natural gas*

Revenue decreased by 6.5% to \$122.3 million for the year ended December 31, 2019, compared to \$130.8 million for the year ended December 31, 2018, while Further Adjusted EBITDA increased by 14.5% to \$107.5 million for the period ended December 31, 2019, compared to \$93.9 million for the period ended December 31, 2018. Further Adjusted EBITDA margin increased to 87.9% in the year ended December 31, 2019 from 71.8% in the year ended December 31, 2018. A major overhaul held in 2019, as scheduled, which reduced the electric availability as per the contract with Pemex (Petroleos Mexicanos is the offtaker from Atlantica's efficient natural gas asset ACT) without causing a reduction in Further Adjusted EBITDA, since it was scheduled. Further Adjusted EBITDA increased mainly due to the major overhaul previously mentioned, since operation and maintenance costs are higher in the quarters prior to such major overhauls. In addition, Further

Adjusted EBITDA also increased also due to a one-time adjustment in the financial model of approximately \$6 million, with no impact in cash in 2019. Our ACT asset is accounted for under IFRIC 12 following the financial asset model, and a decrease in future operation and maintenance costs has increased the value of the asset, causing a one-time increase in Revenues and Further Adjusted EBITDA.

### *Electric transmission lines*

Revenue increased by 7.8% to \$103.5 million for the year ended December 31, 2019, compared to \$96.0 million for the year ended December 31, 2018, while Further Adjusted EBITDA increased by 9.2% to \$85.6 million for the year ended December 31, 2019, compared to \$78.4 million for the year ended December 31, 2018. Further Adjusted EBITDA margin increased to 82.7% in the year ended December 31, 2019 from 81.7% in the year ended December 31, 2018. Both revenue and Further Adjusted EBITDA increases were mainly due to the contribution from the recently acquired transmission assets consisting of Chile TL3, ATN Expansion 1 and since October 2019 from ATN Expansion 2, with no corresponding contribution in the previous year.

### *Water*

Revenue and Further Adjusted EBITDA remained stable for the year ended December 31, 2019, amounting to \$24.6 million and \$14.4 million, respectively, compared to \$23.5 million and \$13.9 million, respectively, for the year ended December 31, 2018. Further Adjusted EBITDA margin decreased to 58.5% in the year ended December 31, 2019 from 59.1% in the year ended December 31, 2018.

## **Principal risks and uncertainties**

The Company and its underlying assets are subject to a number of risks ranging from operating, regulatory, financial and connection to Algonquin and Abengoa. The processes and systems implemented have been designed to mitigate those risks to the extent possible. We include the following table as a summary of some of those risks and action plans carried out to mitigate them:



Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
<p>Poor performance of assets</p>	<ul style="list-style-type: none"> <li>▪ Loss of revenues and cash flows at the project company level, which has subsequent impact on cash returns to the Company.</li> <li>In addition, we rely on third parties for the supply of services and equipment, including technologically complex equipment and operation and maintenance services.</li> <li>▪ We use insurance to seek coverage against inherent risks in our markets. Insurance policies are subject to periodic review by our insurers. Our property damage and business interruption policies have exclusions with respect to some equipment which, if damaged, could result in financial losses and business interruptions. Some of our project finance arrangements include conditions regarding coverage that we could need to modify. If we were to incur a serious uninsured loss or a loss that significantly exceeded the coverage limits established in our insurance policies, the resulting costs could have a material adverse effect on our business, financial condition, results of operations and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>▪ In the last few years, we had technical problems in Solana. Repairs and improvements were carried out. In 2019 we completed the implementation of certain improvements in the heat exchangers proposed by the EPC contractor and the replacement of one of the six heat exchangers and we acquired an additional one as back-up. We cannot assure that the repairs, improvements and replacements made will be effective or sufficient.</li> <li>▪ We filed several insurance claims in recent periods. In summer 2017, Solana experienced problems with its transformers for which a significant portion of the insurance proceeds for property damages were received in 2017. At Kaxu, we filed a claim for property damage and loss of revenue following technical problems with the plants water pumps at the end of 2016. We received insurance compensation in 2017. In 2019 we renewed our property damage and business interruption policies with certain exclusions with respect to some equipment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dedicated supervisory and management teams.</li> <li>▪ Reporting and monitoring systems in place.</li> <li>▪ Proven technology through years of experience.</li> <li>▪ Operation and maintenance in house or contracted with specialists.</li> <li>▪ Tracked down alternative O&amp;M opportunities in the market.</li> <li>▪ Use the provisions of the EPC guarantee where possible.</li> <li>▪ On-going dialogue with project finance lenders.</li> <li>▪ On-going analysis of insurance alternatives in the market.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Liquidity risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not being able to meet our financial obligations as they fall due</li> </ul>	<p>As of December 31, 2019, our Corporate debt consists of:</p> <ul style="list-style-type: none"> <li>▪ The 2019 Note Issuance Facility for \$302 million (approximately €268 million), maturing in April 2025.</li> <li>▪ A note issuance facility signed in February 2017 for €275 million (approximately \$308 million) with three series maturing in 2022 (€92 million), in 2023 (€91.5 million) and 2024 (€91.5 million).</li> <li>▪ A \$425 million Revolving Credit Facility maturing in 2021 (\$37.5 million) and 2022 (\$387.5 million) On December 31, 2019, the Company had drawn down a total amount of \$81.1 million.</li> <li>▪ A euro commercial paper program for up to €50 million with a tenor of up to two years.</li> <li>▪ Other smaller credit lines in-place.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cash on hand: as of December 31, 2019, we had \$66.0 million at the corporate level plus \$341 million available under our revolving credit facility.</li> <li>▪ A portion of cash flows generated and distributed by our project companies to the holding company are retained at the holding company level.</li> <li>▪ Processes and systems in place.</li> <li>▪ Possibility to change dividend policy.</li> <li>▪ Refinancing or extension of maturities of the revolving facilities.</li> <li>▪ Substitute project restricted accounts for corporate guarantees</li> </ul>
<ul style="list-style-type: none"> <li>▪ Credit risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not being able to collect our revenues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ On January 29, 2019, PG&amp;E, the off-taker of Mojave, filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many of our clients are investment grade off-takers.</li> <li>▪ The main reason for PG&amp;E's bankruptcy is the California wildfires</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<p>default of the PPA agreement with PG&amp;E occurred with the PG&amp;E bankruptcy filing. Since PG&amp;E failed to assume the PPA within 180 days from the commencement of PG&amp;E's Chapter 11 proceeding, a technical event of default was triggered under our Mojave project finance agreement in July 2019. If not cured or waived, an event of default in the project finance could result in debt acceleration and, if such amounts were not timely paid, the DOE could decide to foreclose on the asset. In addition, we are experiencing restrictions to make cash distributions from Mojave to the holding level. Such events may have a material adverse effect on our business, financial condition, results of operations and cash flows. On January 29, 2020, one year following its Chapter 11 bankruptcy filing, PG&amp;E announced that the majority of stakeholders were supportive of PG&amp;E's proposed plan of reorganization and a schedule to confirm the plan by May 27, 2020 was filed with the Bankruptcy Court. PG&amp;E's proposed plan is contingent upon having access to a California state-run wildfire fund, with such access contingent on several factors including approval from the California governor.</p> <ul style="list-style-type: none"> <li>▪ During recent months, the credit rating of Eskom has also weakened and is currently CCC+ from S&amp;P Global Rating ("S&amp;P"), B3 from Moody's Investor Service Inc. ("Moody's") and BB- from Fitch Ratings Inc. ("Fitch"). Eskom is the offtaker of our Kaxu solar plant, a state-owned, limited liability company, wholly owned by the government of the Republic of South Africa. Eskom's payment guarantees to our solar plant Kaxu are underwritten by the South African Department of Energy, under the terms of an implementation agreement. The credit ratings of the Republic of</li> </ul>	<p>in 2017 and 2018. PG&amp;E has continued to be in compliance with the remaining terms and conditions of the PPA, including with all the payments terms of the PPA up through the date hereof with the exception of prepetition services payable after the bankruptcy filing date. According to information publicly disclosed by PG&amp;E, they are working on their Chapter 11 process with a target of exiting this process by June 30, 2020. Since we are experiencing delays in distributions from Mojave, we decided to implement two measures:</p> <ul style="list-style-type: none"> <li>- On April 30, 2019, we entered into the 2019 Note Issuance Facility to refinance another corporate debt. The 2019 Note Issuance Facility provides that we may capitalize at our choice interest on the notes issued thereunder for a period of up to two years from closing at our discretion, subject to certain conditions and we have decided to capitalize interest for the upcoming quarters until we have further visibility on the PG&amp;E situation.</li> <li>- In June 2019, we signed our first ESG-linked financial guarantee line and we are using and expect to continue use this guarantee line to progressively release restricted cash in some of our projects, providing additional financial flexibility.</li> <li>▪ In the case of Kaxu, Eskom's payment guarantees to our solar plant Kaxu are underwritten by the South African Department of Energy, under the terms of an implementation agreement. The credit rating of the Republic of South Africa as of the date of this report BB/Baa3/BB+ by S&amp;P, Moody's and Fitch, respectively.</li> <li>▪ We maintain a diversified portfolio where the weight of each client is limited. In addition, we expect that our growth strategy will further permit us to dilute the weight of each client.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<p>South Africa as of the date of this report are BB/Baa3/BB+ by S&amp;P, Moody's and Fitch, respectively.</p> <ul style="list-style-type: none"> <li>▪ In addition, the credit rating of Pemex, our offtaker to the ACT agreement, has also weakened and is currently BBB+ from S&amp;P, Baa3 from Moody's and BB+ from Fitch. We have been experiencing delays in collections in the last few months. Although we believe they are partially due to changes in personnel following the elections last year, we continue to monitor the situation closely.</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Climate change</li> </ul>	<ul style="list-style-type: none"> <li>▪ Climate change is causing according to experts, an increasing number of severe and extreme weather events which are a risk to our facilities, including days of extremely high temperatures, severe winds and rains, hurricanes, droughts, fires, cyclones and floods, among others.</li> <li>▪ Our business may be adversely affected by rising mean temperatures caused by climate change.</li> </ul>	<ul style="list-style-type: none"> <li>▪ According to experts, rising temperatures are increasing the frequency and intensity of droughts and risk of fire. For example, in California, the size of fires seem to have increased significantly in the last 20 years, which have also been very hot and dry years. California wildfires have been especially catastrophic, causing human fatalities and significant material losses. Our transmission lines, including transmission lines and substations which are part of our solar assets, could cause fires, which can create significant liabilities if the fire damaged third parties.</li> <li>▪ Severe floods could damage our plants, especially our transmission lines or our generation assets.</li> <li>▪ Severe winds could cause damage in the solar fields in our solar assets.</li> <li>▪ Severe droughts could result in water restrictions or in a deterioration of water properties.</li> <li>▪ Changes in temperature extremes could also affect to the feed water process temperature in desalination plants, causing an increase of the chemical products consumption and generating a risk of growth of algae and molluscs within the facilities.</li> <li>▪ Storms with intense lightning activity could damage our plants, especially our wind assets. Our wind farms in Uruguay have already experienced some damages in the past and our assets could be affected again.</li> <li>▪ Furthermore, components of our system, such as structures, mirrors,</li> </ul>	<ul style="list-style-type: none"> <li>▪ A large majority of our business is clean, including renewable electricity generation, water desalination and transmission lines. We are a sustainable company and intend to continue to be sustainable. In order to have a positive impact on climate change, we have a set a limit of 80% of our revenues generated from renewables, transportation and transmission infrastructures and water assets.</li> <li>▪ We target to reduce our emission rate per unit of energy generated by 10% by 2030.</li> <li>▪ We intend to set an internal system to identify, monitor and manage climate related risks and opportunities.</li> <li>▪ Our geographic VPs and our corporate Operations team monitor weather conditions closely and we have developed protocols to take protective measures when necessary. For example, if winds are forecasted, our solar fields are placed in a defence mode.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<p>absorber tubes, blades, PV panels or transformers are susceptible to being damaged by severe weather, including for example hail. In addition, replacement and spare parts for key components may be difficult or costly to acquire or may be unavailable</p> <p>Although we have insurance in place which cover these types of events, it is extremely difficult to assess the economic financial impact this may have. All these events could cause a material adverse effect in our business, results of operations and cash flows.</p> <p>In addition, to the physical risks mentioned previously, rising temperatures could cause an increase in our operation and maintenance costs. Rising temperatures are associated to the reduction of the cycle efficiency of our turbines, a reduction of efficiency in solar photovoltaic modules, lower efficiency in wind facilities and higher consumption of chemicals used for operational purposes in our desalination plants, among others.</p>	
<ul style="list-style-type: none"> <li>▪ Access to future acquisitions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Impede our ability to execute our growth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our growth strategy depends on our ability to successfully identify and evaluate acquisition opportunities and complete acquisitions on favourable terms. The number of acquisition opportunities may be limited. Our ability to acquire future renewable energy projects or businesses depends on the viability of renewable energy projects generally. These projects currently are in many cases contingent on public policy mechanisms including, among others, ITCs, cash grants, loan guarantees. In addition, we cannot be certain that AAGES or Algonquin will offer us assets under the ROFO Agreements or propose co-investments attractive to us. Furthermore, we will compete with other companies for acquisition opportunities from third parties, which may increase our cost of making acquisitions or cause us to refrain from making acquisitions from third parties. Some of our competitors for acquisitions are much larger than us, with substantially greater resources.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We have diversified our sources of growth, which now include organic opportunities (optimizing the existing portfolio, price escalation factors and through expansions of our assets), partnerships and acquisitions from third parties, as well as our ROFO agreements.</li> <li>▪ Dedicated local management teams to identify opportunities.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<ul style="list-style-type: none"> <li>■ In order to grow, we depend on financing availability, including access to capital markets.</li> <li>■ In order to grow our business, we may acquire assets and businesses which may have a higher risk profile than the assets we currently own. We may consider investing in assets which are not currently in operation and which are subject to development and construction risk. In addition, we may consider acquiring businesses which are not contracted, including regulated businesses, which are subject to demand risk. We may also consider acquiring assets which are not contracted or not fully contracted, or subject to merchant risk. Furthermore, we may consider acquiring assets with revenues not denominated in US dollars or Euros, which would increase our exposure to local currency.</li> </ul>	
<ul style="list-style-type: none"> <li>■ International operations including in emerging markets.</li> </ul>	<p>We operate our activities in a range of international locations and we may expand our operations to certain countries within the regions where we are already present. Accordingly, we face a number of risks including adapting to the regulatory requirements of such countries, the uncertainty of judicial processes, and the absence, loss or non-renewal of favourable treaties, or similar agreements, with local authorities or political, social and economic instability. Our activities and investments in emerging markets involve a number of risks that are more prevalent than in developed markets, such as economic and governmental instability, the possibility of significant amendments to, or changes in, the application of governmental regulations, the nationalization and expropriation of private property, payment collection difficulties, social problems, substantial fluctuations in interest and exchange rates, changes in the tax framework or the unpredictability of enforcement of contractual provisions, currency control measures, limits on the repatriation of funds and other unfavorable interventions or</p>	<ul style="list-style-type: none"> <li>■ In Chile violent social unrest started in October 2019. Several social measures were approved; however, the social crisis has not been resolved yet. Protests could have an adverse effect on our business. In addition, potential social measures could also have an adverse effect on our business. Furthermore, in Algeria, protests started in February 2019 after the former president announced that he would run for a fifth term in office. Although the president quit several weeks later, demonstrations and protests have been ongoing and political instability remains.</li> <li>■ Other downturns or disruptions provoked by social unrest in the countries where we operate, like those we have seen in Chile or Algeria, or diseases like the COVID-19 could have a material adverse impact in our business.</li> </ul>	<ul style="list-style-type: none"> <li>■ In 2019 we entered into a political risk insurance agreement with the Multinational Investment Guarantee Agency for Kaxu. The insurance provides protection for breach of contract up to \$98.6 million in the event the South African Department of Energy does not comply with its obligations as guarantor. We have also increased coverage in our political risk insurance for our assets in Algeria with CESCE up to \$38.2 million, including 2 years dividend coverage. This insurance policy does not cover credit risk</li> <li>■ We intend to grow our portfolio mainly in countries that we consider stable in North America, Europe and South America. We expect that investments in countries with a higher risk profile such as Algeria and South Africa represent always a small portion of our portfolio.</li> <li>■ Local presence and knowledge of each region.</li> <li>■ Health &amp; safety experienced teams.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
<ul style="list-style-type: none"> <li>▪ Regulation - legal, environmental and general compliance - of each asset</li> </ul>	<p>restrictions imposed by public authorities.</p> <ul style="list-style-type: none"> <li>▪ Uncertainty or changes to any such regulation could adversely affect the profitability of our current plants and our ability to refinance projects.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Revenues in Spain are mainly defined by regulation. Revenues are based on a "reasonable of return" which was reviewed following a proposal by the Spanish regulator CNMC based on the weighted average cost of capital (WACC). The WACC is the calculation method that most of the European regulators apply in most of the cases to determine the return rates applicable to regulated activities within the energy sector. Parameters have been reviewed at the end of 2019 and have been set for a six-year or twelve-year period starting in January 1, 2020, depending on each asset within our portfolio. We estimate the impact of this change to be approximately € 3 million per year reduction in its cash available for distribution.</li> <li>▪ We have a transmission line in Chile with revenues based on regulation, which is also sensitive to changes in regulation.</li> <li>▪ In general, changes in regulation in all the geographies where we are present may affect all our assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong power purchase agreement or concession contracts in many assets.</li> <li>▪ Investment grade credit ratings in many of our clients.</li> <li>▪ Local management.</li> <li>▪ Reporting and monitoring system.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Regulation - Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ Uncertainty or changes to tax regulations could adversely affect the profitability of our current plants and our ability to refinance projects. We are subject to changes in tax regulation in all the jurisdictions where we have assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A change of ownership as defined under section 382 of the IRC in the United States, including direct and indirect shareholders, may limit our ability to use net operating loss carry forwards in the United States, which could negatively affect our cash flows. In 2017, the Abengoa restructuring caused a change of ownership limiting our ability to use Net Operating Loss (NOLs) carried forwards in the United States. In addition, changes in our shareholder base during 2019 may have triggered an ownership change under Section 382 of the IRC. In addition, the Internal Revenue Service recently issued proposed regulations for the calculation of built-in gains and losses under Section 382. If enacted, these new regulations, may significantly limit our annual use of pre-ownership change U.S. NOLs in the event a new ownership</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management and specialized teams</li> <li>▪ Support of external advisors.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<p>change occurs after the new rule is in place.</p> <ul style="list-style-type: none"> <li>▪ According to public information, the government of Spain has proposed a modification to the tax legislation to limit certain deductions and introduces a minimum tax rule in the Corporate Income Tax. The proposed modification would also contemplate a reduction in the tax exemption on dividends received from affiliates from 100% to 95% exemption. This modification is subject to approval by Parliament and could be changed in the future. In addition, the details of the new regulation are still largely unknown. Based on available public information we do not expect a significant impact in cash flows from our Spanish solar assets in the upcoming years.</li> <li>▪ The Chilean Congress recently approved the tax reform bill proposed by the local government to increase taxes that would fund the new social agenda, announced after recent social protests. After a preliminary analysis, we do not expect a significant impact in cash flows from our Chilean assets.</li> <li>▪ In 2019 the Mexican Congress approved the tax bill proposed by the new government, which introduces new provisions in the Income Tax Law and Value Added Tax Law, among others. The tax reform introduced an additional limitation to the deduction of interest for tax purposes up to 30% of the adjusted EBITDA. However, this limitation might not be applicable to debt granted to finance public infrastructure works, construction and land located in Mexico, exploration, extraction, and other projects of the extractive industry, transport, storage or distribution of oil and hydrocarbons, or for the generation, transmission or storage of electricity or water. Based on the type of infrastructures held by Atlantica in Mexico, we do not expect a significant impact of this measure in our cash flows.</li> </ul>	

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
<ul style="list-style-type: none"> <li>▪ Brexit</li> </ul>	<p>Political, social and macroeconomic uncertainty.</p>	<p>The exit of the United Kingdom from the EU or prolonged periods of uncertainty could result in macroeconomic deterioration, negative impacts on stock exchanges and decreased GDP in the European Union. On January 31, 2020, the U.K. ceased to be part of the European Union and entered into a transition period to, among other things, negotiate an agreement with the EU on the future terms of the United Kingdom's relationship with the European Union. The transition period is currently expected to end on December 31, 2020. As of the date of this report, the United Kingdom and the European Union have not reached an agreement. Therefore, the impact of the United Kingdom's departure from, and future relationship with, the European Union are uncertain. There is the potential that the United Kingdom and the European Union may not agree to a withdrawal arrangement before the date the United Kingdom leaves the European Union. Regardless of the eventual timing or terms of the United Kingdom's exit from the EU, the result of the 2016 referendum continues to create significant political, regulatory and macroeconomic uncertainty</p> <p>EU exit negotiations continue to have limited impact to our markets. However, longer term effects remain difficult to predict. Our business operates through its owned assets mainly outside the UK, therefore we have not been required to consider any changes to our business model.</p> <p>There could be changes to tax regulation affecting the repatriation of dividends from other countries, which may negatively affect us. Additionally, the impact of potential changes to the United Kingdom's migration policy could adversely impact our employees of non-U.K. nationality currently working in the United Kingdom as well as have an uncertain impact on cross-border labour, all of which could have an adverse effect on our operations.</p>	<ul style="list-style-type: none"> <li>▪ Management and specialized compliance teams continuously tracking down any potential change.</li> <li>▪ Reporting and monitoring system.</li> </ul>



Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
<ul style="list-style-type: none"> <li>▪ Financing agreements in each contract</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potential restrictions to distribute cash out of project companies</li> <li>▪ Declare project finance debt to be due and payable immediately if there is an event of default</li> </ul>	<ul style="list-style-type: none"> <li>▪ In 2019, the bankruptcy of PG&amp;E resulted in an event of default under the project financing agreement (see details above).</li> <li>▪ As of December 31, 2019, Solana met the minimum debt service coverage ratio, however it did not meet certain operating thresholds applicable in 2019 for distributions. The asset may not meet ratios or other conditions in 2020 or future years.</li> <li>▪ Kaxu had a reduced production during the year 2017. In 2018, although Kaxu's debt coverage reached the minimum threshold, distributions were delayed as a consequence of the planned finalization of the guarantee period in late 2018. In 2019, Kaxu made distributions after obtaining bank approvals, since the asset has not fulfilled all bank requirements to reach financial completion, which is expected to be obtained in the upcoming months.</li> <li>▪ As of December 31, 2019, Cadonal did not meet the minimum ratio for distributions nor the minimum ratio required by the project finance lenders. We obtained a waiver from the lenders before December 31, 2019.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As previously explained, we have measures in place to mitigate impacts from PG&amp;E Chapter 11. In addition, we have a plan in place to improve performance in Solana. In Kaxu, we expect to obtain financial completion in the upcoming months. In the case of Cadonal, we expect to refinance the asset.</li> <li>▪ Reporting and monitoring of covenants in each contract</li> <li>▪ Management and specialized compliance and legal teams continuously tracking down any change.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Connection to Algonquin</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our reputation is closely related to Algonquin's reputation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Algonquin beneficially owns 44.2% of our ordinary shares and is entitled to vote approximately 41.5% of our ordinary shares. As a result of this ownership, Algonquin has substantial influence on our affairs and their ownership interest and voting power constitute a significant percentage of the shares eligible to vote on any matter requiring the approval of our shareholders. Such matters include the election of directors, the adoption of amendments to our articles of association and approval of mergers or sale of all or a high percentage of our assets. There can be no assurance that the interests of Algonquin will coincide with the interests of the rest of shareholders or that Algonquin will act in a manner that is in our best interests.</li> <li>▪ Our ownership structure may give rise to certain conflicts of interest between us, Algonquin, and the rest of our shareholders. Currently,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Algonquin has the right to appoint directors proportionally to their ownership.</li> <li>▪ Any transaction between us and AAGES or Algonquin (including the acquisition of any ROFO assets or any co-investment with AAGES or Algonquin or any investment on an Algonquin asset) is subject to our related party transaction policy, which requires prior approval of such transaction by a majority of the non-conflicted directors, typically our independent directors.</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
		<p>two of our directors are affiliated with Algonquin. Regardless of the merits of such claims, we may be required to spend significant management time and financial resources in the defense thereof. The existence of our related party transaction approval policy may not insulate us from derivative claims related to related party transactions and the conflicts of interest described in this risk factor. Additionally, to the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us, all of which may have a material adverse effect on our business, financial condition, results of operations and cash flows.</p>	
<ul style="list-style-type: none"> <li>▪ Connection to Abengoa</li> </ul>	<ul style="list-style-type: none"> <li>▪ Abengoa has obligations with us under operation and maintenance agreements, certain obligations originally based on EPC agreements, as well as other indemnities and obligations. We have operation and maintenance contracts with Abengoa in some of our assets. We cannot guarantee that Abengoa and its subcontractors will be able to continue performing with the same level of service and under the same terms and conditions, including prices. Although we have long-term O&amp;M agreements in most of our assets, if Abengoa cannot continue performing current services at the same prices, this could cause a change of supplier and we cannot guarantee the prices and conditions will be maintained.</li> <li>▪ Cross-default provisions related to future defaults by Abengoa could trigger default under the project finance arrangement of Kaxu.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Although certain relations remain, Abengoa is no longer our largest shareholder. In 2019 we closed the acquisition of ASI Operations, the company that performs the operation and maintenance services to Solana and Mojave plants. Additionally, we have internalized part of the operation and maintenance activities contracted in two wind assets, maintaining a direct relationship with the supplier for the turbine maintenance services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ In 2019 we have reduced our exposure to Abengoa as our main O&amp;M supplier.</li> <li>▪ We believe we could find alternative suppliers for operation and maintenance services if required, as we have already done in certain countries.</li> <li>▪ Internalized several O&amp;M agreements previously performed by Abengoa.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Interest rate and foreign currency exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increases in rates would raise our finance expenses at project companies or corporate level.</li> <li>▪ Revenues and expenses of our solar assets in Spain and our solar asset in South Africa are denominated in euros and South African Rands, respectively. Depreciation in the value of euro or South African rand</li> </ul>	<ul style="list-style-type: none"> <li>▪ No material changes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ In our assets revenues, debt and most of the expenses are always denominated in the same currency, creating a natural hedge.</li> <li>▪ Our solar power plants in Spain have their revenues and expenses denominated in euros. At the corporate level, we have some general and administrative expenses</li> </ul>

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
	<p>against U.S. dollar may have a negative impact on our operating results and our cash available for distribution.</p>		<p>and debt denominated in euros. Our strategy is to hedge the exchange rate for the distributions from our Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through currency options, we hedge 100% of the net euro net exposure for the next 12 months and 75% of the net euro net exposure for the following 12 months.</p> <ul style="list-style-type: none"> <li>▪ We intend to maintain a ratio of over 80% of our cash available for distribution denominated in U.S. dollars or euros and to hedge the euros for the upcoming 24 months on a rolling basis strategy.</li> <li>▪ Over 90% of our total interest risk exposure is fixed or hedged.</li> </ul>

## Financial Risk Management

### *Interest rates*

We incur significant indebtedness at the corporate level and asset level. The interest rate risk arises mainly from indebtedness with variable interest rates. Most of our debt consists of project debt. As of December 31, 2019, approximately 92% of our project debt has either fixed interest rates or has been hedged with swaps or caps.

On November 17, 2014, we issued the 2019 Notes in an aggregate principal amount of \$255 million with an original maturity date of November 15, 2019. On May 31, 2019 we prepaid the 2019 Notes before maturity in accordance with the terms thereof with the proceeds of the notes issued under the Note Issuance Facility 2019.

On April 30, 2019, we entered into the Note Issuance Facility 2019, a senior unsecured financing with Lucid Agency Services Limited, as agent, and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of the euro equivalent of \$300 million. The notes under the Note Issuance Facility 2019 were issued in May 2019 and are due on April 30, 2025. The 2019 Note Issuance Facility includes an upfront fee of 2% paid upon drawdown. From their issue date to December 31, 2019 interest on the notes issued under the Note Issuance Facility 2019 accrued at a rate per annum equal to the sum of 3-month EURIBOR plus a margin of 4.65%. The principal amount of the notes issued under the Note Issuance Facility 2019 was hedged with an interest rate swap, resulting in an all-in interest cost of 4.4%. Starting January 1, 2020, the applicable margin for the determination of interest on the notes issued under the Note Issuance Facility 2019 decreased to 4.50% resulting in an all-in interest cost of 4.24, following satisfaction of the requirements set forth in the Note Issuance Facility 2019 for such margin decrease, including the effectiveness of the Royal Decree-law 17/2019 which approved a reasonable rate of return higher than 7% . The Note Issuance Facility 2019 provides that we may elect to, subject to the satisfaction of certain conditions, capitalize interest on the notes issued thereunder for a period of up to two years from closing at our discretion, subject to certain conditions. We elected to capitalize interest on the notes issued under the Note Issuance Facility 2019 for the upcoming quarters.

On February 10, 2017, we entered into the Note Issuance Facility 2017, a senior secured note facility with Elavon Financial Services DAC, UK Branch as agent and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €275 million (approximately \$308.4 million), with three series of notes. Series 1 notes worth €92 million mature in 2022; series 2 notes worth €91.5 million mature in 2023; and series 3 notes worth €91.5 million mature in 2024. Interest on all series accrues at a rate per annum equal to the sum of 3-month EURIBOR plus 4.90%. We fully hedged the principal amount of the notes issued under the Note Issuance Facility 2017 with a swap that fixed the interest rate at 5.5%. We expect to repay in full and cancel all series of notes issued under the Note Issuance Facility 2017 with the proceeds of the 2020 Green Private Placement.

On May 10, 2018, we entered into a \$215 million Revolving Credit Facility with a syndicate of banks with Royal Bank of Canada as administrative agent and Royal Bank of Canada and Canadian Imperial Bank of Commerce, as issuers of letters of credit. This facility was increased by \$85 million to \$300 million in January 2019. In addition, on August 2, 2019 the facility was further increased by

\$125 million to a total limit of \$425 million and the maturity of a portion of loans in a principal amount of \$387.5 million extended from December 31, 2022, with the remaining \$37.5 million maturing on December 31, 2021. As of December 31, 2019, we had \$84 million outstanding under the Revolving Credit Facility and \$341.0 million available. Loans under the facility accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus a percentage determined by reference to our leverage ratio, ranging between 1.60% and 2.25% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus 1/2 of 1.00%, (ii) the prime rate of the administrative agent under the Revolving Credit Facility and (iii) LIBOR plus 1.00%, in any case, plus a percentage determined by reference to our leverage ratio, ranging between 0.60% and 1.00.

On February 6, 2020, we completed the pricing of a total amount of €290 million (approximately \$319 million), senior secured notes maturing in June 20, 2026 (Green Private Placement), which are expected to be issued under a senior secured note purchase agreement to be entered into with a group of institutional investors as purchasers. Interest on the notes is expected to accrue at a rate per annum equal to 1.96%. Signing of the Note Purchase Agreement 2020 is expected to occur on or about April 1, 2020 and closing is expected to occur promptly thereafter, subject to certain conditions. We cannot guarantee the such conditions will be satisfied and that closing will occur. In the case the transaction is closed, if at any time the rating of such senior secured notes is below investment grade, the interest rate thereon would increase by 100 basis points until such notes are rated again investment grade. The 2020 Green Private Placement complies with the Green Bond Principles and has a second party opinion by Sustainalytics. The proceeds of the 2020 Green Private Placement are expected to be used to repay in full and cancel of all series of notes issued under the Note Issuance Facility 2017.

To mitigate interest rate risk, we primarily use long-term interest rate swaps and interest rate options which, in exchange for a fee, offer protection against a rise in interest rates. We estimate that approximately 91% of our total interest risk exposure was fixed or hedged as of December 31, 2019. Nevertheless, our results of operations can be affected by changes in interest rates with respect to the unhedged portion of our indebtedness that bears interest at floating rates, which typically bears a spread over EURIBOR or LIBOR.

### *Exchange rates*

Our functional currency is the U.S. dollar, as most of our revenues and expenses are denominated or linked to U.S. dollars. All our companies located in North America, South America and Algeria have their PPAs, or concessional agreements, and financing contracts signed in, or indexed totally or partially to, U.S. dollars. Our solar power plants in Spain have their revenues and expenses denominated in euros, and Kaxu, our solar plant in South Africa, has its revenues and expenses denominated in South African Rands.

Our strategy is to hedge cash distributions from our Spanish assets. We hedge the exchange rate for the distributions from our Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through currency options, we have hedged 100% of our euro-denominated net exposure for the next 12 months and 75% of our euro-denominated net exposure for the following 12 months. We expect to continue with this hedging strategy on a rolling basis.

Although we hedge cash-flows in euros, fluctuations in the value of the euro in relation to the U.S. dollar may affect our operating results. In subsidiaries with functional currency other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates. Revenue, expenses and cash flows are translated using average rates of exchange. Fluctuations in the value of the South African rand in relation to the U.S. dollar may also affect our operating results.

Apart from the impact of translation differences described above, the exposure of our income statement to fluctuations of foreign currencies is limited, as the financing of projects is typically denominated in the same currency as that of the contracted revenue agreement. This policy seeks to ensure that the main revenue and expenses in foreign companies are denominated in the same currency, limiting our risk of foreign exchange differences in our financial results.

### *Credit risk*

On January 29, 2019, PG&E, the off-taker for Atlantica with respect to the Mojave plant, filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California. See section "Events during the period" from our Strategic Report.

Eskom's credit rating has also weakened and is currently CCC+ from S&P, B3 from Moody's and BB- from Fitch. Eskom is the offtaker of our Kaxu solar plant, a state-owned, limited liability company, wholly owned by the government of the Republic of South Africa. Eskom's payment guarantees to our solar plant Kaxu are underwritten by the South African Department of Energy, under the terms of an implementation agreement. The credit ratings of the Republic of South Africa as of the date of this report are BB/Baa3/BB+ by S&P, Moody's and Fitch, respectively.

In addition, the credit rating of Pemex has also weakened and is currently BBB+ from S&P, Baa3 from Moody's and BB+ from Fitch. We have been experiencing delays in collections in the last few months. Although we believe they are partially due to changes in personnel following the elections last year, we continue to monitor the situation closely.

Apart from these situations, we consider that in general we have limited credit risk with clients as revenues are derived from PPAs and other revenue contracted agreements with electric utilities and state-owned entities.

In addition, in 2019 we entered into a political risk insurance agreement with the Multinational Investment Guarantee Agency for Kaxu. The insurance provides protection for breach of contract up to \$98.6 million in the event the South African Department of Energy does not comply with its obligations as guarantor. We have also increased coverage in our political risk insurance for our assets in Algeria with CESCE up to \$38.2 million, including 2 years dividend coverage. These insurance policies do not cover credit risk.

### *Liquidity risk*

The objective of our financing and liquidity policy is to ensure that we maintain sufficient funds to meet our financial obligations as they fall due.

Project finance borrowing permits us to finance projects through project debt and thereby insulate the rest of our assets from such credit exposure. We incur project finance debt on a project-by-project basis.

The repayment profile of each project is established on the basis of the projected cash flow generation of the business. This ensures that sufficient financing is available to meet deadlines and maturities, which mitigates the liquidity risk

## **Environment, Social and Governance**

### *Sustainability and health and safety in our business model and activities as key values of Atlantica*

We believe that climate change is already having an impact in our activities. Scientists have stated that the world will suffer significant negative impacts if the overall society, governments and corporations do not take the right steps to reduce greenhouse gas emissions. A special report published in October 2018 by the Intergovernmental Panel on Climate Change showed that global CO<sub>2</sub> concentration since 2000 has increased 10 times faster than any sustained rise in CO<sub>2</sub> during the past 800,000 years. In this sense, by limiting global warming we can also help to reduce risks caused by climate change such as natural disasters or extreme droughts. At Atlantica we plan to continue contributing to these goals.

Atlantica has been firmly committed to sustainability since its incorporation. Sustainability is one of our five Core Values and for us, it represents a holistic approach that includes operational, health and safety, environmental, social, governance and financial performance. We believe that by investing in sustainable sectors and managing our assets in a sustainable manner we will create more value over time to all our stakeholders.

Our strategy is focused on climate change solutions in the power and water sectors and we therefore see sustainability and climate change as a growth opportunity for us. As such, we are committed to maintain 80% of our revenues generated from low-carbon footprint including our renewable, transportation and transmission infrastructures and water assets and, to reduce our emission rate per unit of energy generated by 10% by 2030.

We produce clean electricity, desalinated water and provide electricity transmission in a safe, reliable and environmentally responsible way. We focus mainly on greenhouse gas emissions, water and waste management, health & safety, human capital and governance.

In June 2019, we signed our first ESG-linked financial guarantee with ING. The guarantee line has a limit of approximately \$39 million and the cost is linked to Atlantica's environmental, social and governance performance under a leading sustainable rating agency (Sustainalytics). The green guarantees will be exclusively used for renewable assets.

In 2019, we co-invested with Algonquin in a 75 MW wind plant in Canada and we closed the acquisition for the previously announced acquisition of ATN Expansion 2, two transmission lines that connect a solar and a wind plant to our transmission line. Thus, we continue promoting a low-carbon energy industry and a business model based on a sustainable development. Additionally, we successfully incorporated in our portfolio the 50 MW capacity wind farm and the mini-hydro asset that we acquired in 2018 in Uruguay and Peru, respectively.



At Atlantica, we intend to take advantage of favourable trends in the power generation, electric transmission, and water sectors globally, related to the energy scarcity and a focus on the reduction of carbon emissions.

In January 2020, the Carbon Disclosure Project (“CDP”) issued Atlantica’s 2019 ESG rating. We were rated a “B”, increasing two notches compared to our 2018 evaluation.

In February 2020, Sustainalytics’ issued Atlantica’s 2019 ESG Risk Rating. We were rated as the top company within both renewables and utilities, and in the top 1% in the global ratings universe.

Atlantica is a signatory to the United Nations Global Compact (“UNGC”), the world’s largest corporate sustainability initiative with more than 9,700 participating companies from 160 countries. The UNGC is an initiative which encourages companies and organizations worldwide to adopt sustainable and socially-responsible policies. The participation in the UN Global Compact is voluntary and those entities who sign it pledge to uphold and disseminate the principles and report on their progress once they apply them in their management. By joining the UNGC, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

As part of its commitment with sustainability, Atlantica has formally adopted the UN Global Compact ten basic principles in the fields of human rights, labour, environment and anticorruption. We are determined to make the UN Global Compact and its principles an integral part of the strategy, culture and day-to-day operations of the Company.



Atlantica is committed to orient its action to 6 of the 17 Sustainable Development Goals: Climate action, Affordable and clean energy, Clean water and sanitation, Decent work and economic growth, Gender equality and Life on land.

In December 2019, we updated and issued several key documents following our long-term strategy:



- Updated all our Compliance documents, including the Code of Conduct and the Supplier Code of Conduct
- Updated the Environmental policy
- Issued a Diversity and Inclusion policy
- Issued a Biodiversity policy
- Issued a Community Development and Involvement policy
- Issued an Asset Management policy

Further details on these policies are provided in this report.

### *Environmental Policy*

At Atlantica, we are determined to be part of the solution to climate change as a key pillar of our long-term strategy:

- We are committed to invest in renewable energy assets, and in transmission, natural gas and storage as enablers of the energy transition.
- Environment will remain as a priority in planning our business through: (i) innovation and eco-efficiency initiatives and, (ii) the gradual reduction of environmental impacts of all our activities.

We have set goals related to: (i) maintain a very significant amount of our revenues generated from low-carbon footprint assets (i.e., renewable energy, transportation and transmission infrastructures and water assets) and, (ii) reduce our emission rate per unit of energy.

Through this policy, we commit to:

- Protect the environment in the areas where we operate and integrate environmental protection in the decision-making processes.
- Comply with environmental laws, regulations, permit requirements and internal policies in each of the markets where we operate.
- Continue to increase environmental awareness.
- Reduce our GHG emissions over time and disclose GHG initiatives, targets, deadlines, monitoring and periodic audits.
- Analyze and implement internal energy efficiency measures in our operating assets.
- Maintain and periodically review our environmental management system.
- Foster using natural resources more efficiently.
- Maintain the necessary indicators to obtain quantifiable information to measure and monitor the environmental performance and impacts of our activities and, define and implement action plans to reduce such impact in relation with:
  - Emissions: calculating and monitoring our Scope 1, 2 and 3 GHG emissions.
  - Water: calculating and monitoring our water usage by promoting a rational and sustainable use.
  - Waste: calculating and monitoring our waste and implementing initiatives aimed at minimization and improvement of waste management.
- Appropriately manage environmental risks and opportunities. We have developed a risk analysis methodology based on ISO 31000 and common market practices. As such, we commit to maintain a robust risk analysis process that at least contains:

- Risk identification: identify the causes that may turn into a risk situation, classifying those potential causes in natural, human, intentional, accidental and technological.
- Risk assessment: evaluate the risk including an analysis of the potential frequency and impact.
- Risk management plan: manage the risk in order to mitigate the effects that it may cause.
- Consult and collaborate with environmental third-party oriented stakeholders when appropriate and foster discussions and partnerships on environmental issues with public and private entities.
- Identify relevant non-GHG air emissions, analyze initiatives and appropriately implement measures to reduce such emissions.
- Implement and share best practices when appropriate.
- Report key measures taken towards the conservation of environment in the areas where we operate.

The Board of Directors of Atlantica is responsible for the oversight of environmental risks and opportunities as well as overseeing the implementation of specific initiatives.

Atlantica's senior management monitors the accomplishment of this Environmental Policy in the Environment, Social and Governance (ESG) Committee.

Our Environmental and Quality Management System complies with the standards ISO 14001 and ISO 9001. These certifications cover management and acquisition of contracted assets. They were obtained for the first time in 2015 and are valid until May 2021. Our Environmental and Quality Management System is audited annually by an external third party (DNV GL).

Our management system guarantees that we comply with the regulations in force and with our policies in each of the markets we operate. In this sense, we measure and monitor the environmental impact of our activities and we analyse plans to reduce our emissions, water and waste.

We perform annual internal audits in our assets aimed at reviewing compliance with our best practices and promoting constant improvement. These audits are focused on a broad range of areas of asset management and include the environmental aspects. The purpose of these audits is to review the operational, maintenance, health and safety, and environmental indicators, as well as compliance and reporting requirements. We intend to assure compliance with our best practices. In 2019, 11 of our assets were audited and 206 improvement actions were identified. Action plans have been set to reach the internal standards required and are currently ongoing.

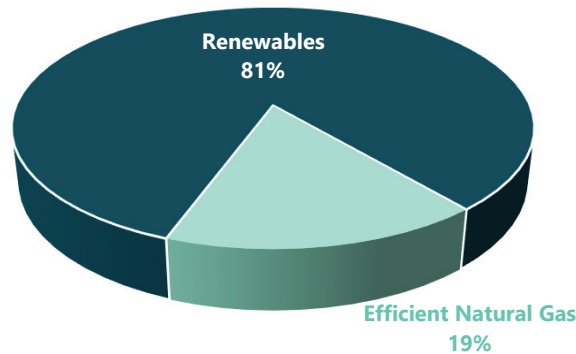
### ***Greenhouse Gas Emissions***

Atlantica complies with the requirements of the United Kingdom Climate Change Act 2008 for greenhouse gas emissions reporting and with the requirements of the Commission Regulation (EU) No 601/2012. The emissions data presented in this section corresponds to emissions in the annual periods ended December 31, 2019 and 2018.

Our focus on renewables and sustainable technologies allows us to have greenhouse gas emissions rates per unit of electricity produced significantly lower than those traditional utilities whose portfolio is mainly based in fossil fuels. As of December 31, 2019 81% of our installed capacity

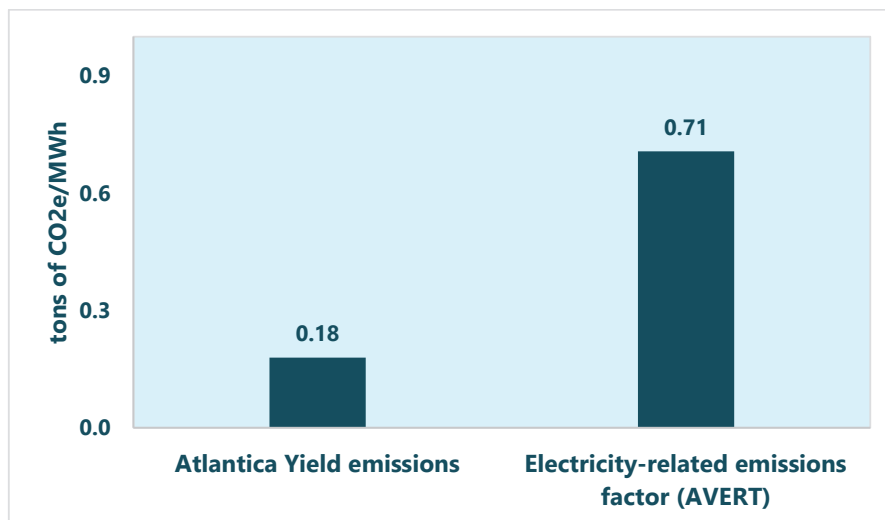
corresponds to renewable assets and 19% mainly corresponds mainly to ACT, our efficient natural gas plant in Mexico.

ACT has the status of an "efficient cogeneration facility" according to the *Comision Reguladora de Energia (CRE)*, the Mexican energy regulator. The CRE categorises as efficient plants those facilities which can deliver energy above a defined efficiency threshold. This status, at the same level of renewables according to the Mexican regulation, allows ACT to benefit from certain favorable conditions with regard to interconnection and transmission.



Installed capacity in generation assets, MW

If we compare our emissions with emissions rates of traditional utilities where generation is based in fossil fuels, approximately 4.7 million tons of equivalent CO<sub>2</sub> are saved to the atmosphere compared with a 100% fossil fuel-based generation.



### **Comparison of Atlantica's GHG emission ratio<sup>2</sup> and fossil-fired generation GHG emissions ratio<sup>3</sup>**

Emissions figures on this report are quantified and reported according to the guidelines of the Greenhouse Gas (GHG) Protocol, as follows:

- Scope 1: Emissions of greenhouse gas from sources that are owned or controlled by the Company.
- Scope 2: Indirect emissions of greenhouse gas from consumption of purchased electricity, heat or steam.
- Scope 3: Indirect emissions of greenhouse gas not included in scope 2 that occur in the value chain of the company, including both upstream and downstream emissions, as well as the emissions of our non-consolidated affiliates.

