Audit report on the Consolidated Financial Statements
issued by an Independent Auditor

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Group Management Report
for the year ended
December 31, 2017

Building a better working world

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Shareholders of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2017 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.
A member firm of Ernst & Young Global Limited.

Key audit matters

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

Fulfillment of hedge ratios.

Description	During 2017, the Group recognized debt totaling 138,704 thousand euros for "Bonds and other marketable securities" corresponding the the Project Bonds issued by its subsidiaries (Note 17). The issue contracts stipulate early repayment in the case of noncompliance with the Debt Service Coverage Ratio. Therefore, due the relevance of the amount recorded under "Bonds and other marketable securities," we considered compliance with said ratios as a key audit matter.
Our response	Our audit procedures consisted in analyzing RSCD compliance at year-end 2017 based on the terms outlined in the "Bond Project" issue prospectuses.

Property, plant, and equipment

Description	During 2017, the Group's property, plant, and equipment mainly corresponds to the technical installations and photovoltaic solar energy plants held for operation. The Group uses the cost model accounting policy for initial recognition of this type of asset, which is subsequently amortized based on years of estimated useful life. The Group also assesses the residual useful life of PP&E at each financial year end based on financial models prepared in accordance with energy sales price forecasts indicated in Order IET/1045/2014. Breakdowns including key aspects and movements related to the valuation of items of PP&E are in Notes 4.3, 4.4 and 8 of the accompanying financial statements. We considered this to be one of the most relevant matters arising as a result of our audit, due to the significant of the figures and the high sensitivity of the analyses performed arising from the contemplated changes in assumptions.
Our response	Our audit procedures included a review of the Company's discount flow model, which encompasses: a mathematical analysis of the model, a review of cash flow projections and discount rates used; we hereby confirm that the valuation standards used were appropriate for determining the value recorded on the consolidated balance sheet. We also analyzed the breakdowns reflected in the Group's Notes thereto which are of obligatory disclosure, in accordance with applicable accounting standards. We also analyzed the accounting procedures used for the Magacela y Técnicas Ambientales del Norte acquisitions (Note 2.6).

Deferred tax assets

Description	The Group recognized deferred tax assets and unused tax losses generated during previous years in the amount of 16,745 thousand euros. The recoverability of the above mainly depends on the Group's capacity to generate sufficient future tax profits. This area is significant in the context of the audit as the valuation process is complex, requiring the performance of significant estimates by Management. Breakdowns including key aspects and movements related to the valuation of items of PP&E, and the uncertainty regarding to deferred tax assets and movements therein are reflected in Notes 4.14 and 19 of the accompanying consolidated financial statements.
Our response	Our audit procedures mainly consisted in analyzing the recoverability of deferred tax assets with tax specialists based on assessing the amount of future taxable profits and other tax matters supporting the analysis performed by the parent's management, contrasting them against future taxable profit calculations.

Other information: Consolidated management report

"Other information" exclusively comprises the consolidated 2017 Management Report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report.

b) A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the entity obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

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Responsibilities of the parent company's directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

Additional report to the parent's audit committee

The opinion expressed in this report is coherent with that reflected in our additional report prepared for the parent's Audit Committee dated February 13, 2018.

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Term of engagement

During the Ordinary General Shareholders' Meeting held on June 30, 2015, we were appointed auditors for a period of 3 years, commencing the year ended December 31, 2015.

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

(signed in the original version)

Ambrosio Arroyo Fernández-Rañada
(Registered in the Official Register
of Auditors under entry no. 20648)

February 13, 2018

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
AND SUBSIDIARIES

Consolidated financial statements and consolidated management report
for the year ended
December 31, 2017

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APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of financial position for the year ended December 21, 2017
(€thousand)

ASSETS	Notes	2017	2016 Restated (*)	January 1, 2016 Restated (*)
NON CURRENT ASSETS		**246.080**	**206.051**	**211.569**
Intangible assets	**7**	**80**	**80**	**757**
Patents and licenses		80	80	58
Computer software		-	-	187
Other intangible assets		-	-	512
Property, plant and equipment	**8**	**226.596**	**188.647**	**195.605**
Land and buildings		28,119	30,762	32,806
Plant and other tangible assets		198,477	157,885	162,799
Investment accounted for using the equity method	**9**	**748**	**7,454**	**7,162**
Non-current financial assets		**1,911**	**824**	**2,269**
Equity instruments		28	28	28
Other financial assets	11	1,883	796	2,241
Deferred tax assets	**19**	**16,745**	**9,046**	**5,776**
CURRENT ASSETS		**34,807**	**46,218**	**25,147**
Inventories	**12**	**-**	**22,284**	**1,313**
Raw materials and other supplies		-	-	427
Work in progress / Photovoltaic Plants in progress		-	21,561	390
Finished goods		-	208	236
Advances to suppliers		-	515	260
Trade and other receivables		**12,478**	**10,212**	**8,309**
Trade receivables	10	9,985	6,535	6,118
Trade receivables from group companies and associates	10	-	788	664
Other receivables	10	423	251	178
Current income tax assets	19	1,701	677	702
Other tax assets	19	369	1,961	647
Current investments in group companies and associates	**11**	**77**	**77**	**378**
Debt securities		-	-	4
Other financial assets		77	77	374
Prepayments		**280**	**143**	**58**
Cash and cash equivalents	**13**	**21,972**	**13,502**	**15,089**
Cash and cash equivalents		21,972	13,502	15,089
TOTAL ASSETS		**280,887**	**252,269**	**236,716**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of financial position for the year ended December 21, 2017
(€thousand)

EQUITY AND LIABILITIES	Notes	2017	2016 Restated (*)	January 1, 2016 Restated (*)
EQUITY		**55,698**	**40,292**	**32,425**
CAPITAL AND RESERVES		**61,778**	**46,796**	**39,796**
Capital	**14.1**	**1,097**	**1,097**	**1,097**
Issued capital		1,097	1,097	1,097
Share Premium	**14.2**	**220,830**	**220,830**	**220,830**
Reserves	**14.4**	**33,638**	**33,638**	**33,638**
Legal		5,311	5,311	5,311
Other reserves		28,327	28,327	28,327
Own shares	**14.3**	**(2,245)**	**(2,245)**	**(2,245)**
Prior periods losses		**(206,553)**	**(213,543)**	**(220,760)**
Profit/(loss) for the year	**3**	**15,011**	**7,019**	**7,236**
Valuation Adjustments - Hedging transactions	**15**	**(6,080)**	**(6,504)**	**(7,371)**
NON CURRENT LIABILITIES		**211,323**	**178,436**	**164,210**
Non-current provisions	**16**	**1,094**	**1,404**	**1,498**
Provision for liabilities		1,094	1,404	1,498
Non-current debt		**207,933**	**174,693**	**160,307**
Bank loans and borrowings	17.1	35,181	50,108	77,263
Bonds and marketable securities	17.1	132,499	41,859	-
Finance lease payables	17.3	9,340	19,768	19,177
Derivatives	17.4	577	4,509	7,649
Non-current debts to group companies and associates	21.1	30,336	58,449	55,291
Other financial liabilities		-	-	927
Grants	17.2	**2,296**	**2,339**	**2,405**
CURRENT LIABILITIES		**13,866**	**33,541**	**40,081**
Current debt		**10,095**	**9,647**	**24,276**
Bank loans and borrowings	17.1	2,962	5,565	17,699
Bonds and marketable securities	17.1	6,205	1,579	-
Finance lease payables	17.3	772	1,259	4,093
Derivatives	17.4	156	1,151	2,202
Other financial liabilities	21.1	-	93	282
Trade and other payables		**2,981**	**23,303**	**14,426**
Suppliers	18	607	20,752	8,005
Suppliers, group companies and associates	18	-	171	1,084
Other payables	18	660	829	2,601
Personnel (salaries payable)	18	28	81	178
Current income tax liabilities	19	194	121	163
Other tax liabilities	19	1,485	1,334	1,916
Advances from customers	18	7	15	479
Accruals		**790**	**591**	**1,379**
TOTAL LIABILITIES AND EQUITY		**280,887**	**252,269**	**236,716**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated income statement for the year ended December 21, 2017
(€thousand)

	Notes	2017	2016 Restated (*)
CONTINUING OPERATIONS			
Revenues	**20.1**	**31,124**	**23,108**
Sales		30,161	22,903
Services rendered		963	205
Other revenues	**20.1**	**3,548**	**2,183**
Variation of products in progress and finished products		**-**	**21,287**
Raw materials and consumables used	**20.2**	**(147)**	**(19,950)**
Works performed by third parties		**(400)**	**(596)**
Impairment of raw materials and other supplies	**12**	**-**	**(636)**
Personnel expenses	**20.3**	**(2,758)**	**(2,859)**
Wages and salaries		(2,411)	(2,370)
Social security charges		(347)	(489)
Other operating expenses		**(5,645)**	**(4,894)**
External services	**20.4**	(3,843)	(3,055)
Taxes		(1,802)	(1,839)
Losses and impairment related to commercial operations	**10**	**-**	**264**
Depreciation and amortization	**8**	**(11,290)**	**(10,229)**
Transfer to the income statement of capital grants	**17.2**	**62**	**62**
Excess provisions	**16**	**310**	**318**
Impairments and reversals	**20.8**	**3,447**	**2,687**
Impairment and reversals		671	2,362
Results from disposals and others		2,776	325
RESULTS FROM OPERATING ACTIVITIES		**18,251**	**10,745**
Finance income	**20.6**	**358**	**5,725**
Other financial income		358	5,725
Finance expenses	**20.7**	**(10,699)**	**(13,337)**
Borrowings from group companies and associates		(1,168)	(1,556)
Third-party borrowings		(9,531)	(11,781)
Net exchange differences		**1**	**(3)**
FINANCE COST		**(10,340)**	**(7,615)**
Share of results of companies accounted for using the equity method		**(191)**	**642**
PROFIT BEFORE TAX		**7,720**	**3,772**
Income tax (expense) / income	**19**	**7,291**	**3,247**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**15,011**	**7,019**
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS		**-**	**-**
PROFIT FOR THE PERIOD		**15,011**	**7,019**
Profit / loss per share	**22**	**0,14**	**0,07**
Profit / loss per share from continuing operations (euros per share)	**22**	**0,14**	**0,07**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of comprehensive income for the year ended December 21, 2017
(€thousand)

