Table of Contents

4.9.1 Research and development costs

Research costs are expensed as incurred.

Development activities involved a plan or design for the construction of new wind power generation projects. An intangible asset arising from the development phase of a project is recognized if the Company can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; its intention to complete the asset and use it or sell it; its ability to use or sell the asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical and financial resources to complete the development and to use or sell the asset, and its ability to reliably measure the expenditure attributable to the intangible asset during its development.

The useful life for intangible assets arising development costs is determined based on the PPA term of 20 years and amortization occurs on a straight-line basis.

4.9.2 Land usufruct rights

Land usufruct rights relate to the non-refundable prepayment made by Eolo to third parties to be able to occupy the farms where the Project is located (Note 20.2). The useful life assigned to these rights corresponds to 20 years in accordance with the PPA term, and amortization occurs on a straight-line basis.

4.9.3 Software

Software represents the cost of accounting software licenses. Software is amortized over a useful life between one and three years, on a straight-line basis.

4.10 Impairment of non-financial assets

The Company assesses the carrying amounts of its non-financial assets at each reporting date to determine reductions in value when events or circumstances indicate that recorded values may not be recovered. If any indication exists, and the carrying amount exceeds the recoverable amount, the Company measures the assets or cash-generating units at their recoverable amounts, defined as the higher of fair value less costs to sell and its value in use. Resulting adjustments are recorded in the results of the year in which they are determined.

4.11 Revenue recognition

The Company measures its revenue from ordinary activities using the fair value of the benefit received or to be received, derived from revenue.

4.11.1 Revenue from energy sales

Revenue from energy sales is recognized in the period in which energy is delivered to the Company´s customers. Revenue from the electricity generating capacity is recognized in the period in which such capacity is made available to Company customers in conformity with the terms specified in the Power Purchase Agreements. No revenue is recognized if there are significant uncertainties regarding recovery of the amount or its associated costs.

4.11.2 Interest income from financial instruments

Revenue arising from financial instruments is recognized in relation to the passage of time, calculated over the average monthly balances for the invested principal, applying the effective interest method. Interest income is included in finance income in the statement of comprehensive income.