Scope 1 emissions from our solar plants in Spain and scope 1 and 2 emissions from our efficient natural gas asset have been verified by external auditors. These externally verified emissions represent approximately 92% of Atlantica's Scope 1 and 2 emissions, and a 65% of total emissions. The verification includes information used for its calculation, such as emission factors and activity data.

The emissions are calculated based on the criteria defined by the Greenhouse Gas Protocol, according to the operational control approach. Our reported emissions include emissions of methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O) as CO<sub>2</sub> equivalents. We use the GHG inventories conversion factors indicated by the organizations listed below:

- Intergovernmental Panel on Climate Change (the "IPCC")
- United States Environmental Protection Agency (the "EPA")
- 2019 GHG National Inventory from the Ministry of Ecological Transition in Spain

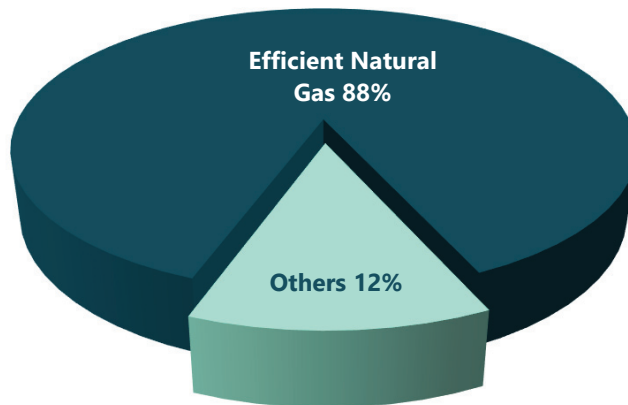
Scope 3 emissions have been calculated considering an economic input-output analysis and key emission factors from CEDA's 5.0 database. Additionally, Scope 3 emissions have been calculated using the (i) fuel consumption activity data and (ii) emission factors disclosed at WTT DEFRA 2018.

88% of the total GHG emissions generated in 2019 come from our natural gas plant in Mexico.

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<sup>2</sup> Emission rate calculated taking into account Scope 1 and 2 GHG emissions and energy generation of our power assets, both electric and thermal energy.

<sup>3</sup> The Greenhouse Gas Equivalences Calculator uses the Avoided Emissions and Generation Tool (AVERT) U.S. national weighted average CO<sub>2</sub> marginal emissions rate to convert reductions of Kilowatt-hours into avoided units of carbon dioxide emissions.

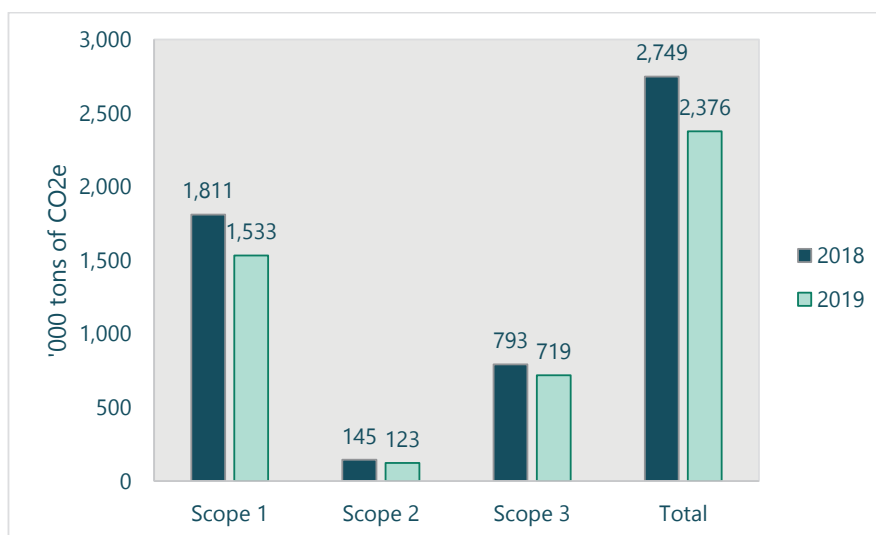


GHG emissions by Technology

Atlantica is committed to promote a low-carbon generation in its portfolio. We plan to reduce our carbon emissions footprint mainly with the acquisition of renewable assets that will increase our generation base keeping emission rates controlled. We intend to maintain an 80% of our revenues generated from low-carbon footprint including our renewable, transportation and transmission infrastructures and water assets.

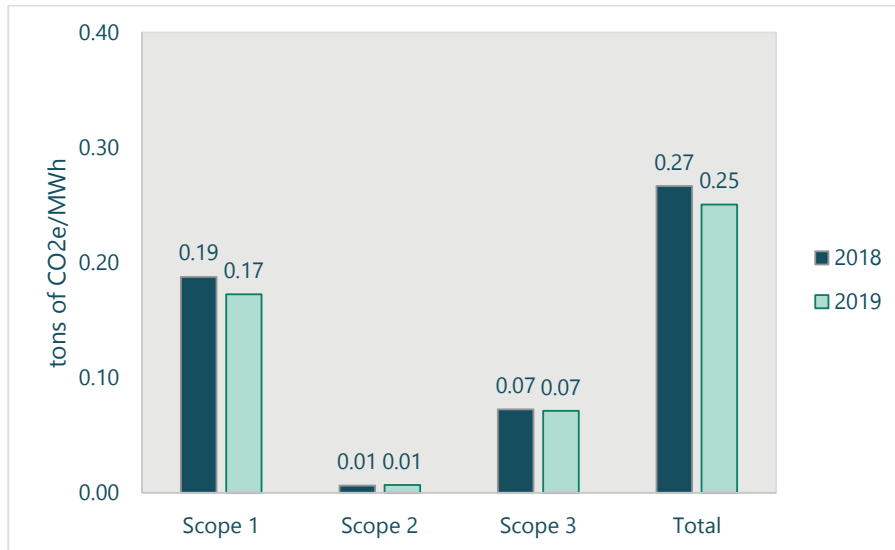
Given that our largest business sector since our incorporation is renewable energy, our GHG emissions have always been significantly lower than those of a company generating electricity from fossil fuel sources. As previously explained, the emissions of our generation assets are 0.18 tons of CO<sub>2</sub> per MWh of electricity produced, compared to 0.71 tons of CO<sub>2</sub> per MWh in a 100% fossil fuel-based generation. Reducing emissions is significantly more challenging for a renewable business than, for example, for a traditional utility with a business largely based on fossil fuel generation transitioning progressively to renewables. Our goal is to reduce our emission rate per unit of energy generated by 10% by 2030.

Greenhouse gas emissions in 2019 and 2018 have been as follows:



Greenhouse gas emissions breakdown by scope

Total carbon dioxide equivalent emissions generated by the Company in 2019 reached 2,376 thousand tons, compared to 2,749 thousand tons generated in 2018. This 16% GHG emissions decrease is mainly due to a reduction of our natural gas consumption in ACT. In 2019, our efficient natural gas plant had major overhaul in February and May. As a result, production was lower, and emissions were lower as well.



Greenhouse gas emissions ratio from generation assets per energy generation by scope<sup>4</sup>

The rate of equivalent tons of Carbon Dioxide (CO<sub>2</sub>) emissions per energy generation is 0.25 in 2019 versus 0.27 in 2018. This ratio is calculated considering generation assets (renewable energy and efficient natural gas). The decrease is mainly due to the reduction of ACT's emissions as well as the reduction of the aggregated generation in all our assets.

### **Water management**

We are committed to make an efficient use of water in our operations. There are two main types of water use in our operations:

1. Power generation in our renewable assets, which use cycle water in the turbine circuit and in refrigeration processes.
2. Generation of drinking water for local communities and industries through desalination of seawater.

#### **1. Power generation**

Our renewable segment utilizes water in its power generation process. We primarily use water for cooling of condensers during power generation in our facilities. The fresh water is primarily drawn from rivers and aquifers. We hold permits to withdraw water from these sources and adhere to

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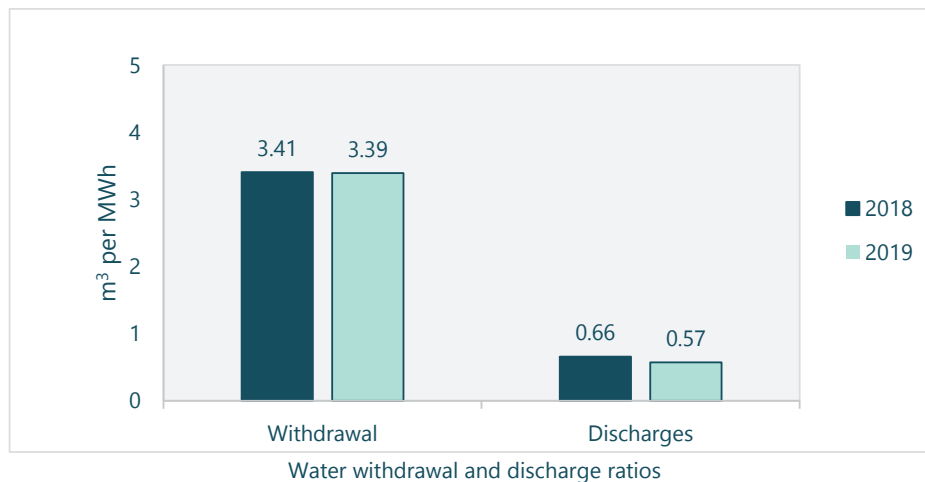
<sup>4</sup> The ratio has been calculated considering electric and thermal energy generated by our efficient natural gas plant

regulations on water quality. The difference between water withdrawn from and returned to its source is our water consumption which occurs largely due to evaporation.

The amount of water we withdraw and return is measured by the installed water meters at the pumping equipment of the plants. The reported volumes represent the total readings measured by the water meters of all our assets without adjusting for our interest in the assets. The water meters are sealed and are normally subject to audit by the inspector representing the local water authorities. We have met the requirements and regulations of the applicable local regulatory authorities in geographies in which we operate. We report the results of our water statistics to local water agencies on a periodic basis.

As an example, we have implemented an air-dry cooling system, instead of cooling towers, to refrigerate the condensers in one of our solar plants. This plant is placed in an area with water scarcity problems and this system reduces the water demand.

### Water Withdrawal and Discharges in Power Generation



In 2019, we withdrew 11.0 million cubic meters of fresh water at our power generation plants and we returned 1.9 million cubic meters (17%) back to the source. In 2018, we withdrew 10.4 million cubic meters of fresh water and returned 2.2 million cubic meters (21%) back to the source. The water returned to the environment is tested by independent external laboratories on a period basis to ensure its quality.

Our efforts to improve our water management beyond compliance is a main factor behind the reduction of withdrawal volumes related to the electric production of our assets in 2019 compared to 2018. We implemented better water-use practices in operation and maintenance of our solar plants, such as adjustments in the operating cycles of the water-cooling towers. In 2019, we withdrew 11.0 million cubic meters which represented 50% of the limits allowed by our water

permits. The difference between the water permit limits and actual water withdrawn represents water savings.

## **2. Desalination**

Some parts of the world suffer from current drought conditions which, combined with a water supply that is unfit for human consumption, can foster disease and death. Scarcity of water also results in reduced availability for food production. Sea water desalination can provide a climate-independent source of drinking water.

Our water segment includes two desalination plants. We withdraw sea water for desalination purposes as specified in the concession agreements of our two desalination plants.

In 2019, we withdraw 228.7 million cubic meters of sea water, which went through the desalination process of salt and minerals removal in our water treatment facilities to prepare it for human use. We produced 101.2 million cubic meters of desalination water and returned 127.5 million cubic meters (56%) back to the sea. In 2018, we withdrew 220.2 million cubic meters and returned 120.4 million cubic meters (55%) back to the sea. The difference between water withdrawn from and returned to the sea is the desalinated potable water delivered to the water utility, as specified by our take-or-pay concession agreements for consumption needs of approximately 2.2 million people.

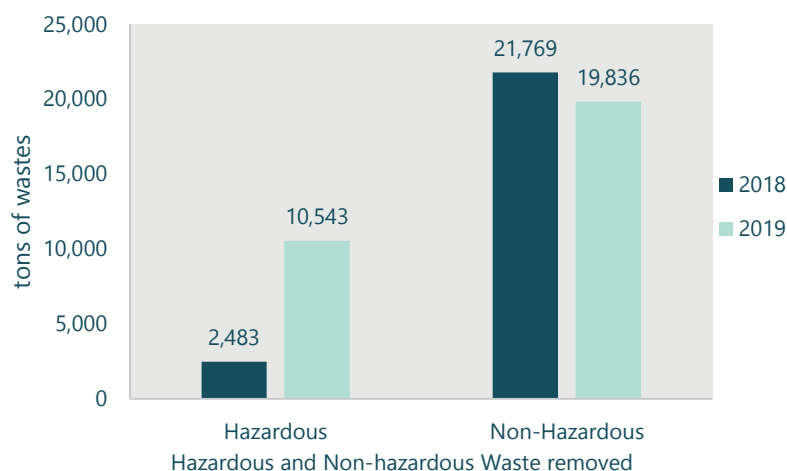
### *Waste management*

Our assets produce two main types of waste, hazardous and non-hazardous. The waste included in the category of hazardous are those from industrial processes related with the use of chemical products. On the other hand, all material that does not contain substances that might be harmful to human health or the environment are non-hazardous waste. Atlantica has a comprehensive waste control to ensure they are correctly managed.

The increase in 2019 in hazardous waste is mainly due to an environmental accident in one of our solar assets in Spain. We undertook all necessary measures to minimize its impact, informed public authorities, performed a root-cause analysis, implemented corrective actions to remediate contaminated soils, hence reducing its impacts and, internally shared the lessons learnt.

The non-hazardous waste corresponds to the waste water treatment plants and the reuse of the waste water before the discharges.





We are committed to improve our waste management.

### ***Biodiversity Policy***

For Atlantica, the protection of the ecosystem is a critical issue for global sustainability and we intend to promote its conservation as an essential mean for environmental, economic and social progress.

With the implementation of this policy we emphasize our commitment to protecting biodiversity and consequently, minimizing and having “no net loss” or a “net positive impact” on biodiversity conservation in areas where we operate.

At Atlantica, we are aware that our assets can cause interactions with various ecosystems, landscapes and species. The Company therefore commits to promoting the biodiversity of the ecosystems, allowing balanced co-existence, and conserving, protecting and promoting the development and growth of the natural ecosystem.

Our goal is to minimize and/or compensate any potential negative impacts that our activities may have on biodiversity.

We commit to:

- Identify biodiversity priority areas and avoid operating in areas with the highest diversity value.
- Maintain the preservation of biodiversity in the strategy of the Company, including in investment decisions.
- Apply a preventive approach to minimize the impacts of new infrastructure on biodiversity, bearing in mind the entire life cycle of the asset.
- Promote the offset of impacts caused by the Company's activities and the restoration of natural resources. “No net loss” or “net positive impact” on biodiversity conservation in the communities where we operate (e.g., through land rehabilitation)
- Continuously supervise and assess our impact on biodiversity to minimize our impact.
- Work to meet or exceed laws and regulations related to biodiversity.

- Continue identifying and implementing best practices appropriately.
- Collaborate with governments, local communities, civil organizations and other biodiversity stakeholders in biodiversity conservation, awareness and research when appropriate.
- Transparently report key measures taken on biodiversity.

Finally, some of our plants will eventually need to be dismantled. As such, we commit to:

- Update the closure plan on an as needed basis.
- Set aside funds to cover closure and rehabilitation following the contractual obligations.
- Have our senior management responsible and accountable for dismantling activities and rehabilitation.
- Consult local communities in closure planning.
- Report on closure implementation and site rehabilitation.

### *Human rights*

We are committed to conducting our business in a manner that respects the rights and dignity of our employees and the rest of the people related to our activities. We respect internationally recognized human rights, as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Labour practice at Atlantica and the professional activities of its employees, directors and executives are governed by the United Nations Universal Declaration of Human Rights and its protocols, as well as by International Agreements signed by the UN and the International Labour Organization (ILO) on social rights, as well as the principles of the United Nations Global Pact.

We respect personal dignity, privacy and personal rights of every individual. We do not tolerate discrimination against anyone based on any personal characteristic (ethnic background, culture, religion, sexual identity, races, gender, etc.)

Freedom of association is a human right as defined by international declarations and conventions. In this context, freedom of association refers to the right of employers and workers to form, to join and to run their own organizations without prior authorization or interference by the state or any other entity. The right of workers to collectively bargain the terms and conditions of work is also an internationally recognized human right. Collective bargaining refers to all negotiations which take place between one or more employers or employers' organizations, on the one hand, and one or more workers' organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers.

Atlantica joined the United Nations Global Compact, whose principles derive from, among others, the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. By joining the UN Global Compact, we are determined to adopt the ten principles and is committed to orient its action to 6 of the 17 Sustainable Development Goals. We are determined to make the principles an integral part of our strategy, culture and day-to-day operations. Our code of conduct references the policy, requiring the employees, officers and directors to report any illegal behaviour or violations of laws, rules or regulations.

Finally, we are fully aware of the diversity of the local communities where we operate. In this sense, we are fully committed to respect and create value in these local communities. We are delivering on our human rights policy by implementing it into the processes that govern our business activities in all the geographies where we are present.

## *Employees*

At Atlantica, Collaborative Environment is one of our core values. Respect, teamwork and empowerment are key principles to build strong teams.

Our values and code of conduct set out the expected qualities and actions of all our people. The honesty, integrity and sound judgment of our employees, officers and directors is essential to Atlantica's reputation and success. We seek employees who have the right skills and who understand and embody the values and expected behaviours that guide our business activity.

We have built strong standardized processes for evaluating performance, training and developing our employees. We have in-place a career development program, performance assessments and skill training programs aimed at talent retention and development.

To retain our employees, we offer a compensation package that includes monetary and in-kind remuneration.

In 2019 and 2018 our compensation policy was based on these four pillars:

1. Predefined remuneration structure ranges based on market surveys provided by external consultants.
2. Annual performance appraisal to 100% of our employees.
3. Variable compensation based on company targets, department targets and specific targets.
4. Long term incentive plan for management.

We offer six categories of training to our employees to improve different set of skills, make them feel part of Atlantica's team and culture, and as a measure to retain talented employees:

- Atlantica: all new employees must take our "Introduction to Atlantica" course during their induction period. In addition, all the employees receive training about our compliance policies and management policies
- Management skills: are soft-skill courses offered to improve negotiation, team-working, team-building, decision-making, leadership and communication, among other skills.
- Technical knowledge courses are specific to each technical field.
- Languages: to allow our employees to effectively operate in the international setting, we offer a number of language courses
- Health & Safety is a key part of our culture and philosophy, and we offer a number of trainings to both our employees and O&M personnel to reinforce it.

In 2019, the number of employees has increased significantly with respect to the previous year, from 217 as of December 31, 2018 to 425 as of December 31, 2019. The increase is a result of the internalization of our operation and maintenance in the United States. In August 2019, we acquired ASI Operations, the company providing O&M services to the US solar assets. This subsidiary brought 199 new employees, of which approximately 155 were blue collar employees and approximately 90% were men. In the information below we are providing average number of employees during the year following UK regulations.

The average number of employees for the year 2019 was 306 compared to 207 in 2018.

The following table shows the average number of employees for the year 2019 and 2018 on a consolidated basis:

<b>Average Number of Employees per Geography</b>	<b>2019</b>	<b>2018</b>
North America	112	30
South America	41	33
EMEA	55	57
Corporate	98	87
<b>Total</b>	<b>306</b>	<b>207</b>

<b>Average Number of Employees per Category</b>	<b>2019</b>	<b>2018</b>
Management	16	16
Middle Management	49	39
Engineers and Graduates	151	115
Assistants and Professionals	17	15
Asset Operations Employees	73	22
<b>Total</b>	<b>306</b>	<b>207</b>

<b>Average Number of Employees per Gender</b>	<b>2019</b>	<b>2018</b>
Male	211	122
Female	95	85
<b>Total</b>	<b>306</b>	<b>207</b>

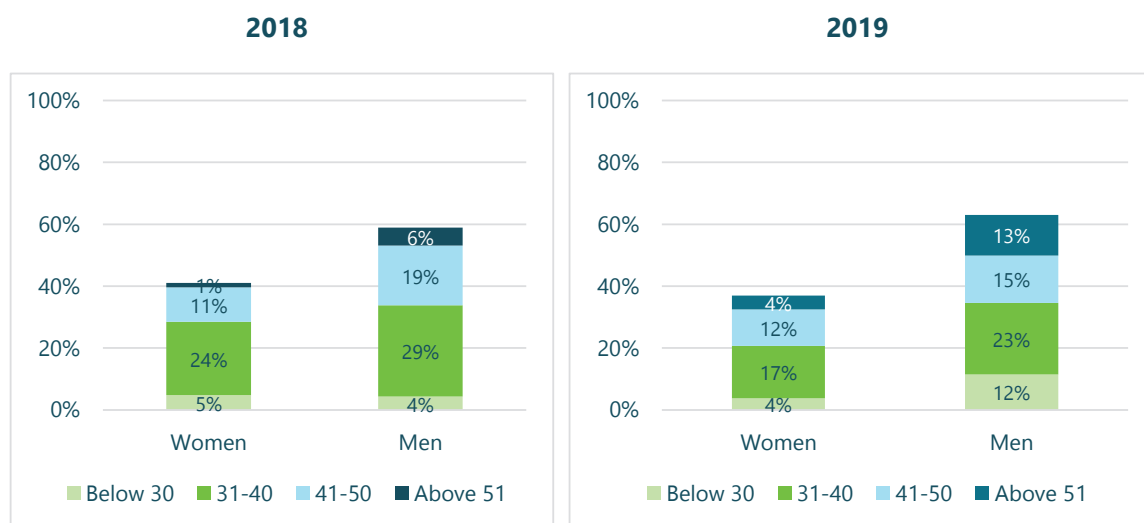
The increase in the average number of employees for the year ended December 31, 2019 as compared to the year ended December 31, 2018 is primarily driven by the acquisition of ASI Operations. ASI Operations employees consist mostly of blue-collar workforce, out of which approximately 90% are men.

In 2019, 95 out of 306 average employees were women, representing 31% of the Group personnel. In 2018, 85 out of 207 employees were women, or 41% of the total headcount.

Our objectives encompass removing any barriers we might have, empowering women and ensuring women develop with the same opportunities as men. In 2019, we did not receive any communication with respect to incidents relating to potential situations of discrimination.

In 2019 our consolidated employee benefit expense was \$32.2 million, of which \$27.6 million corresponded to wages and salaries, \$3.0 to social security costs incurred by the Company and the rest, to other expenses. In 2018 our consolidated employee benefit expense was \$15.1 million, of which \$12.5 million corresponded to wages and salaries, \$2.1 to social security costs incurred by the Company and the rest, to other expenses. The increase mainly comes from the acquisition of the operation and maintenance services in our U.S. solar assets in July 2019 and the reversal of the accrual corresponding to the 2016-2018 Long-Term Incentive Plan.

The graphs below summarize the age and gender diversity of our people as of December 31, 2019 and 2018:



Below is the table of our key management team:

<b>Name</b>	<b>Position</b>	<b>Year of birth</b>
Santiago Seage	Chief Executive Officer	1969
Francisco Martinez-Davis	Chief Financial Officer	1963
Emiliano Garcia	Vice President North America	1968
Antonio Merino	Vice President South America	1967
David Esteban	Vice President EMEA	1979
Irene M. Hernandez	General Counsel	1980
Stevens C. Moore	Vice President Corporate Strategy and Development	1973

There are no potential conflicts of interest between the private interests or other duties of the members of the key management listed above and their duties to Atlantica Yield. There are no family relationships among any of our executive officers or directors.

## *Diversity and Inclusion Policy*

At Atlantica, we are convinced that the diversity of our workforce is an asset that enriches the Company with different ideas, perspectives and experiences. We acknowledge the contribution from people from different genders, nationalities, cultures, races, professional backgrounds, abilities, socio-economic backgrounds and ages. We believe that employees with diverse skills represent an important resource, which increases our chances to identify innovative solutions and ultimately results in a positive impact on our business performance as well as in our stakeholders.

We promote diversity and provide a work environment free of discrimination, intimidation and harassment where everyone can fully participate in the success of the business and where all employees are valued for the distinctive skills and experiences they can bring to the Company.

Our goal is to build a workplace which allows for a prosperous workforce where everybody is treated equally and respected. We believe that a collaborative environment and good corporate climate is necessary to achieve the full potential of our people and improve the efficiency of our teams. Thus, enhancing our performance to meet stakeholder expectations via innovation and creativity.

At Atlantica, "Collaborative Environment" is one of our core values. Our values define who we are and how we behave both as individuals and as a company. As such, we commit through our diversity and inclusion policy to:

- Tolerate no discrimination in employment, including discrimination based on nationality, ethnicity, religion, caste, age, disability, gender, marital status, sexual orientation, union membership, political affiliation, health, disability, pregnancy, smoking habits, or any other characteristic protected by law, is prevented and not allowed.
- Zero tolerance of any form of abuse or harassment.
- Comply with all mandatory legal, regulatory or contractual obligations that could have a direct or indirect impact on diversity or inclusion.
- Create a supportive and understanding workplace environment in which all employees feel welcome, respected and listened to, and where they can realize their full potential regardless of their race, color, sex, age, religion, ethnicity, nationality, or disability.
- Continuously provide equal opportunities to all employees and to create an inclusive workforce by promoting employment equality integrity, rigor, individual responsibility and teamwork.
- Perform targeted recruitment according to legal, regulatory and contractual obligations.
- Provide attractive opportunities for professional development to outstanding employees and foster effective programs for managing employees' talents to attract and retain the best-in-class talent. Promote the highest levels of teamwork and thus, improve the Company's performance.
- Foster an open and honest communication at all levels by encouraging employees to share their opinions and concerns, and further, animating employees who hold divergent opinions to voice their views.
- Maintain adequate and regular communication channels to identify, avoid and/or resolve potential issues that may arise. In this sense:

- Atlantica's Code of Conduct shall be published on our website.
- Atlantica's employees shall receive periodic training on the Company's Code of Conduct, values, policies, processes and procedures.
- Atlantica shall maintain an email address ([compliance@atlanticayield.com](mailto:compliance@atlanticayield.com) and/or [whistleblower@atlanticayield.com](mailto:whistleblower@atlanticayield.com)) and a section within the company's webpage (<https://www.atlanticayield.com/web/en/company-overview/corporate-governance/whistleblower-channel/index.html>) to anonymously report breaches to the Code of Conduct.
- Consider implementing employee affinity groups, diversity councils, networking groups and/or mentorship programs taking into account Atlantica's workforce size.
- Regularly and transparently report key metrics and initiatives taken to support our workforce's diversity and inclusion.

The monitoring and accomplishment of this Diversity and Inclusion Policy is reviewed by senior management in the Human Resources Committee.

### *Our people*

Our values and code of conduct set out the expected qualities and actions of all our people. The honesty, integrity and sound judgement of our employees, officers and directors is essential to Atlantica's reputation and success. We seek employees who have the right skills and who understand and embody the values and expected behaviours that guide our business activity.

We believe that by providing a good quality of life for our employees, and by enhancing social and professional development we will retain and attract new employees. Employees are a core component of our future success. As such, we have in-place high potential (HIPO) employee programs, performance assessment and skill training programs aimed at talent retention and development.

We utilize a platform, called Meta4, as our global system for human resources management. Meta4 is accessible for all Atlantica employees. It is an interactive tool that allows employees to access and manage their development, reviews, benefits, compensation and work time planning.

To improve communication with our people we have implemented several measures:

- Our CEO updates Atlantica's employees on the main priorities in open sessions with Q&A on an annual basis.
- Our senior management participates in "Atlantica's Management Model" training to discuss with all employees about our long-term strategy and our business model, Atlantica's recent milestones, our growth strategy and our values, policies and procedures. An informal, open and free environment is promoted to foster discussions with the employees in groups less than 20. Employees are able to express their ideas and concerns without any sort of evaluation nor retaliation. The feedback is analysed and shared with Atlantica's management in monthly

management meetings. If applicable, action plans are defined and one or several managers are assigned responsible for their implementation.

- Periodically publish news in Atlantica's intranet.

During 2019, we had an employee turnover of 11.1%, which increased from 5.8% in 2018. This is due to the low unemployment and common rotation in U.S. workforce. If we exclude the effect of ASI Operations since August 2019, date of the acquisition, our employee turnover would have remained at 5.8%.

In terms of prolonged absences, 26 of our employees took parental leave in 2019, of which 15 were men and 11 were women, and 7 employees enjoyed parental leave in 2018 (4 men and 3 women). In both years, all employees returned to work.

Our compensation policy is based on four pillars:

- Predefined remuneration structure ranges based on market surveys provided by several external consultants.
- Annual performance appraisal to 100% of our employees.
- Variable compensation based on company targets, department targets and specific targets.
- Long-term incentive plan for certain employees

Our human resources department receives remuneration data from two separate external consultants for certain positions detailed by position and location.

The compensation package offered by Atlantica includes monetary and in-kind remuneration in accordance with employees' position, as well as with local practices in each of the countries where we operate. In addition, we offer flexible compensation in certain geographies, which are tax exempt for the employee. We offer pension plans to our employees in North America and UK. We also finance totally or in a high percentage health insurance in most of the countries where we are based. Lastly, we implemented healthy-habit initiatives providing fruit to our employees in our offices and, partially supporting the employees' gym costs in certain geographies.

### ***Community Development and Involvement Policy***

The Community Development and Involvement Policy sets the financial and non-financial contribution to help local communities promote their environmental, economic and social progress.

At Atlantica, we acknowledge that our day-to-day activities have impacts on nearby communities (our assets occupy large areas of land, we generate waste, we foster communities' economic prosperity through local purchasing, hiring local employees, etc.). Additionally, we recognize that the communities where we operate are where some of our employees and other stakeholders live and raise their families, and where part of our future workforce is educated and trained. As such, it is key for us to be both proactive and a valued member of our communities.



We are committed to supporting long-term development of the communities where we operate as part of our culture at Atlantica. Particularly, we commit to:

- Comply with all mandatory legal, regulatory or contractual obligations to the communities.
- Have our local senior executives responsible for leading community relations and implementing: (i) consultation guidelines ad-hoc to each community (including consultation conducted at early stages of the project if we control the project) and, (ii) a formal system for identifying local stakeholders or community interest. In other words, we commit to consult with local communities to understand the expectations of our stakeholders, to analyze initiatives our communities care about most and, to participate with local stakeholders in community development planning and monitoring.
- Implement efficient programs to monitor community development programs.
- Maintain adequate and regular communication channels to identify, avoid and/or resolve potential issues that may arise.
- Dedicate time and efforts to generate added value initiatives to both the communities and Atlantica.
- Transparently reporting key measures taken to support the communities where we operate.

The monitoring and accomplishment of this Community Development and Involvement Policy is reviewed by senior management in the Business Committees.

Atlantica is a sustainable infrastructure company. Our business is to own, manage and operate sustainable assets in a sustainable way. As such, asset management is the core of our business. Asset management involves health and safety (H&S), environmental matters, compliance, operation and maintenance, financial, economic and other practices applied to the physical assets.

At Atlantica, Asset Managers manage day-to-day activities of each of our assets and report to Vice-Presidents, who have full responsibility and accountability for the assets they manage. Additionally, there is an Operations team that supports Asset Managers and audits the assets' operational, H&S and environmental performance and implements best practices. The Internal Audit department audits the asset records, processes and procedures.

### ***Occupational Health and Safety***

Within Atlantica's Values, the first one is "Integrity, Compliance and Safety". Atlantica and its management are committed to prioritize and actively promote health and safety as a tool to protect the integrity and health of our employees, subcontractors and partners involved in our business activity. We promote a safe operating culture across Atlantica and encourage a preventive culture in the operation and maintenance ("O&M") activities of our subcontractors as reflected in our corporate health and safety policy.

Annually, we conduct internal and external audits to evaluate our health and safety management system in accordance with the OHSAS:18001 standard requirements. The external audit is carried out by an independent third party. These efforts have resulted in the continuation of the certification of the Occupational Health and Safety Management System in OHSAS: 18001 obtained in 2015. This certification has been successfully renewed in the last four years. Additionally, we

perform periodic health and safety audits to our asset O&M contractors to monitor the compliance with legal regulations, contractual requirements and our safety best practices.

We also develop an annual training programs to train managers and employees on safety awareness. This annual plan is designed in accordance with local regulations and risk assessment at every work position and work centre as well as in accordance with local regulations.

One of our key tools is our Health & Safety Best Practices programme. This program includes new practices based on lessons learned from our peers, contractors and suppliers. In 2019, we implemented the following new practices:

#### ***Health:***

- Most of our employees and O&M contractors attended to first aid training sessions in all our offices and assets.
- Automatic External Defibrillators were installed in all our assets and offices. We organized specific training with our employees and O&M contractors.
- Basic medical information was voluntarily shared by employees to be potentially used in medical emergencies.

#### ***Safety Culture:***

- VPs for each geography have been actively involved in all our lost time accident investigations.
- A written procedure was published on the O&M employees' safety roles and their safety responsibility.
- Sharing the lessons learned was incorporated as a best practice in all our assets. 8 Safety Bulletins and 2 Safety Campaigns were released throughout 2019.
- Increased workers safety observations (Walks & Talks) to promote O&M employees to identify unsafe acts and conditions in our assets. In 2019, we awarded more than 50 prizes (32 in 2018) to O&M employees based on Walks & Talks.
- A zero accidents policy is promoted. We celebrated with our operation and maintenance suppliers the achievement of 2,750, 2,000, 1,500 and 1,000 days without loss-time injury accidents in a Peruvian transmission line, Helioenergy, Melowind and Solana, respectively.
- A Safety Day was celebrated in our assets jointly with our O&M contractors to promote and increase safety culture and share lessons learnt. During the Safety Days, 17 O&M employees were awarded because of their commitment with Safety.



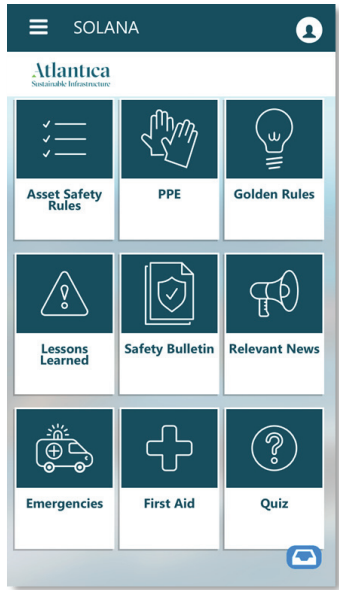
2019 Safety Day pictures

### ***Safety conditions improvement***

- A safety assessment was performed in all our assets to identify hazards, thus design and implement preventive actions in collaboration with O&M contractors.
- Fire prevention protocol was implemented to avoid the fire risks derived from O&M activities.
- Lockout Tagout (LOTO) boards were installed in all our assets to appropriately implement safety procedures to ensure that dangerous machines are properly shut-off and not able to be started up again prior to the completion of the maintenance work.
- Atlantica and O&M employees attended specific emergency training.
- 91 emergency drills were performed in our assets to evaluate the effectiveness of the plant's response against emergencies. Different emergencies trainings were also performed by Atlantica employees and O&M workers.

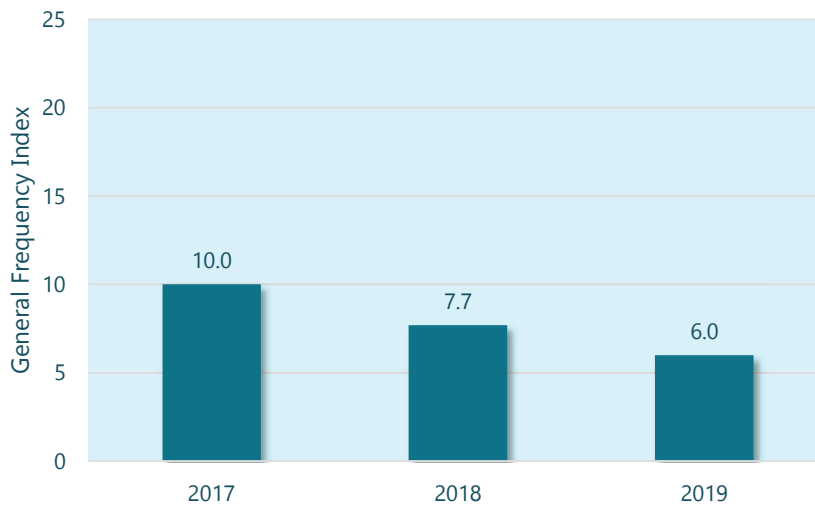
### ***Safety App***

In 2019 Atlantica developed and launched a new Safety App for mobile devices for employees and O&M workers. This user-friendly app was implemented to raise safety awareness in all our assets. It provides valuable safety information on safety rules, information on protective personal equipment to use in hazardous activities, emergency instructions and first aid procedures. The app also serves as an important communication channel with internal and external workers to improve safety through lessons learned.

 <p>The screenshot shows the Atlantica Safety App interface. At the top, there is a dark teal header with a menu icon, the text 'SOLANA', and a user profile icon. Below the header is the 'Atlantica' logo with the tagline 'Specialty Infrastructure'. The main content area is a grid of nine modules, each with an icon and a title: 'Asset Safety Rules' (checkmarks), 'PPE' (gloves), 'Golden Rules' (lightbulb), 'Lessons Learned' (warning triangle), 'Safety Bulletin' (document with checkmark), 'Relevant News' (megaphone), 'Emergencies' (ambulance), 'First Aid' (cross), and 'Quiz' (question mark). A small blue notification icon is visible at the bottom right of the app interface.</p>	<p>Atlantica’s Safety App has 9 modules with safety information. It offers the possibility to launch notifications regarding relevant news or lessons learned and promotes risk awareness through the interactive quiz module.</p> <p>Periodical questions to test “how much do you know about safety” allow users to test their knowledge in safety. In 2019 we awarded 11 prizes to O&amp;M employees who correctly answered the quizzes.</p>
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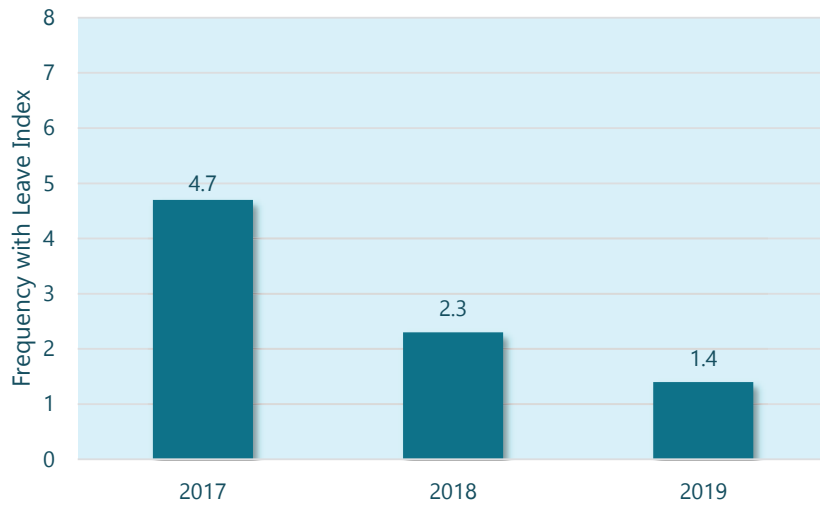
Fatality rate continues to be zero since Atlantica’s incorporation. In addition, no major injuries have been recorded since our creation.

Our General Frequency Index (GFI) represents the total number of recordable accidents with and without leave (lost time injury) recorded in the last 12 months per million of worked hours. We ended 2019 at 6.0, representing a 22% improvement versus 2018.



General Frequency Index

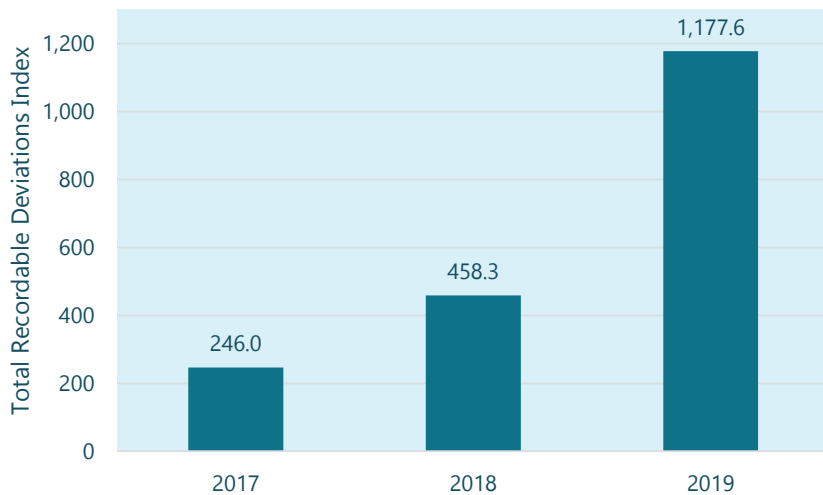
Our Frequency with Leave Index (FWLI) represents the total number of recordable accidents with leave (lost time injury) recorded in the last 12 months per million of worked hours. We ended 2019 at 1.4, representing a 39% decrease versus 2018.



Frequency with Leave Index

We also monitor near-misses and unsafe acts and conditions through our Total Recordable Deviation Index (TRDI). This index represents the number of near-misses and unsafe acts and conditions recorded in the last 12 months per million of worked hours. The goal of this KPI is to encourage the identification and communication of near misses and unsafe acts and conditions by the employees of our O&M subcontractors. As it serves to identify risks and to implement adequate preventive measures, the higher the rate is, the better. The following graph shows a significant improvement against last years.

The index was 1,177.6, significantly increasing the risk identification and communication in our assets.



Our Total Recordable Deviations Index

In 2019 we have continued improving our H&S performance, finalising the year with the lower key H&S indexes in the last 4 years, achieving a reduction of the accident rates of a 70% in the Frequency with Leave Index (FWLI) and 45% in the General Frequency Index (GFI). We also

multiplied the number of identified near-misses and unsafe acts and conditions by 4 in the last three years.

By 2019 year-end, 80% of our assets had achieved more than 500 days without lost time accidents. In 2020, we will continue devoting our time and efforts to continue promoting a health and safety culture. We will seek to continue improving our H&S performance with the use of our existing tools and the implementation of new ones.

### ***Business ethics***

Atlantica is building a sustainable and successful business for our customers, colleagues, partners and investors. This success must be delivered in the right way, doing the right things.

Integrity, Compliance and Safety are our main core values and they prevail over the rest. We continuously strive for the highest standards of business conduct, safety and professionalism even if it means making difficult choices. We are strongly committed to comply with all rules and regulations.

Atlantica is committed to maintaining the highest standards of honesty, integrity and ethical conduct. We are also committed to promote ethical business practice and comply with all relevant laws and regulations.

In this regard, the Company has adopted a Code of Conduct to ensure consistent and effective commitment with Integrity and Compliance. The Code is applicable to all directors, officers and employees of Atlantica Yield plc and each of its subsidiaries, wholly owned entities, and joint ventures.

The Whistleblowing channel is an essential part of Atlantica's commitment to fighting fraud, irregularities and corruption. The Whistleblowing Channel, which has been in operation since the Initial Public Offering, is available on our website in English and Spanish to all employees and stakeholders of the Company. It serves as a tool to report any complaints and concerns about management, as well as any breaches of the Code of Conduct or any conduct contrary to ethics, law or company's standards, without any risk of reprisals for any claims made in good faith. The channel is managed by the Audit Committee comprised of independent directors who oversee investigations of the reported matters maintaining confidentiality and anonymity of complainants.

Confidentiality and no retaliation are the essential operating principles of the Channel. These principles may be suspended only in cases where the claim was not made in good faith.

Our Code of Conduct requires the highest standards for honest and ethical conduct and explicitly states that we do not tolerate bribery and corruption in any of its forms. We also promote and strengthen the measures to prevent and combat corruption more effectively and efficiently. Our anti-bribery and corruption policy apply to all Atlantica business.

In particular, the business activities of Atlantica are governed by laws that prohibit bribery in order to support global efforts to fight corruption. Specifically, the U.S. Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act 2010 make it a criminal offense for companies as well as their

officers, directors, employees, and agents, (or any other person) to give, request, promise, offer or authorize the payment of anything of value (such as money, any advantage, benefits in kind, or other benefits) to a foreign official, foreign political party, officials of foreign political parties, candidates for foreign political office or officials of public international organizations for the purpose of obtaining or retaining business. Similar laws have been, or are being, adopted by other countries. Private bribery is also illegal under U.S. laws, the UK Bribery Act, and the laws of other jurisdictions. Payments of this nature are strictly against Atlantica's policy even if the refusal to make them may cause Atlantica to lose business.

Finally, Atlantica is committed to supporting fair and open securities markets. On this purpose, Directors, Officers or employees are not permitted to deal on the basis of inside information or engage in any form of market abuse.

### ***Atlantica's code of conduct***

*"We always do what is right. We continuously strive for the highest standards of business conduct, safety, professionalism and governance even if it means making difficult choices. We are strongly committed to comply with all rules and regulations.*

Atlantica is committed to maintaining the highest standards of honesty, integrity and ethical conduct. We are committed to promoting ethical business practice and complying with all relevant laws and regulations but also to behave fairly with colleagues, customers, partners and investors.

The Company has adopted a Code of Conduct to ensure consistent and effective commitment with Integrity and Compliance. The Code of Conduct is intended to help everyone recognize ethics and compliance issues before they arise and to deal appropriately with those issues that do occur.

The Code applies to all directors, officers and employees of Atlantica and each of its subsidiaries, wholly owned entities, and in joint ventures ("JVs") to the extent possible and reasonable given Atlantica's level of participation.

We also seek to work with third parties who operate under principles that are similar to those set out in this Code. In this sense, the Company has developed a Supplier Code of Conduct with the minimum standards we expect third parties to adhere to.

No one has authority to order or approve any action contrary to this Code or against the law. This Code and its standards will never be compromised for the sake of business performance or results.

Our Code of Conduct encompasses the high standards of integrity we are committed to upholding including principles on:

- ▶ Personal & Business Integrity (Conflicts of interest, Bribery & Corruption, Insider Trading, Travel, Entertainment and Gifts);
- ▶ Human & Labour Rights (Dignity & Respect, Equality & Diversity, Labour Standards, Occupational Health & Safety, Environmental Sustainability);
- ▶ Corporate Assets & Financial Integrity (Accounting & Reporting, Anti-Money Laundering and Related Offences, Confidentiality & Information Security, Protection of Assets)



The Code of Conduct includes, as well, information on the channels available to report or communicate a breach of the Code of Conduct.