	Notes	2017	2016 Restated (*)
Profit for the period		**15,011**	**7,019**
Other global result			
Net benefit/(loss) of cash flow hedges (net of taxes)	15	424	867
Other global result that will be reclassify to the income statement, net of taxes		**424**	**867**
Total global result of the period, net of taxes,		**15,435**	**7,886**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of changes in equity for the year ended December 31, 2017
(€thousand)

	Issued capital (Note 14,1)	Share premium (Note 14,2)	Own shares (Note 14,3)	Legal reserve (Note 14,4)	Other reserves and prior period´s profit and loss	Profit/(loss) for the year (Note 3)	Cash flow hedge (Note 15)	TOTAL
Opening balance at January 1, 2016	**1,097**	**220,830**	**(2,245)**	**5,311**	**(186,499)**	**6,643**	**(4,481)**	**40,656**
Increase/(decrease) of equity as consequence of business combination (Retroactive application of accounting policy)	-	-	-	-	(5,934)	593	(2,890)	(8,231)
Opening balance at January 1, 2016 (restated*)	**1,097**	**220,830**	**(2,245)**	**5,311**	**(192,433)**	**7,236**	**(7,371)**	**32,425**
Total comprehensive income	-	-	-	-	-	7,019	867	7,886
Result application	-	-	-	-	7,236	(7,236)	-	-
Capital increases	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	(19)	-	-	(19)
								-
Balances at December 31,2016 (restated*)	**1,097**	**220,830**	**(2,245)**	**5,311**	**(185,216)**	**7,019**	**(6,504)**	**40,292**
Total global result of the year	-	-	-	-		15,011	424	15,435
Prior year result distribution	-	-	-	-	7,019	(7,019)	-	-
Capital increases	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	(29)	-	-	(29)
								-
Balances at December 31,2017	**1,097**	**220,830**	**(2,245)**	**5,311**	**(178,226)**	**15,011**	**(6,080)**	**55,698**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated cash flow statement for the year ended December 31, 2017
(€thousand)

	Notes	2017	2016 Restated (*)
Profit before tax		**7,720**	**3,772**
Adjustments to profit		**18,122**	**15,277**
Depreciation and amortization	8	11,290	10,414
Capital grants transferred to the income statement		(62)	(62)
Impairment and reversals		(3,447)	(2,687)
Finance income	20.6	(358)	(5,725)
Finance expenses	20.7	10,669	13,337
Change in working capital		**(244)**	**(12,741)**
Inventories		22,284	(20,971)
Trade and other receivables		(2,266)	(1,904)
Other current assets		(137)	121
Trade and other payables		(20,322)	10,013
Other current liabilities		197	-
Other cash flows from operating activities		**(9,531)**	**(7,245)**
Interest paid		(9,531)	(6,972)
Interest received		-	-
Other amounts paid		-	(273)
Cash flow from operating activities		**16,067**	**(937)**
Cash flows from/(used in) investing activities			
Property, Plant and Equipment and business combinations		(45,621)	(95)
Payments for other financial assets		-	-
Proceeds from divestments		3,823	-
Cash flows from/(used in) investing activities		**(41,798)**	**(95)**
Cash flows from financing activities			
Issue of bonds and other marketable securities		94,670	42,027
Issue of debt with financial institutions		-	(3,020)
Issuance of debt with group companies and associates		(27,602)	2,875
Other proceeds from/(payments for) financing activities		(32,867)	(42,437)
Cash flows from financing activities		**34,201**	**(555)**
Net Increase/Decrease of cash and equivalents		**8,470**	**(1,587)**
Cash and cash equivalents at January 1	12	**13,502**	**15,089**
Cash and cash equivalents at December 31	12	**21,972**	**13,502**

(*) Some of the figures shown have been restated in comparison with those of the 2016 consolidated annual financial statements, and reflect the adjustments in Note 2.6

1. ACTIVITY

Solaria Energía y Medio Ambiente (hereafter "Solaria," "the Company," or "the parent"), was founded on November 27, 2002 as a limited liability company in Spain for an indefinite period.

On April 28, 2008, its registered address changed to c/ Velázquez, 47 (Madrid) and on July 1, 2009 to c/ Princesa, 2 in Madrid.

The Company's corporate purpose is:

1. Installation and repair of solar, thermal, and photovoltaic, wind, and other types of renewable energy

2. Installation and repair of plumbing, gas, electricity, cooling, heating, and air conditioning systems.

3. Design and execution of technical projects related to the above.

4. Provision of maintenance and conservation services for jobs performed by the company or third parties.

The Company's chief activities during 2017 and 2016 were generation and the provision of operation and maintenance services to photovoltaic plants.

All the Solaria Group companies' main activity is the operation of photovoltaic solar plants in Spain and where they are located abroad. Information related to investments in Group companies at December 31, 2017 and 2016 are detailed in Appendix I.

The Company's shares were listed on the four official Spanish stock exchanges and have been quoted on the Spanish electronic trading platform (continuous market) since June 19, 2007. The separate and consolidated 2016 financial statements of Solaria Energía y Medio Ambiente, S.A. were approved at the General Shareholders Meeting held June 30, 2017.

The parent is controlled by DTL Corporación, S.L., based in Madrid, which is the Group's ultimate parent. The 2017 consolidated financial statements of DTL Corporación, S.L. will be approved and filed with the Mercantile Register of Madrid. The 2016 consolidated financial statements of the DTL Group were approved by the sole partner and filed with the Madrid Mercantile Registry.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND VALUATION CRITERIA

2.1 Basis of presentation

The Solaria Group consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account all the mandatory accounting policies and rules and measurement bases, so that they present fairly the consolidated equity and financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries at December 31, 2017, and the consolidated results of their operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

These consolidated financial statements for the year ended December 31, 2017 were prepared by the Board of Directors for approval at the General Shareholders' Meeting and are expected to be approved without any modification.

The 2017 consolidated financial statements were prepared on the basis of the accounting records kept by the Company and by the other companies comprising the Group. Each subsidiary prepares its financial statements based on the accounting principles prevailing in the country in which is carries out its transactions; therefore, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRS - EU.

2.2 Application of International Financial Reporting Standards (IFRS)

The consolidated financial statements of Solaria Energía y Medioambiente, S.A. and subsidiaries were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), in conformity with Regulation (EC) 1606/2002 of the European Parliament and of the Council, taking into consideration all the accounting principles and standards, as well as the measurement bases which are of mandatory application, as well as the Code of Commerce and Capital Companies Law, Securities Market Law, and other applicable mercantile legislation. These consolidated financial statements give a true and fair view of Group equity and financial position at December 31, 2017 and of the results of its operations, of changes in consolidated equity and consolidated cash flows for the year then ended.

a) EU-approved standards and interpretations applicable for the first time in during the year:

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the 2016 consolidated financial statements, apart from the standards and interpretations applicable for the first time in during the year:

Amendments to IAS 7 - Cash flow statements Disclosure initiative

Amendments to IAS 7 form part of the initiative on information to be disclosed and introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including those with and without cash flows (such as exchange gains or losses). The Group provided the information corresponding to the current year and the comparative year (Note 17.5).

Amendments to IAS 12 - recognition of deferred tax assets arising from unrealized losses

These amendments clarify that an entity must consider whether tax regulations restrict the profits which might offset temporary deductible temporary differences corresponding to unrealized losses. They also serve as a guide to how an entity must determine future tax profits and explain the circumstances under which taxable profit may include the recovery of certain assets at an amount higher than its carrying value.

Entities are obliged to apply these amendments retroactively. However, during initial application of the amendments, changes in equity during the first year presented may be recognized as reserves (or under another equity component, whichever is more appropriate), without having to distribute the effect of the change between reserves and other equity items. Entities applying this exemption must indicate as much.

The Group applied these amendments retroactively. However, their application had no effect on its financial situation or position as the Group has no deductible temporary differences or assets which fall within the scope of the amendments.

b) Standards and interpretations published by the IASB, but not yet applicable in this period:

IFRS 9 - "Financial instruments"

In July of 2014, the IASB published the definitive version of IFRS 9, "Financial Instruments;" it covers all phases of financial instrument projects and replaced IAS 39 "Financial Instruments: recognition and measurement," as well as all the prior versions of IFRS 9. This standard includes the three phases of financial instruments: classification, valuation, impairment, and hedge accounting. IFRS 9 indicates applicable standards for the years commencing January 1, 2018 and permits early application. Apart from hedge accounting, it requires retroactive application, but no modifications to comparative information. Hedge accounting criteria are generally applied prospectively, excepting for limited exceptions.

The Group plans to adopt the new standards at the required date of application; no comparative information with the prior year is expressed. In 2017, the Group carefully analyzed the impacts of the three aspects of IFRS 9. This evaluation is based on currently available information and may be subject to changes resulting from further analyses or information becoming available in the future in 2018 when the Group adopts IFRS 9. The Group does not foresee any substantial changes in its financial position and equity, apart from the effect of applying the requirements for determining impairment (IFRS 9). The Group will also make changes to the classification of certain financial instruments.

(a) Classification and measurement

The Group does not foresee any important changes in its balance sheet or equity arising from the application of IFRS 9. It expects to continue measuring its financial assets at fair value as is its current practice. In accordance with IFRS 9, debt instruments should be measured at fair value, reflecting changes in fair value of other comprehensive income, since the Group not only expects to maintain the assets to cover contractual cash flows, and sell significant amounts relatively frequently.