The Code of Conduct was approved by the Board of Directors and is publicly available on our website at [www.atlanticayield.com](http://www.atlanticayield.com).

### ***Sustainable suppliers***

At Atlantica, we have a strong commitment to operating to the highest standard of corporate conduct. According to our Code, we also seek to work with third parties who operate under principles that are similar to those set in the Code of Conduct. We have a Supplier Code of Conduct and we expect our suppliers to adhere to it. We include our requirements in our contractual arrangements with suppliers. Nevertheless, we understand that some suppliers may face significant challenges in immediately meeting every aspect of the Code. In this sense, our commitment is also to working together over time to help those suppliers achieve adherence with this Code.

Our main O&M suppliers are large corporations that, we believe, follow strong corporate policies. One of the main suppliers of Atlantica is Abengoa who is contracted as an O&M supplier at some of our assets across geographies. In Mexico, our O&M Operators are General Electric and NAES Corp.

In 2019 we reinforced the environmental certification of our suppliers through a two-step process:

1. Internal homologation process: Atlantica's internal compliance team reviews the suppliers' financial information, environmental initiatives, tax compliance, and bank account certificates, etc.
2. External homologation process: We have engaged the services of the external provider Ecovadis to evaluate our key suppliers in terms of: (i) environment, (ii) fair labor & human rights, (iii) ethics, and (iv) sustainable procurement.

Ecovadis' applies an in-house methodology built on international CSR standards including the Global Reporting Initiative, the United Nations Global Compact, and the ISO 26000 and issues a rating per supplier. This evaluation is renewed on a yearly basis enabling us to periodically monitor and track-down the suppliers' improvements in terms of i) environment, (ii) fair labor & human rights, (iii) ethics, and (iv) sustainable procurement.

### ***Anti-Slavery and Human Trafficking Statement***

Given the nature of our business, we believe the risk of modern slavery is low. However, we do not intend to be complacent and will continue to work to improve our policies and procedures to ensure slavery and human trafficking is not taking place anywhere in our supply chain. In November 2018 the Board of Directors approved the "UK Anti Modern Slavery & Human Trafficking Statements" under which we have carried out an analysis of our supply chains across the jurisdictions in which we operate.



Most of our suppliers are financial and professional services organizations, including operation and maintenance services providers for our plants, banks, legal advisors, accountants, consultants and insurers. Other suppliers include providers of information technologies, software, office and stationary equipment, office cleaning and other facilities management providers. Since our activities do not directly involve operations where modern slavery or human trafficking are known to occur, we consider the risk of modern slavery and/or human trafficking in our supply chains and procurement processes to be very low. In fact, the goods and services providers are mainly large multinational companies who have their own ethical standards of behavior in place.

All new suppliers, however, are subject to internal due diligence and required to confirm that their organization will comply with our Supplier Code of Conduct (available at [www.atlanticayield.com](http://www.atlanticayield.com)), which includes expectations with regards to sustainable development in the following areas: business integrity and ethical standards, human rights and labor standards, environmental sustainability, and reporting concerns and compliance monitoring. Through our Supplier Code of Conduct, Atlantica encourages its suppliers to conduct their operations respectfully with fundamental human rights, as affirmed by the Universal Declaration of Human Rights. In this regard, Atlantica joined the United Nations Global Compact (the "UNGC") initiative in January 2018 and formally adopted the UN Global Compact Ten Principles in the fields of human rights, labor, environment and anticorruption. We are determined to make the UNGC and its principles an integral part of the strategy, culture and day-to-day operations of Atlantica and its suppliers.

We further provide our employees, shareholders and others with the whistleblower channel (available at [www.atlanticayield.com](http://www.atlanticayield.com)), a specific channel of communication with management and the governing bodies that serves as an instrument to report any misconduct, instances of non-compliance with our compliance policy framework, as well as unethical or unlawful behavior, including any suspected or actual form of modern slavery taking place within the business or supply chain.

Atlantica has a zero-tolerance approach to modern slavery and thus we are proud of the effective steps we have taken to combat slavery and human trafficking that allow us to confirm that no incidents of modern slavery were reported or identified during 2019.

We have also provided training in 2019 to members of senior management as part of our annual training on our Code of Conduct and corporate policies, which includes specific content related to human and labor rights, in order to promote the policy throughout our organization.

Additionally, all employees are required to read, understand and commit to follow our corporate governance policies.

## **Section 172 Statement**

Our Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year. Atlantica's first value is Integrity, Compliance and Safety and the Company wants to maintain a reputation for high standards of business conduct. The Directors have considered the broader implications of their decisions not only for shareholders but for a wider group of stakeholders. The Directors have considered the likely consequences of any decision in the long term, the interest of the Company's employees, the need to foster the Company's

business relationships with suppliers, customers and other stakeholders and the impact of the Company's operations on the community and the environment.

Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, in compliance with the statutory requirement to include a statement setting out how our Directors have discharged this duty. The Board has identified that its key stakeholders are: investors, workforce, suppliers, communities and the environment. Effective engagement with stakeholders at Board level is crucial to fulfilling Atlantica's strategy. This ensures we can appropriately consider their interests in decision making.

### *Our people*

Our people are fundamental for the long-term success of the Company. We are committed to prioritize and actively promote health and safety as a tool to protect the integrity and health of our employees, subcontractors and partners involved in our business activity. We promote a safe operating culture across Atlantica and encourage a preventive culture in the operation and maintenance ("O&M") activities of our employees and subcontractors as reflected in our corporate health and safety policy.

We engage with our workforce to ensure that we are fostering an environment where they are happy to work in and that best supports their well-being.

We perform an employee climate survey every three years to assess employees' satisfaction and intend to increase frequency. The goal is to receive feedback as well as engage our employees. The survey is confidential, it is managed by a third-party and results are aggregated, shared and discussed with supervisors. The last survey was performed in 2017, participation was approximately 90% and general engagement with the Company was 77%, above the average for similar organizations. Atlantica received very high score (above 80%) in several sections, including Health and Safety, Confidence in the Company, Strategic Focus and Diversity and Engagement. This survey also helped us identify certain areas with potential improvement, which we have since been working on and expect to see progress in the next survey. The Board receives reports on the results of the survey together with action plans that management intend to take forward.

In addition, our CEO updates Atlantica's employees on the main priorities in open sessions with Q&A on an annual basis and feedback is actively encouraged. Our senior management participates in "Atlantica's Management Model" training to discuss with all employees about our long-term strategy and our business model, Atlantica's recent milestones, our growth strategy and our values, policies and procedures. An informal, open and free environment is promoted to foster discussions with the employees in groups less than 20 people. Feedback is encouraged and employees are able to express their ideas and concerns. The feedback is analyzed and shared with Atlantica's management in monthly management meetings. Action plans are defined and one or several managers are assigned responsibility for their implementation.

Regarding Health & Safety, as we discuss in this report, it is a key priority for the Company. While managing health & safety we consider our own employees and all the contractors working in our plants providing operation and maintenance services.

The key metrics followed by the Board are:

- Health and Safety: General Frequency Index, Frequency with Leave Index, and Near Misses
- Employee turnover
- Total benefits to employees
- Percentage of women

For further information we refer to the disclosure within this Strategic Report.

### *Our investors*

The support and engagement of our shareholders, potential shareholders and capital markets more generally is key for the future success of our business. Continued access to capital is of vital importance to the long-term success of our business, especially considering that our strategy includes distributing as dividend a high portion of the cash we generate and growing that dividend through acquisitions and investments. Through our engagement activities, we strive to effectively communicate our strategic objectives and how we go about executing them. We are seeking to promote an investor base that is interested in a long-term holding of the Company.

In all the decisions, the Board has ensured they act fairly with regard to all our investors. Engagement with investors is achieved through:

- Dialogue with shareholders, prospective shareholders and analysts, led by the Chief Executive Officer, Chief Financial Officer and Director of Investor Relations
- The Chairman and Independent Directors being available to meet institutional shareholders

The Board receives feedback periodically on the views of our shareholders is made aware of their main issues and concerns. The Board also receives reports from sector analysts on the Company. They periodically review the list of largest shareholders.

Major investor relations engagement activities carried out during the year 2019 have been:

- More than 150 meetings with existing and potential investors
- 4 roadshows in United States, Europe and Canada
- Attendance to 17 investor conferences in 7 cities

In addition, we intend to organize an investor day every two years.

Investors can contact our Director of Investor Relations or access all public information in our website.

The Annual General Meeting (“AGM”) is also an important part of effective engagement and communication with shareholders. All shareholders have the opportunity to ask questions at our AGM meetings. The Chairs of the Audit, Nominations and Remuneration Committees will be available to answer questions at that meeting.

We also maintain a dialogue with one of the main proxy advisory agencies covering Atlantica to explain the main resolutions included in the notice to our AGM and answer any question they may have. In 2019, we explained the proposed changes to our remuneration policy.

The key metrics followed by the Board are:

- Dividend per share
- Cash Available For Distribution
- Total Shareholder Return

### *The environment and the community*

Our Board of Directors believes climate change is a reality which can have significant risks and opportunities for the Company, our environment and our stakeholders. We intend to play an active role to reduce climate change. Our strategy is focused on climate change solutions in the power and water sectors and we therefore see sustainability and climate change as a growth opportunity for us.

In 2019, we approved an updated Environmental Policy and set goals. For example, we are committed to maintain 80% of our revenues generated from low-carbon footprint including our renewable, transportation and transmission infrastructures and water assets and, by 2030, to reduce our emission rate per unit of energy generated by 10%. Our Board takes into consideration these targets while making decisions including capital allocation.

In 2019, we have approved our biodiversity policy. We are aware that our assets can cause interactions with various ecosystems, landscapes and species. The Company therefore commits to promoting the biodiversity of the ecosystems, allowing balanced co-existence, and conserving, protecting and promoting the development and growth of the natural ecosystem.

In addition, we acknowledge that our day-to-day activities have impacts on nearby communities (our assets occupy large areas of land and we generate waste). We recognize that the communities where we operate are where some of our employees and other stakeholders live and raise their families, and where part of our future workforce is educated and trained. We foster communities’ economic prosperity through local purchasing and hiring local employees. As such, it is key for us to be both proactive and a valued member of our communities.

The key metrics followed by the Board are:

- GHG emissions, including scope 1, scope 2 and since 2019 scope 3
- Water withdrawal and discharges
- Hazardous and non-hazardous waste

In addition, the Board annually reviews a summary of all the activities developed with local communities within the ESG report.

### *Our suppliers*

We aim to work responsibly with our suppliers. We have a Supplier Code of Conduct and we expect our suppliers to adhere to it. We include our requirements in our contractual arrangements with suppliers. The Board reviews our Supplier Code of Conduct on an ongoing basis, at least once per year. We have a Modern Slavery and Human Trafficking Statement which sets out the steps taken to prevent modern slavery in our business and supply chains.

We work very closely with the suppliers in charge of the operation and maintenance of our assets. They are included in all health and safety initiatives, indicators, awards and safety days at the same level as our own operation and maintenance employees, as we describe in section "Occupational health and safety".

## **Main decisions**

### *Dividends*

In 2019, the Board decided to pay total dividends of \$1.57 per share to our shareholders in quarterly dividends, starting with \$0.37 per share (paid in March 2019) and progressively increasing to \$0.41 per share (paid in December 2019).

Details of the dividend policy are included in Directors' Report, where we explain our long-term approach to dividends.

The Board decides the dividend on a quarterly basis. The Directors took into account the long-term dividend per share growth target publicly communicated to investors, available cash, available liquidity under our financing arrangements and investment plans of the Company. The Directors also considered the net liability position of the Company.

### *Acquisitions*

In 2019, our Board approved the acquisition of Monterrey, a natural gas plant in Mexico, ATN Expansion 2, a transmission line in Peru connecting two renewable assets to one of our backbone transmission lines and a co-investment in a wind asset in Canada.

While deciding these acquisitions, the Board considered our long-term growth plan, returns expected for each acquisition, impact on GHG emissions and environment targets, synergies with existing assets, risks involved in each asset acquisition (operational, geography, off-taker credit risk, etc), potential negative impacts to communities and the environment. The Board also considered resources available to finance these acquisitions in the context of our broader growth plan.

### *Greenhouse gas commitment*

In 2019, the Board approved a goal, by 2030, to reduce our emission rate per unit of energy generated by 10% and a goal to maintain 80% of our revenues generated from low-carbon footprint including our renewable, transportation and transmission infrastructures and water assets.

While deciding these targets, the Board considered our strategy focused on climate change solutions, our medium-term dividend per share targets, which require to achieve target returns in our acquisitions, and our medium-term growth targets.

The achievement of these targets is reviewed by top management in our Environment Committee, which is held once a month. We also report to our Board at every meeting on the progress of our ESG plan and semi-annually on the main environmental indicators (GHG, water and waste).

### **Going Concern Basis**

The directors have, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

The Group has a formal process of budgeting, reporting and review, which provides information to the directors which is used to ensure the adequacy of resources available for the Group to meet its business objectives.

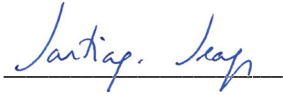
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. During the period, the Group generated \$363.6 million from operating activities, used \$118.2 million from investing activities and \$310.2 million in financing activities. All of these resulted in a \$64.8 million decrease on our cash position by the year end, with a closing cash position of \$562.8 million.

As of December 31, 2019, all our debt has long-term maturity except for \$28.7 million of corporate debt corresponding to \$27.9M to notes and bonds and \$0.7 million corresponding credit facilities. Additionally, we have short-term project debt that amounts to \$782 million, out of which \$707 million corresponds to the reclassification of Mojave's long-term project debt to the short term following accounting rules. We do not expect the acceleration of debt to be declared by the DOE. As of December 31, 2018, all our debt had long-term maturity except for \$268.9 million corresponding to \$11.6 million drawn under a credit line with a local bank and \$257.3 million corresponding to the 2019 Notes that had a maturity date of November 15, 2019. Project debt amounted to \$265 million.

The directors believe that this cash position as of December 31, 2019 is above the level of cash needed to operate the business for the foreseeable future and to meet the Group's liabilities as they fall due, as well as to be a significant source of funding of future acquisitions.

## Approval

This Strategic Report was approved by the board of directors on February 26, 2020 and signed on its behalf by Santiago Seage, Director and Chief Executive Officer.

A handwritten signature in blue ink that reads "Santiago Seage". The signature is written in a cursive style and is positioned above a horizontal line.

Director and Chief Executive Officer

Santiago Seage

March 6, 2020

## Directors' Report

The directors present their Consolidated Annual Report on the affairs of the Company and its subsidiaries, together with the Consolidated Financial Statements and Auditor's Report, for the year ended December 31, 2019.

Details of significant events since the balance sheet date are contained in note 25 to the Consolidated Financial Statements. An indication of likely future developments in the business of the Company is included in the Strategic Report.

Information about the use of financial instruments by the Company is given in note 24 to the Consolidated Financial Statements. Refer to the sections "Principal risks and uncertainties" and "Financial Risk Management" of our Strategic report for a detailed analysis of risk, including liquidity, interest rate, foreign exchange and credit risks.

Information related to the corporate and social responsibility such as our greenhouse gas emissions is given in the "Strategic Report-Corporate and social responsibility-Greenhouse gas emissions."

### Dividends

We intend to distribute to holders of our shares a significant portion of our cash available for distribution less all cash expenses including corporate debt service and corporate general and administrative expenses and less reserves for the prudent conduct of our business (including, among other things, dividend shortfall as a result of fluctuations in our cash flows), on an annual basis. We intend to distribute a quarterly dividend to shareholders. Our board of directors may, by resolution, amend the cash dividend policy at any time. The determination of the amount of the cash dividends to be paid to holders of our shares will be made by our board of directors and will depend upon our financial condition, results of operations, cash flow, long-term prospects and any other matters that our board of directors deem relevant. Our cash available for distribution is likely to fluctuate from quarter to quarter and, in some cases significantly, as a result of the seasonality of our assets, the terms of our financing arrangements maintenance and outage schedules among other factors. Accordingly, during quarters in which our projects generate cash available for distribution in excess of the amount necessary for us to pay our stated quarterly dividend, we may reserve a portion of the excess to fund cash distributions in future quarters. In quarters in which we do not generate sufficient cash available for distribution to fund our stated quarterly cash dividend, if our board of directors so determines, we may use retained cash flow from other quarters, as well as other sources of cash.

On February 26, 2019, the board of directors declared a dividend of \$0.37 per share corresponding to the fourth quarter of 2018, which was paid on March 22, 2019. On May 7, 2019, our board of directors declared a quarterly dividend corresponding to the first quarter of 2019 amounting to \$0.39 per share, which was paid on June 14, 2019. On August 2, 2019, our board of directors approved a quarterly dividend corresponding to the second quarter of 2019 amounting to \$0.40 per share, which was paid on September 13, 2019. On November 5, 2019, our board of directors approved a quarterly dividend corresponding to the third quarter of 2019 amounting to \$0.41 per share, which was paid on December 13, 2019.



On February 26, 2020, our board of directors approved a dividend of \$0.41 per share which is expected to be paid on or about March 23, 2020 to shareholders of record on March 12, 2020.

On May 11, 2018, the Company's Annual General Meeting approved a redemption of the share premium account of the Company that intended to reduce the share premium account by \$ 500,000 thousand and increase distributable reserves (Capital reserves) by the same amount. Pursuant to the Companies Act 2006, the Company's capital reduction is effective upon confirmation of the reduction by the High Court. High Court confirmation of the capital reduction was obtained on May 7, 2019. In addition, no interim financial statements showing sufficient distributable reserves were filed with Companies House. Both these matters mean that dividends paid since the second half of 2018 were made otherwise than in accordance with the Companies Act 2006. Note 7 of the Financial Statements of the Parent Company describes the amendment made to the Share premium account and Capital reserve account as of December 31, 2018.

To remedy the potential consequences of the dividend payments indicated in the preceding paragraph, a special resolution will be proposed at the Annual General Meeting in May 2020 to authorise the appropriation of distributable reserves to the payment of the said dividends and release any claims the Company may have in connection with the said dividends against shareholders and directors (the "Directors Release"). The Directors Release will constitute a related party transaction under IFRS. The overall effect of the special resolution will be to put all parties in the position, so far as possible, in which they would have been, had the said dividends been paid in full compliance with the Companies Act 2006.

### *Risks Regarding Our Cash Dividend Policy*

There is no guarantee that we will pay quarterly cash dividends to our shareholders. We do not have a legal obligation to pay any dividend. While we currently intend to grow our business and increase our dividend per share over time, our cash dividend policy is subject to all the risks inherent in our business and may be changed at any time as a result of certain restrictions and uncertainties, including the following:

- The amount of our quarterly cash available for distribution could be impacted by restrictions on cash distributions contained in our project-level financing arrangements, which require that our project-level subsidiaries comply with certain financial tests and covenants in order to make such cash distributions. Generally, these restrictions limit the frequency of permitted cash distributions to semi-annual or annual payments, and prohibit distributions unless specified debt service coverage ratios, historical and/or projected, are met. When forecasting cash available for distribution and dividend payments we have aimed to take these restrictions into consideration, but we cannot guarantee future dividends. In addition, restrictions or delays on cash distributions could also happen if our project finance arrangements are under an event of default. On January 29, 2019, PG&E, the off-taker for Atlantica with respect to the Mojave plant, filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California. This

situation is causing and could continue to cause, among other consequences, restrictions to make cash distributions to the holding company.

- Additionally, indebtedness we have incurred under the Revolving Credit Facility, the Issuance Facility 2017, the Issuance Facility 2019 and, if closed, the 2020 Green Private Placement contain, among other covenants, certain financial incurrence and maintenance covenants, as applicable. In addition, we may incur debt in the future to acquire new projects, the terms of which will likely require commencement of commercial operations prior to our ability to receive cash distributions from such acquired projects. These agreements likely will contain financial tests and covenants that our subsidiaries must satisfy prior to making distributions. Should we or any of our project-level subsidiaries be unable to satisfy these covenants or if any of us are otherwise in default under such facilities, we may be unable to receive sufficient cash distributions to pay our stated quarterly cash dividends notwithstanding our stated cash dividend policy.
- We and our board of directors have the authority to establish cash reserves for the prudent conduct of our business and for future cash dividends to our shareholders, and the establishment of or increase in those reserves could result in a reduction in cash dividends from levels we currently anticipate pursuant to our stated cash dividend policy. These reserves may account for the fact that our project-level cash flows may vary from year to year based on, among other things, changes in prices under offtake agreements, operational costs and other project contracts, compliance with the terms of project debt including debt repayment schedules, the transition to market or recontracted pricing following the expiration of offtake agreements, working capital requirements and the operating performance of the assets. Our board of directors may increase reserves to account for the seasonality that has historically existed in our assets' cash flows and the variances in the pattern and frequency of distributions to us from our assets during the year. Furthermore, our board of directors may in the future increase reserves in light of the uncertainty associated with potential negative outcomes resulting from PG&E bankruptcy filing on January 29, 2019, which triggered a technical event of default under our Mojave project finance agreement in July 2019. If not cured or waived, an event of default in the project finance could result in debt acceleration and, if such amounts were not timely paid, the DOE could decide to foreclose on the asset. If not cured or waived, an event of default could also result in restrictions to make cash distributions from Mojave to the holding level. Our board of directors may increase reserves in light of the uncertainty associated with Abengoa's financial condition to account for potential costs that we may incur or limitations that may be imposed upon us as a result of cross-defaults under our Kaxu project financing arrangements.
- We may lack sufficient cash to pay dividends to our shareholders due to cash flow shortfalls attributable to a number of operational, commercial or other factors, including low

availability, unexpected operating interruptions, legal liabilities, costs associated with governmental regulation, changes in governmental subsidies, delays in collections from our off-takers, changes in regulation, as well as increases in our operating and/or general and administrative expenses, principal and interest payments on our and our subsidiaries' outstanding debt, income tax expenses, failure of Abengoa to comply with its obligations under the agreements in place, working capital requirements or anticipated cash needs at our project-level subsidiaries.

- We may pay cash to our shareholders via capital reduction in lieu of dividends in some years.
- Our project companies' cash distributions to us (in the form of dividends or other forms of cash distributions such as shareholder loan repayments) and, as a result, our ability to pay or grow our dividends, are dependent upon the performance of our subsidiaries and their ability to distribute cash to us. The ability of our project-level subsidiaries to make cash distributions to us may be restricted by, among other things, the provisions of existing and future indebtedness, applicable corporation laws and other laws and regulations.
- Our board of directors may, by resolution, amend the cash dividend policy at any time. Our board of directors may elect to change the amount of dividends, suspend any dividend or decide to pay no dividends even if there is ample cash available for distribution.

### *Our Ability to Grow our Business and Dividend*

We intend to grow our business primarily through the improvement of existing assets and the acquisition of mainly contracted power generation assets, electric transmission lines and other infrastructure assets, which, we believe will facilitate the growth of our cash available for distribution and enable us to increase our dividend per share over time. Our policy is to distribute a significant portion of our cash available for distribution as a dividend. However, the final determination of the amount of cash dividends to be paid to our shareholders will be made by our board of directors and will depend upon our financial condition, results of operations, cash flow, long-term prospects and any other matters that our board of directors deems relevant.

We expect that we will rely primarily upon external financing sources, including commercial bank borrowings and issuances of debt and equity securities, to fund any future growth capital expenditures. To the extent we are unable to finance growth externally, our cash dividend policy could significantly impair our ability to grow because we do not currently intend to reserve a substantial amount of cash generated from operations to fund growth opportunities. If external financing is not available to us on acceptable terms, our board of directors may decide to finance acquisitions with cash from operations, which would reduce or even eliminate our cash available for distribution and, in turn, impair our ability to pay dividends to our shareholders. To the extent we issue additional shares to fund our business, our growth or for any other reason, the payment of dividends on those additional shares may increase the risk that we will be unable to maintain or increase our per share dividend level. Additionally, the incurrence of additional commercial bank

borrowings or other debt to finance our growth would result in increased interest expense, which in turn may impact our cash available for distribution and, in turn, our ability to pay dividends to our shareholders.

## **Capital Structure**

Details of the share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 20 to the Consolidated Financial Statements. The Company has one class of ordinary shares which are listed on the NASDAQ Global Select Market under the symbol "AY." Our shares carry no right to fixed income and each share provides the owner the right to one vote at general meetings of the Company.

When Algonquin acquired a 25% stake in our equity, Atlantica signed a Shareholders Agreement with Algonquin, which sets forth that, if and to the extent provided in our articles of association, Algonquin will have the right to appoint to our board the maximum number of directors that corresponds to Algonquin's holding of voting rights as per articles of association but in no event more than (i) such number of directors as corresponds to 41.5% of our voting securities; and (ii) 50% of our board less one, and if the resulting number is not a whole number, it shall be rounded up to the next whole number.

On May 9, 2019, Algonquin and the Company entered into an Enhanced Cooperation Agreement pursuant to which, among other things, the Company agreed to waive the standstill provision of the Shareholders Agreement to allow Algonquin to increase its ownership of the total voting securities of the Company up to 48.5% without any change in corporate governance and to permit Algonquin to acquire, and Algonquin agreed to purchase, approximately 1.3 million of ordinary shares. On May 31, 2019, Algonquin entered into a purchase agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") pursuant to which on the same date Morgan Stanley delivered 2 million shares to Algonquin, bringing its total equity interest in Atlantica to 44.2%. Algonquin's voting rights and rights to appoint directors are limited to 41.5%, the remaining will vote replicating the non-Algonquin shareholders vote. Apart from the above-mentioned agreements, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the SEC listing rules, the UK Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders.

## **Change of Control**

If any investor acquires more than 50.0% of our shares or if our ordinary shares cease to be listed in NASDAQ or a similar stock exchange, we may be required to refinance all or part of our corporate debt or obtain waivers from the related noteholders or lenders, as applicable, due to the fact that all of our corporate financing agreements contain customary change of control provisions and

delisting restrictions . If we fail to obtain such waivers and the related noteholders or lenders, as applicable, elect to accelerate the relevant corporate debt, we may not be able to repay or refinance such debt (on favorable terms or at all), which may have a material adverse effect on our business, financial condition results of operations and cash flows. Additionally, in the event of a change of control we could see an increase in the yearly state property tax payment in Mojave, which would be reassessed by the tax authority at the time the change of control potentially occurred. Our best estimate with current information available and subject to further analysis is that we could have an incremental annual payment of property tax of approximately \$12 million to \$14 million, which could potentially decrease progressively over time as the asset depreciates. Additionally, an ownership change under section 382 could be triggered and could have a significant negative impact on our tax positions in the U.S.

Furthermore, in order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, the policy approved by our shareholders at the 2017 Annual General Shareholders Meeting, introduced certain termination payments to key executives, including the Chief Executive Officer in the case of a change of control. The Company agreed with certain executives with strategic and key responsibilities in the Company ("Key Managers"), including the Chief Executive Officer, to make payments for loss of office or employment in addition to the severance payment under the prevailing labour and legal conditions in their contracts or countries where they are employed if they should leave (by loss of office or employment) the Company within 2 years of a change in control. The payment would represent six months of remuneration and would be adjusted to ensure that total payment including severance payment required under prevailing laws represent at least 12 months of remuneration (including salary, benefits, long-term incentive plans and variable pay), but never more than 24 months of remuneration, unless required by local law. A change of control means that a third party or coordinated parties: (i) acquire directly or indirectly by any means a number of shares in the Company which (together with the shares that such party may already hold in the Company) amount to more than 50% of the share capital of the Company; or (ii) appoint or have the right to appoint at least half of the members of the board of directors of the Company ("Board").

In addition, if there is a change in control, all awards under long-term incentives shall vest in full on the date of the change in control.

## Directors

The directors, who served throughout the year 2019, and to the date of this report, were as follows:

▪ Daniel Villalba	Director and Chairman of the Board, independent	Chairman of the Board: appointed on November 27, 2015 Director, independent: appointed June 13, 2014, re-elected June 23, 2017
▪ Santiago Seage	Director and Chief Executive Officer	Appointed on December 17, 2013, resigned March 9, 2018, re-appointed December 18, 2018
▪ Ian Robertson	Director	Director: Appointed March 12, 2018, and elected on May 11, 2018
▪ Christopher Jarratt	Director	Director: appointed March 12, 2018, and elected on May 11, 2018.
▪ Jackson Robinson	Director, independent	Appointed June 13, 2014, and elected on June 23, 2017
▪ Robert Dove	Director, independent	Appointed on June 23, 2017
▪ Andrea Brentan	Director, independent	Appointed on June 23, 2017
▪ Francisco J. Martinez	Director, independent	Appointed on June 23, 2017

The Board is committed to promoting the success of the Company. The Board is responsible to shareholders for its performance and for the strategy and management of the Company, its values, its governance, and its business.

Directors are obliged, among other duties, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. All directors are expected to spend the time and effort necessary to properly discharge their responsibilities.

Main objectives of the Board may be summarized as follows:

- Providing entrepreneurial leadership;
- Setting strategy;
- Ensuring the human and financial resources are available to achieve objectives;
- Reviewing management performance;
- Setting the company's values and standards; and
- Ensuring that obligations to shareholders and other stakeholders are understood and met.

Under English law, the board of directors is responsible for management, administration and representation of all matters concerning the relevant business, subject to the provisions of relevant constitutional documents, applicable law and regulations, and resolutions duly adopted at general shareholders' meetings.

In addition, the board of directors is entitled to delegate its powers to an executive committee or other delegated committee or to one or more persons, unless the shareholders, through a meeting, have specifically delegated certain powers to the Board and have not approved the board of director's delegation to others.

The Board has established four Board Committees:

- Audit Committee, with responsibilities including monitoring the integrity of the company's financial statements, reviewing internal control and risk management system, as well as the Company's relationship with external auditors;
- Compensation Committee, mainly responsible for setting the remuneration for executive directors and recommending and monitoring remuneration for senior management;
- Nominating and Corporate Governance Committee, responsible for leading the process for board appointments; and
- Related Party Transactions Committee, responsible for identifying and evaluating existing relationships between counterparties and transactions with related parties.

The Board has delegated certain responsibilities to these committees. Membership, roles, duties and authority of these committees are described in their Terms of Reference, available in the website of the Company ([www.atlanticayield.com](http://www.atlanticayield.com)). Terms of Reference are reviewed and updated by the Board on a yearly basis.

On February 13, 2019, we announced that our board of directors had formed a strategic review committee ("Special Committee") with the purpose of evaluating a wide range of strategic alternatives available to us to optimize our value and to improve returns to shareholders. Our Special Committee has been evaluating a number of strategic alternatives and its work continues. Our Special Committee now comprises our five independent directors: Robert Dove, Daniel Villalba, Andrea Brentan, Francisco Jose Martinez and Jackson Robinson.

The duties and functions of our Special Committee are to (a) investigate, study and evaluate the current strategy, business model and cost of capital for ourselves, our peers and other companies; (b) develop and present to the Board alternative strategies which may be available for execution by us to enhance shareholder value and, if considered necessary, improve our cost of capital; and (c) review, negotiate, and make recommendations to the Board as to whether or not to pursue, offers and proposed transactions that would result in a sale of Atlantica and any strategic alternative available to Atlantica (each, a "Strategic Alternative").

## Membership and Attendance

Director	Membership		Role	Attendance / Eligible to attend <sup>(1)</sup>
	Since	Until		
Mr. Daniel Villalba	Jun'14	n.a	Director, Independent and Chairman of the Board	15 / 15
Mr. Jackson Robinson	Jun'14	n.a	Director, Independent	15 / 15
Mr. Andrea Brentan	Jun'17	n.a	Director, Independent	15 / 15
Mr. Robert Dove	Jun'17	n.a	Director, Independent	15 / 15
Mr. Francisco J. Martinez	Jun'17	n.a	Director, Independent	15 / 15
Mr. Santiago Seage	Dec'18	n.a	Director and Chief Executive Officer	15 / 15
Mr. Ian Robertson	Mar'18	n.a	Director	13 / 15
Mr. Christopher Jarratt	Mar'18	n.a	Director	15 / 15

(1) Does not include matters approved by Director's Written Resolution; Senior management attend meetings by invitation of the Board.

## 2019 Key Activities

In 2019, the Board of Directors held 15 meetings and adopted one written resolution.

Major areas of focus of the Board during 2019 have been as follows:

- Review of health and safety issues;
- Review the action plan to continue improving in ESG (Environmental, Social and Governance);
- Review and approval of the strategy of the Company: growth plan, key priorities and risks;
- Review of assets performance and main technical issues;
- Approval and review of the budget of the Company;
- Review and approval of quarterly and annual accounts;
- Approval of significant transactions (acquisitions, partnerships, etc.);
- Review of capital markets updates; and
- Approval of dividends.

## Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and are in force at the date of this report.



## Research and Development

The Group did not engage in any research and development activities during the reported period.

## Political contributions

No political donations were made during 2019 nor 2018.

## Substantial shareholdings

<u>Name</u>	<u>Ordinary Shares Beneficially Owned</u>	<u>Percentage</u>
<b>5% Beneficial Owners</b>		
Algonquin (AY Holdco) B.V." <sup>(1)</sup> .....	44,942,065	44.2%
Morgan Stanley Investment Management Inc. <sup>(2)</sup> .....	7,321,982	7.3%

*Note:*

1. This information is based solely on the Schedule 13D filed with the U.S. Securities and Exchange Commission on May 31, 2019 by Algonquin Power & Utilities Corp, a corporation incorporated under the laws of Canada. The direct beneficial owner of the shares is "Algonquin (AY Holdco) B.V.
2. This information is based solely on the Schedule 13G filed on February 12, 2020 by Morgan Stanley, corporation incorporated under the laws of Delaware. The registered address of Morgan Stanley is 1585 Broadway New York, NY 10036.

## Corporate Governance statement

Atlantica, as a non-premium listed company, is not required to implement the provisions of the UK Corporate Governance Code (the "Code") and has chosen to follow the requirements of the Nasdaq Listing Rules in terms of corporate governance. However, we have reported on our corporate governance arrangements by drawing upon best practice available, including aspects of the Code we consider to be relevant to the Company and best practice.

Our Board is responsible collectively for providing leadership within a framework of appropriate and effective controls that enable to assess the risk and then manage it promoting the success of the Company. The Board is also responsible for the effective oversight of the Company's strategy and performance, financial reporting, internal control and risk management framework, and corporate governance processes. It is also ultimately accountable to shareholders for the long-term performance of the Company and the delivery of sustainable shareholder and stakeholder value.

The Board has put in place a clear and robust corporate governance framework in order to facilitate the oversight role that it provides in these areas. This includes a schedule of matters reserved for the approval of the Board, such as the approval of acquisitions, the Company strategy and budgets, major capital expenditure, the Company's financial statements and its dividend policy. With the aim

of allowing the Board appropriate time to focus on these key matters within the constraints of its annual programme, a number of its other responsibilities have been delegated to four principal committees. Such responsibilities are set out within the Terms of Reference for each Committee, which can be found on our website at [www.atlanticayield.com](http://www.atlanticayield.com).

## **Auditors**

Each person who is a director at the date of approval of this Consolidated Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

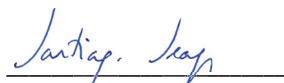
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Ernst & Young S.L. and Ernst & Young LLP have been our principal accountants providing the audit services to the Company during 2019. Ernst & Young S.L. and other member firms of EY were appointed as external auditor of the Group in February 2019 for the period 2019 – 2022. Prior to this appointment, Deloitte, S.L. had been our auditors for the years ended December 31, 2018, 2017 and 2016. There was no disagreement whatsoever relating to these years nor the period from January 1, 2019 through February 28, 2019 with Deloitte, S.L. on any accounting principles or practices, financial statement disclosure, or auditing scope or procedure matters.

## **Events after the balance sheet date**

On February 26, 2020, our board of directors approved a dividend of \$0.41 per share which is expected to be paid on or about March 23, 2020 to shareholders of record on March 12, 2020.

This report was approved by the board of directors on February 26, 2020 and signed on its behalf by Santiago Seage, Director and Chief Executive Officer.



Director and Chief Executive Officer

Santiago Seage

March 6, 2020

## Audit Committee Report

The objective of this Audit Committee Report is to describe how the Committee has carried out its responsibilities during 2019.

The purpose of the Audit Committee is to monitor and review: 1) the integrity of the financial statements; 2) the design, implementation and effectiveness of the Internal Control and Risk Management systems; 3) the Internal Audit function; 4) the Whistleblowing Channel of the Company; and 5) the external audit work.

### *Membership and Attendance*

Director	Membership		Role	Attendance / Eligible to attend <sup>(1)</sup>
	Since	Until		
Mr. Francisco J. Martinez	Jun'17	n.a	Director, independent and Chairman of the Audit Committee. Financial Expert	4/4
Mr. Daniel Villalba	Jun'14	n.a	Director, Independent and Chairman of the Board	4/4
Mr. Jackson Robinson	Jun'14	n.a	Director, Independent	4/4

#### Notes:

(1) Does not include matters approved by Audit Committee's Written Resolutions

All members of the Audit Committee are independent non-executive directors in accordance with the definition provided by Rule 5605 of the NASDAQ Stock Market ("NASDAQ") who meet the criteria for independence set forth in Rule 10A-3(b)(1) under the United States Securities Exchange Act of 1934, as amended.

Senior management, such as the Head of Internal Audit, Head of Consolidation, Head of Investor Relations and Chief Financial Officer attend meetings by invitation.

The Audit Committee meets with the External Auditors at least on a quarterly basis.

The Committee Chairman provides regular updates to the Board of Directors on the key issues discussed at the Committee's meetings.

### *Role of the Audit Committee*

The Board of Directors approved Terms of Reference for the Audit Committee which are available on the website of the Company ([www.atlanticyield.com](http://www.atlanticyield.com)).

These Terms of Reference provide the roles and responsibilities of the Audit Committee, which are reviewed by the Board of Directors on a yearly basis. In accordance with this document, the Committee's responsibilities include, but are not limited, to the following matters:

1. Monitor the integrity of the financial statements of the Company, including its annual and quarterly reports and reporting to the Board on significant financial reporting issues
2. Review the effectiveness of the Company's Internal Controls and Risk Management, including the information to be included in the Annual Report;
3. Evaluate Compliance, Whistleblowing and Fraud policies, procedures and tools implemented by the Company;
4. Review and evaluate the Internal Audit function's performance and its effectiveness;
5. Make all decisions regarding the appointment, compensation, retention, oversight and replacement, if necessary, of the external, independent auditor. The Audit Committee shall meet external auditors at least once per year. In 2019 the Audit Committee has met external auditors 4 times.

## ***2019 Key Activities***

### Financial Reporting

The Audit Committee has reviewed all significant issues concerning the financial statements and how these issues were addressed. The Committee reviewed all filed quarterly interim financial statements. They have also reviewed the Annual Report (UK Annual Report) and the Annual Report on Form 20-F.

This review included the accounting policies and significant judgements, estimates and disclosures underpinning the financial statements.

Particular attention was paid to the following significant issues related to 2019 financial statements:

- (1) Recoverability of Contracted Concessional Assets;
- (2) Covenant Compliance; and
- (3) Significant one-off transactions, including acquisitions, partnerships and other significant agreements, etc.

### Internal Control System and Risk Management

- Atlantica has implemented a Risk Management system to provide reasonable assurance against material losses.
- Atlantica has implemented an Internal Control system to provide reasonable assurance against material misstatements.
- The Audit Committee assists the Board of Directors in reviewing the effectiveness of the Risk Management and Internal Control systems annually. Effective management of risks and opportunities is essential for the delivery of strategic objectives and meeting the requirement of good corporate governance.

▶ **Risk Management:**

Atlantica has developed a Risk Map, a system to identify and assess all business risks based on a standardized methodology. This system allows the Company to identify different risk categories (strategic, climate change, legal, financial, and operational).

All risks are assessed at the Group and subsidiary levels by likelihood of occurrence and its potential impact on the Company.

All significant risks have been properly addressed by the Company. Mitigation plans have been implemented in order to reduce or eliminate, when possible, the exposure to risk. All risks are re-assessed on a quarterly basis.

▶ **Internal Control System:**

The Audit Committee has primary responsibility for the oversight of the Internal Control system.

Atlantica has deployed its Internal Control system with Atlantica SOX Procedures, (the "ASP"). This system is essential to help the Company to meet Sarbanes-Oxley Act requirements. In particular, the Committee reviews the application of the requirements under Section 404 of the U.S. Sarbanes-Oxley Act of 2002 with respect to Internal Controls over Financial Reporting (the "ICFR").

Atlantica SOX Procedures have been designed in accordance with the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is widely used. It is recognized as a leading framework for designing, implementing and conducting an internal control system and assessing its effectiveness. This framework is organized into five interrelated components:

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring Activities

The Audit Committee reviews the process followed by the management to assess the effectiveness of the Internal Control System. This process includes: i) quarterly self-assessment performed by control owners regarding the design; ii) implementation and effectiveness of control activities they are responsible for; and iii) annual certifications by Senior Management, including the Chief Financial Officer and the Chief Executive Officer.

The Internal Control system is updated on a yearly basis. In 2019, the Atlantica SOX Procedures have been enhanced to include new control activities implemented to mitigate new risks or to increase the effectiveness of the system.

In order to fulfil its oversight responsibilities, the Committee meets regularly with senior management members. In particular the Committee is assisted by the Internal Audit department.

As a result of the procedures performed and internal assessment conducted by Internal Audit, the Audit Committee concludes that the Internal Control System of the Company is properly designed, implemented and that it has been operating effectively during 2019.

### Compliance, Whistleblowing and Fraud

In September 2014, following Section 301 in the Sarbanes Oxley Act, the Audit Committee implemented the Whistleblower Channel for:

- a) The receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and
- b) The submission by employees of Atlantica, on a confidential and anonymous basis, of good faith concerns regarding questionable accounting or auditing matters.

Atlantica's Whistleblower Channel is available at Company's website [www.atlanticayield.com](http://www.atlanticayield.com) in both English and Spanish.

The Audit Committee is responsible for the management of this Channel. According to the Code of Conduct, any allegation received through the Whistleblower Channel will be received by the Chairman of the Audit Committee, the General Counsel and the Head of Internal Audit.

All allegations are managed by the Compliance Committee according to a specific Fraud Response Protocol. Main procedures performed, conclusions and proposed corrective measures are communicated to the Audit Committee.

The Audit Committee is also responsible for overseeing procedures performed by the Internal Audit department:

- ▶ Internal Control procedures and activities implemented by management in order to prevent fraud and corruption, in particular the US Foreign Corrupt Practice Act and the UK Bribery Act; and
- ▶ Procedures performed and conclusions reached by Internal Audit in order to detect fraud and any breach of any regulation.

### Internal Audit

Internal Audit is an independent, objective assurance and consulting function designed to add value to the Company. The Internal Audit function must be independent, and all internal auditors must be objective in performing their work. In Atlantica, the Internal Audit function reports to the Audit Committee.

The Internal Audit team has a well-balanced experience and education according to the department roles and objectives. In this sense, the professionals on the team combine finance, IT and legal backgrounds, have more than 10 years of Audit experience per person on average and include Associated Certified Fraud Examiners (ACFE), COSO qualified as well as several Certified Public Accountants. In accordance with the Auditing Standard 2201, this department performs a top-down analysis to identify major audit risks and internal control. All identified risks are classified depending on its materiality and the likelihood of impacting the financial statements. As a result of this test, the Internal Audit Scope for the year is established.

As a new feature in 2019, the Internal audit department has built a new set of audit procedures to assess all the financial and internal control audits conclusions to enforce impartiality and homogeneity. The new methodology is based on qualitative and quantitative criteria that help identifying critical or deficient areas.

EY has audited Atlantica as external auditor for the first time in 2019. A transition plan was designed in 2018 to assist the new external auditor needs in all the geographies.

In accordance with the Audit Committee's terms of reference, the Committee is responsible for the supervision of the Internal Audit function.

In particular, the Audit Committee:

- ▶ Approves the Internal Audit Plan for the year.
- ▶ This plan is prepared in accordance with the conclusions of the Audit Risk Assessment, which is prepared according to PCAOB Auditing Standards. The Committee also reviews the progress of the Internal Audit Plan on a quarterly basis.
- ▶ Reviews Internal Audit work, their main findings, recommendations and its implementation on a periodic basis.
- ▶ Reviews and monitors management's responsiveness to the internal auditor's findings and recommendations.
- ▶ Meets regularly with the Head of Internal Audit.

#### External Audit

The Audit Committee has primary responsibility for overseeing the relationship with the external auditor. This responsibility includes, at least:

- The selection and appointment of the external auditor. The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting (AGM). At least once every ten years the audit services contract shall be put out to tender.
- Ernst & Young (EY) and other member firms of EY was appointed and approved as external auditor of the Group for the period 2019 – 2022 in the AGM held on May 11st, 2018. The Audit Committee is responsible for overseeing the remuneration of the external auditor for both audit services and non-audit services. The Audit Committee approves all services contracted with the external auditor. Prior to this appointment, Deloitte, S.L. had been our auditors for the years ended December 31, 2018, 2017 and 2016. There was no disagreement whatsoever relating to these years nor the period from January 1, 2019 through February 28, 2019 with Deloitte, S.L. on any accounting principles or practices, financial statement disclosure, or auditing scope or procedure matters.

The Committee has established a policy to safeguard the independence and objectivity of external auditors. In general, external auditors may be engaged to provide services only if their independence and objectivity are not impaired. In September 2014, the Committee considered

it appropriate to establish the Pre-Approval Policy for Audit services rendered by the Statutory Auditor. According to this Policy, audit services, audit-related services, tax services and other services are pre-approved by the Audit Committee.

All other services must be approved explicitly by the Audit Committee

All services performed by EY are approved by the Audit Committee. All fees received by EY in 2019 have been approved by the Committee.

<b>In thousand USD</b>	<b>EY</b>	<b>Other</b>	<b>Total</b>
Audit Fees	1,293	61	1,354
Audit-Related Fees*	481	-	481
Tax Fees	406	-	406
All Other Fees	271	-	271
<b>Total</b>	<b>2,451</b>	<b>61</b>	<b>2,512</b>

(\*) Audit-Related Fees include fees paid to EY during 2019 in relation to our major shareholder's capital market transactions. The full amount was re-invoiced.