The shares of unlisted entities are expected to be held in the foreseeable future. No impairment losses were recognized on the statements of income for years prior to these investments. The Group will apply the option for presenting changes in fair value under “Other comprehensive income” and therefore considers that the application of IFRS 9 will not have a significant impact.

Loans and trade receivables are held for contractual cash flow, and it is expected that these will be solely used to pay principal and interest. The Group analyzed the characteristics of the cash flows of these instruments and concluded that they meet the amortized cost valuation criteria, in accordance with IFRS 9. Hence, there is no need to reclassify these instruments.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses on all its debt instruments, loans, and trade receivables, either on a 12-month period or indefinitely. The Group will apply the simplified model and recognize expected losses over the lives of all its trade receivables. Due to the nature of its loans and receivables (arising from operating the photovoltaic solar plants), the Group determined that any impairment losses will not vary significantly.

(c) Hedge accounting

The Group considers that all the existing hedging relationships designated as effective hedges may continue to be recognized as hedges under IFRS 9. As IFRS 9 does not amend general principles on how to recognize effective hedges, the Group does not expect there to be any significant impact from the application of this standard.

IFRS 15 - "Revenue from Contracts with Customers:"

It was published in May of 2014, amended in April 2016, and establishes a new five-step model which is applied to the income from contracts with customers. In accordance with IFRS 15, income is recognized at an amount which reflects the consideration which an entity expects to have the right to receive in exchange for the transfer of goods or services to a customer.

This new standard represents the amendment of all the previous standards for recognizing income. Total or partial retroactive application is necessary for the periods commencing January 1, 2018 and beyond. In 2016 the Group performed a preliminary evaluation of IFRS 15, which was terminated during 2017. The Group considers that this standard has no effect considering the nature of the purpose of the Group subsidiaries.

The Group operates photovoltaic solar energy plants and sells the energy generated to a distributor on the single market.

IFRS 16 - Leases

IFRS 16 was issued in in January of 2016, and replaces IAS 17- Leases, IFRIC 4 - determining whether an arrangement contains a lease, SIC-15 - Operating lease incentives, SIC-27 - Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 determines the key recognition principles, valuation, presentation, and leasing information to be disclosed; lessors must recognize all leases under a sole balance sheet model similar to the current recognition of financial leases in accordance with IAS 17. The standard includes two exemptions when recognizing leases: those whose assets are of little value (i.e. personal computers), and short-term leases (i.e., lease agreements with a term of 12 months or less). On the date the lease begins, the lessor recognized a liability for the payments to be made by the tenant (a lease liability), and an asset representing the right to use the underlying asset over the lease term (asset for rights to use). Lessors must separately recognize interest expense corresponding to the lease liability, and an expense related to the amortization of right to use.

Lessors must also reassess lease liabilities when certain events occur (such as a change in the term, future lease payments arising from an index variation, or rate used for determining these payments). The lessor generally recognizes the amount of the liability reassessment as an asset adjustment for right to use.

The lessor's IFRS 16 accounting recognition does not differ greatly from IAS 17. Lessors will continue to classify leases using the same classification principles as under IAS 17, recognizing two types of leases: operating and finance.

IFRS 16 also mandates that lessors and lessees must include more detailed disclosures than those stipulated in IAS 17.

IFRS 16 is effective for the years commencing January 1, 2019 or after, although it may be applied in advance, but not before an entity applies IFRS 15. A lessor may choose to apply the standard retroactively in its entirety, or through modified retroactive transition. The standard's transitional provisions allow for certain exemptions.

During 2018, the Group plans to continue evaluating the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 – Insurance contracts

In May of 2017, the IASB issued IFRS 17 "Insurance contracts," a new overall accounting standard for insurance contracts which covers recognition, valuation, presentation, and disclosures. Once in force, IFRS 17 will replace IFRS 4, "Insurance contracts" issued in 2005. IFRS 17 is applicable to all types of insurance contracts (life, non-life, direct, and reinsurance), regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with established discretionary participation characteristics. There is only one exception to the scope. The main purpose of IFRS 17 is to provide a more useful and uniform accounting model for insurance contracts. Apart from IFRS 14 requirements, largely based on applying local accounting policies, IFRS 17 provides an integral model for insurance contracts covering all relevant accounting aspects. The nucleus of IFRS 17 is the general model, complemented by:

- Specific adaptation for contracts with direct holding characteristics (the variable tariff approach).
- A simplified approach (premium-assignment), mainly for short-term contracts.

IFRS 17 is effective for periods commencing January 1, 2021 or after and requires the inclusion of comparative figures. It permits early application as long as the entity also applies IFRS 9 and 15 at the date IFRS 17 are applied for the first time. This standard is not applicable to the Group.

IFRIC 22 - Transactions in foreign currency and advance payments

This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency arising from cancelling a non-monetary asset or liability, using the date of the transaction upon which the non-monetary asset or liability was initially recognized. Where there are multiple payments or advances, the entity should determine the transaction date for each advance payment or collection received. This interpretation is entirely applicable retroactively. An entity may also apply this interpretation retroactively to all its assets, expenses, and income included within the scope which are initially recognized on or after:

i. The beginning of year in which the entity applies this interpretation for the first time, or

ii. The beginning of the year prior to presenting comparative information on the annual financial statements in which the entity applies this interpretation for the first time.

It goes into effect for the years commencing January 1, 2018 or after. Early application of the interpretation is permitted but must be broken down. However, since the Group is currently in line with the issued interpretation, the Group does not expect it to have any effect on its consolidated financial statements.

IFRIC 23 - Uncertainty over income tax treatments

The interpretation is to be applied to the determination income tax when the tax treatments for applying IAS is uncertain This interpretation is not applied to taxes outside the scope of IAS 12, and does not include the treatment of any related interest and fines. It specifically deals with the following aspects:

- When an entity must contemplate tax uncertainties separately
- The hypotheses to be made by an entity regarding whether its tax treatment is going to undergo review by the tax authorities.
- How an entity should determine tax results, tax bases, unused tax losses, tax deductions, and tax rates.

- The manner in which an entity should consider changes in matters and circumstances.

An entity must determine whether to consider each tax uncertainty separately or jointly when there are one or more. It should opt for the approach which best estimates resolution of the uncertainty. This interpretation is effective for years beginning January 1, 2019 or after, although there are certain exceptions arising from the transition. The Group will apply this interpretation commencing its effective date.

Improvements to IFRSs - the 2014 -2016 Cycle

(a) Amendments to IFRS 12 - Clarification of the scope of the breakdowns required by IFRS 12

These amendments clarify the breakdowns mandated by IFRS 12 which differ from those included in paragraphs B10-B16, which are applicable for investments in subsidiaries, associates, and interests in joint ventures (or part of its interests in joint ventures or associates) which are classified as held for sale (or included under a disposal group). These amendments become applicable by the IASB on January 1, 2017 but have not yet been adopted in the European Union. They are not applicable to the Group.

(b) IFRS 1-First-time Adoption of IFRS: suppression of short-term exceptions for those adopting it for the first time

The short-term exemptions in paragraphs E3-E7 of IFRS were eliminated as they did not prove to be useful for their intended purpose. Amendments become effective January 1, 2018. They are not applicable to the Group.

(c) IAS 28: Investments in associates and joint ventures -clarification that the measurement of investees at fair value with changes in profit or loss must be chosen separately for each investment

The amendments clarify the following:

- An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. This choice may be made separately for each investment.

- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. They are not applicable to the Group.

Improvements to IFRSs - the 2015 -2017 Cycle

The IASB made the following improvements to its standards:

(a) IFRS 3 Business combinations - Previously held interests in joint ventures

These amendments clarify that when an entity gets control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring at fair value previously held interests in the assets and liabilities relating to the joint operation. These amendments are applicable to business combinations with acquisition dates commencing January 1, 2019 or after; early application is allowed,

(b) IFRS 11 Business combinations - Previously held interests in joint ventures

These amendments clarify that when an entity obtains joint control of a business that is a joint operation in accordance with IFRS 3. The entity does not remeasure previously held interests in the assets and liabilities in that business. These amendments are applicable to business combinations with joint control commencing January 1, 2019 or after; early application is allowed,

(c) IAS 12 Income taxes - consequences of financial instrument payments classified under equity

These amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners.

Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These modifications must be applied retroactively for the years commencing January 1, 2019 or after, although their early application is permitted. When an entity applies these amendments for the first time, it does so commencing the starting date of the oldest comparative period.

(d) IAS 23 - Borrowing costs

An entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. These amendments must be applied retroactively for the years commencing January 1, 2019 or after, although their early application is permitted.

(e) Amendments to IAS 28 - Long-term interests in associates and joint ventures

These amendments clarify that clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. It is relevant, as it implies that the expected credit loss model in IFRS 9 must be applied to these investments. It also clarifies that when a company applies IFRS 9 the entity does not contemplate losses in the joint venture or any other impairment losses on the net investment recognized as an adjustment to the net investment of the associate, or joint ventures resulting from applying IAS 28, Investments in associates and joint ventures. The amendments include an example that illustrates how companies apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture. These modifications must be applied retroactively for the years commencing January 1, 2019 or after, although their early application is permitted.

(f) Amendments to IAS 40 - Transfers of investment property

These amendments clarify when an entity must transfer property (including that which is under construction) to, or from, investment property. The amendments state that such a transfer should only be made when there has been a change in use of the property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Entities must apply these amendments prospectively to the changes in use arising during or after the beginning of the year in which the entity applies these amendments for the first time. Entities should re-determine the classification of the property held at that date, and where applicable, reclassify it to reflect the prevailing conditions at that date. According to IAS 8, retroactive application is only permitted if it is possible to do so without information obtained subsequently. These amendments became effective for years starting January 1, 2018 or afterwards, although their early application is permitted. The Group will apply these amendments when they enter into effect. However, since the Group is currently in line with the issued interpretation, the Group does not expect it to have any effect on its consolidated financial statements.

(g) Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

The IASB issued the amendments to IFRS 2 - Classification and measurement of share-based payment transactions to clarify three relevant matters: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

When adopting these amendments, entities are obliged to apply them without restating prior years; their retroactive application is permitted if done so for all three amendments and other criteria are met. These amendments became effective for years starting January 1, 2018 or afterwards, although their early application is permitted. During 2018, the Group plans to continue evaluating the potential effect of these amendments on its consolidated financial statements.

(h) Amendment to IFRS 4 - Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts'

These amendments cover issues arising as a result of implementing IFRS 9, 'Financial instruments' before applying IFRS 17, "Insurance contracts," which replaced IFRS 4.

These amendments introduce two options for entities issuing insurance contracts:

- An optional temporary exemption from applying IFRS 9: for entities whose predominant activity is issuing contracts may defer application of IFRS 9 until 2021. Those deferring application of IFRS 9 will still apply IAS 39 - Financial instruments: Recognition and Measurement

- The overlay approach: an option that permits entities issuing insurance contracts to reclassify, from profit or loss to other comprehensive income, volatility arising as a result of applying IFRS 9 prior to IFRS 17.

Temporary exemption is applicable for the first time for years beginning January 1 or after. Entities may choose application of the overlay approach when applying IFRS 9 for the first time and apply it retroactively to financial assets designated in the IFRS 9 transition. An entity must restate comparative information reflecting the overlay approach only if it has restated comparative information when apply IFRS 9. These amendments are not applicable to the Group as it does not insurance policies.

(i) Amendments to IFRS 9 - Prepayment features with negative compensation and modifications of financial liabilities

This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. These modifications must be applied retroactively for the years commencing January 1, 2019 or after, although their early application is permitted.

(j) Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gains or losses resulting from the sale or contribution of assets to a business (as defined in IFRS 3) between and investor and its associate or joint venture must be recognized in their entirety. Nonetheless, any gain or loss arising from the sale or contribution of assets which do not represent a company are only recognized to the extent that the investors' interests are not related to the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they enter into effect.

2.3 Changes in scope of consolidation

Solaria is the parent of a Group formed by 31 subsidiaries at December 31, 2017 (2016: 29 subsidiaries), the majority of which are wholly-owned by the Company and an investee over which Solaria has no control (Appendix I).

In 2017 it created the following: Solaria Casiopea S.A.U., wholly owned by the subsidiary Solaria Energía y Generación Renovable; Lerapa Investments, S.L., Guleve Investments, S.L., and Ranti Investments, S.L., wholly owned by the subsidiary Planta FV3 S.L.U. The Group also purchased 50% of Serre UTA S.R.L from Fondo Aleph, which is now wholly-owned by the subsidiary Solaria Energía y Generación Renovable, S.L.

In 2016, no companies were formed, although the Group sold 19 companies (Jalmur S.A., Planta Solar Puertollano 3, S.L., Planta Solar Puertollano 5, S.L., Planta Solar Puertollano 7, S.L., Planta FV 2, S.L., Planta FV 5, S.L., Planta FV 6, S.L., Planta FV 7, S.L., Planta FV 8, S.L., Planta FV 9, S.L., Planta FV 10, S.L., Planta FV 11, S.L., Planta FV 12, S.L., Planta FV 13, S.L., Planta FV 14, S.L., Planta FV 15, S.L., Planta FV 16, S.L., Planta FV 17, S.L., and Planta FV 18, S.L.).

All the Group companies were formed or acquired during their initial phases so as to build solar plants, and do not represent business combinations.

2.4 Critical issues concerning information, estimates made, and key judgments made in applying accounting policies

The information in these annual consolidated financial statements is the responsibility of the parent's directors. In the accompanying consolidated financial statements, estimates were occasionally made by Group management to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. The Group periodically reviews these estimates.

Its future success depends a great degree on its ability to develop new projects and build new plants under an efficient cost structure. Expanded production capacity is subject to the risks and uncertainties inherent to a business project of this kind.

To efficiently manage the expansion of its activities, the Group focuses on continuously improving its operating and financial systems, procedures, and controls to thereby improve efficiency.

These estimates and hypotheses are based on the best information available at the date of the preparation of the annual financial statements, on the estimation of uncertainty at the reporting date, with periodic reviews arising from any future events which necessitate making adjustments to estimates in upcoming years. In such a case, the effects of changes to estimates are recognized prospectively.

The issues entailing a more significant degree of judgment or complexity and those aspects where assumptions and estimates are more relevant to the preparation of the financial statements are summarized below.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses for which it is probable that the Group will obtain future taxable profit against which these assets may be utilized. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences. The Group recognized deferred tax assets of 16,745 thousand euros at December 31, 2017 (2016: 9,046 thousand euros) for deductible temporary differences and unused tax loss carryforwards (Note 19).

Impairment of non-current assets

When measuring non-current assets other than financial assets, estimates must be made to determine their fair value in order to subsequently assess their recoverable amount to determine possible impairment. The Group identified the existence of indications of impairment in some of its non-current assets, mainly lose related to the cells and model production activity. Parent Management performed impairment tests to determine whether it will be necessary to make additional valuation adjustments to non-current assets. It determined the recoverable amount of the non-current assets in its photovoltaic modules and cells, including machinery and several rural plots of land, based on appraisals by independent experts and other valuation techniques.

As a result of these valuations, the parent reversed a portion of the impairment associated to its plants in Italy in the amount of 990 thousand euros (Note 8).

During 2016, as a result of these valuations, the parent recognized impairment related to the Puertollano industrial plant totaling 1,931 thousand euros (Note 8).

During 2016, the Group reversed the impairment applied to its photovoltaic plants located in Italy (Marche). This reversal amounted to 5 million euros and was recognized under "Impairments and reversals" on the consolidated income statement. This impairment reversal was mainly due to a substantial improvement in expectations throughout its remaining useful life.

Provision for liabilities, risks, and expenses

The Group recorded a provision for the costs arising from litigation underway. To determine the amount of the provision, it is necessary to make hypotheses and estimates on expected expenses and conduct individual analyses for those still in course at year end. The above estimates are subject to interpretations of current matters and circumstances, future year projections, and estimates on the financial effects of these events. The Company recognizes a provision when it considers it probable that a payment obligation will arise.

Warranty provisions

In line with customary practice in the sector, the Group offers its customers guarantees covering the sale of modules as well as the development of turnkey projects for a certain number of years. There have been no significant guarantee claims until now, and therefore to calculate guarantee provisions, Group Management basically used relevant experience and percentage of errors detected in the effectiveness tests on modules to determine the existence of pending guarantee commitments. However, the parent's directors consider that no significant liabilities will arise related to guarantees granted apart from recognized provisions.

Review of useful lives

During the 2015 review of the useful lives of its property, plant, and equipment, the Company performed a technical analysis of the current use of the assets involved in the "Cell Project" at the Puertollano plant, and therefore amended its useful life. The impact of this estimate change was an increase in amortization costs totaling 1,153 thousand euros during 2016 and 2017 (Note 8.2).

2.5 Principle of going concern

These consolidated financial statements have been prepared based on the principle of going concern, assuming that the parent and its subsidiaries will continue their accounts in the future.

During 2017, a number of actions contemplated in its strategic plan were successfully implemented, designed to improve the Solaria Group's financial structure and working capital. Actions performed in 2017 include the following:

- On February 22, 2017, Group subsidiary, Planta Solar Puertollano 6, S.A.U. ("PSP6") wholly-owned by the Group parent, successfully placed a "Project Bond" among qualified national and international investors at the nominal amount of 45.1 million euros at 20.8 years.

- On July 24, 2017, the Group subsidiary Magacela Solar 1, S.A.U., wholly-owned by the Group parent, successfully placed a "Project Bond" among qualified national and international investors at the nominal amount of 47.1 million euros at 20 years. The above company became a subsidiary based on the transaction discussed in Note 2.6 of these consolidated financial statements.

- On December 21, 2017, subsidiary Casiopea, S.A.U., wholly-owned by the Group parent, successfully placed a "Project Bond" among qualified national and international investors at the nominal amount of 9.2 million euros at 23 years.

- Thanks to a resolution handed down by the Directorate General of Energy Policy and Mining, the parent was notified of the award of 250 photovoltaic MW at the renewable energy auction held on July 27, 2017. During 2017, the Group began developing these projects, and expects them to be fully active around year-end 2019. This new projection was contemplated by the Group in its analysis on the recoverability of deferred tax assets (Note 19).

As a result, the parent's directors have prepared these financial statements based on the going concern principle, as they also consider that the Group will generate future profits in the short- and medium-term which should allow it to maintain and improve the exercise of its activities.

2.6 Acquisition of Magacela Solar 1, S.A. and Técnicas Ambientales del Norte, S.L., companies under common control requiring the retroactive application and restatement of comparative figures

On July 28, 2017, DTL Corporación, S.L., majority shareholder of Solaria Energía y Medio Ambiente, S.A. with a 56.78% share, agreed to the sale of 100% of its investment in its subsidiary Magacela Solar 1, S.L. (Magacela) to Solaria Energía y Medio Ambiente, S.A. for 14,165,758 euros (market value corroborated by an independent expert).

On December 21, 2017, through its subsidiary Solaria Casiopea SAU, Solaria Energía y Medio Ambiente, S.A. agreed with DTL Corporación, S.L. to the purchase of 100% of Técnicas Ambientales del Norte, S.L. (TAN), at 6,015,507 euros (market value corroborated by an independent expert).

This is a joint control transaction and as such, these acquisitions are not within the scope of IFRS 3 (2016 and 2017: DTL Corporación had control over the parent).