- The Audit Committee is responsible for overseeing the work of the external auditor.

In 2019, EY attended the four Audit Committee meetings held during the year. EY has communicated to the Committee all relevant information related to the audit process in accordance to Auditing Standard N°16 issued by the PCAOB.

As a result of the audit procedures performed by EY, they have issued the following audit reports:

- ▶ Unqualified Audit Report on Review of Consolidated Financial Information (IFRS – IASB/EU) under PCAOB standards (U.S. SEC filing);
- ▶ Unqualified Audit Report on Internal Control over Financial Reporting under PCAOB standards (U.S. SEC filing); and
- ▶ Unqualified Audit Report on Review of Consolidated Financial Information (IFRS – IASB/EU) under ISA (UK Companies House filing).



# Directors' Remuneration Report

## Introduction

This report is on the remuneration of the directors of Atlantica for the period to 31 December 2019. It sets out the remuneration policy and remuneration details for the executive and non-executive directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 and July 2018.

The report is split into three main areas:

- the statement by the chair of the Compensation Committee;
- the annual report on remuneration; and
- the policy report.

The remuneration report and remuneration policy will be submitted to the Annual Shareholders' Meeting in 2020.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in that report. The statement by the chair of the Compensation Committee and the policy report are not subject to audit.

Atlantica has a Nominating and Corporate Governance Committee, responsible for reviewing the structure, size and composition of the Board and succession planning for directors and senior executives. It also reviews and advises the Board on the strategy and corporate governance responsibility objectives of the Company. The Compensation Committee is mainly focused on setting the remuneration policy for directors and senior management.

## Statement by the Chair of the Compensation Committee

I am pleased to present the remuneration report for 2019. The constant and transparent dialogue with shareholders and investors is a vital element in our way of operating and, through this remuneration report, we aim to increase the awareness of our shareholders of the principles of our remuneration policy.

The Company's remuneration policy is set in accordance with the applicable law and reflecting the principles of the UK Corporate Governance Code, with the aim of attracting and retaining highly skilled professional and managerial resources and aligning the interests of management with the priority objective of value creation for shareholders, for the Company and the members of the Company as a whole in the medium to long term.

During 2019, the Compensation Committee convened three times during the year. All members of the Committee attended each meeting that they were eligible to attend.

Among the activities conducted by the Compensation Committee, it addressed three key objectives:

- Periodically reviewing the fixed and variable remuneration for the Chief Executive Officer;
- Periodically reviewing the remuneration policy and overall levels of remuneration for the Chief Executive Officer and senior management team, including the long-term incentive plans, in accordance with the following criteria:
  - seeking an alignment between incentives, business performance and creation of value for shareholders;
  - consistency with the principles of the UK Corporate Governance Code; and
  - retention in the medium to long term of high-quality resources for the achievement of ambitious targets and to face the challenges that the Company will have to face in the current and future market context.
- Periodically reviewing the remuneration levels of independent non-executive directors;

During the year 2019, most of the objectives defined for the Chief Executive Officer's variable bonus were met or exceeded and the Compensation Committee decided to approve a bonus corresponding to 100.7% of the target variable compensation, which will be payable in 2020.

In 2018, most of the objectives defined for the Chief Executive Officer's variable bonus were met and a bonus corresponding to 101.8% of the target variable compensation was paid in 2019. To finalise, I would like to thank our shareholders for their strong vote in favour of approving the directors' remuneration report last year, demonstrating their support on Atlantica's remuneration arrangements. I look forward to welcoming you and receiving your support again at the annual general meeting this year.

## **Annual Report on Remuneration**

### *Single total figure of remuneration for each director (audited)*

Atlantica paid remuneration only to independent non-executive directors and Santiago Seage (Chief Executive Officer and Executive Director). Other directors were not paid remuneration. Since April 2019, each independent non-executive director receives an annual compensation of \$150.0 thousand (approximately €134.0 thousand). As chairman of the board of directors, Mr. Villalba receives an additional \$75.0 thousand (approximately €67.0 thousand) per year. As chairman of the audit committee, Mr. Francisco J. Martinez receives an additional \$15.0 thousand (approximately €13.4 thousand) per year. As chairman of the Nominating and Corporate Governance Committee and Compensation Committee, Mr. Dove and Mr. Robinson receive an additional \$10.0 thousand (approximately €8.9 thousand) per year.

Until March 2019, each non-executive independent director received a total annual compensation of \$134.0 thousand (approximately €119.7 thousand) and as chairman of the board of directors, Mr. Villalba received an additional \$61.0 thousand (approximately €54.5 thousand) per year. As chairman of the audit committee, Mr. Francisco J. Martinez received an additional \$15.0 thousand per year (approximately €13.4 thousand) per year. As chairman of the Nominating and Corporate

Governance Committee and Compensation Committee, Mr. Dove and Mr. Robinson receive an additional \$10.0 thousand (approximately €8.9 thousand) per year.

In 2019, each independent director received a total annual compensation detailed in the table below. The CEO's total annual compensation is also detailed in this table.

Non-executive directors appointed by Algonquin did not receive any compensation from us.

The table below provides a breakdown of the various elements of Director pay for the year ended 31/12/2019 and for prior years. This comprises the total remuneration earned in respect of the period from 01/01/2019 to 31/12/2019 and from the period 01/01/2018 to 31/12/2018. For non-executive independent directors, compensation is approved in U.S. Dollars and is translated to Euros to align it with the CEO's compensation, which is approved in Euros.

Name	Salary and fees €'000		All taxable benefits €'000		2016-2018 LTIP €'000		Annual bonuses €'000		Total for 2019 €'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Santiago Seage	650.0	650.0	-	-	-	655.0	855.5	865.3	1,505.5	2,170.3
Daniel Villalba	194.3	135.5	-	-	-	-	-	-	194.3	135.5
Jackson Robinson	139.3	100.2	-	-	-	-	-	-	139.3	100.2
Robert Dove	139.3	100.2	-	-	-	-	-	-	139.3	100.2
Andrea Brentan	130.4	96.7	-	-	-	-	-	-	130.4	96.7
Francisco J. Martinez	143.8	101.9	-	-	-	-	-	-	143.8	101.9
<b>Total</b>	<b>1,397.1</b>	<b>1,184.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>655.0</b>	<b>855.5</b>	<b>865.3</b>	<b>2,252.6</b>	<b>2,704.8</b>

Only directors who received remuneration are included in the table above.

None of the directors received any pension remuneration in 2018 nor 2019. The CEO received the 2016-2018 LTIP compensation in 2018, paid in March 2019. No long-term awards have vested in 2019.

Each member of our board of directors will be indemnified for his actions associated with being a director to the extent permitted by law.

During the year 2019, most of the objectives defined for the Chief Executive Officer's variable bonus were met or exceeded and the Compensation Committee decided to approve a bonus corresponding to 100.7% of the target variable compensation, which will be payable in 2020. In 2018, most of the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 101.8% of the target variable compensation, which was paid in 2019:

	Percentage weight	Achievement
• CAFD (cash available for distribution) – Equal or higher than \$190 million	40%	100%
• EBITDA– Equal or Higher than \$827 million	10%	99%
• Present and close value creating and accretive investment opportunities	15%	100%
• Lead the works of the strategic review and plan	20%	100%
• Achieve health and safety targets - (Frequency with Leave / Lost Time Index below 4.5 and General frequency index below 13.8) based on reliable targets and consistent measure metrics	10%	120%
• Implement the succession plan	5%	75%

Cash Available for Distribution refers to the cash distributions received by the Company from its subsidiaries minus cash expenses of the Company, including debt service and general and administrative expenses.

The Chief Executive Officer's maximum potential bonus could be 120% of such bonus (€1,020 thousand).

The 2016-2018 Long-Term Incentive Plan (LTIP) was in place for the three-year period from 2016 to 2018. The award corresponding to the Chief Executive Officer was 21.95% of the maximum potential award, which amounted to €655 thousand, which was paid in 2019.

A new remuneration policy, including long-term incentive awards was approved at our 2019 Annual General Meeting held in June 2019. Following that policy, we have yearly long-term incentive plans which are detailed under the section "Long-term Incentive Awards" of this report.

### *Remuneration of the Chief Executive Officer*

The information provided in this part of the report is not subject to audit.

The table enclosed within the "Single total figure of remuneration for each director" sets out the details for Mr. Seage who serves in the role of the Chief Executive Officer.

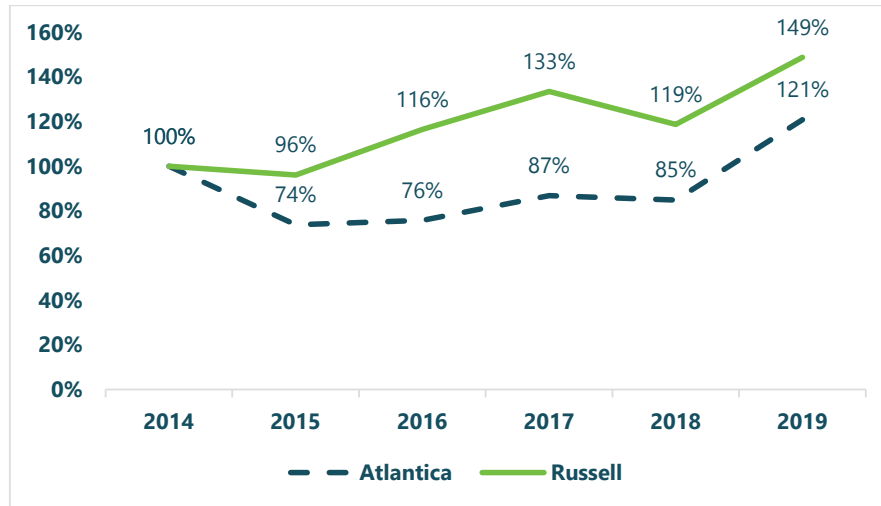
In 2019, he accrued €855.5 thousand as a bonus payment in accordance with his service agreement, payable in 2020. In 2018, Mr. Seage accrued €865.3 thousand in accordance with his service agreement, which was paid in 2019.

### **Total Shareholder Return and Chief Executive Officer Pay**

The chart below shows the Company's total shareholder return since June 2014, the date of our Initial Public Offering ("IPO"), until the end of 2019 compared with the total shareholder return of the companies in the Russell 2000 Index. The chart represents the progression of the return, including investment, starting from the time of the IPO at a 100%-point. In addition, dividends are assumed to have been re-invested at the closing price of each dividend payment date.

We believe the Russell 2000 Index is an adequate benchmark as it represents a broad range of companies of similar size.

TSR is calculated in US dollars.



The table below shows the total remuneration of the Chief Executive Officer and his bonuses and 2016-2018 LTIP grants expressed as a percentage of the maximum he is likely to be awarded. We have also included an additional reference point to show the maximum remuneration receivable assuming a share price appreciation of 50%.

Year	Total Pay (€ 000)	Bonus		2016-2018 LTIP awards	
		Percentage of maximum	Amount of bonus	Percentage of maximum	Value
2019	1,505.5	100.7%	855.5	-	-
2018	2,170.3	101.8%	865.3	21.95%	655.0
2017	1,418.1	96.25%	818.1	-	-
2016	1,329.1	100%	850.0	-	-
2015	1,440.9 <sup>(1)</sup>	-	-	-	-
2014	130.9	-	-	-	-

(1) Includes a 1,189.5 thousand euros termination payment received by Mr. Garoz after leaving the Company on November 25<sup>th</sup>, 2015.

The Chief Executive Officer did not receive any variable remuneration for service provided to the Company for the years ended December 31<sup>st</sup>, 2015 and 2014. Santiago Seage occupied that office between January and May 2015, and again since late November 2015. Meanwhile, Mr. Garoz held that position between May and November 2015, when he left the Company.

In 2017, the Company accrued €818.1 thousand of the bonus paid to the Chief Executive Officer in 2018. In 2018, the Company accrued €865.3 thousand of the bonus paid to the Chief Executive Officer in 2019, in accordance with his service agreement.

If from January 1<sup>st</sup>, 2019 to December 31<sup>st</sup>, 2019 the share price had increased by 50%, the remuneration for the CEO for the year 2019 would have been €1,505.5 million, the same as the amount actually received since no long-term incentives related to the share price have vested in 2019.

In 2019, the Company accrued €855.5 thousand of the bonus payable to the Chief Executive Officer in 2020.

### Chief Executive Officer Pay vs. Employee Pay

The table below sets out the percentage change between the year 2018 and 2019 in salary, benefits and bonus (determined on the same basis as for the Single Total Figure table) for the Chief Executive Officer and *the average per capita change* for employees of the Group as a whole, excluding the Chief Executive Officer.

Element of remuneration	Percentage change for Chief Executive Officer	Percentage change for employees excluding the CEO
Salary	0%	5.1%
Benefits	n/a	n/a
Bonus	1.1%	5.6%

The percentage change for employees excluding the CEO has been calculated considering the same average number of employees in both 2019 and 2018. This is the most appropriate methodology to reflect how much the salary and bonus changed on a year-to-year basis as it excludes the effect of new hired employees (mainly ASI Ops personnel).

### Relative Importance of Spend on Pay

The following table sets out the change in overall employee costs, directors' compensation and dividends.

€ in million	Amount in 2019	Amount in 2018	Difference
Spend on pay for all employees of the group <sup>(1)</sup>	24.7	12.8	11.9
Total remuneration of directors	2.3	2.7	(0.4)
Dividends paid	142.0	112.8	29.2

(1) The increase is mainly due to the acquisition of ASI Operations, the company that performs the operation and maintenance services to our Solana and Mojave plants

The company has not made any share repurchases during 2019 nor 2018.

The average number of employees in 2019 in the Group was 306 employees, compared to 207 employees in 2018.

The €11.9 million increase in spend on pay is due to the acquisition in July 2019 of ASI Operations, the company that performs the operation and maintenance services to the Solana and Mojave plants. In addition, in 2018, the amount effectively payable under the long-term incentive plan corresponding to the 2016-2018 period was lower than the amount accrued, so we recorded a reversal of the accrual, which also explains the increase in spend on pay.

The €0.4 million decrease in total remuneration of directors is due to the CEO's 2016-2018 long-term incentive plan that became payable as of December 31, 2018. In 2019, the CEO did not vest any LTIP amounts.

### *Directors' shareholdings (audited)*

The following table includes information with respect to beneficial ownership of our ordinary shares as of December 31, 2019 by each of our directors and executive officers as well as their connected persons.

Directors not included in the table below do not hold shares.

	Shares	Shares
	December 31, 2019	December 31, 2018
Santiago Seage	20,000	20,000
Daniel Villalba	60,000	60,000
Jackson Robinson	10,688	8,647
Francisco J. Martinez	6,703	5,700
Robert Dove	11,079	10,347
Ian Robertson	2,500	2,500
Andrea Brentan	1,300	1,300

There have been no changes in the holdings of the directors between the year end and the date of issuance of this report.

Directors currently do not hold share options or awards with the exception of the CEO.

The CEO did not exercise any of the share options in 2019.

On July 31, 2018, the Board approved a share ownership requirement applicable to independent non-executive directors pursuant to which they shall achieve within a period of three years a minimum share ownership in the Company equal in value to 1.5 times the annual retainer paid to independent directors.

Under the LTIP 2019, the CEO holds 46,987 share units, convertible into shares in the future and 122,080 options. In addition, the CEO holds 43,606 share units under the one-off plan.

## Termination Payments (audited)

No termination payments were made to the Chief Executive Officer or any other director in 2019 nor 2018. The policy for termination remuneration is detailed under the section "Policy on payments for loss of office" of this report.

## Statement of Implementation of Policy in 2019

The targets for bonuses are detailed under the section "Remuneration Policy" of this report. The current policy was approved at our 2019 Annual General Meeting, held in June 2019.

For 2020, the bonus measures for the remuneration of the Chief Executive Officer, will focus on four areas: financial targets, value creating growth/investments, health and safety and a succession plan.

This approach is intended to provide a balanced assessment of how the business has performed over the course of the year against stated objectives. Targets are aligned with the annual plan and strategic and operational priorities for the year.

For 2020 the bonus objectives are the following:

	Percentage weight
CAFD – Equal of higher than the CAFD budgeted in the 2020 budget	40%
EBITDA – Equal or higher than the EBITDA budgeted in the 2020 budget	15%
Close accretive acquisitions for the Company	20%
Achieve health and safety targets - (Frequency with Leave / Lost Time Index below 3.5 and General Frequency Index below 11.0) based on reliable targets and consistent measure metrics	10%
Implement the succession plan	15%

## Compensation Committee

The Compensation Committee was created in February 2016, together with the Nominating and Corporate Governance Committee. These two committees replaced the Appointments and Remuneration Committee which was in place since the IPO.

The Compensation Committee is responsible for determining the remuneration policies and the remuneration of the Chief Executive Officer and other senior members of management.

In 2019, the Committee focused its activities on the following key remuneration topics:

- ▶ Periodically reviewing Long Term Incentive Plans;
- ▶ Deciding on the Chief Executive Officer's remuneration;
- ▶ Reviewing Independent non-executive director's remuneration; and
- ▶ Analysing peers and comparable remuneration structures.



### *Membership and Attendance*

All members of the Compensation Committee are Non-Executive Directors. No director or Senior Manager shall be involved in any decision as to their own remuneration.

Director	Membership		Role	Attendance / Eligible to attend
	Since	Until		
Mr. Jackson Robinson	Jun'14	n.a	Director, Independent	2/2
Mr. Andrea Brentan	Jun'17	n.a	Director, Independent	2/2
Mr. Christopher Jarratt	Mar'18	n.a	Director	2/2

The Chief Executive Officer and members of senior management, such as the Head of Human Resources, may attend the meetings by invitation.

The Committee Chairman provides regular updates to the Board of Directors on the key issues discussed at the Committee's meetings.

The Committee held two meetings during the year 2019.

### *Role of the Compensation Committee*

The Board of Directors approved Terms of Reference for the Compensation Committee which are available on the website of the Company ([www.atlanticayield.com](http://www.atlanticayield.com)).

These Terms of Reference provide the roles and responsibilities of the Committee, which are reviewed by the Committee itself and the Board of Directors on a yearly basis. In accordance with this document, the Committee's responsibilities include, but are not limited, to the following matters:

1. To analyse, discuss and make recommendations to the Board regarding the setting of the remuneration policy for all directors and senior management;
2. To analyse and discuss proposals made by the Board regarding the Company's remuneration policy;
3. To obtain reliable and updated information about remuneration in other companies of comparable scale and complexity;
4. To review the Chief Executive Officer's annual compensation package and performance objectives;
5. To review the design of long-term incentive plans for approval by the board and shareholders; and
6. To review and approve the compensation payable to executive Directors, and the Chief Executive Officer for any loss or termination of office or appointment.

### *2019 Key Activities*

In 2019, the Compensation Committee continued its work on revising our remuneration structure to ensure that the Company has in place an effective Remuneration Policy which:

- ▶ Allows the Company to attract and retain top quality talent; and

- ▶ Rewards and compensates sustainable performance to the benefit of both shareholders and stakeholders.

### Remuneration Analysis

The Committee has re-assessed the Remuneration Policy implemented by the Board of Directors and approved in the Annual General Meeting. At least once a year, the Compensation Committee reviews compensation practices for independent non-executive directors in similar companies.

The Committee has been particularly focused on reviewing the remuneration for independent non-executive directors and Chief Executive Officer, based on the information collected from external consultants that provided independent advice on remuneration best practices and market practice on directors' minimum ownership requirements.

The Compensation Committee has the responsibility to propose the remuneration of the Chief Executive Officer and the overall remuneration of the senior management to the Board of Directors, including any kind of compensation (fixed salary, performance-related bonuses, long-term incentive plans, etc.).

Regarding performance-related bonuses or variable remuneration, the Committee has the following duties:

- ▶ Definition of specific targets for the Chief Executive Officer and overall structure for senior management.
- ▶ Evaluation of the accomplishment of those objectives in the case of the Chief Executive Officer.

### Long Term Incentive Awards

The Company had a long-term incentive plan for the period 2016-2018 (the "2016-2018 Long-Term Incentive Plan" or "2016-2018 LTIP") for the executive team approved at the 2016 Annual General Meeting. The 2016-2018 LTIP ended in 2018 and the amount payable under the LTIP amounts to 21.95% of the maximum potential amount, which resulted in a total payment of €1,411 thousand that was paid in March 2019.

In April 2018, the Board of Directors approved the implementation of a new remuneration policy including LTIP awards. The first long-term incentive plan for the 2019 period permits the grant of share options and restricted stock units to the executive team of the Company. The LTIP applies to approximately 14 executives and the Board of Directors also proposed to include the Chief Executive Officer, who is also a Director. The Chief Executive Officer's participation in LTIPs was approved by shareholders at the 2019 annual general meeting in June 2019.

In addition to the LTIP 2019 and following the remuneration policy approved at our 2019 Annual General Meeting, in December 2019 the Board of Directors approved the implementation of a long-term incentive plan for the 2020 period in the same terms as the LTIP. The 2020 LTIP applies to approximately 13 executives including the Chief Executive Officer.

## Voting at the 2019 Annual General Meeting

The Company takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to director's remuneration, the Company would seek to understand the reasons for any such vote and would set out in the following Annual Report any actions in response to it.

At the 2019 Annual General Meeting, votes in relation to the directors' remuneration report for the year ended December 31, 2018 were as follows:

Remuneration Report		
	Number of votes	%
For	71,288,396	98.5
Against	1,063,617	1.5
Withheld*	929,614	-

In addition, votes at the 2019 Annual General Meeting in relation to the directors' remuneration policy for the year ended December 31, 2018 were as follows:

Remuneration Policy		
	Number of votes	%
For	65,047,910	89.9
Against	7,293,557	10.1
Withheld*	940,160	-

\* A vote "withheld" is not a vote in law and is not counted in the calculation of the proportion of votes for and against the resolution.

## Remuneration Policy

The current policy was approved at our 2019 Annual General Meeting, held in June 2019.

For independent non-executive directors, the Company's policy is to compensate in cash for the time dedicated, subject to a maximum total annual compensation for non-executive directors in aggregate of two million dollars. Once a year, the Compensation Committee reviews compensation practices for independent non-executive directors in similar companies and the skills and experience required and may propose an adjustment in the current compensation.

Until December 31, 2019, the policy was not to compensate other non-independent non-executive directors for the time dedicated. As further discussed below, the remuneration to non-independent non-executive directors is a change to our remuneration policy approved by the Compensation Committee and by the Board of Directors. The Company is seeking shareholder approval to compensate non-independent non-executive directors on the same terms as we compensate independent non-executive directors.

The policy for executive directors, which is only applicable to the Chief Executive Officer as the only executive director so far, is as follows:

Name of component	Description of component	How does this component support the company's (or group's) short and long-term objectives?	What is the maximum that may be paid in respect of the component?	Framework used to assess performance
<b>Salary/fees</b>	Fixed remuneration payable monthly	Helps to recruit and retain executive directors and forms the basis of a competitive remuneration package	Maximum amount €700 thousand, may be increased by 5% per year Salary levels for peers are considered	Not applicable No retention or clawback
<b>Benefits</b>	Opportunity to join existing plans for employees but without any increase in remuneration			
<b>Annual bonus</b>	Annual bonus is paid following the end of the financial year for performance over the year. There are no retention or forfeiture provisions	Helps to offer a competitive remuneration package and align it with company's objectives	200% of base salary	40%-50% of CAFD 10% of EBITDA 40%-50% of other operational or qualitative objectives No retention or clawback
<b>Long Term Incentive Awards</b>	Restricted stock units and share options subject to certain vesting periods	Align executive directors and shareholders interests	70% of target annual salary + bonus  Special one-off plan in 2019 for 50% of 2019 salary + bonus	75% share units subject to 5% average annual TSR, 25% options Share units

CAFD, EBITDA and TSR have been selected as key parameters to measure company's performance due to their importance for our shareholders. These measures are considered standard indicators of financial performance in our sector.

### **Committee discretions**

The committee has discretion, consistent with market practice, in respect of, but not limited to participants, timing of payments, size of the award subject to policy, performance measures and when dealing with special situations, such as change of control or restructuring.

The annual bonus is a variable cash bonus, based on the objectives described above. Those objectives include Cash Available for Distribution (CAFD) and EBITDA, as these are key financial metrics for our industry sector. Additionally, the annual bonus includes 2-3 objectives that reflect some of the key projects, initiatives or key objectives.

For the management team and key personnel, our policy is to use two external consultants to estimate market conditions for similar positions in terms of fixed and variable remuneration and, based on a performance appraisal, set a target remuneration, as a general rule, within that market practice. Variable payments are based on a number of specific measurable targets in relation to the measures described herein, which are defined by the Compensation Committee at the beginning of the year. For the rest of its employees, the Company establishes predefined remuneration ranges for different positions and reviews each individual remuneration depending on performance appraisal and within two ranges without employee consultation.

### ***2016-2018 Long-Term Incentive Plan***

The Company had a Long-Term Incentive Plan for the period 2016-2018 for the executive team approved at the 2016 Annual General Meeting. The plan included twelve executives, including our Chief Executive Officer, who were eligible under the 2016-2018 Long-Term Incentive Plan. The 2016-2018 Long-Term Incentive Plan provided that each eligible executive would be entitled to the payment of a long-term incentive cash bonus in March 2019 calculated as a function of Total Annual Shareholder's Return, or TSR, objectives over the 2016-18 period, a metric intended to align management and shareholder interests. The maximum bonus would be 50% (or, in the Chief Executive Officer's case, 70%) of the total remuneration received by the executive over the period from 2016-18. Specifically, 50% of the bonus would be based on our TSR and 50% on the relative performance in terms of TSR versus a group of similarly structured companies selected by the Compensation Committee. The amount payable under the 2016-2018 LTIP amounted to 21.95% of the maximum potential amount, which amounts to €1,411 thousand in total and which was paid in March 2019.

### ***Long-Term Incentive Awards***

A new remuneration policy including long-term incentive awards was approved at our 2019 Annual General Meeting held in June 2019.

In April 2018, the Board of Directors approved the implementation of a remuneration policy including LTIP awards. The first long-term incentive plan for the 2019 period (the "Long-Term Incentive Plan 2019" or "LTIP 2019") permits the grant of share options and restricted stock units ("Awards") to the executive team of the Company (the "Executives"). The LTIP applies to approximately 14 executives and the Board of Directors proposed to include the Chief Executive Officer, who is also a Director. The Chief Executive Officer's participation in the LTIP was approved by shareholders at the 2019 annual general meeting in June 2019.

The purpose of this LTIP is to attract and retain the best talent for positions of substantial responsibility in the Company, to encourage ownership in the Company by the executive team whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the shareholders' interest and to promote the success the Company.

The aggregate number of shares which may be reserved for issuance under the LTIP must not exceed 2% of the number of the shares outstanding at the time of the Awards are granted but is expected to be significantly less. However, the Company may decide that, instead of issuing or transferring shares, the Executives may be paid in cash.

The value of the Awards will be defined as 50% of the Executives' total annual compensation for the year closed before the date upon which an Award is granted and, in the case of the Chief Executive Officer, would be 70% of the same previous year total compensation at the grant date ("Awards Value"). The share options will represent 25% of the Award Value and the restricted stock units will represent 75% of the Award Value.

In addition to the LTIP 2019 and following the remuneration policy approved at our 2019 Annual General Meeting, in December 2019 the Board of Directors approved the implementation of a long-term incentive plan for the 2020 period (the "2020 Long-Term Incentive Plan" or "2020 LTIP") in the

same terms as the LTIP. The 2020 LTIP applies to approximately 13 executives including the Chief Executive Officer.

Main terms of the LTIP

	Share Options	Restricted Stock Units
<b>Nature</b>	Option cost shall be calculated by a third party using the Black-scholes or some other accepted methodology.	Conditions shall be based on continuing employment (or other service relationship) and achievement of a minimum 5% average annual total shareholders return ("TSR").
<b>Exercisability and vesting period</b>	One-third of the total number of options awarded shall vest on each anniversary of the date upon which an award was granted.  The Company will decide at vesting if cash or shares are given as payment.	The shares will vest on the third anniversary of the grant date but only if the total annual shareholders return ("TSR") has been at least a 5% yearly average over such 3-year period.
<b>Ownership and dividends</b>	The participant shall have the rights of a shareholder only as to shares acquired upon the exercise of an option and not as to unexercised options.  Until the Shares are issued or transferred, no right to vote at any meeting or to receive dividends or any other rights as a shareholder shall exist.	The participant will be entitled to receive, for each share unit, a payment equivalent to the amount of any dividend or distribution paid on one share between the grant date and the date on which the share unit vests.

Effect on termination of employment

If a participant's employment terminates by reason of involuntary termination (death, disability, retirement dismissal rendered unfair, etc.), any portion of his/her Award shall thereafter continue to vest and become exercisable according to the terms of the LTIP but such participant shall be no longer entitled to be granted Awards under the LTIP.

If a participant incurs a termination of employment for cause or voluntary resignation or withdrawal, options that have vested on the termination date will be exercisable within the period of 30 days from such termination date but any unvested Awards (options or restricted stock units) shall lapse.

## **Change in control**

If there is a change in control, all Awards shall vest in full on the date of the change in control. The participants must exercise their options within a period of 30 days.

## **Delisting**

If the Company is delisted, all outstanding Awards shall vest in full on the date of delisting and will be settled in cash. The cash payment for restricted stock units will be the last quoted share price of the Company and the cash payment for any outstanding share options will be the difference between the last quoted share price and the exercise price for the applicable option. Such cash payments will be made after applicable tax deductions within 30 days of the delisting.

In addition, in February 2019 the Board of Directors approved a special one-off plan which permitted the grant of stock units to certain members of the Management and certain members of the Middle Management<sup>5</sup>, consisting of approximately 25 managers including the Chief Executive Officer. The value of the award was defined as 50% of 2019 target remuneration (including salary and variable bonus). The share units vest over 3 years, one third each year starting in 2020, provided that the manager is still an employee of the company. This was approved by shareholders at the 2019 annual general meeting.

The executive director does not receive any pension contributions.

None of the non-executive directors receive bonuses, long-term incentive awards, pension or other benefits in respect of their services to the Company.

There are no provisions for the recovery of sums paid or the withholding of any sum.

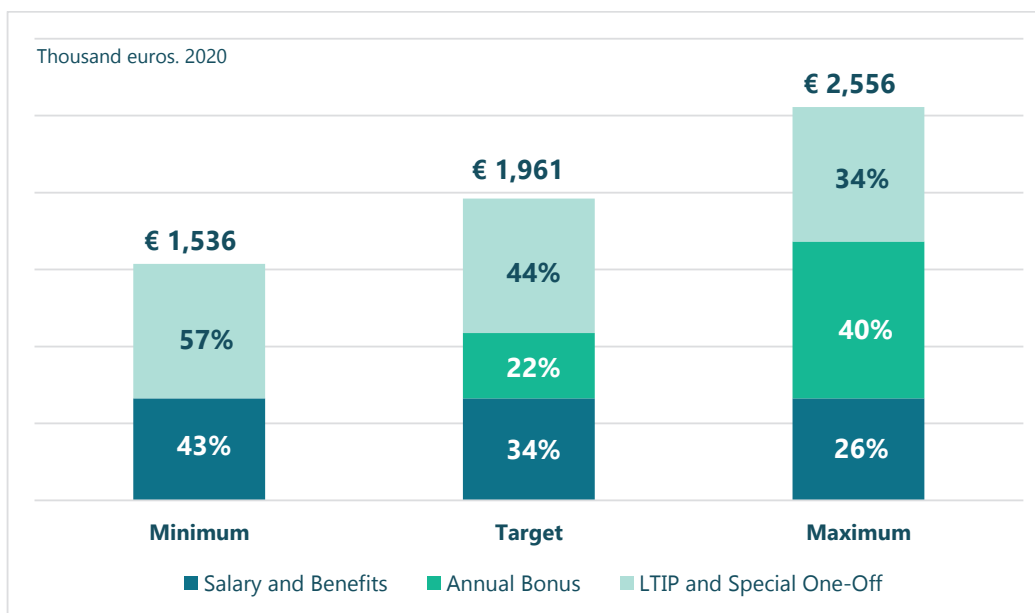
## ***Chief Executive Officer remuneration policy***

The Compensation Committee approved a fixed remuneration of €663 thousand for the Chief Executive Officer for 2020, a 2% increase versus 2019.

Total remuneration of the only executive director for a minimum, target and maximum performance in 2019 is presented in the chart below.

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<sup>5</sup> Middle Management consists of employees who (i) manage a specific area, (ii) supervise a group of employees or, (iii) are considered key personnel within the organization.



Assumptions made for each scenario are as follows:

- Minimum: fixed remuneration plus portion of LTIP and one-off plans vesting in 2020.
- Target: fixed remuneration plus portion of LTIP and one-off plans vesting in 2020 plus half of maximum annual bonus
- Maximum: fixed remuneration plus portion of LTIP and one-off plans vesting in 2020 plus maximum annual bonus

LTIP and one-off plans have been included for the amounts vesting in 2020, assuming a share price of \$31.24 (February 26, 2020 share price).

For 2020, the bonus measures for the remuneration of the Chief Executive Officer, will focus on four areas: financial targets, value creating growth/investments, health and safety and implementing the succession plan.

This approach is intended to provide a balanced assessment of how the business has performed over the course of the year against stated objectives. Targets are aligned with the annual plan and strategic and operational priorities for the year.



For 2020 the bonus objectives are the following:

	Percentage weight
CAFD – Equal or higher than the CAFD budgeted in the 2020 budget	40%
EBITDA – Equal or Higher than the EBITDA budgeted in the 2020 budget	15%
Close accretive acquisitions for the Company	20%
Achieve health and safety targets - (Frequency with Leave / Lost Time Index below 3.5 and General Frequency Index below 11.0) based on reliable targets and consistent measure metrics	10%
Implement the succession plan	15%

### *Approach to recruitment*

As previously stated within this report, the recruitment of managers is largely based on the estimates of two external consultants of the market conditions for similar positions, in terms of fixed and variable remuneration.

In addition, the remuneration policy reflects the composition of the remuneration package for the appointment of new executive directors. We expect to offer a competitive fixed remuneration, an annual bonus not exceeding 200% of the fixed remuneration and a participation in the LTIP plan.

Lastly, whenever needed, the Company can contract an external advisor to hire key personnel.

As stated in the "Single total figure of remuneration for each director", since April 2019, each independent director receives an annual compensation of \$150.0 thousand (approximately €134.0 thousand). The chairman of the Audit Committee receives an additional \$15.0 thousand (approximately €13.4 thousand) per year. The chairman of the Nominating and Corporate Governance Committee and the chairman of the Compensation Committee receive an additional \$10.0 thousand (approximately €8.9 thousand) per year. The chairman of the Board of Directors receives an additional \$75.0 thousand (approximately €67.0 thousand) per year.

Until March 2019, each independent director received a total annual compensation of \$134.0 thousand (approximately €119.7 thousand) and the chairman of the board of directors received an additional \$61.0 thousand (approximately €54.5 thousand) per year. The chairman of the Audit Committee received an additional \$15.0 thousand (approximately €13.4 thousand) per year and the chairman of the Nominating and Corporate Governance Committee and the chairman of the Compensation Committee received an additional \$10.0 thousand (approximately €8.9 thousand) per year.

Compensation for independent non-executive directors is defined in U.S. Dollars. Amounts in euros are provided for information purposes.

Nominee directors did not receive any compensation from us.

The stated above remuneration will be offered in recruitment of independent directors.

### ***Policy on payments for loss of office***

In order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, the policy approved by our shareholders at the 2019 Annual General Shareholders Meeting, introduced certain termination payments to key executives, including the Chief Executive Officer.

The Company agreed with certain executives with strategic and key responsibilities in the Company ("Key Managers"), including the Chief Executive Officer, to make payments for loss of office or employment in addition to the severance payment under the prevailing labour and legal conditions in their contracts or countries where they are employed if they should leave (by loss of office or employment) the Company within 2 years of a change in control. The payment would represent six months of remuneration and will be adjusted to ensure that total payment including severance payment required under prevailing laws represent at least 12 months of remuneration (including salary, benefits, long term incentive plans and variable pay), but never more than 24 months of remuneration, unless required by local law.

A change of control means that a third party or coordinated parties (i) acquire directly or indirectly by any means a number of shares in the Company which (together with the shares that such party may already hold in the Company) amount to more than 50% of the share capital of the Company; or (ii) appoint or have the right to appoint at least half of the members of the Board of Directors of the Company.

No payments would be made to Key Managers for dismissal for breach of contract, breach of fiduciary duties or gross misconduct, determined (in the event of a dispute) by a court of competent jurisdiction to reach a final determination.

### ***Consideration of employee conditions elsewhere***

For the management team and key personnel, our policy is to use two external consultants to estimate market conditions for roles of a similar level of managerial responsibilities and complexity in terms of fixed and variable remuneration and, based on a performance appraisal, set a target remuneration, as a general rule, within that market practice.

The annual variable remuneration payment is calculated with reference to the achievement of a number of specific measurable targets defined at the previous year. Each specific target is measured on a performance scale of 0%-120%.

For the rest of its employees, the Company establishes predefined remuneration ranges for different positions and reviews each individual remuneration depending on performance appraisal within two ranges without employee consultation.

The remuneration of all employees, including the members of the management team, may be adjusted periodically in the framework of the annual salary review process which is carried out for all employees.

Overall, we expect that, following the implementation of our policies, remunerations of the Company's employees will increase in line with the market with the exception of individuals that have been recently promoted or whose remuneration is above market conditions.

### **Statement of consideration of shareholder views**

There are no comments in respect of directors' remuneration expressed to the Company by shareholders. The next Annual Shareholders' Meeting is expected to be held in May 2020.

### **Summary of Policy for Non-Executive Directors**

<b>Name of component</b>	<b>How does the component support the company's objective?</b>	<b>Operation</b>	<b>Maximum</b>
<b>Fees</b>	Attract and retain the high-performing independent non-executive directors	Reviewed annually by the committee and board  The lead independent director/chairman of the Board and the chair of each committee receive additional fees	Annual total compensation for independent non-executive directors, in any case, will not exceed two million dollars
<b>Benefits</b>	Reasonable travel expenses to the Company's registered office or venues for meetings	Customary control procedures	Real costs of travel with a maximum of one million dollars for all directors

Until December 31, 2019, the policy was not to compensate non-independent non-executive directors for the time dedicated. The Company is seeking shareholder approval to compensate non-independent non-executive directors on the same terms as we compensate independent non-executive directors. The remuneration to non-independent non-executive directors is a change to our remuneration policy approved by the Compensation Committee and by the Board of Directors.

### **Service Contracts**

Mr. Seage has a service contract with Atlantica that includes a 6-month notice period.

The non-executive directors do not have a service contract and were elected for a period of three years starting June 2017. Each of the independent non-executive directors will be submitted for re-election by shareholders at the 2020 annual general meeting.

### **Employee Benefit Trusts**

The Company has not established employee trusts for share plans.

### **Statement of Voting at General Meetings**

The remuneration report and the remuneration policy will be submitted to the Annual Shareholders' Meeting in 2020.

## Approval

This report was approved by the board of directors on February 26, 2020 and signed on its behalf by Santiago Seage, Director and Chief Executive Officer.

A handwritten signature in blue ink that reads "Santiago Seage". The signature is written in a cursive style and is positioned above a solid horizontal line.

Director and Chief Executive Officer

Santiago Seage

March 6, 2020

## Directors' Responsibilities Statement

The directors are responsible for preparing the Consolidated Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB)/European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- In preparing the group financial statements, International Accounting Standard 1 requires that directors:
  - properly select and apply accounting policies;
  - present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
  - provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
  - make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Responsibility statement

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

The Consolidated Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

The Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

The Consolidated Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on February 26, 2020 and is signed on its behalf by:

By order of the Board

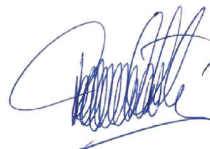


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Director and Chief Executive Officer

Santiago Seage

March 6, 2020



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Chief Financial Officer

Francisco Martinez-Davis

March 6, 2020

# Independent Auditor’s Report to the Members of Atlantica Yield plc

## Opinion

In our opinion:

- Atlantica Yield plc’s group financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2019 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Atlantica Yield plc which comprise:

<b>Group</b>	<b>Parent company</b>
Consolidated Balance Sheet as at 31 December 2019	Balance Sheet as at 31 December 2019
Consolidated Income Statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated Statement of other comprehensive income for the year then ended	
Consolidated Statement of changes in equity for the year then ended	Related notes 1 to 7 to the financial statements including a summary of significant accounting policies
Consolidated Cash flow statement for the year then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Overview of our audit approach**

Key audit matters	<ul style="list-style-type: none"> <li>• Recoverability assessment of contracted concessional assets</li> <li>• Determination of distributable reserves (parent company only)</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of 4 components and audit procedures on specific balances for a further 18 components.</li> <li>• The components where we performed full or specific audit procedures accounted for 87% of Earnings before interest and tax (EBIT), 91% of Revenue and 92% of Total contracted concessional assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of \$25m which represents 5% of group EBIT.</li> </ul>

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.



Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Recoverability assessment of contracted concessional assets</b> (\$8,161 million value of risk, PY comparative \$8,549 million)</p> <p>Refer to the Audit Committee Report (section 2.1 page 13); Accounting policies (Note 3 of the Consolidated Financial Statements page138); and Note 12 of the Consolidated Financial Statements (page 167)</p> <p>At December 31, 2019, the Company's revenues, totalling \$1,011 million, were derived exclusively from its assets across a different range of geographies. The most significant assets and technologies of the Company are renewable energy, efficient natural gas, transmission lines and water assets. As described in Note 2.3 to the consolidated financial statements, these assets are referred to as "contracted concessional assets" which are classified mostly, as intangible assets or as financial assets, depending on the nature of the payment entitlements established in the agreement. Revenue derived from the Company's contracted concessional assets are governed by power purchase agreements (PPAs) with the Company's customers, known as "off-takers" or by regulation.</p> <p>As indicated in Note 2.5 to the consolidated financial statements, the Company reviews its contracted concessional assets for impairment indicators whenever events or changes in circumstances ("triggering events") indicate that the carrying amounts of the assets or group of assets may not be recoverable. In addition, as indicated in Note 6, the company updated Solana impairment test confirming the conclusions reached in the triggering event analysis.</p> <p>Auditing the Company's recoverability assessment related to the contracted</p>	<p>We obtained an understanding of the Company's process related to the recoverability assessment of the Company's contracted concessional assets. We evaluated the design and the operating effectiveness of the controls for identifying and evaluating potential impairment indicators or triggering events.</p> <p>To test the Company's impairment indicators identified for all contracted concessional assets, our audit procedures included, among others, validating the inputs and assumptions used by management by comparing actual energy generated versus budget, obtaining updates on regulatory matters on all significant locations and evaluating the financial situation of the off-takers.</p> <p>In relation to the Solana US plant, in which the company updated the impairment test to confirm the conclusions reached within the triggering event analysis, we evaluated the design and operating effectiveness of controls over the significant assumptions updated in current year impairment test, mainly the production and the discount rate.</p> <p>As a part of our testing procedures, we assessed the appropriateness of the main inputs included in the updated impairment test, mainly by evaluating the consistency of the actual incomes and costs versus budget for the year 2019, as well as the estimations related to the</p>	<p>Based on the audit procedures performed, we conclude that the review of the impairment indicators analysis is appropriate and results in no material impairment triggers for any of the group's contracted concessional assets.</p>

<p>concessional assets involves significant judgment in determining whether a triggering event occurred and, if an event did occur, in the assumptions used by management in the determination if an impairment should be recorded. The main inputs considered when evaluating the triggering events include the performance of the plants in relation to external conditions such as weather and technology changes, as well as legal and tax changes and financial conditions, among others. Significant assumptions used for the update of the impairment calculation of Solana, include, discount rates and projections considering real data based on energy generation.</p>	<p>future energy generation. For the discount rate, we involved our specialists to assist us in recalculating and developing a range of discount rates, which we compared to those used by the Company. Finally, we developed an independent sensitivity analysis through the performance of various stress tests on the primary assumptions used by management, including energy generation and discount rates used in the model. We performed full audit procedures over this risk area for all relevant locations, which covered 100% of the risk amount.</p>	
<p><b>Determination of distributable reserves</b></p> <p><b>This Key Audit Matter relates to the parent company only.</b></p> <p>The Company needs to ensure it has sufficient distributable reserves within the stand-alone parent company to declare dividends in accordance with the UK law.</p> <p>The legal framework applicable to UK companies for determining profits available for distribution is contained in both the Companies Act 2006 ("The Act") and complementary technical guidance, including that issued by the Institute of Chartered Accountants in England and Wales.</p> <p>The Act requires companies to make distributions out of distributable reserves by reference to relevant accounts. Where the relevant accounts do not show sufficient distributable reserves, the company has to file interim accounts before it can make a distribution.</p> <p>The Annual General Meeting of Atlantica Yield plc, approved a share premium redemption of \$500m in May 2018 for which the Company only obtained approval by the High Court of England</p>	<p>We recommended that the Company obtain legal advice and inspected the advice provided by the Company's lawyers. We discussed the legal requirements for distributions directly with the Company's external lawyers. We also discussed the steps required by the company to remediate this legal issue.</p> <p>We inspected records at Companies House to identify compliance with the UK laws and regulations relevant to the distributions.</p> <p>We analysed transactions that impacted the distributable reserves of the parent company and considered whether any of these transactions did not meet the criteria of distributable reserves. We also reperformed the calculation of parent company distributable profits available for distribution and audited the roll-forward of profits available for distribution from 1 January 2014 to 31 December 2019.</p>	<p>We consider the impact of the various transactions during the year on distributable reserves to be appropriately considered and the reserves available for distribution to be satisfactorily disclosed. We considered disclosures made in respect of not filing relevant accounts for the interim dividend distributions and share premium redemptions and concluded these to be appropriate.</p>

<p>and Wales in May 2019. The transfer between the Share Premium Account and distributable reserves recorded in the 2018 financial statements should not have been recorded until May 2019 and hence the \$500m did not become distributable until May 2019. Further, the company should have filed interim accounts for dividends paid in August 2018 and subsequently. Hence the dividends declared and paid by management from August 2018 until June 2019 were not in compliance with the Companies Act 2006 requirements.</p> <p>In respect of the interim dividends distributed from June 2019 management had declared interim dividends without complying with the Companies Act requirement to file interim accounts with Companies House.</p> <p>Given the technical and administrative oversights which led to distributions made otherwise than in accordance with the Companies Act 2006, we consider the risk in this area to have increased and have therefore included this as a Key Audit Matter for the first time.</p>	<p>We reviewed disclosures made in respect of this matter, including the related party disclosures and the amendment of prior year share premium and capital reserves balances which have no impact on the company's total equity, for appropriateness and compliance with UK GAAP. The amendment has no impact on the consolidated financial statements.</p> <p>We performed full audit procedures over this risk area, which covered 100% of the risk amount.</p>	
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## **An overview of the scope of our audit**

### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls and changes in the business environment.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 64 reporting components of the Group, we selected 22 components covering entities within Spain, México, USA, Peru, South Africa and UK, which represent the principal business units within the Group.