The Solaria Group applied its predecessor's acquisition method (DTL Corporación), as it considered the acquisition as a reorganization of companies under joint control. Therefore, the assets and liabilities of Magacela Solar 1, S.A. and Técnicas Ambientales del Norte, S.A. are presented at the historic amounts reflected on the consolidated financial statements of DTL Corporación, S.L.

This is the "pooling of interest" method, by virtue of which Solaria Energía y Medio Ambiente, S.A. was required in 2016 to restate its consolidated statement of financial position, consolidated income statement, consolidated statement of financial position, consolidated statement of changes in equity, and consolidated cash flow statement, thereby implying that:

- Goodwill and negative differences on consolidation are not recognized. Hence, the difference between the consideration paid and the carrying amount recognized on the previous consist of the consolidated financial statements of the DTL Corporación Group are recognized under reserves.

- The 2016 (restated) and 2017 financial statements include the results from companies acquired under joint control (Magacela and TAN).

The restated figures of the companies acquired under join control follows:

Items of the restated financial statement status	Carrying amount Consolidated Group Previous January 1, 2016	Amount to pay	Impact on reserves January 1, 2018
Technical instalation and other tangible assets (Note 8)	55,829	-	-
Deferred tax assets (Note 18,1)	3,197	-	-
Trade receivables (Note 10)	1,827	-	-
Prepayments for current assets	24	-	-
Cash and cash equivalents	4,021	-	-
Other reserves	-	-	5,934
Profit/loss for the year	-	-	(593)
Valuation Adjustments Hedging transactions	-	-	2,890
Non-current Bank loans and borrowings	(33,156)	-	-
Non-current Derivatives	(3,039)	-	-
Non-current debts to group companies and associates (Purchase Magacela from DTL))	-	(18,974)	-
Non-current debts to group companies and associates (Debt Magacela with DTL previous to purchase)	(14,560)	-	-
Current bank loans and borrowings	(1,729)	-	-
Current derivatives	(836)	-	-
Suppliers, group companies and associates (Note 20,1)	(58)	-	-
Other payables	(3)	-	-
Current tax liabilities	(112)	-	-
Other tax liabilities	(662)	-	-
	10,743	**(18,974)**	**8,231**

Items of the restated financial statement status	Carrying amount Consolidated Group Previous December 31, 2016	Amount to pay (Note 21,1)	Impact on reserves at December 31, 2016
Technical instalation and other tangible assets (Note 8)	53,378	-	-
Deferred tax asset (Note 18,1)	2,705	-	-
Trade receivables (Note 10)	2,128	-	-
Prepayments for current assets	24	-	-
Cash and cash equivalents	3,733	-	-
Other reserves	-	-	5,934
Profit/loss for the year	-	-	1,007
Valuation Adjustments Hedging transactions	-	-	1,753
Prior periods profit and loss	-	-	(593)
Non-current Bank loans and borrowings	(30,043)	-	-
Non-current derivatives	(1,902)	-	-
Non-current debts to group companies and associates (Purchase Magacela and DTL))	-	(18,494)	-
Non-current debts to group companies and associates (Debt Magacela with DTL prior to purchase)	(16,452)	-	-
Current bank loans and borrowings	(1,935)	-	-
Current derivatives	(446)	-	-
Suppliers, group companies and associates (Note 20,1)	(82)	-	-
Other payables	(15)	-	-
Current tax liabilities	(61)	-	-
Other tax liabilities	(639)	-	-
	10,393	**(18,494)**	**8,101**

Consolidated income statement	2016 Restated	Incorporation TAN and Magacela	2016
Sales	22,903	7,234	15,669
Wages, salaries and similar (Note 20,3)	(2,370)	(41)	(2,329)
External services (Note 20,4)	(3,055)	(593)	(2,462)
Taxes (Note 20,4)	(1,839)	(548)	(1,291)
Depreciation and amortization (Note 8)	(10,414)	(2,451)	(7,963)
Financial costs: borrowings from group companies (Note 20,7)	(1,556)	(629)	(927)
Financial costs: third-parties borrowing (Note 20,7)	(11,781)	(3,531)	(8,250)
Income tax expense	-	(448)	-
Net amount in accounting practice		**(1,007)**	

The reconciliation between fair value and debt payable to DTL Corporación S.L. is as it follows:

Reconciliation fair value and account payable	Magacela	TAN	Total
Fair value	14,166	6,015	20,181
Debt subrogated by Solaria (Previously account payable to Magacela with DTL and eliminated at consolidated level)	(9,510)	-	(9,510)
Debts arising from the purchase of group companies and associates	(4,656)	(6,015)	(10,671)
	-	**-**	**-**
Reduction of share premium made by Magacela and TAN during 2017 (payment pending at 31,12,2016)	(7,379)	(444)	(7,823)
Debts arising from the purchase of group companies and associates	(4,656)	(6,015)	(10,671)
Total	**(12,035)**	**(6,459)**	**(18,494)**

2.7 Consolidation principles

2.7.1 Subsidiaries:

"Subsidiaries" are deemed entities over which the parent may exercise significant direct or indirect influence and control. Subsidiaries have been fully consolidated, with all their assets, liabilities, revenues, expenses and cash flows included in the consolidated financial statements after the appropriate adjustments and eliminations of inter-group transactions.

The standardization criteria applied follows:

- Timing adjustments: the financial statements for the companies included in the scope of consolidation are at December 2017 and 2016.

- Valuation adjustments: the valuation criteria applied by subsidiaries to assets, liabilities, income and expense to ensure they coincide with the parent's criteria.

- Standardization of internal transactions.

- Standardization of aggregation: for consolidation purposes, the necessary reclassifications have been made to adapt the structure of the parent's subsidiaries' financial statements to NIIF-UE.

Income, expenses, and cash flows for subsidiaries are included in the consolidated financial statements commencing their date of acquisition or when the Group formally obtains control over them. Subsidiaries are excluded from the scope of consolidation from the moment control is lost.

The financial statements of subsidiaries used during consolidation refer to the same date of presentation and period as the parent. The accounting principles for subsidiaries were adapted to those of the Group for transactions and other matters which due to their similarities have taken place under similar circumstances.

The conversion of the financial statements of foreign subsidiaries with functional currencies other that of a hyperinflationary economy takes place as follows:

- The assets and liabilities are translated to euros at the exchange rate ruling at the close of the foreign subsidiaries' consolidated financial statements.

- Items on the income statement using the average exchange rate for the year similar to that for each transaction.

- Equity items are translated at historical exchange rates.

- Exchange differences arising from the conversion of balances in foreign currencies to the functional currency are recorded as "Exchange differences" under "Other comprehensive income".

The accounting principles for subsidiaries were adapted to those of the Group for transactions and other matters which due to their similarities have taken place under similar circumstances.

The financial statements of subsidiaries used during consolidation refer to the same date of presentation and period as the parent.

Transactions and balances with Group companies and unrealized gains or losses are eliminated upon consolidation. However, unrealized losses were considered as indicators of impairment for the transferred assets.

Appendix I to these notes to the financial statements related includes information on the subsidiaries included in Group consolidation, as well as any other related information (including denomination, country of constitution, and the proportion of parent ownership interest).

2.7.2 Associates and joint ventures:

Associated companies over which the Group holds no control, but exercises significant influence, have been consolidated using the equity method, considering those in which its direct or indirect investment in share capital is generally between 20%-50%, or it otherwise exerts significant influence on their management.

This method was also applied to joint ventures, for which there is a contractual arrangement to share control over an economic activity so that strategic financial and operational decisions related to activities require unanimous consent from the Group and other investees. In 2010, the Group acquired 55% of the shares of Solaria Brasil. Despite the acquired percentage, the Group does not control this company, but rather shares control.

Significant influence over a company is considered to exist when the Group or one or more of the subsidiaries has the power to participate in the financial and operating policy decisions of the investee, without having control over those policies.

Investments in associates are accounted for under the equity method. Investments in subsequent gains or losses are recognized on the consolidated income statement, and their investment in subsequent movements in equity are recognized under "Reserves." If the investment in the ownership of an associate is reduced yet significant influence remains, only the proportional investment in previously-recognized amounts are reclassified to results when deemed appropriate. Dilution gains or losses on investments in associates are recognized on the consolidated income statement.

The equity method is no longer used commencing the date there is no further significant influence over an associate, which is recognized at the moment of the investment in accordance with IAS 39. In the case of a loss of significant influence, investors measure the investment held in the previous associate at fair value.

2.8 Regulatory changes

The activity of certain Spanish subsidiaries consists in generating electricity, and therefore their viability may be greatly affected by the regulatory framework. The following is a description of the main regulations affecting them:

Spain's regulatory framework

Royal Decree 413/2014 of June 6 was published to regulate electricity generation based on renewable, cogeneration, and waste-based energy; it establishes the bases of the new regulatory framework enacting the entry into force of Royal Decree Law 9/2013 of July 12. It adopts urgent measures designed to guarantee the financial stability of the electricity system, which repealed the regulatory framework applicable to renewable energy sources until that date, and by ORDER IET/1045/2014, of June 16, which enacted the remuneration parameters encompassed by Royal Decree Law 413/2014, which thereby set the applicable remuneration bases effective as of July 13, 2014.

For the purpose of applying the regulatory semi-period commencing January 1, 2017, Order ET/130/2017 was published approving the definitive retribution parameters for installations applicable to certain electricity installations which produce electricity using renewable Energy sources, cogeneration, and waste.

This new specific remuneration standard installation throughout its regulatory useful life as regards activity carried out by an efficient and well-run company, in accordance with standard income from energy sales valued at market prices, standard operating costs, and customary estimated initial investment amounts. This is based on reasonable revenue from investments, defined based on the interest rate of the government bond plus an initial 300 basic point spread. Regulatory periods of six years and three-year sub-periods are established. The retribution parameters related to market price forecasts may be changed every three years to include any changes taking place during the sub-period; every six years, the standard installation parameters and future interest rates may be changed. The value of the initial investment and the regulatory useful life remain the same throughout their lives.