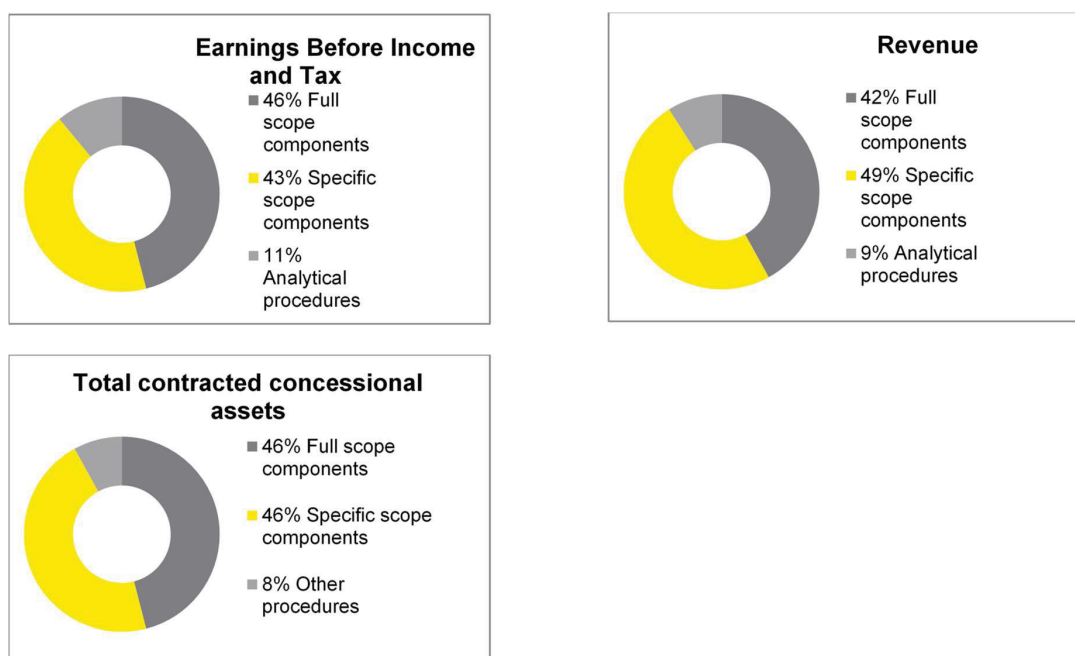
Of the 22 components selected, we performed an audit of the complete financial information of 4 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 18 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 89% of the Group's Earnings before interest and tax "EBIT" used to calculate materiality, 91% of the Group's Revenue and 92%

of the Group's Total contracted concessional assets. For the current year, the full scope components contributed 46% of the Group's EBIT, 42% of the Group's Revenue and 46% of the Group's Total contracted concessional assets. The specific scope component contributed 43% of the Group's EBIT, 49% of the Group's Revenue and 46% of the Group's Total contracted concessional assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 42 components that together represent 11% of the Group's EBIT, none are individually greater than 3% of the Group's EBIT. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



### Integrated team structure

The overall audit strategy is determined by the UK senior statutory auditor, Stephney Dallmann and Spanish senior auditor Ambrosio Arroyo Fernandez-Rañada. Atlantica Yield plc Group is based in the UK, however, due to the structure of the Atlantica Yield PLC ownership, the Group team includes members from both the UK and Spain. The UK auditor travelled to Spain during the current year's audit and members of the Group audit team in both jurisdictions worked together as an integrated team. Both partners attended certain Audit Committee meetings during the course of the audit and concluded on key judgements.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 4 full scope components, significant audit areas procedures were performed on 3 of these directly by the primary audit team. For the 18 specific scope components, where the work was performed by component auditors, we

determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, visits were undertaken by the Group audit team to component teams in the UK, Spain, Mexico, the United States, South Africa, Chile, Peru and Uruguay. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management and reviewing key audit working papers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### **Materiality**

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$25 million, which is 5% of earnings before interest and tax. We believe that this materiality basis provides us with the best assessment of the requirements of the users of the financial statements. The auditors in the prior period determined materiality for the Group to be \$40 million in the comparative period, which was five per cent of earnings before interest, tax, depreciation and amortization (EBITDA).

We determined materiality for the Parent Company to be \$32 million, which is 2% of Equity.

### **Performance materiality**

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$12.5m. We have set performance materiality at this percentage due to the additional complexities associated with a first year audit

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$2m to \$6m.

### **Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$1.2m, which is set at 5% of planning materiality, as well as differences below that threshold that,

in our view, warranted reporting on qualitative grounds. The auditors in the prior period reported differences in excess of \$2m in the comparative period.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the annual report set out on pages 2 to 118, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 117, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

*Stephney Dallmann (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
10 March 2020*

### Notes:

1. The maintenance and integrity of the Atlantica Yield plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated Financial Statement

## Consolidated Income Statement

Amounts in thousands of U.S. dollars

	Note (1)	For the year ended December 31,	
		2019	2018
Revenue	4	1,011,452	1,043,822
Other operating income	8	93,774	132,557
Employee benefit expenses	7	(32,246)	(15,130)
Depreciation, amortization, and impairment charges	12	(310,755)	(362,697)
Other operating expenses	8	(261,776)	(310,642)
<b>Operating profit</b>		<b>500,449</b>	<b>487,910</b>
Finance income	9	4,121	36,444
Finance expenses	9	(407,990)	(425,019)
Net exchange gains/(losses)		2,674	1,597
Net other finance (expenses)/income	9	(1,153)	(8,235)
<b>Net finance costs</b>		<b>(402,348)</b>	<b>(395,213)</b>
Share of profit/(loss) of associates carried under the equity method	13	7,457	5,231
<b>Profit before income tax</b>		<b>105,558</b>	<b>97,928</b>
Income tax	10	(30,950)	(42,659)
<b>Profit/ (Loss) for the year</b>		<b>74,608</b>	<b>55,269</b>
Profit attributable to non-controlling interests		(12,473)	(13,673)
<b>Profit/ (Loss) for the year attributable to owners of the Company</b>		<b>62,135</b>	<b>41,596</b>
Weighted average number of ordinary shares outstanding (thousands)	29	101,063	100,217
<b>Basic and diluted earnings per share (U.S. dollar per share)</b>	29	0.61	0.42

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

All results are derived from continuing operations.



## Consolidated Statement of other comprehensive income

Amounts in thousands of U.S. dollars	Note (1)	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>Profit / (Loss) for the year</b>		<b>74,608</b>	<b>55,269</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of cash flow hedges		(81,713)	(40,220)
Less: reclassification adjustments for gains / (losses) transferred to profit or loss	23	55,765	67,519
Exchange differences on translation of foreign operations		(22,284)	(57,628)
Income tax relating to items that may be reclassified subsequently to profit or loss		6,147	(10,685)
<b>Other comprehensive income/(loss) for the year net of tax</b>		<b>(42,085)</b>	<b>(41,014)</b>
<b>Total comprehensive income for the year</b>		<b>32,523</b>	<b>14,255</b>
Total comprehensive income/ (loss) attributable to:			
Owners of the Company		20,094	2,301
Non-controlling interests		12,429	11,954

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

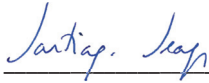
## Consolidated Balance Sheet

Amounts in thousands of U.S. dollars	Note (1)	As of December 31, 2019	As of December 31, 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Contracted concessional assets	12	8,161,129	8,549,181
Investments carried under the equity method	13	139,925	53,419
Financial investments	22	91,587	52,670
Deferred tax assets	10	147,966	136,066
<b>Total non-current assets</b>		<b>8,540,607</b>	<b>8,791,336</b>
<b>Current assets</b>			
Inventories		20,268	18,924
Trade and other receivables	14&22	317,568	236,395
Financial investments	22	218,577	240,834
Cash and cash equivalents	15&22	562,795	631,542
<b>Total current assets</b>		<b>1,119,208</b>	<b>1,127,695</b>
<b>Total assets</b>		<b>9,659,815</b>	<b>9,919,031</b>
<b>Equity</b>			
Share capital		10,160	10,022
Parent company reserves		1,900,800	2,029,940
Other reserves		73,797	95,011
Accumulated currency translation reserve		(90,824)	(68,315)
Retained earnings		(385,457)	(449,274)
Equity attributable to the Company		1,508,476	1,617,384
Non-controlling interests		206,380	138,728
<b>Total equity</b>	20	<b>1,714,856</b>	<b>1,756,112</b>
<b>Non-current liabilities</b>			
Long-term corporate debt	16	695,085	415,168
Long-term project debt	17	4,069,909	4,826,659
Grants and other liabilities	18	1,641,752	1,658,126
Related parties	26	17,115	33,675
Derivative liabilities	22	298,744	279,152
Deferred tax liabilities	10	248,996	211,000
<b>Total non-current liabilities</b>		<b>6,971,601</b>	<b>7,423,780</b>
<b>Current liabilities</b>			
Short-term corporate debt	16	28,706	268,905
Short-term project debt	17	782,439	264,455
Trade payables and other current liabilities	19	128,062	192,033
Income and other tax payables		34,151	13,746
<b>Total current liabilities</b>		<b>973,358</b>	<b>739,139</b>
<b>Total equity and liabilities</b>		<b>9,659,815</b>	<b>9,919,031</b>

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

The consolidated financial statements of Atlantica Yield plc, company registration no. 08818211, were approved by the board of directors and authorised for issue on 26 February 2020.

They were signed on its behalf by:



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Director and Chief Executive Officer

Santiago Seage

March 6, 2020

## Consolidated Statement of changes in equity

Amounts in thousands of U.S. dollars

	Share Capital	Parent company reserve*	Other reserves	Retained earnings	Accumulated currency translation differences	Total equity attributable to the Company	Non- controlling interest	Total equity
<b>Balance as of January 1, 2019</b>	<b>10,022</b>	<b>2,029,940</b>	<b>95,011</b>	<b>(449,274)</b>	<b>(68,315)</b>	<b>1,617,384</b>	<b>138,728</b>	<b>1,756,112</b>
<b>Profit for the year after taxes</b>	-	-	-	62,135	-	62,135	12,473	74,608
Change in fair value of cash flow hedges	-	-	(27,947)	1,682	-	(26,265)	317	(25,948)
Currency translation differences	-	-	-	-	(22,509)	(22,509)	225	(22,284)
Tax effect	-	-	6,733	-	-	6,733	(586)	6,147
<b>Other comprehensive income / (loss)</b>	-	-	(21,214)	1,682	(22,509)	(42,041)	(44)	(42,085)
<b>Total comprehensive income/(loss)</b>	-	-	(21,214)	63,817	(22,509)	20,094	12,429	32,523
<b>Capital reduction</b>	-	-	-	-	-	-	(2,688)	(2,688)
<b>Capital increase (Note 20)</b>	138	29,862	-	-	-	30,000	-	30,000
<b>Change in the scope of consolidation (Note 5)</b>	-	-	-	-	-	-	92,303	92,303
<b>Dividend distribution</b>	-	(159,002)	-	-	-	(159,002)	(34,392)	(193,394)
<b>Balance as of December 31, 2019</b>	<b>10,160</b>	<b>1,900,800</b>	<b>73,797</b>	<b>(385,457)</b>	<b>(90,824)</b>	<b>1,508,476</b>	<b>206,380</b>	<b>1,714,856</b>
<b>Balance as of December 31, 2017</b>	<b>10,022</b>	<b>2,163,229</b>	<b>80,968</b>	<b>(477,214)</b>	<b>(18,147)</b>	<b>1,758,858</b>	<b>136,595</b>	<b>1,895,453</b>
Application of new accounting standards effective January 1, 2018	-	-	1,326	(11,812)	-	(10,486)	-	(10,486)
<b>Balance as of January 1, 2018</b>	<b>10,022</b>	<b>2,163,229</b>	<b>82,294</b>	<b>(489,026)</b>	<b>(18,147)</b>	<b>1,748,372</b>	<b>136,595</b>	<b>1,884,967</b>
<b>Loss for the year after taxes</b>	-	-	-	41,596	-	41,596	13,673	55,269
Change in fair value of cash flow hedges	-	-	21,474	(236)	-	21,238	6,061	27,299
Currency translation differences	-	-	-	-	(50,168)	(50,168)	(7,460)	(57,628)
Tax effect	-	-	(8,757)	(1,608)	-	(10,365)	(320)	(10,685)
<b>Other comprehensive income/(loss)</b>	-	-	12,717	(1,844)	(50,168)	(39,295)	(1,719)	(41,014)
<b>Total comprehensive income/(loss)</b>	-	-	12,717	39,752	(50,168)	2,301	11,954	14,255
<b>Dividend distribution</b>	-	(133,289)	-	-	-	(133,289)	(9,821)	(143,110)
<b>Balance as of December 31, 2018</b>	<b>10,022</b>	<b>2,029,940</b>	<b>95,011</b>	<b>(449,274)</b>	<b>(68,315)</b>	<b>1,617,384</b>	<b>138,728</b>	<b>1,756,112</b>

\*Parent company reserve consists of both Capital reserves as well as the Share Premium. Refer to Note 20 for more details.

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

## Consolidated Cash flow statement

Amounts in thousands of U.S. dollars	Note (1)	For the year ended	
		2019	2018
<b>Profit/(Loss) for the year</b>		<b>74,608</b>	<b>55,269</b>
<b>Non-monetary adjustments</b>			
Depreciation, amortization and impairment charges	12	310,755	362,697
Finance costs	9	405,634	396,411
Fair value losses on derivative financial instruments	9	(613)	399
Shares of (profits)/losses from associates		(7,457)	(5,231)
Income tax	10	30,950	42,659
Changes in consolidation and other non-monetary items		(37,432)	(99,280)
<b>Profit for the year adjusted by non-monetary items</b>		<b>776,445</b>	<b>752,924</b>
<b>Variations in working capital</b>			
Inventories		(1,343)	(1,991)
Trade and other receivables		(71,505)	5,564
Trade payables and other current liabilities		(36,533)	(4,898)
Financial investments and other current assets/liabilities		(3,970)	(17,019)
<b>Variations in working capital</b>		<b>(113,351)</b>	<b>(18,344)</b>
Income tax paid		(23)	(12,525)
Interest received		10,135	6,726
Interest paid		(309,625)	(327,738)
<b>Net cash provided by operating activities</b>		<b>363,581</b>	<b>401,043</b>
Investments in entities under the equity method		30,443	4,432
Investments in contracted concessional assets*		22,009	68,048
Other non-current assets/liabilities		2,703	(16,668)
(Acquisitions) / sales of subsidiaries and other financial instruments		(173,366)	(70,672)
<b>Net cash (used in) / provided by investing activities</b>		<b>(118,211)</b>	<b>(14,860)</b>
Proceeds from Project & Corporate debt	16&17	358,826	123,767
Repayment of Project & Corporate debt	16&17	(603,070)	(385,964)
Dividends paid to Company's shareholders		(159,002)	(133,289)
Dividends paid to Non-controlling interests		(29,239)	(9,745)
Non-controlling interests capital contribution		92,303	-
Capital increase		30,000	-
<b>Net cash used in financing activities</b>		<b>(310,182)</b>	<b>(405,231)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(64,812)</b>	<b>(19,048)</b>
Cash and cash equivalents at beginning of the year	15	631,542	669,387
Translation differences cash and cash equivalents		(3,935)	(18,797)
<b>Cash and cash equivalents at the end of the year</b>	15	<b>562,795</b>	<b>631,542</b>

\* Includes proceeds for \$22.2 million and \$72.6 million for the years ended December 31, 2019 and 2018, respectively (Note 12)

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

## Notes to the consolidated financial statements

### 1. General information

Atlantica Yield plc. ('Atlantica' or the Company) is a company incorporated in the United Kingdom under the Companies Act. The Company is a public Company limited by shares and is registered in England and Wales. The address of the registered office is Great West Road, Brentford TW8 9DF, Greater London (United Kingdom). The Company is the ultimate parent company of the Group. Atlantica is a sustainable total return infrastructure company that owns, manages and acquires renewable energy, efficient natural gas, electric transmission lines and water assets focused on North America (the United States, Mexico and Canada), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa).

These financial statements are presented in US Dollars. Foreign operations are included in accordance with the policies set out in Note 3. Amounts included in these financial statements are rounded to the nearest thousand, except when otherwise indicated.

On March 9, 2018 and on November 27, 2018, Algonquin Power & Utilities ("Algonquin") announced that it completed the acquisition from Abengoa S.A. ("Abengoa") of a 25% and 16.47% equity interest in Atlantica, respectively. Algonquin is the largest shareholder of the Company and currently owns a 44.2% stake in Atlantica. Algonquin's voting shareholding in Atlantica may be increased up to a 48.5% without any change in corporate governance. Algonquin's voting rights and rights to appoint directors are limited to a 41.5% and the additional 7% would vote replicating non-Algonquin's shareholders vote. Algonquin does not consolidate the Company in its consolidated financial statements.

In January 2019, the Company entered into an agreement with Abengoa under the Abengoa ROFO Agreement for the acquisition of Befesa Agua Tenes, a holding company which owns a 51% stake in Tenes, a water desalination plant in Algeria, similar in several aspects to Skikda and Honaine plants. The price agreed for the equity value was \$24.5 million, of which \$19.9 million were paid in January 2019 as an advanced payment. Closing of the acquisition was subject to conditions precedent, including approval by the Algerian administration. The conditions precedent set forth in the share purchase agreement were not fulfilled as of September 30, 2019. Therefore, in accordance with the terms of the share purchase agreement the advanced payment has been converted into a secured loan to be reimbursed by Befesa Agua Tenes, together with 12% per annum interest, through a full cash-sweep of all the dividends generated to be received from the asset. These dividends would be guaranteed by a right of usufruct over the economic rights and certain political rights and a pledge over the shares of Befesa Agua Tenes, granted by Abengoa to the Company. The share purchase agreement requires that the repayment occurs no later than September 30, 2031. In October 2019 the Company received a first payment of \$7.8 million through the cash sweep mechanism.

On April 15, 2019, the Company entered into an agreement to acquire a 30% stake in Monterrey, a 142 MW gas-fired engine facility including 130 MW installed capacity and 12 MW battery capacity ("Monterrey"). The acquisition was closed on August 2, 2019, after conditions precedent were fulfilled, and the Company paid \$42 million for the total investment. The asset, located in

## **Notes to the consolidated financial statements**

### **31 December 2019**

Mexico, has been in operation since 2018 and represents the first investment in electric batteries for the Company. It has a U.S. dollar-denominated 20-year PPA with two international large corporations engaged in the car manufacturing industry as well as a 20-year contract for the natural gas transportation with a U.S. energy company. The PPA also includes price escalation factors. The asset is the sole electricity supplier for the off-takers, it has no commodity risk and also has the possibility to sell excess energy to the North-East region of the country. The Company also entered into a ROFO agreement with the seller of the shares for the remaining 70% stake in the asset.

On May 9, 2019, the Company entered into a partnership agreement with Algonquin, investing \$4.9 million in the equity of a wind farm, Amherst Island, with a 75 MW installed capacity, owned and operated by Algonquin in Canada.

On August 2, 2019, the Company closed the acquisition of ASI Operations LLC ("ASI Ops"), the company that performs the operation and maintenance services to Solana and Mojave plants. The consideration paid was \$6 million.

On October 22, 2019, the Company closed the acquisition of ATN Expansion 2 from Enel Green Power Perú, for a total equity investment of approximately \$20 million, controlling the asset from this date. Transfer of the concession agreement is pending authorization from the Ministry of Energy in Peru. If this authorization were not to be obtained within an eight-month period from the acquisition date, the transaction would be reversed with no penalties to Atlantica. Enel Green Power Perú issued a bank guarantee to face this potential repayment obligation to Atlantica.

### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB ('IFRS-IASB') as well as adopted by the European Union ('IFRS-EU') and the Article 4 of the IAS Regulation, and on a basis consistent with the prior year.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### **Basis of consolidation**

#### a) Controlled entities

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

## Notes to the consolidated financial statements

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The Company reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company uses the acquisition method to account for business combinations of companies controlled by a third party. According to this method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any contingent consideration is recognized at fair value at the acquisition date and subsequent changes in its fair value are recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Acquisition related costs are expensed as incurred. The Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets on an acquisition by acquisition basis.

All assets and liabilities between entities of the group, equity, income, expenses, and cash flows relating to transactions between entities of the group are eliminated in full.

#### b) Investments accounted for under the equity method

An associate is an entity over which the Company has 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 results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company share of the profit or loss and other comprehensive income of the associate.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further detail is contained in the Strategic Report on page 78.

## 2. Adoption of new and revised Standards

- a) Standards, interpretations and amendments effective from January 1, 2019 under IFRS-IASB/IFRS-EU, applied by the Company in the preparation of these consolidated financial statements:
- IFRS 9 (Amendments to IFRS 9): Prepayment Features with Negative Compensation. This Standard is applicable for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.



## Notes to the consolidated financial statements

### 31 December 2019

- IAS 19 (Amendments to IAS 19): Plan Amendment, Curtailment or Settlement. This amendment is mandatory for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.
- IFRIC 23: Uncertainty over Income Tax Treatments. This Standard is applicable for annual periods beginning on or after January 1, 2019 under IFRS-IASB/IFRS-EU.
- IAS 28 (Amendment). Long-term Interests in Associates and Joint Ventures. This amendment is mandatory for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.
- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest). This amendment is mandatory for annual periods beginning on or after January 1, 2019 under IFRS-IASB/IFRS-EU.

The applications of these amendments have not had any material impact on these consolidated financial statements.

b) Standards, interpretations and amendments published by the IASB that will be effective for periods beginning on or after January 1, 2020:

- IFRS 17 'Insurance Contracts'. This Standard is applicable for annual periods beginning on or after January 1, 2021 under IFRS-IASB, earlier application is permitted.
- IFRS 3 (Amendment). Definition of Business. This amendment is mandatory for annual periods beginning on or after January 1, 2020 under IFRS-IASB, earlier application is permitted.
- IAS 1 and IAS 8 (Amendment). Definition of Material. This amendment is mandatory for annual periods beginning on or after January 1, 2020 under IFRS-IASB, earlier application is permitted.
- IAS 1 (Amendment). Classification of liabilities. This amendment is mandatory for annual periods beginning on or after January 1, 2022 under IFRS-IASB.
- IFRS 7 and IFRS 9. Amendments regarding pre-replacement issues in the context of the IBOR reform. These amendments are mandatory for annual periods beginning on or after January 1, 2020 under IFRS-IASB.
- Amendments to References to the Conceptual Frameworks in IFRS Standards. This Standard is applicable for annual periods beginning on or after January 1, 2020 under IFRS-IASB.

The Company does not anticipate any significant impact on the consolidated financial statements derived from the application of the new standards and amendments that will be effective for annual periods beginning on or after January 1, 2020, although it is currently still in the process of evaluating such application.

## Notes to the consolidated financial statements

### 31 December 2019

### 3. Significant accounting policies

#### Critical accounting judgements and estimates

The critical judgements which have been made in the process of applying the accounting policies are detailed below:

- Contracted concessional assets and purchase price agreements

The application of IFRIC 12 requires judgement to (i) the identification of certain infrastructures and contractual agreements in the scope of IFRIC 12; (ii) the understanding of the nature of the payments in order to determine the classification as a financial asset or as an intangible asset, and (iii) the timing and recognition of the revenue for construction and concessional activity.

- Recoverability assessment of contracted concessional assets

Atlantica reviews its contracted concessional assets to identify any indicators of impairment at least annually.

#### *Key sources of estimation uncertainty*

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Contracted concessional assets and price purchase agreements

Contracted concessional assets and price purchase agreements (PPAs) include fixed assets financed through project debt, related to service concession arrangements recorded in accordance with International Financial Reporting Interpretations Committee 12 – Service Concession Arrangements (“IFRIC 12”), except for Palmucho, which is recorded in accordance with IFRS 16, Leases and PS10, PS20, Mini-Hydro, Chile TL 3 and Seville PV, which are recorded as tangible assets in accordance with IAS 16 Property, Plant and Equipment. The infrastructure assets accounted for by the Company as concessions are related to the activities concerning electric transmission lines, solar electricity generation plants, cogeneration plants, wind farms and water plants. The useful life of these assets is approximately the same as the length of the concession arrangement. The infrastructure used in a concession can be classified as an intangible asset or a financial asset, depending on the nature of the payment entitlements established in the agreement.

The application of IFRIC 12 requires extensive judgment including, among other factors, (i) the identification of certain infrastructure assets and contractual agreements in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset and (iii) the timing and recognition of the revenue from construction and concessionary activity.

## Notes to the consolidated financial statements

### 31 December 2019

Under the terms of contractual arrangements within the scope of this interpretation, the operator shall recognize and measure revenue in accordance with IFRS 15 – Revenue from Contracts with Customers for the services it performs.

#### a) Intangible assets

The Company recognizes an intangible asset to the extent that it receives a right to charge final customers for the use of the infrastructure. This intangible asset is subject to the provisions of IAS 38 Intangible Assets and is amortized linearly, taking into account the estimated period of commercial operation of the infrastructure which coincides with the concession period.

Once the infrastructure is in operation, the treatment of income and expenses is as follows:

- Revenues from the updated annual revenue for the contracted concession, as well as operations and maintenance services are recognized in each period according to IFRS 15 “Revenue from contracts with customers”.
- Operating and maintenance costs and general overheads and administrative costs are recorded in accordance with the nature of the cost incurred (amount due) in each period.
- Financing costs are expensed as incurred.

#### b) Financial assets

The Company recognizes a financial asset when demand risk is assumed by the grantor, to the extent that the concession holder has an unconditional right to receive payments for the asset. This asset is recognized at the fair value of the construction services provided, considering upgrade services in accordance with IAS 11 Construction Contracts, if any.

The financial asset is subsequently recorded at amortized cost calculated according to the effective interest method. Revenue from operations and maintenance services is recognized in each period according to IFRS 15. The income from managing and operating the asset resulting from the valuation at amortized cost is also recorded in revenue.

Financing costs are expensed as incurred.

According to IFRS 9, Atlantica recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

There are two main approaches to applying the ECL model according to IFRS 9: the general approach which involves a three-stage approach, and the simplified approach, which can be applied to trade receivables, contract assets and lease receivables. Atlantica has elected to apply the simplified approach. Under this approach, there is no need to monitor for significant increases

## Notes to the consolidated financial statements

### 31 December 2019

in credit risk and entities will be required to measure lifetime expected credit losses at the end of each reporting period.

The key elements of the ECL calculations are the following:

- the Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. Atlantica calculates PD based on Credit Default Swaps spreads ("CDS");
- the Exposure at Default ("EAD") is an estimate of the exposure at a future default date;
- the Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is expressed as a percentage of the EAD.

#### c) Property, plant and equipment

Property, plant and equipment includes property, plant and equipment of companies or project companies. Property, plant and equipment is measured at historical cost, including all expenses directly attributable to the acquisition, less depreciation and impairment losses, with the exception of land, which is presented net of any impairment losses. Once the infrastructure is in operation, the treatment of income and expenses is the same as the one described above for intangible assets.

#### d) Right-of-use assets

Main right of use agreements correspond to land rights. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to assets impairment.

### Borrowing costs

Interest costs incurred that are directly attributable to the construction of any qualifying asset are capitalized over the period required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its internal use or sale, which is considered to be more than one year. Remaining borrowing costs are expensed in the period in which they are incurred.

## Notes to the consolidated financial statements

### 31 December 2019

#### Asset impairment

Atlantica reviews its contracted concessional assets to identify any indicators of impairment at least annually. When impairment indicators exist, the Company calculates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the estimated future cash flows to be generated by the asset. In the event that the asset does not generate cash flows independently of other assets, the Company calculates the recoverable amount of the Cash Generating Unit ('CGU') to which the asset belongs. When the carrying amount of the CGU to which these assets belong is lower than its recoverable amount, the assets are impaired.

Assumptions used to calculate value in use include a discount rate, growth rate and projections considering real data based in the contracts terms and projected changes in both selling prices and costs. The discount rate is estimated by Management, to reflect both changes in the value of money over time and the risks associated with the specific CGU. For contracted concessional assets, with a defined useful life and with a specific financial structure, cash flow projections until the end of the project are considered and no terminal value is assumed.

Contracted concessional assets have a contractual structure that permits the Company to estimate accurately the costs of the project and revenue during the life of the project.

Projections take into account real data based on the contract terms and fundamental assumptions based on specific reports prepared internally and supported by specialists, assumptions on demand and assumptions on production. Additionally, assumptions on macro-economic conditions are taken into account, such as inflation rates, future interest rates, etc. and sensitivity analyses are performed over all major assumptions which can have a significant impact in the value of the assets.

Cash flow projections of CGUs are calculated in the functional currency of those CGUs and are discounted using rates that take into consideration the risk corresponding to each specific country and currency. Taking into account that in most CGUs the specific financial structure is linked to the financial structure of the projects that are part of those CGUs, the discount rate used to calculate the present value of cash-flow projections is based on the weighted average cost of capital (WACC) for the type of asset, adjusted, if necessary, in accordance with the business of the specific activity and with the risk associated with the country where the project is performed.

In any case, sensitivity analyses are performed, especially in relation to the discount rate used and fair value changes in the main business variables, in order to ensure that possible changes in the estimates of these items do not impact the recovery of recognized assets.

Accordingly, the following table provides a summary of the discount rates used (WACC) and growth rates to calculate the recoverable amount for CGUs with the operating segment to which it pertains:

**Notes to the consolidated financial statements**  
**31 December 2019**

<b>Operating segment</b>	<b>Discount Rate</b>	<b>Growth Rate</b>
EMEA.....	4% - 6%	0%
North America.....	4% - 5%	0%
South America.....	5% - 7%	0%

In the event that the recoverable amount of an asset is lower than its carrying amount, an impairment charge for the difference would be recorded in the income statement under the item "Depreciation, amortization and impairment charges". Pursuant to IAS 36 - Impairment of Assets, an impairment loss is recognized by the Company if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate.

**Loans and accounts receivable**

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments, not listed on an active market. In accordance with IFRIC 12, certain assets under concessions qualify as financial assets and are recorded as is described in note 12. Pursuant to IFRS 9, Financial instruments, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. Loans and accounts receivable are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost in accordance with the effective interest rate method. Interest calculated using the effective interest rate method is recognized under other financial income within financial income.

**Derivative financial instruments and hedging activities**

Derivatives are recorded at fair value. The Company applies hedge accounting to all hedging derivatives that qualify to be accounted for as hedges under IFRS-IASB/IFRS-EU.

When hedge accounting is applied, hedging strategy and risk management objectives are documented at inception, as well as the relationship between hedging instruments and hedged items. Effectiveness of the hedging relationship needs to be assessed on an ongoing basis. Effectiveness tests are performed retrospectively at inception and at each reporting date, following the dollar offset method or the regression method, depending on the type of derivatives and the type of tests performed.

Atlantica applies cash flow hedging. Under this method, the effective portion of changes in fair value of derivatives designated as cash flow hedges are recorded temporarily in equity and are subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Any ineffective portion of the hedged transaction is recorded in the consolidated income statement as it occurs.

## Notes to the consolidated financial statements

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When interest rate options are designated as hedging instruments, the intrinsic value and time value of the financial hedge instrument are separated. Changes in intrinsic and time value which are highly effective are recorded in equity and subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Any ineffectiveness is recorded as financial income or expense as it occurs.

When the hedging instrument matures or is sold, or when it no longer meets the requirements to apply hedge accounting, accumulated gains and losses recorded in equity remain as such until the forecast transaction is ultimately recognized in the income statement. However, if it becomes unlikely that the forecast transaction will actually take place, the accumulated gains and losses in equity are recognized immediately in the income statement.

#### Fair value estimates

Financial instruments measured at fair value are presented in accordance with the following level classification based on the nature of the inputs used for the calculation of fair value:

- Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value is measured based on unobservable inputs for the asset or liability.

In the event that prices cannot be observed, the management shall make its best estimate of the price that the market would otherwise establish based on proprietary internal models which, in the majority of cases, use data based on observable market parameters as significant inputs (Level 2) but occasionally use market data that is not observed as significant inputs (Level 3). Different techniques can be used to make this estimate, including extrapolation of observable market data. The best indication of the initial fair value of a financial instrument is the price of the transaction, except when the value of the instrument can be obtained from other transactions carried out in the market with the same or similar instruments, or valued using a valuation technique in which the variables used only include observable market data, mainly interest rates. Differences between the transaction price and the fair value based on valuation techniques that use data that is not observed in the market, are not initially recognized in the income statement.

Atlantica derivatives correspond primarily to the interest rate swaps designated as cash flow hedges which are classified as Level 2.

#### Description of the valuation method

Interest rate swap valuations are made by valuing the swap part of the contract and valuing the credit risk. The methodology used by the market and applied by Atlantica to value interest rate swaps is to discount the expected future cash flows according to the parameters of the contract. Variable interest rates, which are needed to estimate future cash flows, are calculated using the

## Notes to the consolidated financial statements

### 31 December 2019

curve for the corresponding currency and extracting the implicit rates for each of the reference dates in the contract. These estimated flows are discounted with the swap zero curve for the reference period of the contract.

The effect of the credit risk on the valuation of the interest rate swaps depends on the future settlement. If the settlement is favourable for the Company, the counterparty credit spread will be incorporated to quantify the probability of default at maturity. If the expected settlement is negative for the Company, its own credit risk will be applied to the final settlement.

Classic models for valuing interest rate swaps use deterministic valuation of the future of variable rates, based on future outlooks. When quantifying credit risk, this model is limited by considering only the risk for the current paying party, ignoring the fact that the derivative could change sign at maturity. A payer and receiver swaption model is proposed for these cases. This enables the associated risk in each swap position to be reflected. Thus, the model shows each agent's exposure, on each payment date, as the value of entering into the 'tail' of the swap, i.e. the live part of the swap.

#### Variables (Inputs)

Interest rate derivative valuation models use the corresponding interest rate curves for the relevant currency and underlying reference in order to estimate the future cash flows and to discount them. Market prices for deposits, futures contracts and interest rate swaps are used to construct these curves. Interest rate options (caps and floors) also use the volatility of the reference interest rate curve.

To estimate the credit risk of the counterparty, the credit default swap (CDS) spreads curve is obtained in the market for important individual issuers. For less liquid issuers, the spreads curve is estimated using comparable CDSs or based on the country curve. To estimate proprietary credit risk, prices of debt issues in the market and CDSs for the sector and geographic location are used.

The fair value of the financial instruments that results from the aforementioned internal models takes into account, among other factors, the terms and conditions of the contracts and observable market data, such as interest rates, credit risk and volatility. The valuation models do not include significant levels of subjectivity, since these methodologies can be adjusted and calibrated, as appropriate, using the internal calculation of fair value and subsequently compared to the corresponding actively traded price. However, valuation adjustments may be necessary when the listed market prices are not available for comparison purposes.

#### **Trade and other receivables**

Trade and other receivables are amounts due from customers for sales in the normal course of business. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less allowance for doubtful accounts. Trade receivables due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.



## **Notes to the consolidated financial statements**

### **31 December 2019**

An allowance for doubtful accounts is recorded when there is objective evidence that the Company will not be able to recover all amounts due as per the original terms of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### **Grants**

Grants are recognized at fair value when it is considered that there is a reasonable assurance that the grant will be received and that the necessary qualifying conditions, as agreed with the entity assigning the grant, will be adequately complied with.

Grants are recorded as liabilities in the consolidated statement of financial position and are recognized in "Other operating income" in the consolidated income statement based on the period necessary to match them with the costs they intend to compensate. In addition, grants correspond also to loans with interest rates below market rates, for the initial difference between the fair value of the loan and the proceeds received.

#### **Loans and borrowings**

Loans and borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost and any difference between the proceeds initially received (net of transaction costs incurred in obtaining such proceeds) and the repayment value is recognized in the consolidated income statement over the duration of the borrowing using the effective interest rate method.

Loans with interest rates below market rates are initially recognized at fair value in liabilities and the difference between proceeds received from the loan and its fair value is initially recorded within "Grants and Other liabilities" in the consolidated statement of financial position, and subsequently recorded in "Other operating income" in the consolidated income statement when the costs financed with the loan are expensed.

Lease liabilities are recognized by the Company at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date considering that the interest rate implicit in the lease is not readily determinable.

#### **Bonds and notes**

The Company initially recognizes ordinary notes at fair value, net of issuance costs incurred. Subsequently, notes are measured at amortized cost until settlement upon maturity. Any other difference between the proceeds obtained (net of transaction costs) and the redemption value is

## **Notes to the consolidated financial statements**

### **31 December 2019**

recognized in the consolidated income statement over the term of the debt using the effective interest rate method.

#### **Income taxes**

Current income tax expense is calculated on the basis of the tax laws in force as of the date of the consolidated statement of financial position in the countries in which the subsidiaries and associates operate and generate taxable income.

Deferred income tax is calculated in accordance with the liability method, based upon the temporary differences arising between the carrying amount of assets and liabilities and their tax base. Deferred income tax is determined using tax rates and regulations which are expected to apply at the time when the deferred tax is realized.

Deferred tax assets are recognized only when it is probable that sufficient future taxable profit will be available to use deferred tax assets.

#### **Trade payables and other liabilities**

Trade payables are obligations arising from purchases of goods and services in the ordinary course of business and are recognized initially at fair value and are subsequently measured at their amortized cost using the effective interest method. Other liabilities are obligations not arising in the normal course of business and which are not treated as financing transactions. Advances received from customers are recognized as "Trade payables and other current liabilities".

#### **Foreign currency transactions**

The consolidated financial statements are presented in U.S. dollars. Financial statements of each subsidiary within the Company are measured in the currency of the principal economic environment in which the subsidiary operates, which is the subsidiary's functional currency.

Transactions denominated in a currency different from the subsidiary's functional currency are translated into the subsidiary's functional currency applying the exchange rates in force at the time of the transactions. Foreign currency gains and losses that result from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency at the year-end rates are recognized in the consolidated income statement, unless they are deferred in equity, as occurs with cash flow hedges and net investment in foreign operations hedges.

Assets and liabilities of subsidiaries with a functional currency different from the Company's reporting currency are translated to U.S. dollars at the exchange rate in force at the closing date of the financial statements. Income and expenses are translated into U.S. dollars using the average annual exchange rate, which does not differ significantly from using the exchange rates of the dates of each transaction. The difference between equity translated at the historical exchange rate

## **Notes to the consolidated financial statements**

### **31 December 2019**

and the net financial position that results from translating the assets and liabilities at the closing rate is recorded in equity under the heading "Accumulated currency translation differences".

Results of companies carried under the equity method are translated at the average annual exchange rate.

#### **Equity**

The Company has recyclable balances in its equity, corresponding mainly to hedge reserves and translation differences arising from currency conversion in the preparation of these consolidated financial statements. These balances have been presented separately in Equity. Other reserves primarily include hedge reserves.

Non-controlling interest represents interest from other partners in entities included in these consolidated financial statements which are not fully owned by Atlantica as of the dates presented. Parent company reserves together with the Share capital represent the Parent's net investment in the entities included in these consolidated financial statements.

#### **Provisions and contingencies**

Provisions are recognized when:

- there is a present obligation, either legal or constructive, as a result of past events;
- it is more likely than not that there will be a future outflow of resources to settle the obligation; and
- the amount has been reliably estimated.

Provisions are initially measured at the present value of the expected outflows required to settle the obligation and subsequently valued at amortized cost following the effective interest method. The balance of Provisions disclosed in the Notes reflects management's best estimate of the potential exposure as of the date of preparation of the consolidated financial statements.

Contingent liabilities are possible obligations, existing obligations with low probability of a future outflow of economic resources and existing obligations where the future outflow cannot be reliably estimated. Contingences are not recognized in the consolidated statements of financial position unless they have been acquired in a business combination.

Some companies included in the group have dismantling provisions, which are intended to cover future expenditures related to the dismantlement of the solar plants and it will be likely to be settled with an outflow of resources in the long term (over 5 years).

Such provisions are accrued when the obligation for dismantling, removing and restoring the site on which the plant is located, is incurred, which is usually during the construction period. The provision is measured in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and is recorded as a liability under the heading "Grants and other liabilities"

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of the Financial Statements, and the corresponding entry as part of the cost of the plant under the heading "Contracted concessional assets."

#### 4. Financial information by segment

Atlantica's segment structure reflects how management currently makes financial decisions and allocates resources. Its operating and reportable segments are based on the following geographies where the contracted concessional assets are located:

- North America (the United States, Mexico and Canada)
- South America
- EMEA (Europe, middle east and Africa)

Based on the type of business, as of December 31, 2019 the Company had the following business sectors:

**Renewable energy:** Renewable energy assets include two solar plants in the United States, Solana and Mojave, each with a gross capacity of 280 MW and located in Arizona and California, respectively. The Company owns eight solar platforms in Spain: Solacor 1 and 2 with a gross capacity of 100 MW, PS10 and PS20 with a gross capacity of 31 MW, Solaben 2 and 3 with a gross capacity of 100 MW, Helienergy 1 and 2 with a gross capacity of 100 MW, Helios 1 and 2 with a gross capacity of 100 MW, Solnova 1, 3 and 4 with a gross capacity of 150 MW, Solaben 1 and 6 with a gross capacity of 100 MW and Seville PV with a gross capacity of 1 MW. The Company also owns a solar plant in South Africa, Kaxu with a gross capacity of 100 MW. Additionally, the Company owns three wind farms in Uruguay, Palmatir, Cadonal and Melowind, with a gross capacity of 50 MW each, and a hydroelectric power plant in Peru with a gross capacity of 4 MW.

**Efficient natural gas:** Efficient natural gas assets include (i) ACT, a 300 MW cogeneration plant in Mexico, which is party to a 20-year take-or-pay contract with Pemex for the sale of electric power and steam, and (ii) a minority interest in Monterrey, a 142 MW gas-fired engine facility including 130MW installed capacity and 12 MW battery capacity.

**Electric transmission lines:** Electric transmission assets include (i) three lines in Peru, ATN, ATS and ATN2, spanning a total of 1,029 miles; and (ii) four lines in Chile, Quadra 1, Quadra 2, Palmucho and Chile TL3, spanning a total of 137 miles.

**Water:** Water assets include a minority interest in two desalination plants in Algeria, Honaine and Skikda with an aggregate capacity of 10.5 M ft<sup>3</sup> per day.

Atlantica's Chief Operating Decision Maker (CODM) assesses the performance and assignment of resources according to the identified operating segments. The CODM considers the revenues as a measure of the business activity and the Further Adjusted EBITDA as a measure of the performance of each segment. Further Adjusted EBITDA is calculated as profit/(loss) for

## **Notes to the consolidated financial statements**

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the period attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interests from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in these consolidated financial statements.

In order to assess performance of the business, the CODM receives reports of each reportable segment using revenues and Further Adjusted EBITDA. Net interest expense evolution is assessed on a consolidated basis. Financial expense and amortization are not taken into consideration by the CODM for the allocation of resources.

In the years ended December 31, 2019 and December 31, 2018 Atlantica had four customers with revenues representing each more than 10% of the total revenues, three in the renewable energy and one in the efficient natural gas business sectors.

a) The following tables show Revenues and Further Adjusted EBITDA by operating segments and business sectors for the years 2019 and 2018:

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Geography	Revenue \$'000		Further Adjusted EBITDA \$'000	
	For the twelve- month period ended December 31,		For the twelve- month period ended December 31,	
	2019	2018	2019	2018
North America	332,965	357,177	305,085	308,748
South America	142,207	123,214	115,346	100,234
EMEA	536,280	563,431	390,774	441,625
<b>Total</b>	<b>1,011,452</b>	<b>1,043,822</b>	<b>811,204</b>	<b>850,607</b>

Business sector	Revenue \$'000		Further Adjusted EBITDA \$'000	
	For the twelve- month period ended December 31,		For the twelve- month period ended December 31,	
	2019	2018	2019	2018
Renewable energy	761,090	793,557	603,666	664,428
Efficient natural gas	122,281	130,799	107,457	93,858
Electric transmission lines	103,453	95,998	85,657	78,461
Water	24,629	23,468	14,424	13,860
<b>Total</b>	<b>1,011,452</b>	<b>1,043,822</b>	<b>811,204</b>	<b>850,607</b>

The reconciliation of segment Further Adjusted EBITDA with the loss attributable to the parent company is as follows:

**Notes to the consolidated financial statements**  
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	For the twelve- month period ended December 31,	
	2019	2018
	\$'000	\$'000
Profit/(Loss) attributable to the Company	62,135	41,596
Profit attributable to non-controlling interests	12,473	13,673
Income tax	30,950	42,659
Share of profits/(losses) of associates	(7,457)	(5,231)
Dividend from exchangeable preferred equity investment in ACBH	-	-
Financial expense, net	402,348	395,213
Depreciation, amortization, and impairment charges	310,755	362,697
<b>Total segment Further Adjusted EBITDA</b>	<b>811,204</b>	<b>850,607</b>

b) The assets and liabilities by operating segments (and business sector) at the end of 2019 and 2018 are as follows:

Assets and liabilities by geography as of December 31, 2019:

	North America	South America	EMEA	Balance as of December 31, 2019 \$'000
	\$'000	\$'000	\$'000	\$'000
<b>Assets allocated</b>				
Contracted concessional assets	3,299,198	1,186,552	3,675,379	8,161,129
Investments carried under the equity method	90,847	-	49,078	139,925
Current financial investments	159,267	29,190	20,673	209,131
Cash and cash equivalents (project companies)	181,458	80,909	234,097	496,464
<b>Subtotal allocated</b>	<b>3,730,771</b>	<b>1,296,652</b>	<b>3,979,227</b>	<b>9,006,649</b>
<b>Unallocated assets</b>				
Other non-current assets				239,553
Other current assets (including cash and cash equivalents at holding company level)				413,613
<b>Subtotal unallocated</b>				<b>653,166</b>
<b>Total assets</b>				<b>9,659,815</b>

Notes to the consolidated financial statements  
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	North America	South America	EMEA	Balance as of December 31, 2019 \$'000
	\$'000	\$'000	\$'000	\$'000
<b>Liabilities allocated</b>				
Long-term and short-term project debt	1,676,251	884,835	2,291,262	4,852,348
Grants and other liabilities	1,490,679	12,864	138,209	1,641,752
<b>Subtotal allocated</b>	<b>3,166,930</b>	<b>897,699</b>	<b>2,429,471</b>	<b>6,494,100</b>
<b>Unallocated liabilities</b>				
Long-term and short-term corporate debt				723,791
Other non-current liabilities				564,855
Other current liabilities				162,213
<b>Subtotal unallocated</b>				<b>1,450,859</b>
<b>Total liabilities</b>				<b>7,944,959</b>
<b>Equity unallocated</b>				<b>1,714,856</b>
<b>Total liabilities and equity unallocated</b>				<b>3,165,715</b>
<b>Total liabilities and equity</b>				<b>9,659,815</b>

Assets and liabilities by geography as of December 31, 2018:

	North America	South America	EMEA	Balance as of December 31, 2018 \$'000
	\$'000	\$'000	\$'000	\$'000
<b>Assets allocated</b>				
Contracted concessional assets	3,453,652	1,210,624	3,884,905	8,549,181
Investments carried under the equity method	-	-	53,419	53,419
Current financial investments	147,213	61,959	30,080	239,252
Cash and cash equivalents (project companies)	195,678	41,316	287,456	524,450
<b>Subtotal allocated</b>	<b>3,796,543</b>	<b>1,313,899</b>	<b>4,255,860</b>	<b>9,366,302</b>
<b>Unallocated assets</b>				
Other non-current assets				188,736
Other current assets (including cash and cash equivalents at holding company level)				363,993
<b>Subtotal unallocated</b>				<b>552,729</b>
<b>Total assets</b>				<b>9,919,031</b>



Notes to the consolidated financial statements  
31 December 2019

	North America	South America	EMEA	Balance as of December 31, 2018
	\$'000	\$'000	\$'000	\$'000
<b>Liabilities allocated</b>				
Long-term and short-term project debt	1,725,961	900,801	2,464,352	5,091,114
Grants and other liabilities	1,527,724	7,550	122,852	1,658,126
<b>Subtotal allocated</b>	<b>3,253,685</b>	<b>908,351</b>	<b>2,587,204</b>	<b>6,749,240</b>
<b>Unallocated liabilities</b>				
Long-term and short-term corporate debt				684,073
Other non-current liabilities				523,827
Other current liabilities				205,779
<b>Subtotal unallocated</b>				<b>1,413,679</b>
<b>Total liabilities</b>				<b>8,162,919</b>
<b>Equity unallocated</b>				<b>1,756,112</b>
<b>Total liabilities and equity unallocated</b>				<b>3,169,791</b>
<b>Total liabilities and equity</b>				<b>9,919,031</b>

Assets and liabilities by business sectors as of December 31, 2019:

	Renewable energy	Efficient natural gas	Electric transmission lines	Water	Balance as of December 31, 2019
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets allocated</b>					
Contracted concessional assets	6,644,024	559,069	872,757	85,280	8,161,129
Investments carried under the equity method	77,549	17,154	-	45,222	139,925
Current financial investments	13,798	148,723	28,237	18,373	209,131
Cash and cash equivalents (project companies)	421,198	11,850	53,868	9,548	496,464
<b>Subtotal allocated</b>	<b>7,156,568</b>	<b>736,796</b>	<b>954,862</b>	<b>158,423</b>	<b>9,006,649</b>
<b>Unallocated assets</b>					
Other non-current assets					239,553
Other current assets (including cash and cash equivalents at holding company level)					413,613
<b>Subtotal unallocated</b>					<b>653,166</b>
<b>Total assets</b>					<b>9,659,815</b>

Notes to the consolidated financial statements  
31 December 2019

	Renewable energy \$'000	Efficient natural gas \$'000	Electric transmission lines \$'000	Water \$'000	Balance as of December 31, 2019 \$'000
<b>Liabilities allocated</b>					
Long-term and short-term project debt	3,658,507	529,350	640,160	24,331	4,852,348
Grants and other liabilities	1,634,361	146	6,517	728	1,641,752
<b>Subtotal allocated</b>	<b>5,292,868</b>	<b>529,495</b>	<b>646,677</b>	<b>25,059</b>	<b>6,494,100</b>
<b>Unallocated liabilities</b>					
Long-term and short-term corporate debt					723,791
Other non-current liabilities					564,855
Other current liabilities					162,213
<b>Subtotal unallocated</b>					<b>1,450,859</b>
<b>Total liabilities</b>					<b>7,944,959</b>
<b>Equity unallocated</b>					<b>1,714,856</b>
<b>Total liabilities and equity unallocated</b>					<b>3,165,715</b>
<b>Total liabilities and equity</b>					<b>9,659,815</b>

Assets and liabilities by business sectors as of December 31, 2018:

	Renewable energy \$'000	Efficient natural gas \$'000	Electric transmission lines \$'000	Water \$'000	Balance as of December 31, 2018 \$'000
<b>Assets allocated</b>					
Contracted concessional assets	6,998,020	580,997	882,980	87,184	8,549,181
Investments carried under the equity method	10,257	-	-	43,162	53,419
Current financial investments	15,396	147,192	61,102	15,562	239,252
Cash and cash equivalents (project companies)	453,096	45,625	14,043	11,686	524,450
<b>Subtotal allocated</b>	<b>7,476,769</b>	<b>773,814</b>	<b>958,125</b>	<b>157,594</b>	<b>9,366,302</b>
<b>Unallocated assets</b>					
Other non-current assets					188,736
Other current assets (including cash and cash equivalents at holding company level)					363,993
<b>Subtotal unallocated</b>					<b>552,729</b>
<b>Total assets</b>					<b>9,919,031</b>

Notes to the consolidated financial statements  
31 December 2019

	Renewable energy \$'000	Efficient natural gas \$'000	Electric transmission lines \$'000	Water \$'000	Balance as of December 31, 2018 \$'000
<b>Liabilities allocated</b>					
Long-term and short-term project debt	3,868,626	545,123	647,820	29,545	5,091,114
Grants and other liabilities	1,656,146	161	1,025	794	1,658,126
<b>Subtotal allocated</b>	<b>5,524,772</b>	<b>545,284</b>	<b>648,845</b>	<b>30,339</b>	<b>6,749,240</b>
<b>Unallocated liabilities</b>					
Long-term and short-term corporate debt					684,073
Other non-current liabilities					523,827
Other current liabilities					205,779
<b>Subtotal unallocated</b>					<b>1,413,679</b>
<b>Total liabilities</b>					<b>8,162,919</b>
<b>Equity unallocated</b>					<b>1,756,112</b>
<b>Total liabilities and equity unallocated</b>					<b>3,169,791</b>
<b>Total liabilities and equity</b>					<b>9,919,031</b>

e) The amount of depreciation, amortization and impairment charges recognized for the years ended December 31, 2019 and 2018 are as follows:

	For the twelve-month period ended December 31, \$'000	
Depreciation, amortization and impairment by geography	2019	2018
North America	(116,232)	(166,046)
South America	(47,844)	(42,368)
EMEA	(146,679)	(154,283)
<b>Total</b>	<b>(310,755)</b>	<b>(362,697)</b>

	For the twelve-month period ended December 31, \$'000	
Depreciation, amortization and impairment by business sectors	2019	2018
Renewable energy	(286,907)	(323,538)
Electric transmission lines	(27,490)	(28,925)
Efficient natural gas	3,102	(10,334)
Water	541	100
<b>Total</b>	<b>(310,755)</b>	<b>(362,697)</b>

## Notes to the consolidated financial statements

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#### 5. Changes in the scope of the consolidated financial statements

##### For the year ended December 31, 2019

On May 24, 2019, Atlantica and Algonquin formed Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada"), a vehicle to channel co-investment opportunities in which Atlantica holds the majority of voting rights. The first investment was in Amherst Island, a 75 MW wind plant in Canada owned by the project company Windlectric, Inc. ("Windlectric"). Atlantica invested \$4.9 million and Algonquin invested \$92.3 million, both through AYES Canada, which in turn invested those funds in Amherst Island Partnership ("AIP"), the holding company of Windlectric. Atlantica accounts for the investment in AIP and ultimately Windlectric under the equity method as per IAS 28, Investments in Associates and Joint Ventures. Since Atlantica has control over AYES Canada under IFRS 10 "Consolidated Financial Statements", its consolidated financial statements initially showed a total investment in the Amherst Island project of \$97.2 million, accounted for as "Investments carried under the equity method" (Note 13) and Algonquin's portion of that investment of \$92.3 million as "Non-controlling interest".

On August 2, 2019, the Company closed the acquisition of a 30% stake in Monterrey, a 142 MW gas-fired engine facility with batteries. The total investment amounted to \$42 million, out of which \$17 million is an equity investment, and the rest is a shareholder loan classified as financial investments in these consolidated financial statements. The acquisition has been accounted for in the consolidated accounts of Atlantica, in accordance with IAS 28, Investments in Associates.

On August 2, 2019, the Company closed the acquisition of a 100% stake in ASI Operations LLC ("ASI Ops"), the company that performs the operation and maintenance services for the Solana and Mojave plants. The total equity investment amounted to \$6 million. The acquisition has been accounted for in the consolidated financial statements of Atlantica, in accordance with IFRS 3, Business Combinations.

On October 22, 2019, the Company closed the acquisition of ATN Expansion 2 from Enel Green Power Perú, for a total equity investment of \$20 million controlling the asset from this date. Transfer of the concession agreement is pending authorization from the Ministry of Energy in Peru. If this authorization were not to be obtained within an eight-month period from the acquisition date, the transaction can be reversed with no penalties to Atlantica. Enel Green Power Perú issued a bank guarantee to face this potential repayment obligation to Atlantica. The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IFRS 3, Business Combinations.

##### Impact of changes in the scope in the consolidated financial statements

The amount of assets and liabilities integrated at the effective acquisition date for the aggregated change in scope is shown in the following table:

**Notes to the consolidated financial statements**  
**31 December 2019**

	<b>Asset Acquisition</b>
	<b>for the year ended December 31, 2019</b>
	<b>\$'000</b>
Concessional assets (Note 12)	28,738
Investments carried under the equity method (Note 13)	113,897
Other non-current assets	25,342
Current assets	1,503
Deferred tax liabilities (Note 10)	(2,539)
Other current and non-current liabilities	(1,512)
Non-controlling Interests	(92,303)
Asset acquisition - purchase price - Cash	(73,126)
<b>Net result of the asset acquisition</b>	<b>-</b>

The allocation of the purchase prices is provisional as of December 31, 2019 for some of the acquisitions. As such, the amounts indicated may be adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of December 31, 2019. The measurement period will not exceed one year from the acquisition dates.

The amount of revenue contributed by the acquisitions performed during 2019 to the consolidated financial statements of the Company for the year 2019 is \$0.3 million, and the amount of profit after tax is \$0.5 million. Had the acquisitions been consolidated from January 1, 2019, the consolidated statement of comprehensive income would have included additional revenue of \$2.3 million and additional loss after tax of \$2.4 million.

**For the year ended December 31, 2018**

On February 28, 2018, the Company completed the acquisition of a 100% stake in Hidrocañete, S.A. (Mini-Hydro). Total purchase price for this asset amounted to \$9.3 million. The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IFRS 3, Business Combinations.

On October 10, 2018, the Company completed the acquisition of a 5% stake in Gas CA-KU-A1, S.A.P.I de C.V. (Pemex Transportation System or "PTS"). The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IAS 28, Investments in Associates. Consideration for the initial 5%, will amount to approximately \$7 million and will be disbursed progressively. The project is expected to enter operation in the first half of 2020.

## Notes to the consolidated financial statements

### 31 December 2019

On December 11, 2018, the Company completed the acquisition of a transmission line in Chile (Chile TL3). The total purchase price for this asset amounted to \$6.0 million. The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IFRS 3, Business Combinations.

On December 13, 2018, the Company completes the acquisition of a 100% stake in Estrellada, S.A. (Melowind). Total purchase price for this asset amounted to \$45.3 million. The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IFRS 3, Business Combinations.

On December 28, 2018, the Company completed the acquisition of a power substation and two small transmission lines in Peru, being an expansion of the ATN transmission line ("ATN expansion 1"). Total purchase price for this asset amounted to \$16.0 million. The purchase has been accounted for in the consolidated accounts of Atlantica, in accordance with IFRS 3, Business Combinations.

#### Impact of changes in the scope in the consolidated financial statements

The amount of assets and liabilities integrated at the effective acquisition date for the aggregated change in scope is shown in the following table:

	<b>Asset Acquisition for the year ended December 31, 2018 \$'000</b>
Concessional assets (Note 12)	155,909
Investments carried under the equity method (Note 13)	1
Current assets	5,646
Project debt long term (Note 17)	(79,016)
Deferred tax liabilities (Note 10)	(590)
Project debt short term (Note 17)	(2,346)
Other current and non-current liabilities	(3,000)
Asset acquisition - purchase price	(76,604)
<b>Net result of the asset acquisition</b>	-

The allocation of the purchase prices was provisional as of December 31, 2018 for some of the acquisitions that were made effective near to year end. No significant adjustments were made in 2019 to the amounts indicated in the table above during the measurement period (one year from the acquisition dates).

## Notes to the consolidated financial statements

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The amount of revenue contributed by the acquisitions performed during 2018 to the consolidated financial statements of the Company for the year 2018 is \$1.8 million, and the amount of loss after tax is \$0.3 million. Had the acquisitions been consolidated from January 1, 2018, the consolidated statement of comprehensive income would have included additional revenue of \$13.3 million and additional loss after tax of \$0.7 million.

#### 6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 2019 \$'000	Year ended 2018 \$'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	596	891
Fees payable to the company's auditor and their associates for other services to the group		
–The audit of the company's subsidiaries	758	905
<b>Total audit fees</b>	<b>1,354</b>	<b>1,796</b>
- Audit-related services	481	705
- Tax services	406	-
- Other services	271	46
<b>Total non-audit fees</b>	<b>1,158</b>	<b>751</b>
	<b>2,512</b>	<b>2,547</b>

"Audit Fees" are the aggregate fees billed for professional services in connection with the audit of the Annual Consolidated Financial Statements, quarterly reviews of the Company interim financial statements and statutory audits of the subsidiaries' financial statements under the rules of England and Wales and the countries in which subsidiaries are organized. The decrease in audit fees is mainly due to the change of external auditors in 2019.

"Audit-Related Services" include fees charged for services that can only be provided by the auditor of the Company, such as consents and comfort letters of non-recurring transactions, assurance and related services that are reasonably related to the performance of the audit or review of the Company financial statements. Fees paid during 2019 related to comfort letters and consents required for capital market transactions of the major shareholder are also included in this category. The Audit Committee approved all of the services provided by Ernst & Young S.L and by other member firms of EY.

**Notes to the consolidated financial statements**  
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“Tax Services” include mainly fees charged for transfer pricing services and tax compliance services in the Company US subsidiaries.

“Other Services” comprises fees billed in relation to financial advisory and due diligence services and other services which cannot be included under other categories.

**7. Staff costs**

The average monthly number of employees (including executive directors) was:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Executives	16	16
Middle Managers	49	39
Engineers and Graduates	152	115
Assistants and Professionals	17	15
Plant technicians	73	22
	<b>306</b>	<b>207</b>

Their aggregate remuneration comprised:

	<b>Year</b>	<b>Year</b>
	<b>ended</b>	<b>ended</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	(27,596)	(12,677)
Social security costs	(2,983)	(2,082)
Other staff costs	(1,667)	(371)
	<b>(32,246)</b>	<b>(15,130)</b>



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**8. Other operating income and expenses**

<b>Other Operating income</b>	<b>For the twelve-month period ended December 31, 2019</b>	<b>For the twelve-month period ended December 31, 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants	59,142	59,421
Income from various services and insurance proceeds	34,632	34,181
Income from the purchase of the long-term operation and maintenance payable to Abengoa	-	38,955
<b>Total</b>	<b>93,774</b>	<b>132,557</b>

Grants income mainly relate to Investment Tax Credits ('ITC') cash grants and implicit grants recorded for accounting purposes in relation to the Federal Financing Bank ('FFB') loans with interest rates below market rates in Solana and Mojave projects (see Note 18).

Other operating income in 2018 includes \$39.0 million one-time gain in relation to the purchase from Abengoa of the long-term operation and maintenance payable accrued for the period up to December 31, 2017.

<b>Other Operating expenses</b>	<b>For the twelve-month period ended December 31, 2019</b>	<b>For the twelve-month period ended December 31, 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials and consumables used	(9,719)	(10,648)
Leases and fees	(1,850)	(1,716)
Operation and maintenance	(116,018)	(145,857)
Independent professional services	(41,579)	(43,229)
Supplies	(25,823)	(25,947)
Insurance	(23,971)	(24,227)
Levies and duties	(34,844)	(37,439)
Other expenses	(7,971)	(21,579)
<b>Total</b>	<b>(261,776)</b>	<b>(310,642)</b>

**Notes to the consolidated financial statements**  
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**9. Finance income and expenses**

The following table sets forth financial income and expenses for the years ended December 31, 2019 and 2018:

	<b>For the twelve- month period ended December 31, 2019 \$'000</b>	<b>For the twelve- month period ended December 31, 2018 \$'000</b>
<b>Finance income</b>		
Interest income from loans and credits	3,665	36,296
Profit on interest rate derivatives: cash flow hedges	456	148
<b>TOTAL</b>	<b>4,121</b>	<b>36,444</b>

	<b>For the twelve- month period ended December 31, 2019 \$'000</b>	<b>For the twelve- month period ended December 31, 2018 \$'000</b>
<b>Finance expenses</b>		
Expenses due to interest:		
- Loans from credit entities	(259,416)	(256,736)
- Other debts	(89,256)	(100,057)
Losses on interest rate derivatives: cash flow hedges	(59,318)	(68,226)
<b>TOTAL</b>	<b>(407,990)</b>	<b>(425,019)</b>

Financial income from loans and credits in 2018 primarily includes a non-monetary financial income of \$36.6 million resulting from the refinancing of the debts of Helios 1&2 and Helioenergy 1&2 in the second quarter of 2018.

Interest from other debts is primarily interest on the notes issued by ATS, ATN and Solaben Luxembourg and interest related to the investment from Liberty. The decrease in 2019 and 2018 is primarily due to a lower increase of the amortized cost of the Liberty debt compared to the previous year for \$16 million and \$23 million respectively (Note 18). Losses from interest rate derivatives designated as cash flow hedges correspond primarily to transfers from equity to financial expense when the hedged item is impacting the consolidated income statement.

**Notes to the consolidated financial statements**  
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	For the twelve- month period ended December 31, 2019 \$'000	For the twelve- month period ended December 31, 2018 \$'000
<b>Other finance income / (expenses)</b>		
Other finance income	14,152	14,431
Other finance expenses	(15,305)	(22,666)
<b>TOTAL</b>	<b>(1,153)</b>	<b>(8,235)</b>

Other finance income in 2019 and 2018 are primarily interests on deposits and on loan granted to third parties.

Other financial losses primarily include expenses for guarantees and letters of credit, wire transfers, other bank fees and other minor financial expenses.

## **10. Tax**

Atlantica Parent Company and its subsidiaries file income taxes according to the tax regulations in force in each country on an individual basis or under consolidation tax regulations.

The consolidated income tax has been calculated as an aggregation of income tax expenses of each individual company. In order to calculate the taxable income of the consolidated entities individually, the accounting profit is adjusted for temporary and permanent differences, recording the corresponding deferred tax assets and liabilities. At each consolidated income statement date, a current tax asset or liability is recorded, representing income taxes currently refundable or payable. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates.

Income tax payable is the result of applying the applicable tax rate in force to each tax-paying entity, in accordance with the tax laws in force in the country in which the entity is registered. Additionally, tax deductions and credits are available to certain entities, primarily relating to inter-company trades and tax treaties between various countries to prevent double taxation.

The Company offsets deferred tax assets and deferred tax liabilities in each entity where the latter has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

As of December 31, 2019, and 2018, the analysis of deferred tax assets and deferred tax liabilities is as follows:

**Notes to the consolidated financial statements**  
**31 December 2019**

	<b>Year ended 2019 \$'000</b>	<b>Year ended 2018 \$'000</b>
Net tax credits for tax losses carried forward	61,693	55,835
Temporary differences on derivative financial instruments	86,096	79,865
Other temporary differences	177	366
	<hr/>	<hr/>
<b>Total deferred tax assets</b>	<b>147,966</b>	<b>136,066</b>
	<hr/> <hr/>	<hr/> <hr/>

Most of the net tax credits for operating losses carried forward corresponds to Peru, South Africa and solar plants in Spain as of December 31, 2019.

Temporary differences for derivative financial instruments are mainly due to ACT (\$17 million) and solar plants in Spain (\$61 million).

In relation to tax losses carried forward and deductions pending to be used recorded as deferred tax assets, the entities evaluate their recoverability projecting forecasted taxable income for the upcoming years and taking into account their tax planning strategy. Deferred tax liability reversals are also considered in these projections, as well as any limitation established by tax regulations in force in each tax jurisdiction.

	<b>Year ended 2019 \$'000</b>	<b>Year ended 2018 \$'000</b>
Temporary differences tax/book amortization	145,166	126,792
Other temporary differences tax/book value of contracted concessional assets	83,481	73,793
Other temporary differences	20,349	10,415
	<hr/>	<hr/>
<b>Total deferred tax liabilities</b>	<b>248,996</b>	<b>211,000</b>
	<hr/> <hr/>	<hr/> <hr/>

As of December 31, 2019 and 2018, temporary differences as a result of accelerated tax amortization resulted for some entities in a net deferred tax liability position. These are primarily due to Solana and Mojave (\$45 million in 2019 and \$55 million in 2018) and solar plants in Spain (\$100 million in 2019 and \$74 million in 2018). Other temporary differences between the tax and book value of contracted concessional assets, which resulted in a net deferred tax liability position relate primarily

**Notes to the consolidated financial statements**  
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to ACT in both years.

The movements in deferred tax assets and liabilities during the years ended December 31, 2019 and 2018 were as follows:

<b>Deferred tax assets</b>	<b>Amount</b>
As of December 31, 2017	165,136
First application of IFRS 9 effective January 1, 2018	11,811
Increase/(decrease) through the consolidated income statement	(24,195)
Increase/(decrease) through other consolidated comprehensive income (equity)	(10,685)
Other movements	(6,001)
<b>As of December 31, 2018</b>	<b>136,066</b>
Increase/(decrease) through the consolidated income statement	5,809
Increase/(decrease) through other consolidated comprehensive income (equity)	6,147
Other movements	(56)
<b>As of December 31, 2019</b>	<b>147,966</b>
<b>Deferred tax liabilities</b>	<b>Amount</b>
As of December 31, 2017	186,583
First application of IFRS 9 effective January 1, 2018	8,849
Increase/(decrease) through the consolidated income statement	17,996
Change in the scope of the consolidated financial statements (Note 5)	590
Other movements	(3,018)
<b>As of December 31, 2018</b>	<b>211,000</b>
Increase/(decrease) through the consolidated income statement	31,678
Change in the scope of the consolidated financial statements (Note 5)	2,539
Other movements	3,779
<b>As of December 31, 2019</b>	<b>248,996</b>

Details of income tax for the years ended December 31, 2019 and 2018 are as follows:

**Notes to the consolidated financial statements**  
**31 December 2019**

	<b>Year ended 2019 \$'000</b>	<b>Year ended 2018 \$'000</b>
<b>Current tax</b>	<b>(5,081)</b>	<b>(468)</b>
<b>Deferred tax</b>	<b>(25,869)</b>	<b>(42,191)</b>
- relating to the origination and reversal of temporary differences	(25,869)	(42,191)
<b>Total income tax benefit/(expense)</b>	<b>(30,950)</b>	<b>(42,659)</b>

The reconciliation between the theoretical income tax resulting from applying an average statutory tax rate to profit/(loss) before income tax and the actual income tax expense recognized in the consolidated income statements for the years ended December 31, 2019 and 2018 are as follows:

	<b>Year ended 2019 \$'000</b>	<b>Year ended 2018 \$'000</b>
Profit before tax	105,558	97,928
Average statutory tax rate	25%	30%
Tax at the average statutory tax rate	(26,390)	(29,378)
Tax effect of share of results of associates	1,808	1,639
Permanent differences	11,220	5,385
Incentives, deductions, and unrecognized tax losses carried forward	(14,161)	(22,972)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,076)	752
Other non-taxable income/(expense)	3,649	1,915
<b>Tax charge for the year</b>	<b>(30,950)</b>	<b>(42,659)</b>

The average statutory tax rate used by the Company changed in 2019 considering some changes in the statutory tax rate of some geographies over the past years.

Permanent differences in 2019 and 2018 are mainly due to ACT (Mexico).

## Notes to the consolidated financial statements 31 December 2019

### 11.Dividends

	Year ended 2019 \$'000	Year ended 2018 \$'000
Amounts recognised as distributions to equity holders in the period:	(159,002)	(133,289)

The dividends indicated above fully relate to the dividends declared by Atlantica Yield Plc. to its shareholders. These have been declared as follows:

-On February 26, 2019, the Board of Directors declared a dividend of \$0.37 per share corresponding to the fourth quarter of 2018. The dividend was paid on March 22, 2019 for a total amount of \$37.1 million

-On May 7, 2019, the Board of Directors of the Company approved a dividend of \$0.39 per share corresponding to the first quarter of 2019. The dividend was paid on June 14, 2019 for a total amount of \$39.6 million.

-On August 2, 2019, the Board of Directors of the Company approved a dividend of \$0.40 per share corresponding to the second quarter of 2019. The dividend was paid on September 13, 2019 for a total amount of \$40.6 million.

-On November 5, 2019, the Board of Directors declared a dividend of \$0.41 per share corresponding to the third quarter of 2019. The dividend was paid on December 13, 2019 for a total amount of \$41.7 million.

Please refer to Note 7 of the Parent Company financial statements for further disclosures on the dividends.

In addition, as of December 31, 2019, there was no treasury stock and there have been no transactions with treasury stock during the period then ended.

### 12.Contractured concessional assets

Contractured concessional assets include fixed assets financed through project debt, related to service concession arrangements recorded in accordance with IFRIC 12, except for Palmucho, which is recorded in accordance with IFRS 16, Leases, and PS10, PS20, Seville PV, Mini-Hydro and Chile TL3 which are recorded as property plant and equipment in accordance with IAS 16, and which amount to \$125,662 thousand as of December 31, 2019 (\$137,211 thousand as of December 31, 2018). Concessional assets recorded in accordance with IFRIC 12 are either intangible or financial assets. As of December 31, 2019, contractured concessional financial assets amount to \$819,146 thousand (\$843,291 thousand as of December 31, 2018).

**Notes to the consolidated financial statements**  
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a) The following table shows the movements of contracted concessional assets included in the heading "Contracted Concessional assets" for 2019:

	<b>2019</b> <b>\$'000</b>
<b>Cost</b>	
At 1 January 2019	10,475,828
Additions	1,431
Decreases	(23,186)
Change in the scope of the consolidated financial statements (Note 5)	28,738
Translation differences	(81,941)
Reclassification and other movements	(16,273)
<b>At 31 December 2019</b>	<b>10,384,597</b>
<b>Accumulated amortization losses</b>	
At 1 January 2019	(1,926,647)
Additions	(310,755)
Change in the scope of the consolidated financial statements (Note 5)	15,778
Translation differences	(1,844)
<b>At 31 December 2019</b>	<b>(2,223,468)</b>
<b>Carrying amount</b>	
At 1 January 2019	8,549,181
<b>At 31 December 2019</b>	<b>8,161,129</b>

During 2019, contracted concessional assets decreased primarily due to the effect of the depreciation of the Euro against the U.S. dollar for the year ended December 31, 2019 compared to the year ended December 31, 2018 and to the amortization charge for the year.

Other relevant movements in the cost of contracted concessional assets are an increase for the acquisition of new concessional assets (see Note 5), offset by a decrease for the payments received from Abengoa by Solana in January, June and December 2019 further to Abengoa's obligation as EPC Contractor for a total of \$22.2 million.

The decrease included in "Reclassification and other movements" is mainly due to the reclassification from the long to the short term of the current portion of the contracted concessional financial assets.



## Notes to the consolidated financial statements

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Rights of use, as a result of applying IFRS 16, Leases from January 1, 2018, amounts to \$54.0 million as of December 31, 2019 (\$57.5 million at December 31, 2018). The decrease is mainly due to the amortization for the year.

The Company has not identified any triggering event of impairment for its contracted concessional assets, and consequently, no losses from impairment of contracted concessional assets were recorded during the year ended December 31, 2019. Likewise, during 2019, and as part of the triggering event analysis, Solana impairment test was updated, confirming the conclusions reached.

- b) The following table shows the movements of contracted concessional assets included in the heading "Contracted Concessional assets" for 2018:

	<b>2018</b> <b>\$'000</b>
<b>Cost</b>	
At 1 January 2018	10,633,769
Additions	10,463
Application of IFRS 16 – Leases effective 1 January, 2018	62,982
Decreases	(92,814)
Change in the scope of the consolidated financial statements (Note 5)	170,040
Translation differences	(280,680)
Reclassification and other movements	(27,932)
<b>At 31 December 2018</b>	<b>10,475,828</b>
<b>Accumulated amortization losses</b>	
At 1 January 2018	(1,549,499)
Adjustments arising from application of IFRS9 - Expected Credit Losses effective 1 January, 2018	(53,048)
Additions	(362,697)
Change in the scope of the consolidated financial statements (Note 5)	(14,131)
Translation differences	52,728
<b>At 31 December 2018</b>	<b>(1,926,647)</b>
<b>Carrying amount</b>	
At 1 January 2018	9,084,270
<b>At 31 December 2018</b>	<b>8,549,181</b>

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During 2018, contracted concessional assets decreased primarily due to the effect of the depreciation of the Euro against the U.S. dollar for the year ended December 31, 2018 compared to the year ended December 31, 2017 and to the amortization charge for the year.

Other relevant movements in the cost of contracted concessional assets are an increase for the acquisition of new concessional assets (see Note 12), the impact of the application of IFRS 16, 'Leases' from January 1, 2018, partially offset by a decrease for the payments received by Solana from Abengoa in March and December 2018 further to Abengoa's obligation as EPC Contractor.

Amortization and impairment amount includes the recognition of impairment provisions based on expected credit losses due to the application of IFRS 9, 'Financial instruments' from January 1, 2018.

The decrease included in "Reclassification and other movements" is mainly due to the reclassification from the long to the short term of the current portion of the contracted concessional financial assets.

Considering the lower production compared with the run-rate production expected for Solana due to the technical issues experienced since Commercial Operation Date ('COD') in the asset and the uncertainty around level of production in the future, the Company identified a triggering event of impairment during the year 2018 in compliance with IAS 36, Impairment of Assets. As a result, an impairment test has been performed resulting in the recording of an impairment loss of \$42,721 thousand as of December 31, 2018.

The impairment has been recorded within the line "Depreciation, amortization and impairment charges" of the consolidated income statement, decreasing the amount of "Contracted concessional assets" pertaining to the Renewable energy sector and North America geography. The recoverable amount considered is the value in use and amounts to \$1,141,209 thousand for Solana, as of December 31, 2018. A specific discount rate has been used in each year considering changes in the debt/equity leverage ratio over the useful life of this project, resulting in the use of a range of discount rates between 5.0% and 5.8%. An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition; specifically, a 5% decrease in generation over the entire remaining useful life (PPA) of the project would generate an additional impairment of approximately \$72 million. An increase of 50 basis points in the discount rate would lead to an additional impairment of approximately \$50 million.

In addition, the Company identified a triggering event for impairment of Mojave as a result of the negative credit outlooks of Pacific Gas and Electric Company, the off-taker of the plant, as of December 31, 2018. This project is within the Renewable energy sector and North America geography. The Company therefore performed an impairment test as of December 31, 2018, which resulted in the recoverable amount (value in use) exceeding the carrying amount of the asset by 10%. To determine the value in use of the asset, a specific discount rate has been used in each year considering changes in the debt/equity leverage ratio over the useful life of this project, resulting in the use of a range of discount rates between 4.6% and 5.8%.

An adverse change in the key assumptions which are individually used for the valuation would not

**Notes to the consolidated financial statements**  
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lead to future impairment recognition; neither in case of a 5% decrease in generation over the entire remaining useful life (PPA) of the project nor in case of an increase of 50 basis points in the discount rate.

**13. Investments carried under the equity method**

The table below shows the breakdown and the movement of the investments held in associates for 2019 and 2018:

<b>Investments in associates</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Initial balance	53,419	55,784
Share of profit/(loss)	7,457	5,231
Dividend distribution	(30,528)	(4,463)
Equity distribution (Capital reduction)	(6,252)	(122)
Change in the consolidation scope (Note 5)	113,897	-
Currency translation differences	1,932	(3,011)
<b>Final balance</b>	<b>139,925</b>	<b>53,419</b>

Details of the Group's associates at the end of the reporting period are as follows:

<b>Name of associate</b>	<b>Principal activity</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest / voting rights held by the Group</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Evacuación Valdecaballeros, S.L.	Connection Facilities	Caceres (Spain)	57.16%	57.16%	57.16%
Myah Bahr Honaine, S.P.A.	Water plant	Dely Ibrahim (Algeria)	25.50%	25.50%	25.50%
Pectonex, R.F. Proprietary Limited	Connection Facilities	Pretoria (South Africa)	50.00%	50.00%	50.00%
Evacuación Villanueva del Rey, S.L	Connection Facilities	Seville (Spain)	40.02%	40.02%	40.02%
Ca Ku A1, S.A.P.I de CV (PTS)	Efficient natural gas	Mexico D.F. (Mexico)	5.00%	5.00%	5.00%

## Notes to the consolidated financial statements

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Pemcorp SAPI de CV	Efficient natural gas	Amsterdam (Netherlands)	30.00%	30.00%
ABY Infraestructuras S.L.U.	Holding	Seville (Spain)	20.00%	20.00%
AC Renovables Sol 1 SAS Esp	Renewable Energy	Bogota (Colombia)	50.00%	50.00%
PA Renovables Sol 1 SAS Esp	Renewable Energy	Bogota (Colombia)	50.00%	50.00%
SJ Renovables Sun 1 SAS Esp	Renewable Energy	Bogota (Colombia)	50.00%	50.00%
Windlectric Inc	Electric Transmission Line	Ontario (Canada)	30.00%	30.00%

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies in note 3.

During 2019, investments carried under the equity method increase primarily due to the acquisition of Amherst Island (\$97.2 million) and Monterrey (\$16.6 million) (Note 5). The increase has been partially offset by the dividend distributions of Amherst Island Partnership (\$25.9 million) and Geida Tlemcen S.L. (\$4.6 million).

The tables below show a breakdown of stand-alone amounts of assets, revenues and profit and loss as well as other information of interest for the years 2019 and 2018 for the associated companies:

	% Shares	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Operating profit/(loss)	Net profit/(loss)	Investment under the equity method
Evacuación Valdecaballeros, S.L.	57.16	18,584	1,268	13,145	783	694	(277)	(303)	2,348
Myah Bahr Honaine, S.P.A. (*)	25.50	184,332	63,148	71,614	13,562	51,504	33,372	30,186	45,222
Pectonex, R.F. Proprietary Limited	50.00	3,074	-	-	2	-	(190)	(190)	1,391
Evacuación Villanueva del Rey, S.L.	40.02	2,946	107	1,841	225	-	47	-	-
Ca Ku A1, S.A.P.I de CV (PTS)	5.00	486,179	55,423	-	543,077	-	(39)	(495)	-
Pemcorp SAPI de CV (**)	30.00	125,301	72,669	197,324	5,090	32,302	5,737	(10,073)	17,179
ABY Infraestructuras S.L.U.	20.00	-	59	-	-	-	(104)	(101)	11
Windlectric Inc (***)	30.00	319,041	10,655	232,938	22,424	24,867	11,125	(6,537)	73,693
Other renewable energy projects (****)	50.00	47	146	6	70	-	(46)	(46)	81
<b>As of December 31, 2019</b>									<b>139,925</b>

## Notes to the consolidated financial statements 31 December 2019

	% Shares	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Operating profit/(loss)	Net profit/(loss)	Investment under the equity method
Evacuación Valdecaballeros, S.L.	57.16	19,679	820	381	420	320	(668)	(693)	8,773
Myah Bahr Honaine, S.P.A. (*)	25.50	186,484	63,224	81,942	13,184	50,118	25,778	22,193	43,161
Pectonex, R.F. Proprietary Limited	50.00	3,186	-	-	2	-	(209)	(209)	1,485
Evacuación Villanueva del Rey, S.L.	40.02	3,190	257	2,021	383	-	44	-	-
Ca Ku A1, S.A.P.I de CV (PTS)	5.00	50,547	13	-	50,625	-	(83)	(624)	-
<b>As of December 31, 2018</b>									<b>53,419</b>

The Company has no control over Evacuación Valdecaballeros, S.L. as all relevant decisions of this company require the approval of a minimum of shareholders accounting for more than 75% of the shares.

None of the associated companies referred to above is a listed company.

(\*) Myah Bahr Honaine, S.P.A., the project entity, is 51% owned by Geida Tlemcen, S.L. which is accounted for using the equity method in these consolidated financial statements. Share of profit of Myah Bahr Honaine S.P.A. included in these consolidated financial statements amounts to \$7,697 thousand in 2019 and \$5,659 thousand in 2018.

(\*\*) Pemcorp SAPI de CV, Monterrey's project entity, is 100% owned by Arroyo Netherlands II B.V. which is accounted for under the equity method in these consolidated financial statements (Note 5). Arroyo Netherlands II B.V. is 30% owned by Atlantica. Share of profit of Pemcorp SAPI de CV included in these consolidated financial statements amounts to \$521 thousand in 2019.

(\*\*\*) Windlectric Inc., the project entity, is owned 100% by Amherst Island Partnership which is accounted for under the equity method (Note 5).

(\*\*\*\*) Other renewable energy joint ventures correspond to investments made in the following entities located in Colombia: AC Renovables Sol 1 SAS Esp, PA Renovables Sol 1 SAS Esp, SJ Renovables Sun 1 SAS Esp and SJ Renovables Wind 1 SAS Esp.

**Notes to the consolidated financial statements**  
**31 December 2019**

**14. Trade and other receivables**

Trade and other receivables as of December 31, 2019 and 2018, consist of the following:

	<b>Balance as of December 31, 2019 \$'000</b>	<b>Balance as of December 31, 2018 \$'000</b>
Trade receivables	242,008	163,856
Tax receivables	50,901	54,959
Prepayments	5,150	5,521
Other accounts receivable	19,508	12,059
<b>Total</b>	<b>317,568</b>	<b>236,395</b>

As of December 31, 2019, and 2018, the fair value of trade and other accounts receivable does not differ significantly from its carrying value.

The increase in trade receivables as of December 31, 2019 is primarily due to delays in the collection of receivables from Pemex (ACT) and the Comision Nacional de los Mercados y de la Competencia or "CNMC" (Spanish solar assets).

Trade receivables in foreign currency as of December 31, 2019 and 2018, are as follows:

	<b>Balance as of December 31, 2019 \$'000</b>	<b>Balance as of December 31, 2018 \$'000</b>
Euro	108,280	91,303
South African Rand	24,289	25,193
Other	4,001	9,884
<b>Total</b>	<b>136,570</b>	<b>126,380</b>

**15. Cash and cash equivalents**

The following table shows the detail of cash and cash equivalents as of December 31, 2019 and 2018:

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Cash at bank and on hand - non-restricted	223,867	335,114
Cash at bank and on hand - restricted	338,928	296,428
<b>Total</b>	<b>562,795</b>	<b>631,542</b>

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Restricted cash includes funds held to satisfy the customary requirements of certain non-recourse debt agreements within the Company's projects amounting to \$339 million as of December 31, 2019 (\$296 million as of December 31, 2018).

The following breakdown shows the main currencies in which cash and cash equivalent balances are denominated:

	2019 \$'000	2018 \$'000
US Dollar	313,678	328,716
Euro	181,961	228,036
Algerian Dinar	9,301	11,602
South African Rand	47,679	55,257
Others	10,176	7,931
	<u>562,795</u>	<u>631,542</u>

## 16. Corporate debt

The breakdown of the corporate debt as of December 31, 2019 and 2018 is as follows:

Non-current	Balance as of December 31, 2019 \$'000	Balance as of December 31, 2018 \$'000
Credit Facilities with financial entities	695,085	415,168
<b>Total Non-current</b>	<u><b>695,085</b></u>	<u><b>415,168</b></u>
Current	Balance as of December 31, 2019 \$'000	Balance as of December 31, 2018 \$'000
Credit Facilities with financial entities	789	11,580
Notes and Bonds	27,917	257,325
<b>Total Current</b>	<u><b>28,706</b></u>	<u><b>268,905</b></u>

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On November 17, 2014, the Company issued the Senior Notes due 2019 in an aggregate principal amount of \$255,000 thousand (the "2019 Notes"). The 2019 Notes accrued annual interest of 7.00% payable semi-annually beginning on May 15, 2015. The 2019 Notes were fully repaid on May 31, 2019.

On February 10, 2017, the Company issued Senior Notes due 2022, 2023, 2024 (the "Note Issuance Facility"), in an aggregate principal amount of €275,000 thousand. The 2022 to 2024 Notes accrue annual interest, equal to the sum of (i) EURIBOR plus (ii) 4.90%, as determined by the Agent. Interest on the Notes are payable in cash quarterly in arrears on each interest payment date. The Company pays interest to the holders of record on each interest payment date. The interest rate on the Note Issuance Facility is fully hedged by two interest rate swaps contracted with Jefferies Financial Services, Inc. with effective date March 31, 2017 and maturity date December 31, 2022, resulting in the Company paying a net fixed interest rate of 5.5% on the Note Issuance Facility. Changes in fair value of these interest rate swaps have been recorded in the consolidated income statement. The Note Issuance Facility is a € denominated liability for which the Company applies net investment hedge accounting. When converted to US\$ at US\$/€ closing exchange rate, it contributes to reduce the impact in translation difference reserves generated in the equity of these consolidated financial statements by the conversion of the net assets of the Spanish solar assets into US\$.

On July 20, 2017, the Company signed a credit facility (the "2017 Credit Facility") for up to €10 million, approximately \$11.2 million, which is available in euros or U.S. dollars and was fully drawn down in 2017. Amounts drawn down accrue interest at a rate per year equal to EURIBOR plus 2.25% or LIBOR plus 2.25%, depending on the currency. On December 13, 2019, the terms of the credit facility have been modified and the maturity date has been extended from July 4, 2020 to December 13, 2021 and the new interest rate per year set is EURIBOR plus 2% or LIBOR plus 2%, depending on the currency. As of December 31, 2019, the Company had drawn down an amount of \$10.1 million.

On May 10, 2018, the Company entered into a \$215 million revolving credit facility (the "New Revolving Credit Facility") with Royal Bank of Canada, as administrative agent and Royal Bank of Canada and Canadian Imperial Bank of Commerce, as issuers of letters of credit. Amounts drawn down accrue interest at a rate per year equal to (A) for Eurodollar rate loans, LIBOR plus a percentage determined by reference to the leverage ratio of the Company, ranging between 1.60% and 2.25% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus  $\frac{1}{2}$  of 1.00%, (ii) the U.S. prime rate and (iii) LIBOR plus 1.00%, in any case, plus a percentage determined by reference to the leverage ratio of the Company, ranging between 0.60% and 1.00%. Letters of credit may be issued using up to \$70 million of the Revolving Credit Facility. During the month of January 2019, the amount of the Revolving Credit Facility increased from \$215 million to \$300 million. On August 2, 2019, the amount of the Revolving Credit Facility increased from \$300 million to \$425 million and the maturity was extended to December 31, 2022 for \$387.5 million, while the remaining \$37.5 million matures on December 31, 2021. On December 31, 2019, the Company had drawn down a total amount of \$81.1 million (net of debt issuance cost).



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On April 30, 2019, the Company entered into a senior unsecured note facility with a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €268 million (the "2019 Note Issuance Facility"). The principal amount was issued in May 24, 2019 and was used to prepay and subsequently cancel in full the aforementioned 2019 Notes and for general corporate purposes. The 2019 Note Issuance Facility includes an upfront fee of 2% paid on drawdown and its maturity date is April 30, 2025. Interest accrue at a rate per annum equal to the sum of 3-month EURIBOR plus 4.50%. The interest rate on the 2019 Note Issuance Facility is fully hedged by an interest rate swap with effective date June 28, 2019 and maturity date June 30, 2022, resulting in the Company paying a net fixed interest rate of 4.24%. The 2019 Note Issuance Facility provides that the Company may capitalize interest on the notes issued thereunder for a period of up to two years from closing at the Company's discretion, subject to certain conditions.

On October 8, 2019, the Company filed a euro commercial paper program (the "Commercial Paper") with the Alternative Fixed Income Market (MARF) in Spain. The program allows Atlantica to issue short term notes over the next twelve months for up to €50 million, with such notes having a tenor of up to two years. As of the date of this report the Company has issued €25 million under the program at an average cost of 0.66%.

The repayment schedule for the Corporate debt at the end of 2019 is as follows:

	2020	2021	2022	2023	2024	Subsequent years	Total
New Revolving Credit Facility	701	-	81,164	-	-	-	81,865
Note Issuance Facility	84	-	101,317	100,513	100,413	-	302,327
2017 Credit Facility	4	10,085	-	-	-	-	10,089
2019 Notes Issuance Facility	-	7,938	-	-	-	293,655	301,593
Commercial Paper	27,917	-	-	-	-	-	27,917
<b>Total</b>	<b>28,706</b>	<b>18,023</b>	<b>182,481</b>	<b>100,513</b>	<b>100,413</b>	<b>293,655</b>	<b>723,791</b>

The following table details the movement in Corporate debt for the year 2019, split between cash and non-cash items:

	January 1, 2019	Cash Flow	Non- cash changes	December 31, 2019
Corporate debt	684,073	6,620	33,098	723,791

The non-cash changes primarily relate to interests accrued and to currency translation differences.

## 17. Project debt

The main purpose of the Company is the long-term ownership and management of contracted concessional assets, such as renewable energy, efficient natural gas and electric transmission lines

**Notes to the consolidated financial statements**  
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assets, which are financed through project debt. This note shows the project debt linked to the contracted concessional assets included in note 12 of these consolidated financial statements.