The Company's special regime power production is regulated by Electricity Sector Law 54/1997 of November 27 and subsequent enacting or modifying regulations. Royal Decree 661/2007, modified by Royal Decrees 1565/2010 and 2/2010, and Royal Decree Law 2/2013 establish the remuneration scheme for renewable energy generated by the Company. This is basically a regulated tariff which is expressed in cents per kilowatt hour and is applicable to a number of equivalent functional hours of the photovoltaic installations.

In 2012, Law 15/2012 of December 27 was published on tax measures on energy sustainability; it contemplates the creation of VAT related to the production of electricity of 7% commencing January 1, 2013.

Italy's regulatory framework

The Italian tariff scheme is part of a system of assistance designed to grant photovoltaic energy generation incentives for all plants connected to the country's network. It was presented in Italy through Ministerial Order dated July 28, 2005 - 1st feed-in tariff, which became regulated in 2012 by Ministerial Order dated May 5, 2011. The 4th feed-in tariff was applicable to all plants involved between June 1, 2011 and December 31, 2016.

Thanks to the above regulatory framework, the photovoltaic plants with a minimum capacity of 1kW connected to the network were able to benefit from the system of the premiums based on electricity generated additional to market selling prices. The premium varies depending on each plant's capacity and granted for 20 years.

Ministerial Order dated July 5, 2012 - 5th feed-in tariff re-formulated this photovoltaic solar energy generation support scheme, also granting new, updated, or totally-renewed plants access to the tariff. Access to incentives is granted depending on the type of installation and each plant's nominal capacity and is available through direct access or via electronic registration established by the Energy Service Manager.

On June 25, 2014, the Italian government presented Decree Law 91/2014 in which it proposed a series of urgent measures to reduce the cost of electricity. On August 21, Law #116 dated August 11, 2014 was approved without hardly any modifications to the proposed draft decree law. Article 26 establishing measures affecting all photovoltaic plants with peak power over 200 kW (Spalma Incentivi), for which a number of different options are available to reduce incentives:

a) Extension of the 20-24 year tariff with a reduction based on the remaining years of operation.

Years pending incentive	Rate reduction percentage
12	25%
13	24%
14	22%
15	21%
16	20%
17	19%
18	18%
19 or more	17%

b) The duration of 20 years for the tariff incentive with an initial reduction of 17% over income during a 7-year period is maintained, with an undefined increase commencing year 8.

c) The 20-year period is maintained, with a specific reduction of:

- 6% for photovoltaic plants of between 200 & 500 Kw,
- 7% for photovoltaic plants up to 900 kW,
- 8% for photovoltaic plants up to 900 kW.

These new tariffs became effective starting January 1, 2015. The Company's plants in Italy are subject to options b) and c).

2.9 Comparability of information

For comparative purposes, for all of the amounts reported on the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement, the figures for 2017 are included in addition to those of the prior year, except for the restated figures noted in Note 2.6 the accompanying consolidated financial statements.

2.10 Functional currency

The figures in these consolidated financial statements are shown in thousands of euros, rounded to the nearest thousand, unless stated otherwise; the euro is the parent's functional and presentation currency. There are no operational companies with a functional currency other than the euro.

3. APPROPRIATION OF PROFIT

The appropriation of 2017 profit proposed by the parent, which is expected to be approved by management during the General Shareholders Meeting, is as follows:

(Thousands of euros)	2017
Base of distribution	
Profit for the year	2,913
	2,913
Application results	
Compensation of “prior periods losses”	2,913
	2,913

3.1 Limitations on the distribution of dividends

The parent must earmark an amount equal to 10% of the profit for the year for the legal reserve, until such reserve represents at least equal to 20% of share capital. The reserve cannot be distributed to shareholders unless it exceeds 20% of share capital.

Dividends may only be drawn on the year’s profits or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or as a result of such distribution, would not be, less than the company’s capital. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where prior-year losses reduce the Company’s equity to below the amount of share capital, profit must be allocated to offset these losses.

3.2 Earnings per share

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Materiality

To determine the information to be disclosed, the group consider the materiality related of the actual consolidated financial statements.

4.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. After initial recognition intangible assets are recorded at cost less accumulated amortisation and any accumulated impairment.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as a change in the accounting estimate. The amortisation expense on intangible assets with finite lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, individually or at cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Computer software

Software is valued at cost.

Software acquired from third parties is recognized as an asset and amortised over an estimated useful life of five years.

Any related maintenance costs are expensed as incurred.

4.3 Property, plant and equipment

Items of property, plant, and equipment are initially recognized at either acquisition or production cost, which include all costs and expenses directly related to the assets acquired until they are ready for use, less accumulated depreciation and any impairment loss. Land is not depreciated and is presented net of impairment losses.

The costs incurred subsequently to the initial recognition of an asset are only capitalised so far as they imply an increase in their capacity, productivity or extension of their useful life, and the carrying amount of the replaced components must be written-off. However, amounts incurred for routine repair and maintenance are not capitalized as increase in the carry amounts of property, plant and equipment.

The costs related with great repairs of the property, plant and equipment, with independence that the affected elements are replaced or not, they will be identify as a component of the asset cost in the date the incorporation to equity is made, and they will be depreciated during the period until the next great repair.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Useful lifetime
Buildings	33 years
Solar plants	30 years
Other tangible assets	10 years
Equipment	8 years
Other property plant and equipment	8 years

The company reviews the residual value of the useful life, and the depreciation method of the property plant and equipment at the end of each year. In the event that changes occur in the initial established criteria, they are recognized as a change in estimate. The land on which the buildings are located has an indefinite useful life and, therefore is not subject to depretiation. The assets related to the “Célula proyect” are depreciated in 5 years.

The benefit or loss resulted from the disposal or derecognition of an asset is calculated as the difference between the value of the consideration received and the book value of the asset, and is recognized in the income statement.

4.4 Impairment of non-financial assets

At least at the end of the accounting practice, the Company evaluates whether there are indications that any non-current asset or, if applicable, any cash generating unit may be impaired and if there are indications, their recoverable amounts are estimated.

For those assets identified, it estimates its recoverable amount, understood as the higher of its fair value less the necessary sale costs and its value in use.

In the event that the asset doesn't generate cash flows by itself that are independent of other assets, the company calculates the recoverable amount of the Cash Generating Unit to which it belongs. If the recoverable value is lower than the book value of the asset, the difference between both values is recognized in the profit and loss statement by reducing the book value of the asset to its recoverable amount. The future amortisation charge is adjusted in proportion to its adjusted book value and its remaining useful life, in case a reestimation of the same is necessary.

Of similar form, when there exist indications of which the value of a material asset has recovered, a reversal of impairment is registered. In no case the above mentioned reversal supposes the increase of the value in books of the assets over that one that it would have if losses had not been recognized in previous exercises.

4.5 Leases

Leases qualify as finance leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred to the lessee. All other lease arrangements are classified as operating leases.

Company as lessee

Assets acquired under finance lease arrangements are recognized, based on their nature, at the lower of their fair value or the present value of the minimum lease payments at the outset of the lease term, including any associated call option. A financial liability is recognized for the same amount. Contingent installments, service expenses, and reimbursable taxes (by the lessor) are not included in the calculation of agreed minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance expense incurred in connection with the lease arrangement is recognized in the consolidated income statement in the year accrued using the effective interest rate method. Assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Operating lease payments are expensed in the income statement as accrued.

Company as lessor

Rental income from operating lease payments are recognized in the income statement when accrued. Direct costs attributable to the operating lease increase the value of the leased asset and are recognized as expense over the term of the lease on the same basis as rental income.

4.6 Financial assets

Recognition and measurement

4.6.1 Loans and receivable

The Company recognizes trade and non-trade receivables under this heading, which includes financial assets with fixed or determinable payments not quoted on active markets and for which the Company expects to recover the full initial investment, except, where applicable, in cases of credit impairment.

They are initially measured on the balance sheet at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

They are subsequently measured at amortized cost.

Nevertheless, trade receivables which mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, dividends receivable and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting the cash flows is not significant.

The difference between fair value and amounts paid for operating lease security deposits is recognized in the income statement as an advance lease payment over the lease term. When estimating the fair value of guarantees, the minimum contractual term during which the amount may not be reimbursed is considered as the remaining period.

4.6.2 Impairment of financial assets

The carrying amount of financial assets is adjusted against the short-form income statement when there is objective evidence of an impairment loss.

To determine impairment loss of financial assets, the Company assesses the potential loss of individual as well as groups of assets with similar risk characteristics.

The Company classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing, and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays.

Reversals of impairment are recognized as income in the income statement up to the limit of the carrying amount of the financial asset that would have been recorded at the reversal date had the impairment loss not been recognized.

4.7 Financial liabilities

Recognition and measurement

4.7.1 Trade and other payables

They include the financial debits caused by the buy of goods and services for operations of traffic of the Group and the debits for not commercial operations that are not derivative instruments.

In its initial recognition in the balance, they register for its reasonable value, which, except evidence in opposite, is the price of the deal, which is equivalent to the reasonable value of the received compensation fitted by the costs of deal that they are straight attributable.

After its initial recognition, these financial debits are valued by its amortized cost. The earned interests are taken into account in the account of losses and profit, applying the method of the effective interest rate.

Nevertheless, the debits for commercial operations with expiration not superior to one year and that do not have a contractual interest rate, as well as the payments demanded for third on shares, which amount hopes to be paid in the short term, are valued by its nominal value, when the effect of not updating the cash flows is not significant.

The difference between the reasonable value and the amount received from the deposits for operative leases is considered to be a cashing anticipated by the lease and is imputed to the account of losses and profit during the period of the lease. For the calculation of the reasonable value of the deposits the awkward minimal contractual term takes as a remaining period.