Project debt is generally used to finance contracted assets, exclusively using as a guarantee the assets and cash flows of the company or group of companies carrying out the activities financed. In most of the cases, the assets and/or contracts are set up as a guarantee to ensure the repayment of the related financing. In addition, the cash of the Company's projects includes funds held to satisfy the customary requirements of certain non-recourse debt agreements and other restricted cash for an amount of \$339 million as of December 31, 2019 (\$296 million as of December 31, 2018).

Compared with corporate debt, project debt has certain key advantages, including a greater leverage and a clearly defined risk profile.

The variations for 2019 and 2018 of project debt have been the following:

	<b>Project debt - long term \$'000</b>	<b>Project debt - short term \$'000</b>	<b>Total \$'000</b>
Balance as of December 31, 2018	4,826,659	264,455	5,091,114
Increases	53,222	280,005	333,226
Decreases	(19,272)	(516,147)	(535,418)
Currency translation differences	(33,718)	(2,855)	(36,574)
Reclassifications	(756,981)	756,981	-
<b>Balance as of December 31, 2019</b>	<b><u>4,069,909</u></b>	<b><u>782,439</u></b>	<b><u>4,852,348</u></b>

The line "Increases" includes primarily accrued interest for the year.

The decrease of Project debt during the year 2019 is primarily due to the contractual payments of debt for the year and the partial repayment of Solana debt using the indemnity received from Abengoa for \$22.2 million. Interest accrued is offset by a similar amount of interest paid during the year.

Due to the PG&E Corporation and its regulated utility subsidiary, Pacific Gas and Electric Company ("PG&E"), chapter 11 filings in January 2019, a default of the PPA agreement with PG&E occurred. Since PG&E failed to assume the PPA conditions within 180 days from the commencement of the PG&E's chapter 11 proceedings, a technical event of default was triggered under the Mojave project finance agreement in July 2019. Although the Company does not contemplate the scenario under which the US Department of Energy ('DOE') would declare the acceleration of debt repayment, the project debt agreement does not have an unconditional right to defer the settlement of the debt for at least twelve months as of December 31, 2019, as the event of default provision makes that right not totally unconditional,

**Notes to the consolidated financial statements**  
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and therefore the debt has been presented as current in these consolidated financial statements in accordance with International Accounting Standards 1 ("IAS 1"), "Presentation of Financial Statements".

	<b>Project debt - long term \$'000</b>	<b>Project debt - short term \$'000</b>	<b>Total \$'000</b>
Balance as of December 31, 2017	5,228,917	246,291	5,475,208
Increases	105,466	288,541	394,007
Decreases	(98,450)	(522,317)	(620,767)
First time application of IFRS 9 effective 1 January, 2018	(39,599)	-	(39,599)
Debt refinancing IFRS 9 impact	(36,642)	-	(36,642)
Change in the scope of the consolidated financial statements (Note 5)	79,016	2,346	81,362
Currency translation differences	(150,019)	(12,436)	(162,455)
Reclassifications	(262,030)	262,030	-
<b>Balance as of December 31, 2018</b>	<b>4,826,659</b>	<b>264,455</b>	<b>5,091,114</b>

The line "Increases" includes primarily accrued interest for the year.

Main variations in Project debt during the year 2018 were the result of:

- A net decrease primarily due to the contractual payments of debt for the year and the partial repayment of Solana debt using the indemnity received from Abengoa during the year 2018 for \$61.5 million. Interests accrued are offset by a similar amount of interest paid during the year;
- The impact of the first application of IFRS 9, 'Financial instruments' from January 1, 2018;
- The impact of the refinancing of the debts of Helios 1&2 and Helioenergy 1&2 on May 18, 2018 and June 26, 2018 respectively. The terms of the new debts are not substantially different from the original debts refinanced and therefore the exchange of debts instruments does not qualify for an extinguishment of the original debts under IFRS 9, 'Financial instruments'. When there is a refinancing with a non-substantial modification of the original debt, there is a gain or loss recorded in the income statement. This gain or loss is equal to the difference between the present value of the cash flows under the original terms of the former financing and the present value of the cash flows under the new financing, discounted both at the original effective interest rate. In this respect, the Company recorded a \$36.6 million financial income in the profit and loss statement of the consolidated financial statements (see Note 9);
- The acquisition of assets and the consolidation of its debt during the year (see Note 5).

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The repayment schedule for project debt in accordance with the financing arrangements and assuming there will be no acceleration of the Mojave debt, as of December 31, 2019, is as follows and is consistent with the projected cash flows of the related projects:

2020		2021	2022	2023	2024	Subsequent years	Total
Interest Repayment	Nominal repayment						
12,799	256,620	262,787	293,642	319,962	335,067	3,371,471	4,852,348

The following table details the movement in Project debt for the year 2019, split between cash and non-cash items:

	January 1, 2019	Cash Flow	Non- cash changes	December 31, 2019
Project debt	5,091,114	(531,726)	292,960	4,852,348

The non-cash changes primarily relate to interest accrued and to currency translation differences.

The equivalent in U.S. dollars of the most significant foreign-currency-denominated debts held by the Company is as follows:

Currency	Balance as of December 31, 2019	Balance as of December 31, 2018
	\$'000	\$'000
Euro	1,882,618	2,049,892
Algerian Dinar	24,331	29,545
South African Rand	384,313	384,915
<b>Total</b>	<b>2,291,262</b>	<b>2,464,352</b>

All of the Company's financing agreements have a carrying amount close to its fair value.

**18.Grants and other liabilities**

	Balances as of December 31, 2019	Balances as of December 31, 2018
	\$'000	\$'000
Grants	1,087,553	1,150,805
Other liabilities	554,199	507,321
<b>Grant and other non-current liabilities</b>	<b>1,641,752</b>	<b>1,658,126</b>

## Notes to the consolidated financial statements

### 31 December 2019

As of December 31, 2019, the amount recorded in Grants corresponds primarily to the ITC Grant awarded by the U.S. Department of the Treasury to Solana and Mojave for a total amount of \$707 million (\$739 million as of December 31, 2018), which was primarily used to fully repay the Solana and Mojave short-term tranche of the loan with the Federal Financing Bank. The amount recorded in Grants as a liability is progressively recorded as other income over the useful life of the asset.

The remaining balance of the "Grants" account corresponds to loans with interest rates below market rates for Solana and Mojave for a total amount of \$379 million (\$410 million as of December 31, 2018). Loans with the Federal Financing Bank guaranteed by the Department of Energy for these projects bear interest at a rate below market rates for these types of projects and terms. The difference between proceeds received from these loans and their fair value, is initially recorded as "Grants" in the consolidated statement of financial position, and subsequently recorded in "Other operating income" starting at the entry into operation of the plants. Total amount of income for these two types of grants for Solana and Mojave is \$59.0 million and \$59.3 million for the year ended December 31, 2019 and 2018, respectively.

Other liabilities mainly relate to the investment from Liberty Interactive Corporation ("Liberty") made on October 2, 2013 for an amount of \$300 million. The investment was made in the parent company of the project entity, in exchange for the right to receive a large part of taxable losses and distributions until such time when Liberty reaches a certain rate of return, or the Flip Date. Given the underperformance of the asset in the last years, the Company cannot assure the Flip Date will occur or when it will occur. The company expects potential cash distributions from Solana to go mostly or entirely to Liberty in the upcoming years. If the Flip Date never occurs or if there is a delay longer than currently anticipated, this will adversely affect the cash flows the Company expected from that project. In addition, the Company signed an option to acquire, until April 30, 2020, Liberty's equity interest in Solana.

According to the stipulations of IAS 32 and in spite of the fact that the investment of Liberty is in shares, it does not qualify as equity and has been classified as a liability as of December 31, 2019 and 2018. The liability is recorded in Grants and other liabilities for a total amount of \$380 million (\$358 million as of December 31, 2018) and its current portion is recorded in other current liabilities for the remaining amount (see Note 19). This liability has been initially valued at fair value, calculated as the present value of expected cash-flows during the useful life of the concession, and is then measured at amortized cost in accordance with the effective interest method, considering the most updated expected future cash-flows.

Additionally, other liabilities include \$54 million of finance lease liabilities and \$60 million of dismantling provision as of December 31, 2019 (\$57 million and \$57 million as of December 31, 2018, respectively).

**Notes to the consolidated financial statements**  
**31 December 2019**

**19. Trade and other payables**

<b>Item</b>	<b>Balance as of December 31, 2019 \$'000</b>	<b>Balance as of December 31, 2018 \$'000</b>
Trade accounts payable	52,062	109,430
Down payments from clients	565	6,289
Liberty (see Note 18)	41,032	37,119
Other accounts payable	34,403	39,195
<b>Total</b>	<b>128,062</b>	<b>192,033</b>

Trade accounts payable mainly relate to the operating and maintenance of the plants.

Nominal values of Trade payables and other current liabilities are considered to approximately equal to fair values and the effect of discounting them is not significant.

**20. Equity**

Atlantica's shares began trading on the NASDAQ Global Select Market under the symbol "ABY" on June 13, 2014. The symbol changed to "AY" on November 11, 2017.

As of December 31, 2019, the share capital of the Company amounts to \$10,160,167 represented by 101,601,666 ordinary shares completely subscribed and disbursed with a nominal value of \$0.10 each, all in the same class and series. Each share grants one voting right.

Algonquin completed in 2018 the acquisition from Abengoa of its entire stake in Atlantica, 41.47% of the total shares of the Company, becoming the largest shareholder of the Company. On May 22, 2019, the Company issued an additional 1,384,402 ordinary shares, which were fully subscribed by Algonquin for a total amount of \$30,000,000, increasing the stake of Algonquin to 42.27%. Additionally, Algonquin purchased 2,000,000 ordinary shares on May 31, 2019, increasing its stake in Atlantica to 44.2%.

Atlantica's parent company reserves as of December 31, 2019 are made up of share premium account and Capital reserves.

Retained earnings primarily include results attributable to Atlantica.

Other reserves primarily include hedge reserves.

Non-controlling interests fully relate to interests held by JGC in Solacor 1 and Solacor 2, by Idae in Seville PV, by Itochu Corporation in Solaben 2 and Solaben 3, by Algerian Energy Company, SPA and Sacyr Agua S.L. in Skikda, by Industrial Development Corporation of South Africa (IDC) and Kaxu Community Trust in Kaxu and by Algonquin Power Co. in AYES.

## Notes to the consolidated financial statements

### 31 December 2019

Dividends declared during the year 2019:

- On February 26, 2019, the Board of Directors declared a dividend of \$0.37 per share corresponding to the fourth quarter of 2018. The dividend was paid on March 22, 2019 for a total amount of \$37.1 million.
- On May 7, 2019, the Board of Directors of the Company approved a dividend of \$0.39 per share corresponding to the first quarter of 2019. The dividend was paid on June 14, 2019 for a total amount of \$39.6 million.
- On August 2, 2019, the Board of Directors of the Company approved a dividend of \$0.40 per share corresponding to the second quarter of 2019. The dividend was paid on September 13, 2019 for a total amount of \$40.6 million.
- On November 5, 2019, the Board of Directors declared a dividend of \$0.41 per share corresponding to the third quarter of 2019. The dividend was paid on December 13, 2019 for a total amount of \$41.7 million.

Please refer to Note 7 of the Parent Company financial statements for further disclosures on the dividends.

In addition, as of December 31, 2019, there was no treasury stock and there have been no transactions with treasury stock during the period then ended.

## 21. Notes to the cash flow statement

Analysis of changes in net debt

	January 1, 2019 \$'000	Cash Flow \$'000	Non monetary items \$'000	December 31, 2019 \$'000
Cash and bank balances	631,542	(64,812)	(3,935)	562,795
Borrowings	5,775,187	(525,106)	326,058	5,576,139
<b>Net debt</b>	<b>5,143,645</b>	<b>(460,294)</b>	<b>329,993</b>	<b>5,013,344</b>

**Notes to the consolidated financial statements**  
**31 December 2019**

**22. Financial instruments by category**

Financial instruments are primarily deposits, derivatives, trade and other receivables and loans. Financial instruments by category (current and non-current), reconciled with the statement of financial position as of December 31, 2019 and 2018 are as follows:

**Category**

	Notes	Amortized Cost \$'000	Fair Value Through Other Comprehensive Income \$'000	Fair value Through profit or loss \$'000	Balance as of 12.31.19 \$'000
Derivative assets	23	-	-	5,230	5,230
Investment in Ten West Link		-	9,874	-	9,874
Investment in Rioglass		-	-	7,000	7,000
Other financial investments		288,060	-	-	288,060
Trade and other receivables		317,568	-	-	317,568
Cash and cash equivalents	15	562,795	-	-	562,795
<b>Total financial assets</b>		<b>1,168,423</b>	<b>9,874</b>	<b>12,230</b>	<b>1,190,527</b>
Corporate debt	16	723,791	-	-	723,791
Project debt	17	4,852,348	-	-	4,852,348
Related parties – non-current	26	17,115	-	-	17,115
Trade and other current liabilities	19	128,062	-	-	128,062
Derivative liabilities	23	-	-	298,744	298,744
<b>Total financial liabilities</b>		<b>5,721,316</b>	<b>-</b>	<b>298,744</b>	<b>6,020,060</b>

**Category**

	Notes	Amortized Cost \$'000	Fair Value Through Other Comprehensive Income \$'000	Fair value Through profit or loss \$'000	Balance as of 12.31.18 \$'000
Derivative assets	23	-	-	13,153	13,153
Investment in Ten West Link		-	6,034	-	6,034
Other financial investments		274,318	-	-	274,318
Trade and other receivables		236,395	-	-	236,395
Cash and cash equivalents	15	631,542	-	-	631,542
<b>Total financial assets</b>		<b>1,142,255</b>	<b>6,034</b>	<b>13,153</b>	<b>1,161,442</b>
Corporate debt	16	684,073	-	-	684,073
Project debt	17	5,091,114	-	-	5,091,114
Related parties – non-current	26	33,675	-	-	33,675
Trade and other current liabilities	19	192,033	-	-	192,033
Derivative liabilities	23	-	-	279,152	279,152
<b>Total financial liabilities</b>		<b>6,000,895</b>	<b>-</b>	<b>279,152</b>	<b>6,280,047</b>



## Notes to the consolidated financial statements

### 31 December 2019

Other financial investments include primarily the short-term portion of contracted concessional assets (see Note 12) for \$160.6 million as of December 31, 2019 and for \$159.1 million as of December 31, 2018, and other small items such as deposits required by the project companies.

Investment in Ten West Link is a 12.5% interest in a 114-mile transmission line in the U.S., currently under development.

Investment in Rioglass corresponds to 15.12% of the equity interest of Rioglass, a multinational solar power and renewable energy technology manufacturer, acquired in May 2019 by the Company.

### 23. Derivative financial instruments

The breakdown of the fair value amounts of the derivative financial instruments as of December 31, 2019 and 2018 are as follows:

	Balance as of 12.31.19		Balance as of 12.31.18	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Derivatives - cash flow hedge	1,619	298,744	9,923	279,152
Foreign exchange derivatives instruments	3,610	-	3,230	-
<b>Total</b>	<b>5,230</b>	<b>298,744</b>	<b>13,153</b>	<b>279,152</b>

The derivatives are primarily interest rate cash-flow hedges. All are classified as non-current assets or non-current liabilities, as they hedge long-term financing agreements.

Additionally, the Company owns currency options with leading international financial institutions, which guarantee minimum Euro-U.S. dollar exchange rates. The strategy of the Company is to hedge the exchange rate for the net distributions from its Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through currency options, the strategy of the Company is to hedge 100% of its euro-denominated net exposure for the next 12 months and 75% of its euro denominated net exposure for the following 12 months, on a rolling basis. Change in fair value of these foreign exchange derivatives instruments are recorded in the consolidated income statement.

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As stated in Note 24 to these consolidated financial statements, the general policy is to hedge variable interest rates of financing agreements purchasing call options (caps) in exchange of a premium to fix the maximum interest rate cost and contracting floating to fixed interest rate swaps.

As a result, the notional amounts hedged, strikes contracted and maturities, depending on the characteristics of the debt on which the interest rate risk is being hedged, can be diverse:

- Project debt in Euros: the Company hedges between 81% and 100% of the notional amount, maturities until 2030 and average guaranteed interest rates of between 0.89% and 4.87%.

- Project debt in U.S. dollars: the Company hedges between 70% and 100% of the notional amount, including maturities until 2034 and average guaranteed interest rates of between 1.98% and 5.27%.

The table below shows a breakdown of the maturities of notional amounts of interest rate cash flow hedge derivatives designated as cash flow hedges as of December 31, 2019 and 2018.

Notionals	Balance as of 12.31.19		Balance as of 12.31.18	
	\$'000		\$'000	
	Assets	Liabilities	Assets	Liabilities
Up to 1 year	43,266	117,574	42,846	93,440
Between 1 and 2 years	45,955	124,908	45,603	119,568
Between 2 and 3 years	49,259	240,570	48,774	234,572
Subsequent years	455,235	1,697,033	535,774	1,858,061
Total	<u>\$ 593,715</u>	<u>\$ 2,180,085</u>	<u>\$ 672,997</u>	<u>\$ 2,305,641</u>

The table below shows a breakdown of the maturity of the fair values of interest rate cash flow hedge derivative as of December 31, 2019 and 2018.

Fair value	Balance as of 12.31.19		Balance as of 12.31.18	
	\$'000		\$'000	
	Assets	Liabilities	Assets	Liabilities
Up to 1 year	118	(18,721)	493	(11,848)
Between 1 and 2 years	128	(19,787)	524	(13,231)
Between 2 and 3 years	140	(21,802)	562	(15,151)
Subsequent years	1,234	(238,434)	8,344	(238,922)
Total	<u>\$ 1,619</u>	<u>\$(298,744)</u>	<u>\$ 9,923</u>	<u>\$(279,152)</u>

During 2019, fair value of derivatives decreased mainly due to a decrease in the fair value of

## Notes to the consolidated financial statements

### 31 December 2019

interest rate cash-flow hedges resulting from the decrease in future interest rates.

The net amount of the fair value of interest rate derivatives designated as cash flow hedges transferred to the consolidated income statement in 2019 is a loss of \$55,765 thousand (loss of \$67,519 thousand in 2018). Additionally, the net amount of the time value component of the cash flow derivatives fair value recognized in the consolidated income statement for the year 2019 and 2018 has been a gain of \$157 thousand and a loss of \$560 thousand.

The after-tax result accumulated in equity in connection with derivatives designated as cash flow hedges at the years ended December 31, 2019 and 2018, amount to a \$73,797 thousand gain and a \$95,011 thousand gain respectively.

#### 24. Financial risk management

Atlantica's activities are exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk is managed by the Company's Risk Finance and Compliance Departments, which are responsible for identifying and evaluating financial risks quantifying them by project, region and company, in accordance with mandatory internal management rules. Written internal policies exist for global risk management, as well as for specific areas of risk. In addition, there are official written management regulations regarding key controls and control procedures for each company and the implementation of these controls is monitored through internal audit procedures.

##### a) Market risk

The Company is exposed to market risk, such as movement in foreign exchange rates and interest rates. All of these market risks arise in the normal course of business and the Company does not carry out speculative operations. For the purpose of managing these risks, the Company uses a series of interest rate swaps and options, and currency options. None of the derivative contracts signed has an unlimited loss exposure.

##### b) Interest rate risk

Interest rate risk arises when the Company's activities are exposed to changes in interest rates, which arises from financial liabilities at variable interest rates. The main interest rate exposure for the Company relates to the variable interest rate with reference to the Libor and Euribor. To minimize the interest rate risk, the Company primarily uses interest rate swaps and interest rate options (caps), which, in exchange for a fee, offer protection against an increase in interest rates. The Company does not use derivatives for speculative purposes.

As a result, the notional amounts hedged, strikes contracted and maturities, depending on the characteristics of the debt on which the interest rate risk is being hedged, are very diverse, including the following:

## Notes to the consolidated financial statements

### 31 December 2019

1. Project debt in Euros: the Company hedges between 81% and 100% of the notional amount, maturities until 2030 and average guaranteed interest rates of between 0.89% and 4.87%.
2. Project debt in U.S. dollars: the Company hedges between 70% and 100% of the notional amount, including maturities until 2034 and average guaranteed interest rates of between 1.98% and 5.27%.

In connection with the interest rate derivative positions of the Company, the most significant impacts on these consolidated financial statements are derived from the changes in EURIBOR or LIBOR, which represent the reference interest rate for the most of the debt of the Company. In the event that Euribor and Libor had risen by 25 basis points as of December 31, 2019, with the rest of the variables remaining constant, the effect in the consolidated income statement would have been a loss of \$2,745 thousand (a loss of \$2,731 thousand in 2018) and an increase in hedging reserves of \$27,570 thousand (\$32,928 thousand in 2018). The increase in hedging reserves would be mainly due to an increase in the fair value of interest rate swaps designated as hedges.

A breakdown of the interest rates derivatives as of December 31, 2019 and 2018 is provided in Note 23.

#### c) Currency risk

The main cash flows in the entities included in these consolidated financial statements are cash collections arising from long-term contracts with clients and debt payments arising from project finance repayment. Given that financing of the projects is always closed in the same currency in which the contract with client is signed, a natural hedge exists for the main operations of the Company.

In addition, the Company policy is to contract currency options with leading financial institutions, which guarantee a minimum Euro-U.S. dollar exchange rate on the net distributions expected from Spanish solar assets. The net Euro exposure is 100% covered for the coming 12 months and 75% for the following 12 months on a rolling basis.

#### d) Credit risk

The Company considers that it has a limited credit risk with clients as revenues derive from power purchase agreements with electric utilities and state-owned entities.

On January 29, 2019, PG&E, the off-taker for Atlantica with respect to the Mojave plant, filed for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). As a consequence, PG&E did not pay the portion of the invoice corresponding to the electricity delivered for the period between January 1 and January 28, 2019, which was due on February 25, given that the services relate to the pre-petition period and any payment therefore would require approval by the Bankruptcy Court. However, PG&E has paid all invoices corresponding to the

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electricity delivered after January 28 and has continued to be in compliance with the remaining terms and conditions of the PPA.

During recent months, the credit rating of Eskom has weakened and is currently CCC+ from S&P Global Rating ("S&P"), B3 from Moody's Investor Service Inc. ("Moody's") and BB- from Fitch Ratings Inc. ("Fitch"). Eskom is the offtaker of Kaxu solar plant, a state-owned, limited liability company, wholly owned by the government of the Republic of South Africa. Eskom's payment guarantees to the solar plant Kaxu are underwritten by the South African Department of Energy, under the terms of an implementation agreement. The credit ratings of the Republic of South Africa as of the date of this report are BB/Baa3/BB+ by S&P, Moody's and Fitch, respectively.

In addition, during recent months the credit rating of Pemex has also weakened and is currently BBB+ from S&P, Baa3 from Moody's and BB+ from Fitch. The Company has been experiencing delays in collections in the last few months. Although the Company believes they are partially due to changes in personnel following the elections last year, it continues to monitor the situation closely.

#### e) Liquidity risk

Atlantica's liquidity and financing policy is intended to ensure that the Company maintains sufficient funds to meet the financial obligations as they fall due.

Project finance borrowing permits the Company to finance the project through project debt and thereby insulate the rest of its assets from such credit exposure. The Company incurs in project-finance debt on a project-by-project basis.

The repayment profile of each project is established on the basis of the projected cash flow generation of the business. This ensures that sufficient financing is available to meet deadlines and maturities, which mitigates the liquidity risk significantly.

#### f) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings disclosed in note 16 and 17 after deducting cash and bank balances) and equity of the group (comprising issued capital, reserves and retained earnings). The board of directors review the capital structure on a regular basis. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital.

#### *Gearing ratio*

The gearing ratio at the year-end is as follows:

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	<b>Balance as of December 31, 2019 \$'000</b>	<b>Balance as of December 31, 2018 \$'000</b>
Debt	5,576,139	5,775,187
Cash and cash equivalents	562,795	631,542
Net Debt	<u>5,013,344</u>	<u>5,143,645</u>
Equity	<u>1,714,856</u>	<u>1,756,112</u>
Net debt to equity ratio	<u>292%</u>	<u>293%</u>

**25.Events after the balance sheet date**

On February 26, 2020, the Board of Directors of the Company approved a dividend of \$0.41 per share, which is expected to be paid on March 23, 2020.

**26.Related party transactions**

During the normal course of business, the Company has historically conducted operations with related parties consisting mainly of Abengoa's subsidiaries and non-controlling interests. The transactions were completed at market rates.

Further to the sale of its remaining 16.47% stake in the Company to Algonquin on November 27, 2018, Abengoa ceased to fulfil the conditions to be a related party as per IAS 24 - Related Parties Disclosures. Algonquin is a related party since it completed the acquisition of a 25% stake in the Company in March 2018.

Details of balances with related parties as of December 31, 2019 and 2018 are as follows:

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	<b>Balance as of December 31, 2019 \$'000</b>	<b>Balance as of December 31, 2018 \$'000</b>
Credit receivables (current)	13,350	5,328
<b>Total current receivables with related parties</b>	<b>13,350</b>	<b>5,328</b>
Credit receivables (non-current)	21,355	-
<b>Total non-current receivables with related parties</b>	<b>21,355</b>	<b>-</b>
Credit payables (current)	23,979	19,352
<b>Total current payables with related parties</b>	<b>23,979</b>	<b>19,352</b>
Credit payables (non-current)	17,115	33,675
<b>Total non-current payables with related parties</b>	<b>17,115</b>	<b>33,675</b>

Current credit receivables as of December 31, 2019 mainly correspond to the short-term portion of the loan to Arroyo Netherland II B.V., the holding company of Pemcorp SAPI de CV., Monterrey's project entity (Note 5) for \$5.0 million and to a dividend to be collected from Amherst Island Partnership for \$5.5 million as of December 31, 2019.

Non-current credit receivables as of December 31, 2019 correspond to the long-term portion of the loan to Arroyo Netherland II B.V.

Credit payables relate to debts with non-controlling interests partners in Kaxu, Solaben 2&3 and Solacor 1&2 for an amount of \$35.6 million as of December 31, 2019 (\$53.0 million as of December 31, 2018). Current credit payables also include the dividend to be paid from Atlantica Yield Energy Solutions Ltd to Algonquin for \$5.4 million as of December 31, 2019.

The transactions carried out by entities included in these consolidated financial statements with related parties not included in the consolidation perimeter of Atlantica, for the years ended December 31, 2019 and 2018 have been as follows:

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	<b>For the twelve-month period ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Services received	-	(101,582)
Financial income	978	3,721
Financial expenses	(195)	(398)

Services received in 2018 primarily included operation and maintenance services received by some assets from Abengoa and subsidiaries of Abengoa, which had been related parties during this year.

*Aggregate directors' remuneration*

The total amounts for directors' remuneration in accordance with Schedule 5 of the Accounting Regulations were as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries, fees, bonuses and benefits in kind	2,522	3,200
	<u>2,522</u>	<u>3,200</u>

The directors received no other benefits in respect of their services to the company, including any share option or pension schemes. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 96 to 115.

**27. Key Management compensation**

Key management includes Directors, CEO, CFO and 5 key executives. Total compensation received by key management in 2019 amounts to \$4.5 million (\$5.7 million in 2018) and did not include any long-term award in 2019 (\$1.4 million in 2018, paid in March 2019). No share option or pension scheme were received in 2018 or 2019.

**28. Contingent liabilities, guarantees and commitments**

Contingent liabilities are possible obligations, existing obligations with low probability of a future outflow of economic resources and existing obligations where the future outflow cannot be reliably estimated.



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*Third-party guarantees*

At the close of 2019 the overall sum of Bank Bond and Surety Insurance directly deposited by the subsidiaries of the Company as a guarantee to third parties (clients, financial entities and other third parties) amounted to \$38.2 thousand attributed to operations of technical nature (\$32.4 thousand as of December 31, 2018). In addition, Atlantica Yield Plc issued guarantees amounting to \$130.1 million as of December 31, 2019 (\$60.5 million as of December 31, 2018). Guarantees issued by Atlantica Yield plc correspond mainly to guarantees provided to off-takers in PPAs, guarantees replacing debt service reserve accounts and guarantees for points of access for renewable projects, which have been partially canceled as of the date of this report.

*Contractual obligations*

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2019 and 2018:

<b>2019</b>	<b>\$'000</b>	<b>Total</b>	<b>2020</b>	<b>2021 and 2022</b>	<b>2023 and 2024</b>	<b>Subsequent</b>
Corporate debt		723,791	28,706	200,504	200,926	293,655
Loans with credit institutions (project debt)		4,105,915	241,116	504,921	598,837	2,761,041
Notes and bonds (project debt)		746,433	28,304	51,508	56,192	610,429
Purchase commitments*		2,991,432	129,595	278,418	269,632	2,313,787
Accrued interest estimate during the useful life of loans		2,472,070	294,676	549,320	471,535	1,156,539
<b>2018</b>	<b>\$'000</b>	<b>Total</b>	<b>2019</b>	<b>2020 and 2021</b>	<b>2022 and 2023</b>	<b>Subsequent</b>
Corporate debt		684,073	268,905	107,560	205,258	102,350
Loans with credit institutions (project debt)		4,314,307	233,214	476,191	571,374	3,033,528
Notes and bonds (project debt)		776,807	31,241	49,445	54,879	641,242
Purchase commitments*		3,082,495	131,417	264,461	259,775	2,426,842
Accrued interest estimate during the useful life of loans		2,743,132	314,984	565,040	492,932	1,370,176

The figures shown in the tables above do not include equity investments that the Company may be committed to realize in the future, if certain conditions are met, such as equity investments in the PTS project (see Note 5).

(\*) Purchase commitments included lease commitments for \$93.0 million as of December 31, 2019 (\$97.4 million as of December 31, 2018), of which \$5.1 million is due within one year and \$87.9

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million thereafter as of December 31, 2019 (\$5.4 million due within one year and \$92.0 million thereafter as of December 31, 2018).

#### *Legal Proceedings*

On October 17, 2016, ACT received a request for arbitration from the International Court of Arbitration of the International Chamber of Commerce presented by Pemex. Pemex was requesting compensation for damages caused by a fire that occurred in their facilities during the construction of the ACT cogeneration plant in December 2012, for a total amount of approximately \$20 million. On July 5, 2017, Seguros Inbursa, the insurer of Pemex, joined as a second claimant in the process. On December 19, 2018 the parties of the arbitration executed a settlement agreement to finalize the claim without any financial impact for ACT. On March 8, 2019 the ICC arbitration tribunal confirmed the settlement agreement and the arbitration was terminated.

A number of Abengoa's subcontractors and insurance companies that issued bonds covering Abengoa's obligations under such contracts in the U.S. have included some of the non-recourse subsidiaries of Atlantica in the U.S. as co-defendants in claims against Abengoa. Generally, the subsidiaries of Atlantica have been dismissed as defendants at early stages of the processes. With respect to a claim addressed by a group of insurance companies to a number of Abengoa's subsidiaries and to Solana for Abengoa related losses of approximately \$20 million that could increase, according to the insurance companies, up to a maximum of approximately \$200 million if all their exposure resulted in losses, Atlantica reached an agreement with all but one of the above-mentioned insurance companies, under which they agreed to dismiss their claims in exchange for payments of approximately \$4.3 million, which were paid in 2018. The insurance company that did not join the agreement has temporarily stopped legal actions against Atlantica, and Atlantica does not expect this particular claim to have a material adverse effect on its business.

In addition, an insurance company covering certain Abengoa's obligations in Mexico has claimed certain amounts related to a potential loss. This claim is covered by existing indemnities from Abengoa. Nevertheless, the Company has reached an agreement under which Atlantica's maximum theoretical exposure would in any case be limited to approximately \$35 million, including \$2.5 million to be held in an escrow account. On January 2019, the insurance company executed \$2.5 million from the escrow account and Abengoa reimbursed such amount according to the existing indemnities in force between Atlantica and Abengoa. The payments by Atlantica would only happen if and when the actual loss has been confirmed, Abengoa has not fulfilled their obligations and after arbitration, if the Company initiates it.

The Company is not a party to any other significant legal proceeding other than legal proceedings arising in the ordinary course of its business. The Company is party to various administrative and regulatory proceedings that have arisen in the ordinary course of business. While the Company does not expect these proceedings, either individually or in the aggregate, to have a material

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adverse effect on its financial position or results of operations, because of the nature of these proceedings the Company is not able to predict their ultimate outcomes, some of which may be unfavorable to the Company.

#### *Other matters*

Abengoa maintains a number of obligations under EPC, O&M and other contracts, as well as indemnities covering certain potential risks. Additionally, Abengoa represented that further to the accession to its restructuring agreement, Atlantica would not be a guarantor of any obligation of Abengoa with respect to third parties and agreed to indemnify the Company for any penalty claimed by third parties resulting from any breach in such representations. The Company has contingent assets, which have not been recognized as of December 31, 2019, related to the obligations of Abengoa referred above, which result and amounts will depend on the occurrence of uncertain future events. In particular as of April 26, 2018 and November 27, 2018 Abengoa agreed to pay Atlantica certain amounts subject to conditions which are beyond the control of the Company.

The project financing arrangement of Kaxu contains cross-default provisions related to Abengoa such that debt defaults by Abengoa, subject to certain threshold amounts and/or a restructuring process, could trigger a default under the Kaxu project financing arrangement. In March 2017, Atlantica obtained a waiver in its Kaxu project financing arrangement which waives any potential cross-defaults with Abengoa up to that date, but it does not cover potential future cross-default events. As of December 31, 2019, the Company is not aware of the existence of any cross-default events with Abengoa.

The Company entered into a Financial Support Agreement on June 13, 2014, under which Abengoa agreed to maintain any guarantees and letters of credit that have been provided by it on behalf of or for the benefit of Atlantica and its affiliates for a period of five years. This agreement with Abengoa expired in June 2019, and Abengoa's commitment to maintain guarantees and letters of credit currently outstanding in the Company's affiliates' favor expired, as well. The Company replaced all the guarantees where necessary.

## **29. Earnings per share**

Basic earnings per share for the years 2019 and 2018 has been calculated by dividing the Loss attributable to equity holders of the company by the number of shares outstanding. Diluted earnings per share equals basic earnings per share for the period presented.

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<b>Item</b>	<b>For the twelve-month period ended December 31, 2019 \$'000</b>	<b>For the twelve-month period ended December 31, 2018 \$'000</b>
Profit/(Loss) from continuing operations attributable to Atlantica Yield Plc.	62,135	41,596
<b>Average number of ordinary shares outstanding (thousands) - basic and diluted</b>	<b>101,063</b>	<b>100,217</b>
Earnings per share from continuing operations (US dollar per share) - basic and diluted	0.61	0.42
<b>Earnings per share from profit for the period (US dollar per share) - basic and diluted</b>	<b>0.61</b>	<b>0.42</b>

**30. Service concessional arrangements**

Below is a description of the concessional arrangements of the Atlantica group.

**Solana**

Solana is a 250 MW net (280 MW gross) solar electric generation facility located in Maricopa County, Arizona, approximately 70 miles southwest of Phoenix. Arizona Solar One LLC, or Arizona Solar, owns the Solana project. Solana includes a 22-mile 230kV transmission line and a molten salt thermal energy storage system. The construction of Solana commenced in December 2010 and Solana reached COD on October 9, 2013.

Solana has a 30-year, PPA with Arizona Public Service, or APS, approved by the Arizona Corporation Commission (ACC). The PPA provides for the sale of electricity at a fixed price per MWh with annual increases of 1.84% per year. The PPA includes limitations on the amount and condition of the energy that is received by APS with minimum and maximum thresholds for delivery capacity that must not be breached.

**Mojave**

Mojave is a 250 MW net (280 MW gross) solar electric generation facility located in San Bernardino County, California, approximately 100 miles northeast of Los Angeles. Abengoa commenced construction of Mojave in September 2011 and Mojave reached COD on December 1, 2014.

Mojave has a 25-year, PPA with Pacific Gas & Electric Company, or PG&E, approved by the California Public Utilities Commission (CPUC). The PPA began on COD. The PPA provides for the sale of electricity at a fixed base price per MWh without any indexation mechanism, including

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limitations on the amount and condition of the energy that is received by PG&E with minimum and maximum thresholds for delivery capacity that must not be breached.

#### **Palmatir**

Palmatir is an on-shore wind farm facility in Uruguay with nominal installed capacity of 50 MW. Palmatir has 25 wind turbines and each turbine has a nominal capacity of 2 MW. UTE (Administración Nacional de Usinas y Transmisiones Eléctricas), Uruguay's state-owned electricity company, has agreed to purchase all energy produced by Palmatir pursuant to a 20-year PPA.

Palmatir reached COD in May 2014. The wind farm is located in Tacuarembó, 170 miles north of the city of Montevideo.

Palmatir signed a PPA with UTE on September 14, 2011 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicios de Energía y Agua). UTE will pay a fixed-price tariff per MWh under the PPA, which is denominated in U.S. dollars and will be partially adjusted in January of each year according to a formula based on inflation.

#### **Cadonal**

Cadonal is an on-shore wind farm facility in Uruguay with nominal installed capacity of 50 MW. Cadonal has 25 wind turbines and each turbine has a nominal capacity of 2 MW each. UTE (Administración Nacional de Usinas y Transmisiones Eléctricas), Uruguay's state-owned electricity company, has agreed to purchase all energy produced by Cadonal pursuant to a 20-year PPA.

Cadonal reached COD in December 2014. The wind farm is located in Flores, 105 miles north of the city of Montevideo.

Cadonal signed a PPA with UTE on December 28, 2012 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicios de Energía y Agua). UTE pays a fixed tariff per MWh under the PPA, which is denominated in U.S. dollars and will be adjusted every January considering both U.S. and Uruguay's inflation indexes and the exchange rate between Uruguayan pesos and U.S. dollars.

#### **Solaben 2 & 3**

The Solaben 2 and Solaben 3 are two 50 MW Concentrating Solar Power facilities and are part of Abengoa's Extremadura Solar Complex. The Extremadura Solar Complex consists of four Concentrating Solar Power plants (Solaben 1, Solaben 2, Solaben 3 and Solaben 6), and is located in the municipality of Logroño, Spain. Abengoa commenced construction of Solaben 2 and Solaben 3 in August 2010. Solaben 2 reached COD in June 2012 and Solaben 3 reached COD in October 2012. Solaben Electricidad Dos, S.A., or SE2, owns Solaben 2 and Solaben Electricidad Tres, S.A., or SE3, owns Solaben 3.

Renewable energy plants in Spain, like Solaben 2 and Solaben 3, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Solaben 2 and Solaben 3 sell the power they produce into the

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wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comisión Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **Solacor 1 & 2**

The Solacor 1 and Solacor 2 are two 50 MW Concentrating Solar Power facilities and are part of Abengoa's El Carpio Solar Complex, located in the municipality of El Carpio, Spain. The Carpio Solar Complex consists in a conventional parabolic trough Concentrating Solar Power system to generate electricity. Abengoa commenced construction of Solacor 1 and Solacor 2 in September 2010. The COD was reached in two phases, the first one, Solacor 1, was reached in February 2012 and the second one, Solacor 2, was reached in March 2012. JGC Corporation holds 13% of Solacor 1 & Solacor 2, a Japanese engineering company.

Renewable energy plants in Spain, like Solacor 1 and Solacor 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Solacor 1 and Solacor 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comisión Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **ACT**

The ACT plant is a gas-fired cogeneration facility with a rated capacity of approximately 300 MW and between 550 and 800 metric tons per hour of steam. The plant includes a substation and an approximately 52 mile and 115-kilowatt transmission line.

On September 18, 2009, ACT Energy México entered into the Pemex Conversion Services Agreement, or the Pemex CSA, with Petroleos Mexicanos, or Pemex. Pemex is a state-owned oil and gas company supervised by the Comisión Reguladora de Energía (CRE), the Mexican state agency that regulates the energy industry. The Pemex CSA has a term of 20 years from the in-service date and will expire on March 31, 2033.

According to the Pemex CSA, ACT must provide, in exchange for a fixed price with escalation adjustments, services including the supply and transformation of natural gas and water into thermal energy and electricity. Part of the electricity is to be supplied directly to a Pemex facility nearby, allowing the Comisión Federal de Electricidad (CFE) to supply less electricity to that facility. Approximately 90% of the electricity must be injected into the Mexican electricity network to be used by retail and industrial end customers of CFE in the region. Pemex is then entitled to receive an equivalent amount of energy in more than 1,000 of their facilities in other parts of the country from CFE, following an adjustment mechanism under the supervision of CFE.

The Pemex CSA is denominated in U.S. dollars. The price is a fixed tariff and will be adjusted annually, part of it according to inflation and part according to a mechanism agreed in the contract that on average over the life of the contract reflects expected inflation. The components of the

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price structure and yearly adjustment mechanisms were prepared by Pemex and provided to bidders as part of the request for proposal documents.

#### ATN

ATN, or the ATN Project, in Peru is part of the SGT (Sistema Garantizado de Transmision), which includes all transmission line concessions allocated by a bidding process by the government and is comprised of the following facilities:

- (i) the approximately 356 mile, 220kV line from Carhuamayo-Paragsha-Conococha-Kiman-Ayllu-Cajamarca Norte;
- (ii) the 4.3 mile, 138kV link between the existing Huallanca substation and Kiman Ayllu substations;
- (iii) the 1.9 mile, 138kV link between the 138kV Carhuamayo substation and the 220kV Carhuamayo substation;
- (iv) the new Conococha and Kiman Ayllu substations; and
- (v) the expansion of the Cajamarca Norte, 220kV Carhuamayo, 138kV Carhuamayo and 220kV Paragsha substations.

Additionally, on December 28, 2018 ATN completed the acquisition of a 220-kV power substation and two small transmission lines to connect the lines of the Company to the Shahuindo mine located nearby (ATN Expansion 1) and, on October 22, 2019, the Company closed the acquisition of ATN Expansion 2.

Pursuant to the initial concession agreement, the Ministry of Energy, on behalf of the Peruvian Government, granted ATN a concession to construct, develop, own, operate and maintain the ATN Project. The initial concession agreement became effective on May 22, 2008 and will expire 30 years after COD of the first tranche of the line, which took place in January 2011. ATN is obliged to provide the service of transmission of electric energy through the operation and maintenance of the electric transmission line, according to the terms of the contract and the applicable law.

The laws and regulations of Peru establish the key parameters of the concession contract, the price indexation mechanism, the rights and obligations of the operator and the procedures that have to be followed in order to fix the applicable tariff, which occurs through a regulated bidding process. Once the bidding process is complete and the operator is granted the concession, the pricing of the power transmission service is established in the concession agreement. ATN has a 30-year concession agreement with a fixed-price tariff base denominated in U.S. dollars that is

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adjusted annually after COD of each line, in accordance with the U.S. Finished Goods Less Food and Energy Index published by the U.S. Department of Labor.

#### **ATS**

ABY Transmission Sur, or ATS Project, in Peru is part of the Guaranteed Transmission System, or (Sistema Garantizado de Transmisión) which includes all transmission line concessions allocated by a bidding process by the government, and is comprised of:

- (i) one 500kV electric transmission line and two short 220kV electric transmission lines, which are linked to existing substations;
- (ii) three new 500kV substations; and
- (iii) three existing substations (two existing 220kV substations and one existing 550/220kV substation), through the development of new transformers, line reactors, series reactive compensation and shunt reactions in some substations.

Pursuant to the initial concession agreement, the Ministry of Energy, on behalf of the Peruvian Government, granted ATS a concession to construct, develop, own, operate and maintain the ATS Project. The initial concession agreement became effective on July 22, 2010 and will expire 30 years after COD, which took place in January 2014. ATS is obliged to provide the service of transmission of electric energy through the operation and maintenance of the electric transmission line, according to the terms of the contract and the applicable law.

The laws and regulations of Peru establish the key parameters of the concession contract, the price indexation mechanism, the rights and obligations of the operator and the procedure that has to be followed in order to fix the applicable tariff, which occurs through a regulated bidding process. Once the bidding process is complete and the operator is granted the concession, the pricing of the power transmission service is established in the concession agreement. ATS has a 30-year concession agreement with fixed-price tariff base denominated in U.S. dollars that is adjusted annually after COD of each line, in accordance with the U.S. Finished Goods Less Food and Energy Index published by the U.S. Department of Labor.

#### **Quadra 1 & Quadra 2**

Transmisora Mejillones, or Quadra 1, is a 49-miles transmission line project and Transmisora Baquedano, or Quadra 2, is a 32-miles transmission line project, each connected to the Sierra Gorda substations.

Both projects have concession agreements with Sierra Gorda SCM. The agreements are denominated in U.S. dollars and are indexed mainly to CPI. The concession agreements each have



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a 21-year term that began on COD, which took place in April 2014 and March 2014 for Quadra 1 and Quadra 2, respectively.

Quadra 1 and Quadra 2 belong to the Northern Interconnected System (SING), one of the two interconnected systems into which the Chilean electricity market is divided and structured for both technical and regulatory purposes.

As part of the SING, Quadra 1 and Quadra 2 and the service they provide are regulated by several regulatory bodies, in particular: the Superintendent's office of Electricity and Fuels (Superintendencia de Electricidad y Combustibles, SEC), the Economic Local Dispatch Center (Centro de Despacho Economico de Cargas, CDEC), the National Board of Energy (Comision Nacional de Energia, CNE) and the National Environmental Board (Comision Nacional de Medio Ambiente, CONAMA) and other environmental regulatory bodies.

In all these concession arrangements, the operator has all the rights necessary to manage, operate and maintain the assets and the obligation to provide the services defined above, which are clearly defined in each concession contract and in the applicable regulations in each country.

#### **Helioenergy 1&2**

The Helioenergy 1/2 project is located in Ecija, Spain. Abengoa started the construction of Helioenergy in 2010, and reached COD in 2011. Since COD, the projects have obtained good generation results achieving systematically year after year results aligned or above the target productions defined.

Helioenergy relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. Helioenergy evacuates its electricity through an aerial underground line 220 kV from the substation of the plant to a 220 kV line that ends in SET Villanueva del Rey (owned by Red Eléctrica de España), where the connection point of the plant is located.

Renewable energy plants in Spain, like Helionergy 1 and Helionergy 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Helionergy 1 and Helionergy 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **Helios 1&2**

The Helios 1/2 project is a 100 MW Concentrating Solar Power facility known as Plataforma Solar Castilla la Mancha, located in the municipality of Arenas de San Juan, Puerto Lápice and Villarta de San Juan, Spain. Helios 1 COD was reached in 2Q 2012, Helios 2 COD was reached in 3Q 2012.

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Since COD, the projects have obtained good generation results aligned or above the production targets.

Helios 1/2 relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2.

Renewable energy plants in Spain, like Helios 1 and Helios 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Helios 1 and Helios 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **Solnova 1, 3&4**

The Solnova 1/3/4 project is a 150 MW Concentrating Solar Power facility, part of the Sanlucar Solar Platform, located in the municipality of Sanlucar la Mayor, Spain. Solnova 1 COD was reached in 2Q 2010, Solnova 3 COD was reached in 2Q 2010 and Solnova 4 COD was reached in 3Q 2010. Since COD, the projects have obtained good generation results achieving results aligned with the target production numbers.

Solnova 1/3/4 relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2.

Solnova 1/3/4 evacuates its electricity through an aerial-underground line 66 kV from the substation of the plant to a 220 kV line that ends in SET Casaquemada, where the connection point of the plant is located.

Renewable energy plants in Spain, like Solnova 1, Solnova 3 and Solnova 4, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Solnova 1, Solnova 3 and Solnova 4 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **Honaine**

The Honaine project is a water desalination plant located in Taffsout, Algeria, near three important cities: Oran, to the northeast, and Sidi Bel Abbés and Tlemcen, to the southeast. Myah Bahr Honaine Spa, or MBH, is the vehicle incorporated in Algeria for the purposes of owning the Honaine project. Algerian Energy Company, SPA, or AEC, owns 49% and Sacyr Agua S.L., a subsidiary of Sacyr, S.A., owns the remaining 25.5% of the Honaine project.

AEC is the Algerian agency in charge of delivering Algeria's large-scale desalination program. It is a joint venture set up in 2001 between the national oil and gas company, Sonatrach, and the

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national gas and electricity company, Sonelgaz. Each of Sonatrach and Sonelgaz owns 50% of AEC.

The technology selected for the Honaine plant is currently the most commonly used in this kind of project. It consists of desalination using membranes by reverse osmosis. Honaine has a capacity of seven M ft<sup>3</sup> per day of desalinated water and it is under operation since July 2012. The project serves a population of 1.0 million.

The water purchase agreement is a U.S. dollar indexed 25-year take-or-pay contract with Sonatrach / Algérienne des Eaux, or ADE. The tariff structure is based upon plant capacity and water production, covering variable cost (water cost plus electricity cost). Tariffs are adjusted monthly based on the indexation mechanisms that include local inflation, U.S. inflation and the exchange rate between the U.S. dollar and local currency.

#### **Skikda**

The Skikda project is a water desalination plant located in Skikda, Algeria. Skikda is located 510 km east of Alger. Aguas de Skikda, or ADS, is the vehicle incorporated in Algeria for the purposes of owning the Skikda project. AEC owns 49% and Sacyr Agua S.L. owns the remaining 16.83% of the Skikda project.

AEC is the Algerian agency in charge of delivering Algeria's large-scale desalination program. It is a joint venture set up in 2001 between the national oil and gas company, Sonatrach, and the national gas and electricity company, Sonelgaz. Each of Sonatrach and Sonelgaz owns 50% of AEC.

The technology selected for the Skikda plant is currently the most commonly used in this kind of project. It consists of the use of membranes to obtain desalinated water by reverse osmosis. Skikda has a capacity of 3.5 M ft<sup>3</sup> per day of desalinated water and is in operation since February 2009. The project serves a population of 0.5 million.

The water purchase agreement is a U.S. dollar indexed 25-year take-or-pay contract with Sonatrach / ADE. The tariff structure is based upon plant capacity and water production, covering variable cost (water cost plus electricity cost). Tariffs are adjusted monthly based on the indexation

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mechanisms that include local inflation, U.S. inflation and the exchange rate between the U.S. the U.S. dollar and local currency.

#### **ATN 2**

ATN 2, in Peru, is part of the Complementary Transmission System, or Sistema Complementario de Transmision, SCT, and is comprised of the following facilities:

- (i) The approximately 130km, 220kV line from SE Cotaruse to Las Bambas;
- (ii) The connection to the gate of Las Bambas Substation
- (iii) The expansion of the Cotaruse 220kV substation (works assigned to Consorcio Transmantaro)

The Client is Las Bambas Mining Company, a company owned by a partnership conformed by a subsidiary of China Minmetals Corporation (62.5%), a wholly owned subsidiary of Guoxin International Investment Co. Ltd (22.5%) and CITIC Metal Co. Ltd (15.0%). China Minmetals Corporation is the fifth largest metals company included in the Fortune Global 500 list.

Abengoa started the permitting phase of ATN2 Project in May 2011; and the plant reached COD during May 2015.

The ATN2 Project has a 18-year contract period, after that, ATN2 assets will remain as property of the SPV and therefore it is likely a new contract could be negotiated. The ATN2 Project has a fixed-price tariff base denominated in U.S. dollars, partially adjusted annually in accordance with the U.S. Finished Goods Less Food and Energy Index as published by the U.S. Department of Labor. The receipt of the tariff base is independent from the effective utilization of the transmission lines and substations related to the ATN2 Project. The tariff base is intended to provide the ATN2 Project with consistent and predictable monthly revenues sufficient to cover the ATN2 Project's operating costs and debt service and to earn an equity return. Peruvian law requires the existence of a definitive concession agreement to perform electricity transmission activities where the transmission facilities cross public land or land owned by third parties. On May 31, 2014, the Ministry of Energy granted the project a definitive concession agreement to the transmission lines of the ATN2 Project.

#### **Kaxu**

Kaxu Solar One, or Kaxu, is a 100 MW solar Conventional Parabolic Trough Project located in Paulputs in the Northern Cape Province of South Africa, approximately 30 km north east of the small town of Pofadder. Atlantica, through ABY South Africa (Pty) Ltd., owns 51% of the Kaxu Project. The Project Company, named Kaxu Solar One (Pty) Ltd., is owned by a consortium

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composed by ABY South Africa (51%), Industrial Development Corporation of South Africa (29%) and Kaxu Community Trust (20%).

The project reached COD in February 2015.

Kaxu has a 20-year PPA with Eskom SOC Ltd., or Eskom, under a take or pay contract for the purchase of electricity up to the contracted capacity from the facility. Eskom purchases all the output of the Kaxu Plant under a fixed price formula in local currency subject to indexation to local inflation which protects the Company from potential devaluation over the long term. Being the project COD February 2015, the PPA expires on February 2035.

#### **Solaben 1&6**

The Solaben 1&6 is a 100 MW Concentrated Solar Power facility part of the Extremadura Solar Platform, located in the municipality of Logrosán, Spain. Solaben 1/6 COD was reached on September 1, 2013. Since COD, the projects have obtained good generation aligned with the target production figures.

Solaben 1&6 relies on a Conventional Parabolic through Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2 projects.

Renewable energy plants in Spain, like Solaben 1 and Solaben 6, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable remuneration for their investments. Solaben 1 and Solaben 6 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comisión Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

#### **Melowind**

Melowind is an on-shore wind farm facility wholly owned by the Company, located in Uruguay with nominal installed capacity of 50 MW. Melowind has 20 wind turbines of 2.5 MW each. The asset reached COD in November 2015.

The wind farm is located in Cerro Largo, 200 miles north of the city of Montevideo. Nordex supplied the turbines.

Melowind is not expected to pay significant corporate taxes in the next 10 years due to the specific tax exemptions established by the Uruguayan government for renewable assets.

Melowind signed a 20-year PPA with UTE in 2015, for 100% of the electricity produced. UTE pays a fixed tariff under the PPA, which is denominated in U.S. dollars and is partially adjusted every year based on a formula referring to U.S. CPI, the Uruguay's Índice de Precios al Productor de Productos Nacionales and the applicable UYU/U.S. dollars exchange rate.

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Melowind signed an agreement with Nordex, covering the maintenance tasks of the wind turbines. The scope of works of this agreement is complete, as it includes operation, scheduled and unscheduled maintenance. In addition, Melowind signed a O&M agreement with Ingener covering the maintenance tasks of the civil works and electrical infrastructure.

Projects subject to the application of IFRIC 12 interpretation based on the concession of services as of December 31, 2019:

Project name	Country	Status <sup>(1)</sup>	% of		off-taker <sup>(7)</sup>	Financial/ Intangible <sup>(3)</sup>	Assets/ Investment	Accumulated Amortization	Operating Profit/ (Loss) <sup>(8)</sup>	Arrangement Terms (price)	Description of the Arrangement
			Nominal Share <sup>2)</sup>	Period of Concession <sup>(4)(5)</sup>							
<b>Renewable energy:</b>											
Solana	USA	(O)	100.0	30 Years	APS	(I)	1,916,268	(424,627)	47,344	Fixed price per MWh with annual increases of 1.84% per year	30-year PPA with APS regulated by ACC
Mojave	USA	(O)	100.0	25 Years	PG&E	(I)	1,556,638	(312,544)	49,939	Fixed price per MWh without any indexation mechanism	25-year PPA with PG&E regulated by CPUC and CAEC
Palmatir	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administra tion	(I)	148,043	(43,967)	3,537	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility
Cadonal	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administra tion	(I)	122,104	(43,987)	2,650	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility
Melowind	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administra tion	(I)	136,421	(22,501)	3,826	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility

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<b>Project name</b>	<b>Country</b>	<b>Status<sup>(1)</sup></b>	<b>% of Nominal Share<sup>(2)</sup></b>	<b>Period of Concession<sup>(4)(5)</sup></b>	<b>off-taker<sup>(7)</sup></b>	<b>Financial/Intangible<sup>(3)</sup></b>	<b>Assets/Investment</b>	<b>Accumulated Amortization</b>	<b>Operating Profit/(Loss)<sup>(8)</sup></b>	<b>Arrangement Terms (price)</b>	<b>Description of the Arrangement</b>
Solaben 2	Spain	(O)	70.0	25 Years	Kingdom of Spain	(I)	308,407	(63,275)	12,763	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solaben 3	Spain	(O)	70.0	25 Years	Kingdom of Spain	(I)	307,174	(65,072)	12,836	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solacor 1	Spain	(O)	87.0	25 Years	Kingdom of Spain	(I)	311,963	(70,393)	11,569	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solacor 2	Spain	(O)	87.0	25 Years	Kingdom of Spain	(I)	324,834	(72,228)	11,559	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solnova 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	311,759	(89,172)	15,482	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solnova 3	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	292,904	(80,829)	16,569	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain

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<b>Project name</b>	<b>Country</b>	<b>Status<sup>(1)</sup></b>	<b>% of Nominal Share<sup>(2)</sup></b>	<b>Period of Concession<sup>(4)(5)</sup></b>	<b>off-taker<sup>(7)</sup></b>	<b>Financial/Intangible<sup>(3)</sup></b>	<b>Assets/Investment</b>	<b>Accumulated Amortization</b>	<b>Operating Profit/(Loss)<sup>(8)</sup></b>	<b>Arrangement Terms (price)</b>	<b>Description of the Arrangement</b>
Solnova 4	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	271,943	(74,523)	15,966	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Helios 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	313,132	(66,794)	14,095	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Helios 2	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	304,945	(63,626)	14,346	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Helioenergy 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	303,316	(68,486)	14,927	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Helioenergy 2	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	304,083	(66,007)	16,130	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Solaben 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	303,392	(54,293)	12,603	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain



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Project name	Country	Status <sup>(1)</sup>	% of Nominal Share <sup>(2)</sup>	Period of Concession <sup>(4)(5)</sup>	off-taker <sup>(7)</sup>	Financial/Intangible <sup>(3)</sup>	Assets/Investment	Accumulated Amortization	Operating Profit/(Loss) <sup>(8)</sup>	Arrangement Terms (price)	Description of the Arrangement
Solaben 6	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	300,209	(53,641)	11,730	Regulated revenue base(6)	Regulated revenue established by different laws and rulings in Spain
Kaxu	South Africa	(O)	51.0	20 Years	Eskom	(I)	543,761	(132,849)	53,040	Take or pay contract for the purchase of electricity up to the contracted capacity from the facility.	20-year PPA with Eskom SOC Ltd. With a fixed price formula in local currency subject to indexation to local inflation
<b>Efficient natural gas:</b>											
ACT	Mexico	(O)	100.0	20 Years	Pemex	(F)	610,363	-	113,549	Fixed price to compensate both investment and O&M costs, established in USD and adjusted annually according to inflation and partially according to a mechanism agreed in contract	20-year Services Agreement with Pemex, Mexican oil & gas state-owned company
<b>Electric transmission lines:</b>											

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ATS	Peru	(O) 100.0	30 Years	Republic of Peru	(I)	531,779	(104,201)	28,993	Tariff fixed by contract and adjusted annually in accordance with the US Finished Goods Less Food and Energy inflation index	30-year Concession Agreement with the Peruvian Government
ATN	Peru	(O) 100.0	30 Years	Republic of Peru	(I)	356,876	(93,061)	5,680	Tariff fixed by contract and adjusted annually in accordance with the US Finished Goods Less Food and Energy inflation index	30-year Concession Agreement with the Peruvian Government
Quadra I	Chile	(O) 100.0	21 Years	Sierra Gorda	(F)	41,237	-	5,716	Fixed price in USD with annual adjustments indexed mainly to US CPI	21-year Concession Contract with Sierra Gorda regulated by CDEC and the Superintendencia de Electricidad, among others
Quadra II	Chile	(O) 100.0	21 Years	Sierra Gorda	(F)	55,157	-	6,638	Fixed price in USD with annual adjustments indexed mainly to US CPI	21-year Concession Contract with Sierra Gorda regulated by CDEC and the Superintendencia de Electricidad, among others
ATN 2	Peru	(O) 100.0	18 Years	Las Bambas Mining	(F)	80,407	-	14,432	Fixed-price tariff base denominated in U.S. dollars with Las Bambas	18 years purchase agreement
<b>Water:</b>										
Skikda	Argelia	(O) 34.2	25 Years	Sonatrach & ADE	(F)	87,285	-	15,583	U.S. dollar indexed take-or-pay contract with Sonatrach / ADE	25 years purchase agreement

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Honaine	Argelia	(O)	25.5	25 Years	Sonatrach & ADE	(F)	N/A(9)	N/A(9)	N/A(9)	U.S. dollar indexed take- or-pay contract with Sonatrach / 25 years purchase ADE agreement
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- (1) In operation (O), Construction (C) as of December 31, 2019.
- (2) Liberty Interactive Corporation agreed to invest \$300 million in Class A membership interests in exchange for a share of the dividends and the taxable loss generated by Solana on October 2, 2013. Itochu Corporation holds 30% of the economic rights to each of Solaben 2 and Solaben 3. JGC Corporation holds 13% of the economic rights to each Solacor 1 and Solacor 2. Algerian Energy Company, SPA, or AEC, owns 49% and Sacyr Agua, S.L., a subsidiary of Sacyr, S.A., owns the remaining 25.5% of the Honaine project. AEC owns 49% and Sacyr Agua S.L. owns the remaining 16.83% of the Skikda project. Industrial Development Corporation of South Africa (29%) & Kaxu Community Trust (20%) for the Kaxu Project
- (3) Classified as concessional financial asset (F) or as intangible assets (I).
- (4) The infrastructure is used for its entire useful life. There are no obligations to deliver assets at the end of the concession periods, except for ATN and ATS.
- (5) Generally, there are no termination provisions other than customary clauses for situations such as bankruptcy or fraud from the operator, for example.
- (6) Sales to wholesale markets and additional fixed payments established by the Spanish government.
- (7) In each case the off-taker is the grantor.
- (8) Figures reflect the contribution to the consolidated financial statements of Atlantica Yield Plc. as of December 31, 2019.
- (9) Recorded under the equity method.

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Projects subject to the application of IFRIC 12 interpretation based on the concession of services as of December 31, 2018:

Project name	Country	Status <sup>(1)</sup>	% of Nominal Share <sup>(2)</sup>	Period of Concession <sup>(4)</sup> (5)	off-taker <sup>(7)</sup>	Financial/Intangible <sup>(3)</sup>	Assets/Investment	Accumulated Amortization	Operating Profit/(Loss) <sup>(8)</sup>	Arrangement Terms (price)	Description of the Arrangement
<b>Renewable energy:</b>											
Solana	USA	(O)	100.0	30 Years	APS	(I)	1,937,684	(372,638)	13,563	Fixed price per MWh with annual increases of 1.84% per year	30-year PPA with APS regulated by ACC
Mojave	USA	(O)	100.0	25 Years	PG&E	(I)	1,556,435	(250,973)	56,100	Fixed price per MWh without any indexation mechanism	25-year PPA with PG&E regulated by CPUC and CAEC
Palmatir	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administration	(I)	148,030	(36,731)	5,070	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility
Cadonal	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administration	(I)	122,045	(38,842)	3,553	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility
Melowind	Uruguay	(O)	100.0	20 Years	UTE, Uruguay Administration	(I)	132,595	(13,205)	203	Fixed price per MWh in USD with annual increases based on inflation	20-year PPA with UTE, Uruguay state-owned utility
Solaben 2	Spain	(O)	70.0	25 Years	Kingdom of Spain	(I)	315,226	(55,685)	12,729	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in

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Project name	Country	Status <sup>(1)</sup>	% of Nominal Share <sup>(2)</sup>	Period of Concession <sup>(4)</sup> (5)	off-taker <sup>(7)</sup>	Financial/Intangible <sup>(3)</sup>	Assets/Investment	Accumulated Amortization	Operating Profit/(Loss) <sup>(8)</sup>	Arrangement Terms (price)	Description of the Arrangement
											Spain
Solaben 3	Spain	(O)	70.0	25 Years	Kingdom of Spain	(I) 314,022	(57,751)	13,367	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Solacor 1	Spain	(O)	87.0	25 Years	Kingdom of Spain	(I) 318,987	(62,757)	12,510	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Solacor 2	Spain	(O)	87.0	25 Years	Kingdom of Spain	(I) 332,131	(64,219)	11,936	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Solnova 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I) 318,821	(82,190)	14,604	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Solnova 3	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I) 299,539	(74,471)	15,913	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Solnova 4	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I) 278,104	(68,488)	17,710	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain
Helios 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I) 320,154	(59,290)	12,061	Regulated revenue base <sup>(6)</sup>		Regulated revenue established by different laws and rulings in Spain

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<b>Project name</b>	<b>Country</b>	<b>Status<sup>(1)</sup></b>	<b>% of Nominal Share<sup>(2)</sup></b>	<b>Period of Concession<sup>(4)</sup> (5)</b>	<b>off-taker<sup>(7)</sup></b>	<b>Financial/Intangible<sup>(3)</sup></b>	<b>Assets/Investment</b>	<b>Accumulated Amortization</b>	<b>Operating Profit/(Loss)<sup>(8)</sup></b>	<b>Arrangement Terms (price)</b>	<b>Description of the Arrangement</b>
Helios 2	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	311,764	(56,234)	12,695	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in Spain
Helioenergy 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	310,186	(61,812)	15,529	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in Spain
Helioenergy 2	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	310,943	(59,180)	16,258	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in Spain
Solaben 1	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	310,259	(46,470)	11,623	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in Spain
Solaben 6	Spain	(O)	100.0	25 Years	Kingdom of Spain	(I)	307,037	(45,922)	12,250	Regulated revenue base <sup>(6)</sup>	Regulated revenue established by different laws and rulings in Spain
Kaxu	South Africa	(O)	51.0	20 Years	Eskom	(I)	526,172	(101,943)	56,214	Take or pay contract for the purchase of electricity up to the contracted capacity from the facility.	20-year PPA with Eskom SOC Ltd. With a fixed price formula in local currency subject to indexation to local inflation
<b>Efficient natural gas:</b>											
ACT	Mexico	(O)	100.0	20 Years	Pemex	(F)	635,393	-	90,193	Fixed price to compensate both investment and O&M	20-year Services Agreement with Pemex, Mexican oil & gas state-owned company

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Project name	Country	Status <sup>(1)</sup>	% of Nominal Share <sup>(2)</sup>	Period of Concession <sup>(4)</sup> (5)	off-taker <sup>(7)</sup>	Financial/Intangible <sup>(3)</sup>	Assets/Investment	Accumulated Amortization	Operating Profit/(Loss) <sup>(8)</sup>	Arrangement Terms (price)	Description of the Arrangement	
									costs, established in USD and adjusted annually partially according to inflation and partially according to a mechanism agreed in contract			
<b>Electric transmission lines:</b>												
ATS	Peru	(O)	100.0	30 Years	Republic of Peru	(I)	531,677 (86,449)	26,801		Tariff fixed by contract and adjusted annually in accordance with the US	Finished Goods Less Food and Energy inflation index	30-year Concession Agreement with the Peruvian Government
ATN	Peru	(O)	100.0	30 Years	Republic of Peru	(I)	336,675 (81,518)	2,685		Tariff fixed by contract and adjusted annually in accordance with the US	Finished Goods Less Food and Energy inflation index	30-year Concession Agreement with the Peruvian Government
Quadra I	Chile	(O)	100.0	21 Years	Sierra Gorda	(F)	41,515	-	5,061	Fixed price in USD with annual adjustments indexed mainly to US CPI		21-year Concession Contract with Sierra Gorda regulated by CDEC and the Superintendencia de Electricidad, among others
Quadra II	Chile	(O)	100.0	21 Years	Sierra Gorda	(F)	55,397	-	6,024	Fixed price in USD with annual adjustments indexed mainly		21-year Concession Contract with Sierra Gorda regulated by CDEC

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										to US CPI	and the Superintendencia de Electricidad, among others
ATN 2	Peru	(O)	100.0	18 Years	Las Bambas Mining	(F)	81,883	-	12,027	Fixed-price tariff base denominated in U.S. dollars with Las Bambas	18 years purchase agreement
<b>Water:</b>											
Skikda	Argelia	(O)	34.2	25 Years	Sonatrach & ADE	(F)	89,770	-	14,446	U.S. dollar indexed take- or-pay contract with Sonatrach / ADE	25 years purchase agreement
Honaine	Argelia	(O)	25.5	25 Years	Sonatrach & ADE	(F)	N/A(9)	N/A(9)	N/A(9)	U.S. dollar indexed take- or-pay contract with Sonatrach / ADE	25 years purchase agreement

- (1) In operation (O), Construction (C) as of December 31, 2018.
- (2) Liberty Interactive Corporation agreed to invest \$300 million in Class A membership interests in exchange for a share of the dividends and the taxable loss generated by Solana on October 2, 2013. Itochu Corporation holds 30% of the economic rights to each of Solaben 2 and Solaben 3. JGC Corporation holds 13% of the economic rights to each Solacor 1 and Solacor 2. Algerian Energy Company, SPA, or AEC, owns 49% and Sacyr Agua, S.L., a subsidiary of Sacyr, S.A., owns the remaining 25.5% of the Honaine project. AEC owns 49% and Sacyr Agua S.L. owns the remaining 16.83% of the Skikda project. Industrial Development Corporation of South Africa (29%) & Kaxu Community Trust (20%) for the Kaxu Project
- (3) Classified as concessional financial asset (F) or as intangible assets (I).
- (4) The infrastructure is used for its entire useful life. There are no obligations to deliver assets at the end of the concession periods, except for ATN and ATS.
- (5) Generally, there are no termination provisions other than customary clauses for situations such as bankruptcy or fraud from the operator, for example.
- (6) Sales to wholesale markets and additional fixed payments established by the Spanish government.
- (7) In each case the off-taker is the grantor.
- (8) Figures reflect the contribution to the consolidated financial statements of Atlantica Yield Plc. as of December 31, 2018.
- (9) Recorded under the equity method.



Company balance sheet  
31 December 2019

## Company Financial Statements

### Company Balance Sheet

Amounts in thousands of U.S. dollars

	Notes (1)	2019	2018
<b>Non Current assets</b>			
Intangible and tangible assets		309	147
Investments in subsidiaries	3	1,909,066	1,883,964
Amounts owed by group undertakings	4	500,871	605,779
Derivatives assets		1,562	1,648
		<b>2,411,808</b>	<b>2,491,538</b>
<b>Current assets</b>			
Trade and other receivables		1,495	268
Amounts owed by group undertakings	4	48,349	4,813
Short-term financial investments		7,398	-
Derivatives assets		2,048	1,581
Cash and bank balances		66,013	106,734
		<b>125,303</b>	<b>113,396</b>
<b>Total assets</b>		<b>2,537,111</b>	<b>2,604,934</b>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	6	4,592	8,953
Amounts owed to group undertakings	4	5,688	1,616
Borrowings	5	28,706	268,905
		<b>38,986</b>	<b>279,474</b>
<b>Net current assets/(liabilities)</b>		<b>86,317</b>	<b>(166,078)</b>
<b>Total assets less current liabilities</b>		<b>2,498,125</b>	<b>2,325,460</b>
<b>Creditors: Amounts falling due after more than one year</b>			
Borrowings	5	695,085	415,168
Amounts owed to group undertakings	4	186,913	136,606
Derivatives liabilities		2,340	4,447
Other liabilities		273	93
		<b>884,611</b>	<b>556,314</b>
<b>Total liabilities</b>		<b>923,597</b>	<b>835,788</b>
<b>Net assets</b>		<b>1,613,514</b>	<b>1,769,146</b>

(1) Notes 1 to 7 are an integral part of the financial statements

**Company balance sheet**  
**31 December 2019**

	<b>Notes (1)</b>	<b>2019</b>	<b>2018 (*)</b>
<b>Capital and Reserves</b>			
Share capital		10,160	10,022
Share premium account		1,011,743	1,981,881
Capital reserves	7	889,056	48,059
Other Reserves		(637)	-
Retained earnings	7	(296,808)	(270,816)
		<u>1,613,514</u>	<u>1,769,146</u>
<b>Shareholders' funds</b>			
		<u><u>1,613,514</u></u>	<u><u>1,769,146</u></u>

(\*) Amended (Note 7)

(1) Notes 1 to 7 are an integral part of the financial statements

The Company recorded a loss after tax of \$26.0 million for the period ended 31 December 2019 (2018: loss after tax of \$184.4 million).

The financial statements of Atlantica Yield plc, company registration no. 08818211, were approved by the board of directors and authorised for issue on 26 February 2020. They were signed on its behalf by:



Chief Executive Officer

Santiago Seage

March 6, 2020

**Company balance sheet**  
**31 December 2019**

**Company Statement of changes in equity**

Amounts in thousands of U.S. dollars

	<b>Share Capital</b>	<b>Share Premium Account (*)</b>	<b>Capital Reserves (*)</b>	<b>Retained earnings</b>	<b>Other Reserves</b>	<b>Total Shareholder's funds</b>
Balance at 1 January 2018	<b>10,022</b>	<b>1,981,881</b>	<b>181,348</b>	<b>(86,373)</b>	<b>181</b>	<b>2,087,059</b>
Loss for the year	-	-	-	(184,443)	-	(184,443)
Dividends	-	-	(133,289)	-	-	(133,289)
Change in fair value of cash flow hedges (net of deferred taxation)	-	-	-	-	(181)	(181)
Balance at 31 December 2018	<b>10,022</b>	<b>1,981,881</b>	<b>48,059</b>	<b>(270,816)</b>	<b>-</b>	<b>1,769,146</b>
Capital increase share premium	138	29,862	-	-	-	30,000
Loss for the year	-	-	-	(25,992)	-	(25,992)
Dividends	-	-	(159,003)	-	-	(159,003)
Change in fair value of cash flow hedges (net of deferred taxation)	-	-	-	-	(637)	(637)
Reduction of Share Premium	-	(1,000,000)	1,000,000	-	-	-
Balance at 31 December 2019	<b>10,160</b>	<b>1,011,743</b>	<b>889,056</b>	<b>(296,808)</b>	<b>(637)</b>	<b>1,613,514</b>

(\*) Amended as of December 31, 2018 (Note 7)

## Notes to the Company financial statements

### 1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

#### *Investments in subsidiaries and impairment*

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased

## **Company balance sheet**

### **31 December 2019**

carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Critical accounting policies and estimates**

The most critical accounting policies, which reflect significant management estimates and judgement to determine amounts in the Company's financial statements, are as follows:

- Impairment of investments;

To assess the potential impairment on the Company's investments, the recoverable amount of the investment is calculated if there is an indicator of impairment. The recoverable amount determination requires a significant amount of judgment to calculate future cash flow projections and pre-tax discount rates, among others.

- Derivative financial instruments and fair value estimates.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## **2. Profit/(Loss) for the year**

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 31 December 2019 of \$25.9 million (2018: loss of \$184.4 million).

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

## **3. Investments in subsidiaries**

Details of the Company's subsidiaries at 31 December 2019 are as follows:

**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
Palmucho, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
ABY Servicios Corporativos, S.L.	Spain	99.99%	99.99%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Transmisora Baquedano, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
Transmisora Mejillones, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
ASUSHI Inc.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ACT Holdings, S.A. de C.V.	Mexico	99.99%	99.99%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de México
ABY Concessions Perú, S.A.	Peru	100.00%	100.00%	Av. El Derby 55, Edificio Cronos, Torre 3, Piso 6; oficina 608. Santiago de Surco Lima (Peru).
ABY Concessions Infrastructure, S.L.U.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
ASHUSA Inc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ABY South Africa (Pty) Ltd	South Africa	100.00%	100.00%	Office 103 Ancorley Building; 45Scott Street Uppington 8801 (South Africa)
ATN 2, S.A.	Peru	100.00%	100.00%	Av. El Derby 55, Edificio Cronos, Torre 3, Piso 6; oficina 608. Santiago de Surco Lima.
Mojave Solar Holdings, Llc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)

**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
Mojave Solar, Llc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ASO Holdings Company, LLC	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
Arizona Solar One, LLC (USA)	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ATN, S.A.	Peru	99.99%	99.99%	Av. El Derby 55, Edificio Cronos, Torre 3, Piso 6; oficina 608. Santiago de Surco Lima.
ABY Transmisión Sur, S.A.	Peru	100.00%	100.00%	Av. El Derby 55, Edificio Cronos, Torre 3, Piso 6; oficina 608. Santiago de Surco Lima.
ACT Energy Mexico, S.A. de C.V.	Mexico	99.99%	99.99%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de Mexico
Kaxu Solar One (Pty) Ltd	South Africa	51.00%	51.00%	Office 103 Ancorley Building; 45Scott Street Upington 8801 (South Africa)
Sanlucar Solar, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solar Processes, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Palmatir, S.A	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Cadonal, S.A.	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Banitod, S.A.	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Ecija Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Helioenergy Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Helioenergy Electricidad, Dos, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n

**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
Carpio Solar Inversiones, S.A.	Spain	100.00%	100.00%	41092, Seville (Spain) C/ Albert Einstein, s/n 41092, Seville (Spain)
Solacor Electricidad Uno, S.A.	Spain	87.00%	87.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solacor Electricidad Dos, S.A.	Spain	87.00%	87.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Logrosán Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solaben Electricidad Dos, S.A.	Spain	70.00%	70.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosan (Caceres, Spain)
Solaben Electricidad Tres, S.A.	Spain	70.00%	70.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosan (Caceres, Spain)
Hypesol Energy Holding, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Helios I Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Helios II Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solnova Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solnova Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solnova Electricidad Tres, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
Solnova Electricidad Cuatro, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Logrosan Solar Inversiones Dos, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solaben Luxembourg S.A.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg
Logrosan Equity Investment S.a.r.l.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg
Extremadura Equity Investment S.a.r.l.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg



**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
Solaben Electricidad Uno, S.A.	Spain	100.00%	100.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosan (Caceres, Spain)
Solaben Electricidad Seis, S.A.	Spain	100.00%	100.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosan (Caceres, Spain)
Geida Tlemcen, S.L.	Spain	50.00%	50.00%	Francisco Silvela, 42 - 4th Floor, 28028 Madrid
Myah Bahr Honaine, S.P.A.	Algeria	25.50%	25.50%	162 Bois des Cars III DelyIbrahim — Alger - Algeria
Geida Skikda, S.L.	Spain	67.00%	67.00%	Paseo de la Castellana 83-85, 28046 Madrid (Spain)
Aguas de Skikda, S.P.A.	Algeria	34.17%	34.17%	162 Bois des Cars III DelyIbrahim — Alger - Algeria
ABY Infrastructures USA, LLC.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
Fotovoltaica Solar Sevilla, S.A.	Spain	80.00%	80.00%	C/ Energía Solar nº 1 41014, Seville (Spain)
RRHH Servicios Corporativos	Mexico	100.00%	100.00%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de México
ABY Infraestructuras, S.L.	Spain	20.00%	20.00%	C/ Albert Einstein, s/n 41092, Seville (Spain)
ABY Holding USA, LLC.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ABY Chile, S.P.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
Atlantica Investments Ltd	UK	100.00%	100.00%	Great West House, GW1 Great West Road Brentford TW8 9DF London, UK
Ca Ku A1 Servicios Compresión de Gas S.A.P.I	Mexico	5.00%	5.00%	Jose Luis Lagrange 103 Piso 8 Col. Los Morales Polanco Mexico D.F. CP: 11510

**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
CKA1 Holding S. de R.L. de C.V	Mexico	100.00%	100.00%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de México
Hidrocañete, S.A.	Peru	100.00%	100.00%	Av. El Derby 55, Edificio Cronos, Torre 3, Piso 6; oficina 608. Santiago de Surco. Lima.
AY Holding Uruguay S.A	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera 1248, Torre I, Piso 10, Oficina 1001 Santiago de Lima.
Estrellada S.A	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera 1248, Torre I, Piso 10, Oficina 1001
Atlantica Yield España, S.L.	Spain	100.00%	100.00%	Santiago de Lima (Uruguay) C/ Albert Einstein, s/n 41092, Seville (Spain)
ASI Operations, LLC.	USA	100.00%	100.00%	1553 W Todd Dr. Suite 204, Tempe, CP 85283 AZ. USA.
Atlantica Yield Energy Solutions Canada Inc.	Canada	10.00%	72.90%	Suite 2600, Three Bentall 595 Burrard Street, P.O. Box 49314 Vancouver BC V7X 1L3 Canada.
AYES International UK Ltd.	UK	100.00%	100.00%	Great West House, GW1 Great West Road Brentford TW8 9DF London, UK
Arroyo Energy Netherlands II B.V.	Netherlands	30.00%	30.00%	Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands
SJ Renovables Wind 1 S.A.S. E.S.P.	Colombia	50.00%	50.00%	Carrera 7ª N° 127 – 48, Oficina 1004, Centro Empresarial 128, Bogotá, Colombia
SJ Renovables Sun 1 S.A.S. E.S.P.	Colombia	50.00%	50.00%	Carrera 7ª N° 127 – 48, Oficina 1004, Centro Empresarial 128, Bogotá, Colombia

**Company balance sheet**  
**31 December 2019**

<b>Name</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Registered office</b>
		<b>%</b>	<b>%</b>	
PA Renovables Sol 1 S.A.S. E.S.P.	Colombia	50.00%	50.00%	Carrera 7ª N° 127 – 48, Oficina 1004, Centro Empresarial 128, Bogotá, Colombia
AC Renovables Sol 1 S.A.S. E.S.P.	Colombia	50.00%	50.00%	Carrera 7ª N° 127 – 48, Oficina 1004, Centro Empresarial 128, Bogotá, Colombia
Amherst Island Partnership.	Canada	3.00%	3.00%	354 David Rd. Oakville, Ontario L6J 2X1. Canada.

**Company balance sheet**  
**31 December 2019**

The investments in subsidiaries are all stated at cost. Information on the investments acquired in the year is disclosed in Note 5 in the consolidated financial statements. As of 31 December 2019, the carrying value of the direct investments was as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Palmucho, S.A.	-	-
ABY Servicios Corporativos, S.L.	11,357	11,357
Transmisora Baquedano, S.A.	-	-
Transmisora Mejillones, S.A.	-	-
ASUSHI Inc.	146,572	146,572
ACT Holdings, S.A. de C.V.	98,543	98,543
ABY Concessions Perú, S.A.	261,920	261,920
ABY Concessions Infrastructure, S.L.U.	887,039	887,039
ASHUSA, Inc.	380,193	380,193
ATN, S.A. (*)	12,929	7,521
ABY Transmisión Sur, S.A. (*)	11,847	11,847
Atlantica Investments Ltd.	56,998	56,998
ATN 2, S.A.	15,897	15,897
ABY Infrastructure USA, LLc.	11,005	5
ABY Holding USA, LLc.	9,906	6,066
CKA1 Holding S. de R.L. de C.V.	7	6
AYES International UK Ltd.	4,854	-
	<hr/>	<hr/>
<b>Total investments in subsidiaries</b>	<b>1,909,066</b>	<b>1,883,964</b>
	<hr/> <hr/>	<hr/> <hr/>

(\*) Includes initial difference between the amortized cost of interest free loans (classified as amounts owed by group undertakings, see note 5) with nominal value of the loans as capital contribution in accordance with IFRS 9.

## Company balance sheet 31 December 2019

Movements in the carrying value of investments during the years 2019 and 2018 were as follows:

	\$ '000
As at 1 January 2019	1,883,964
Increase	25,102
<b>As at 31 December 2019</b>	<b>1,909,066</b>
	\$ '000
As at 1 January 2018	2,044,967
Increase	10,375
Impairment	(171,378)
<b>As at 31 December 2018</b>	<b>1,883,964</b>

The increase in 2019 mainly relates to a capital increase in ABY Infrastructures USA LLC for \$11.0 million, AYES International UK Ltd. for \$4.9 million and ABY Holding USA LLC for \$3.8 million.

The increase in 2018 mainly relates to a capital increase in ABY Holding USA LLC for \$3.9 million and in ATN S.A. for \$6.4 million. The impairment for \$171.4 million fully relates to ASUSHI Inc.

#### 4. Amounts owed by/to group undertakings

	2019 \$'000	2018 \$'000
Non-current receivables from group companies	500,871	605,779
<b>Non-current amounts owed by group undertakings</b>	<b>500,871</b>	<b>605,779</b>
Current amounts owed by group undertakings	48,349	4,813
<b>Total amounts owed by group undertakings</b>	<b>549,220</b>	<b>610,592</b>
Current amounts owed to group undertakings	5,688	1,616
Non-current amounts owed to group undertakings	186,913	136,606
<b>Total amounts owed to group undertakings</b>	<b>192,601</b>	<b>138,222</b>

## Company balance sheet 31 December 2019

As at 31 December 2019, the detail of the non-current amounts owed by group undertakings was as follows:

	2019 \$'000	2018 \$'000
.		
ATN, S.A.	45,107	43,771
ABY Concessions Infrastructure, S.L.U.	250,957	301,182
Carpio Solar Inversiones, S.A.	28,762	42,562
ABY Transmisión Sur, S.A.	20,888	34,457
ACT Holdings, S.A. de C.V.	4,860	4,860
Ecija Solar Inversiones, S.A.	3,863	41,067
Solnova Solar Inversiones, S.A.	19,643	24,471
ABY South Africa (Pty) Ltd.	20,733	54,529
ASUSHI, Inc.	54,941	52,296
ABY Servicios Corporativos, S.L.	4,808	-
Atlantica Investments Ltd.	42,881	-
Other	3,428	6,584
	<b>500,871</b>	<b>605,779</b>

The principal features of the main loans to subsidiary undertakings are as follows:

	Interest Rate	Maturity
ATN, S.A.	0%	Not applicable
ABY Concessions Infrastructure, S.L.	5%	31 December 2030
ABY Servicios Corporativos, S.L.	5%	31 December 2030
Carpio Solar Inversiones, S.A.	2.5% to Euribor 12 months	31 July 2031
ABY Transmisión Sur, S.A.	0%	Not applicable
Ecija Solar Inversiones, S.A.	4.25% to Euribor 12 months	27 December 2030
Solnova Solar Inversiones, S.A.	4.25% to Euribor 12 months	25 June 2030
ABY South Africa (Pty) Ltd.	-	Not applicable
ASUSHI Inc.	5.9%	Not applicable
Atlantica Investments Ltd.	5%	31 December 2030

As at 31 December 2019, the amounts owed to group undertakings primarily relate to ACT Energy Mexico, S.A. de C.V. for \$186.9 million (\$136.3 million as at 31 December 2018) and to ABY Servicios Corporativos S.L. for \$5.2 million (\$0.3 million as at 31 December 2018).

**Company balance sheet**  
**31 December 2019**

**5. Borrowings**

As at 31 December 2019, the details of the amounts owed to third parties were as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Secured borrowing at amortised cost		
Bonds	27,917	257,325
Borrowings	695,874	426,748
	<hr/>	<hr/>
Total borrowings	723,791	684,073
<b>Amount due for settlement within 12 months</b>	<b>28,706</b>	<b>268,905</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Amount due for settlement after 12 months</b>	<b>695,085</b>	<b>415,168</b>
	<hr/> <hr/>	<hr/> <hr/>

The principal features of the borrowings and bonds are as follows:

On November 17, 2014, the Company issued the Senior Notes due 2019 in an aggregate principal amount of \$255,000 thousand (the "2019 Notes"). The 2019 Notes accrued annual interest of 7.00% payable semi-annually beginning on May 15, 2015. The 2019 Notes were fully repaid on May 29, 2019.

On February 10, 2017, the Company issued Senior Notes due 2022, 2023, 2024 (the "Note Issuance Facility"), in an aggregate principal amount of €275,000 thousand. The 2022 to 2024 Notes accrue annual interest, equal to the sum of (i) EURIBOR plus (ii) 4.90%, as determined by the Agent. Interest on the Notes are payable in cash quarterly in arrears on each interest payment date. The Company pays interest to the holders of record on each interest payment date. The interest rate on the Note Issuance Facility is fully hedged by two interest rate swaps contracted with Jefferies Financial Services, Inc. with effective date March 31, 2017 and maturity date December 31, 2022, resulting in the Company paying a net fixed interest rate of 5.5% on the Note Issuance Facility. Changes in fair value of these interest rate swaps have been recorded in the income statement.

On July 20, 2017, the Company signed a credit facility (the "2017 Credit Facility") for up to €10 million, approximately \$11.2 million, which is available in euros or U.S. dollars and was fully drawn down in 2017. Amounts drawn down accrue interest at a rate per year equal to EURIBOR plus 2.25% or LIBOR plus 2.25%, depending on the currency. On December 13, 2019, the terms of the credit facility have been modified and the maturity date has been extended from July 4, 2020 to December 13, 2021 and the new interest rate per year set is EURIBOR plus 2% or LIBOR plus 2%, depending

## Company balance sheet 31 December 2019

on the currency. As of December 31, 2019, the Company had drawn down an amount of \$10.1 million.

On May 10, 2018, the Company entered into a \$215 million revolving credit facility (the "New Revolving Credit Facility") with Royal Bank of Canada, as administrative agent and Royal Bank of Canada and Canadian Imperial Bank of Commerce, as issuers of letters of credit. Amounts drawn down accrue interest at a rate per year equal to (A) for Eurodollar rate loans, LIBOR plus a percentage determined by reference to the leverage ratio of the Company, ranging between 1.60% and 2.25% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus ½ of 1.00%, (ii) the U.S. prime rate and (iii) LIBOR plus 1.00%, in any case, plus a percentage determined by reference to the leverage ratio of the Company, ranging between 0.60% and 1.00%. Letters of credit may be issued using up to \$70 million of the Revolving Credit Facility. During the month of January 2019, the amount of the Revolving Credit Facility increased from \$215 million to \$300 million. On August 2, 2019, the amount of the Revolving Credit Facility increased from \$300 million to \$425 million and the maturity was extended to December 31, 2022 for \$387.5 million, while the remaining \$37.5 million matures on December 31, 2021. On December 31, 2019, the Company had drawn down a total amount of \$81.1 million (net of debt issuance cost).

On April 30, 2019, the Company entered into a senior unsecured note facility with a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €268 million (the "2019 Note Issuance Facility"). The principal amount was issued in May 24, 2019 and was used to prepay and subsequently cancel in full the aforementioned 2019 Notes and for general corporate purposes. The 2019 Note Issuance Facility includes an upfront fee of 2% paid on drawdown and its maturity date is April 30, 2025. Interest accrue at a rate per annum equal to the sum of 3-month EURIBOR plus 4.65%. The interest rate on the 2019 Note Issuance Facility is fully hedged by an interest rate swap with effective date June 28, 2019 and maturity date June 30, 2022, resulting in the Company paying a net fixed interest rate of 4.4%. The 2019 Note Issuance Facility provides that the Company may capitalize interest on the notes issued thereunder for a period of up to two years from closing at the Company's discretion, subject to certain conditions.

On October 8, 2019, the Company filed a euro commercial paper program (the "Commercial Paper") with the Alternative Fixed Income Market (MARF) in Spain. The program allows Atlantica to issue short term notes over the next twelve months for up to €50 million, with such notes having a tenor of up to two years. As of the date of this report the Company has issued €25 million under the program at an average cost of 0.66%.



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### 6. Trade and other payables

As at 31 December 2019, Trade and other payables primarily relate to independent professional services.

### 7. Retained earnings and capital reserves

Retained earnings	\$'000
Balance at 1 January 2018	(86,373)
Net loss for the year	(184,443)
Balance at 31 December 2018	(270,816)
Net loss for the year	(25,992)
Balance at 31 December 2019	(296,808)

Capital reserves are used for capital redemption.

On May 11, 2018, the Company's Annual General Meeting approved a redemption of the share premium account of the Company that intended to reduce the share premium account by \$ 500,000 thousand and increase distributable reserves (Capital reserves) by the same amount. Pursuant to the Companies Act 2006, the Company's capital reduction is effective upon confirmation of the reduction by the High Court. Since that said confirmation was only obtained in 2019, share premium account has been amended and increased by \$ 500,000 thousand and capital reserves decreased by the same amount as of December 31, 2018, with no impact on the total Shareholders' funds of the Company. High Court confirmation of the capital reduction was obtained on May 7, 2019 and no interim financial statements showing sufficient distributable reserves were filed with Companies House. Both these matters mean that dividends paid since the second half of 2018 were made otherwise than in accordance with the Companies Act 2006.

To remedy the potential consequences of the dividend payments indicated in the preceding paragraph, a special resolution will be proposed at the Annual General Meeting in May 2020 to authorise the appropriation of distributable reserves to the payment of the said dividends and release any claims the Company may have in connection with the said dividends against shareholders and directors (the "Directors Release"). The Directors Release will constitute a related party transaction under IFRS. The overall effect of the special resolution will be to put all parties in the position, so far as possible, in which they would have been, had the said dividends been paid in full compliance with the Companies Act 2006.

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