Derecognition

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged with a lender, provided that their contractual terms are substantially different, the original financial liability is derecognized, and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of the financial liability or part of the financial liability and the amount paid to extinguish the liability, including attributable transaction costs and any asset transferred other than cash or liability assumed, is recognized in the income statement for the period.

When the debt instrument is replaced by another on terms that are not substantially different, the original liability is not derecognized, and the carrying amount is adjusted for the fees paid. The new amortized cost of the financial asset is calculated using the effective interest rate, which is the discount rate that equates the carrying amount of the financial liability at the modification date to the cash flows payable under the new terms.

Accordingly, the contractual terms are considered to be substantially different when the same lender granted the original loan and the present value of the cash flows from the new financial liability, including net commissions, differs by at least 10% of the present value of the cash flows yet to be paid on the original financial liability, when the effective interest rate of the original liability has been applied to both.

4.8 Cash flow hedges

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

To measure the efficacy of such hedge instruments, the Group performs tests to verify that differences produced by changes in the value of cash flow of related financial instrument and its hedge are supported inside a range of 80 % 125 % along the life of operations, fulfilling this way the forecasts established at the moment of the hiring.

When in some moment this relation stops being fulfilled, the hedge operations stop being treated as such and they are re-classified to negotiation derivatives.

The fair value of derivative instruments is shown in Note 17.4.

4.9 Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancellation. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.10 Inventories

"Inventories" mainly includes raw materials and finished products corresponding to solar photovoltaic modules.

Inventories are valued at acquisition price or production cost. Costs of purchase include the invoice price after deducting any trade discounts, rebates and other similar items, plus all other costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items. Production cost is determined by adding the costs directly attributable to the product to the purchase price of raw materials and other consumables. The portion of indirectly attributable costs incurred in preparing the tools for sale that can reasonably be allocated to the products in question are also included, to the extent that such costs are related to the manufacturing or construction process and are based on normal working conditions for the means of production.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement. No impairment loss on raw materials and other consumables used in production is recognized if the finished products in which they are incorporated are expected to be sold at more than cost. Cash and other equivalent assets

4.11 Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are readily convertible to cash.
- They have a maturity of three months or less from the date of acquisition.

- The risk of change in value is insignificant
- They are part of the Company's standard cash management strategy

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.12 Grants

Grants are recognized as non-repayable when the requirements established for receiving them are met and are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities until they meet the criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received to finance specific expenses are recognized as income in the reporting period in which the financed expenses are accrued. Grants awarded to acquire property, plant and equipment are recognized as income for the reporting period in proportion with the depreciation charges.

4.13. Provisions and contingencies

Liabilities whose amount or date of settlement cannot be determined are recognized in the balance sheet when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

At the date of approval of these financial statements, the directors differentiated between:

- *Provisions:* existing obligations with employees at year end arising from past events that are uncertain as to amount or timing, and it is probable that the Company will be required to settle that obligation, but its amount and/or cancellation date is undefined.

- *Contingent liabilities:* possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of future events not wholly within the Company's control, and do not meet the requirements for recognition as provisions.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Reimbursements receivable from a third party on settlement of the obligation are recognized as an asset and do not reduce the amount of the provision, provided that there is no doubt as to its collection. The amount of the asset may not exceed the amount of the obligation recognized. When a contractual or legal relationship exists by virtue of which risk is externalized and the Company is not liable for the related obligation, the amount of said compensation is deducted from the provision.

In addition, all possible obligations arising from past events which will only materialize if future events occur which are not wholly within the Company's control, and all present obligations arising from past events for which it is unlikely that there will be an outflow of resources to settle them or which cannot be reliably measured, are considered contingent liabilities. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

Provisions for litigations

The Group has a provision registered for the cost of the current litigations. To determine the amount of the provision, hypothesis and estimations are performed with regard to the expected costs, realizing an individual analysis for all those that are still in progress at the end of the exercise. The above mentioned estimations are subject to interpretations of the facts and current circumstances, projections of future events and estimations of the financial effects of the above mentioned events. The Group registers the provision when it considers to be probable that a payment obligation should take place.

4.14 Income Tax

The Solaria Energía y Medio Ambiente, S.A. tax group, including all Spanish companies with a 100% stake, has filed consolidated tax returns since 2010; the Company is the Group parent (Note 19).

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity, and in the initial recognition of business combinations, in which it is recognized in the same way as the other assets of the business acquired.

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

The Group recognizes deferred tax liabilities for all temporary differences, notwithstanding certain exceptions in prevailing tax legislation.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits, and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

For business combinations in which deferred tax assets have not been accounted for separately at initial recognition because they do not meet the criteria, the deferred tax assets which are recognized during the measurement period and which arise from new information regarding matters and circumstances existing at the acquisition date will require an adjustment of the related goodwill. After the abovementioned measurement period, or if they are a result of issues and circumstances arising subsequent to the acquisition date, they are recognized against income, or in equity if required by the accounting standard.

At each financial year end, the Group assesses the deferred tax assets which have been recognized and those which have not yet been recognized. Based on this analysis, the Group derecognizes any asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset not recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply in the period in which they reverse, as required by enacted tax laws, and in the manner in which it reasonably expects to recover or settle the deferred tax asset or liability, respectively.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, regardless of the date they are expected to be applied.

In addition to the aforementioned parameters used for the purposes of individual taxation, the determination of the income tax expense of the companies filing consolidated tax returns also takes into account the following:

a) Temporary and permanent differences arising from the elimination of results of transactions between Group companies for determining the consolidated tax assessment basis.

b) Deductions and rebates corresponding to each company of the tax group filing a consolidated return; to this end, deductions and rebates are allocated to the company that carried out the activity or generated the income which entitles it to the deduction or rebate.

Temporary differences arising from eliminating results of companies in the tax group are recognized for the Company generating them, and results are measured at the applicable tax rates.

Reciprocal debit and credit balances arise for the portion of tax losses generated by some of the Group companies and the remaining companies in the consolidated group which offset them. Where tax losses arise that cannot be offset by other companies of the consolidated tax Group, the related tax credits for loss carryforwards are recognized as deferred tax assets in accordance with the criteria established for their recognition, considering the tax group as the taxpayer.

4.15 Income and expenses

In accordance with the accruals principle, income and expenses are recognized when the goods or services they represent take place, regardless of when actual payment or collection occurs

4.15.1 Income from sales and services rendered

All net turnover corresponds to the Group's ordinary business carried out:

- Sale of electricity generated by the solar power stations owned by the Group.

Revenue from the sale of goods and the rendering of services is recognized at the fair value of the consideration received or receivable. Discounts likely to be granted for prompt payment or other factors at the time of revenue recognition are deducted from the amount of revenue recognized. Advances on future sales are valued at the amount received.

4.16 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year. Otherwise, the assets and liabilities are classified as non-current.

4.17 Foreign currency transactions

The Group's functional and presentation currency is the euro.

Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All differences, gains and losses, originating in the translation process, including those arising from the settlement of balance sheet items, are taken to profit or loss for the year.

Non-monetary items measured at historical cost are measured using the exchange rate prevailing at the transaction date.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when fair value is determined. Exchange differences are recognized in profit or loss, except when the change in the value of the non-monetary item is recognized in equity, in which case the corresponding exchange differences are likewise recognized in equity.

4.18 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding item of "Property, plant, and equipment" and depreciated using the same criteria.

4.19 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying

amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

5 SEGMENT REPORTING

During 2017, Management decided to provide financial information broken down by segments based on the geographical markets in which it operates or manages renewable energy plants; the latter will be the Group's main focus in the future. These changes are a response to the Group's organizational transformation during the year: Group management uses geographical market segments and information to monitor business.

This new information by segments for the Solaria Group follows:

- *Segment 1:* Spain
- *Segment 2:* Italy
- *Segment 3:* Latam and other
- *Segment 4:* Corporate and other

Each segment performance is measured using profit before taxes. Segment profit is used to measure performance, since the Group considers that this information is the most relevant for evaluating segment results.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Notes to the consolidated financial statements for the year ended December 31, 2017
(€thousand)

The income statements by Group segments follow:

	Spain		Italy		LATAM and others		Corporate		Consolidated	
(Thousands euros)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
External sales	21,753	20,664	6,086	2,151	2,179	-	1,105	293	31,124	23,108
Total ordinary income from external clients	**21,753**	**20,664**	**6,086**	**2,151**	**2,179**	**-**	**1,105**	**293**	**31,124**	**23,108**
Depreciation and amortization	(6,927)	(5,932)	(1,730)	3,882	(413)	-	1,227	(5,677)	(7,843)	(7,727)
Raw materials and other consumables	-	-	-	-	-	-	(147)	289	(147)	289
Other income and expense from segment	(2,608)	(2,890)	(642)	(668)	(674)	(243)	(960)	(1,124)	**(4,884)**	**(4,925)**
Operating result	**12,218**	**11,842**	**3,715**	**5,365**	**1,092**	**(243)**	**1,226**	**(2,587)**	**18,250**	**10,745**
Financial result	(5,766)	(8,070)	(1,723)	-780	(1,051)	3	(1,796)	1,233	(10,337)	(7,614)
Result before taxes	**6,452**	**3,772**	**1,991**	**4,585**	**41**	**(240)**	**(571)**	**2,807**	**7,913**	**3,131**
Equity-accounted equity	-	-	(439)	587	248	54	-	-	(191)	641
Income / (Loss) of segments before taxes	**6,452**	**3,772**	**1,552**	**5,172**	**289**	**(186)**	**(571)**	**2,807**	**7,720**	**3,772**

The following table presents a breakdown of assets and liabilities for the business segments:

	Thousands of euros									
	Spain		Italy		LATAM and others		Corporate		Consolidated	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Segment assets	**159,270**	**154,453**	**42,411**	**27,377**	**31,472**	**23,012**	**47,734**	**47,427**	**280,887**	**252,269**
Plant and other tangible assets	139,582	136,321	34,930	18,037	25,747	-	26,337	34,289	**226,596**	**188,647**
Inventories	-	-	-	26	-	20,995	-	1,263	**-**	**22,284**
Trade and other receivables	6,388	5,715	4,419	1,547	1,250	1,556	421	1,394	**12,478**	**10,212**
Investment accounted for using the equity method	-	-	-	6,993	748	460	-	-	**748**	**7,453**
Cash and cash equivalents	13,300	12,417	3,062	774	3,727	1	1,882	310	**21,971**	**13,502**
Not distributed assets	**-**	**-**	**-**	**-**	**-**	**-**	**19,094**	**10,171**	**19,094**	**10,171**
Total Assets	**159,270**	**154,453**	**42,411**	**27,377**	**31,472**	**23,012**	**47,734**	**47,427**	**280,887**	**252,269**

	Thousands of euros									
	Spain		Italy		LATAM and others		Corporate		Consolidated	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Non-current provisions	-	-	-	-	-	-	1,094	1,404	1,094	1,404
Grants	-	-	-	-	-	-	2,296	2,339	2,296	2,339
Bank loans and borrowings	138,840	99,321	24,908	8,999	21,241	-	1,971	11,818	186,960	120,138
Derivatives	-	4,712	733	948	-	-	-	-	733	5,660
Debts to group companies and associates	-	27,122	-	-	-	-	30,336	31,327	30,336	58,449
Trade and other payable	156	1,351	144	416	363	14,693	2,318	6,844	2,981	23,304
Not distributed liabilities	-	-	-	-	-	-	789	683	789	683
Total Liabilities	**138,996**	**132,506**	**25,785**	**10,363**	**21,604**	**14,693**	**38,804**	**54,415**	**225,189**	**211,977**

During 2017 and 2016, customers with ordinary income over 10% of the total were:

(Thousands euros)	2017	2016
C.N.M.C.	17,965	16,681

6 BUSINESS COMBINATIONS

At January 1, 2017, the Group gained control of Serre UTA S.r.l, (100% of its political and economic rights), an unlisted entity based in Cagliari, Italy. During 2016, the parent held an indirect stake of 50% through the Solaria Aleph fund.

The Group acquired Serre UTA S.r.l as part of its consolidation and growth process in key photovoltaic markets.

Assets acquired and liabilities assumed

The fair value of identifiable assets and liabilities of Serre UTA S.r.l. at the date of acquisition were as follows:

	Fair value recorded in the acquisition
Assets	
Property, plant and equipment (Note 8)	22,788
Cash and cash equivalents	1,679
Trade receivable	1,587
Deferred tax asset	33
	26,087
Liabilities	
Bank loans and borrowings	16,883
Suppliers	386
Other debts	2,338
	19,607
Total net assets identifiable at fair value	**6,480**
Negative difference arised from the acquisition (Note 20,8)	(2,068)
Transferred consideration (*)	**4,412**

(*) The amount of the consideration transferred included both prior costs as well as the amount paid for the additional 50% during the year (2,050 thousand euros).

The fair value and gross amount of receivables was 1,587 thousand euros. None of the receivables were impaired, and the total amounts due are expected to be collected.

The negative difference on consolidation of 2,086 thousand euros was recognized under "Results from disposals and others" on the consolidated income statement.

The value of the stake in Serre UTA using the equity method prior to the acquisition was 2,343 thousand euros and was derecognized once the transaction had taken place.

Serre UTA (acquiree) contributed cash flows of 288 thousand euros, with 1,760 thousand euros related to operating flows, and (1,471) thousand euros related to financing activities. There were no other costs associated to this transaction.

7 INTANGIBLE ASSETS

The movements in items composing “Intangible assets” at December 31 are as follows:

(Thousands of euros)	Opening balance	Additions	Disposals	Closing balance
Accounting practice 2017				
Cost				
Patents and licenses	80	-	-	80
Computer software	1,222	-	-	1,222
Other assets	-	-	-	-
	1,302	-	-	1,302
Accumulated amortization				
Patents and licenses	-	-	-	-
Computer software	(1,222)	-	-	(1,222)
Other assets	-	-	-	-
	(1,222)	-	-	(1,222)
Net book value	**80**	**-**	**-**	**80**
Accounting practice 2016				
Accumulated amortization				
Patents and licenses	63	17	-	80
Computer software	1,219	3	-	1,222
Other assets	512	-	(512)	-
	1,794	20	(512)	1,302
Accumulated amortization				
Patents and licenses	-	-	-	-
Computer software	(1,037)	(185)	-	(1,222)
Other assets	-	-	-	-
	(1,037)	(185)	-	(1,222)
Net book value	**757**	**(165)**	**(512)**	**80**

At December 31, 2017, the Company had 1,222 thousand euros in fully amortized intangible assets still in use. At December 31, 2016, the Company had 1,222 thousand euros in fully amortized intangible assets still in use.

8 PROPERTY, PLANT, AND EQUIPMENT

The movements in items composing “Property, plant, and equipment” at December 31 are as follows:

(Thousands of euros)	Opening Balance	Business combination (Note 6)	Additions and depretiation	Reversals and disposals	Transfer of stock (Note 12)	Closing Balance
Accounting practice for 2017						
Cost						
Property, plant and equipment	50,350	-	-	(2,404)	-	47,946
Technical instalations and machinery	249,468	27,337	4,941	-	21,561	303,307
Other assets	1,761	-	-	-	-	1,761
	301,579	27,337	4,941	(2,404)	21,561	353,014
Accumulated amortization						
Property, Plant and equipment	(5,586)	-	(2,592)	-	-	(8,178)
Technical instalations and other tangible assets	(68,608)	(4,549)	(8,698)	-	-	(81,855)
Other assets	(1,585)	-	-	-	-	(1,585)
	(75,779)	(4,549)	(11,290)	-	-	(91,618)
Valuation for impairment						
Property, plant and equipment	(14,002)	-	-	2,353	-	(11,649)
Technical instalations and other tangible assets	(23,151)	-	-	-	-	(23,151)
	(37,153)	-	-	2,353	-	(34,800)
Net book value	**188,647**					**226,596**

(Thousands of euros)	Opening Balance	Acquisition under common control Note 2.6	Opening Balance Restated	Additions, and impairment	Reversals	Transfers	Closing Balance
Accounting practice for 2016							
Cost							
Property, plant and equipment	50,626	-	50,626	-	-	(276)	50,350
Technical instalations and machinery	175,640	73,457	249,097	95	-	276	249,468
Other assets	1,761	-	1,761	-	-	-	1,761
	228,027	73,457	301,484	95	-	-	301,579
Accumulated amortization							
Plant and equipment	(3,836)	-	(3,836)	(1,750)	-	-	(5,586)
Technical instalations	(42,558)	(17,628)	(60,186)	(8,422)	-	-	(68,608)
Other assets	(1,528)	-	(1,528)	(57)	-	-	(1,585)
	(47,922)	(17,628)	(65,550)	(10,229)	-	-	(75,779)
Valuation for impairment							
Property, plant and equipment	(14,002)	-	(14,002)	-	-	-	(14,002)
Technical instalations	(26,327)	-	(26,327)	(1,931)	5,107		(23,151)
	(40,329)	-	(40,329)	(1,931)	5,107	-	(37,153)
Net book value	**139,776**		**195,605**				**188,647**

8.1 Significant movements

In 2017, the Company recognized additions in the amount of 4,941 thousand euros corresponding to investors in the Spanish photovoltaic pants, and construction of the Uruguayan photovoltaic plants.

Disposals in 2017 were mainly due to:

- Sale of land in Toledo to a third party generating a profit of 708 thousand euros for the company, recognized under "Impairment losses and losses and gains on disposal" on the consolidated income statement. The net carrying amount of these assets was 1,041 thousand euros.

- A reversal was recognized for land and construction associated to the Group's renewable energy plant in the amount of 990 thousand euros (Note 8.3.1).

During 2017, items of PP&E were transferred to "Inventory" recognized during the prior year, associated to the construction of two renewable plants in Uruguay. At year-end 2016, the Group had intended to sell the above parks, but in 2017, thanks to financing received, it decided to operate them instead, and classified them as "PP&E."

The business combination corresponds to the purchase of Serre UTA (Note 6).

8.2 Review of useful lives

During the 2015 review of the useful lives of its property, plant, and equipment, the Company performed a technical analysis of the current use of the assets involved in the "Cell Project" and therefore amended its useful life. These items have an estimated useful life of 5 years. The impact of this estimate change was an increase in amortization costs totaling 1,153 thousand euros during 2017 and 2016.

8.3 Impairment

The breakdown of impairment losses recorded for each asset (based on IAS requirements) follows:

(Data in thousands of euros)			Impairment	
Asset	**Description**	**Segment**	**12/31/2017**	**12/31/2016**
Land in Toledo (Sold in 2017)	Rural property	Spain	-	(1,363)
Land in Dehesa Vaqueros	Rural property	Spain	(455)	(455)
Land and buildings in Italy	Rural property with renewable use	Italy	(719)	(1,709)
Plant in Puertollano (Ciudad Real)	Industrial plant	Spain	(14,066)	(14,066)
Plant in Puertollano (Ciudad Real)	Machinery I and II	Spain	(18,837)	(18,837)
Photovoltaic plant in Marche (Italy)	Photovoltaic plant	Italy	(723)	(723)
TOTAL			**(34,800)**	**(37,153)**

8.3.1 Impairment - Rural land, industrial warehouses, and machinery

No activity was recognized for industrial assets during 2017 and 2016, and therefore impairment tests were made based on their estimated market value:

- *Puertollano warehouses and industrial machinery:* The parent valued its warehouses and industrial machinery using market values, based on age, use, and maintenance plus the proportional cost of the ancillary installations and technical documents necessary to legalize them. The installations have been inactive for over two years, and a majority of the machinery used in the "Cell Project" (also inactive), during 2016 additional impairment was recognized in the amount of 1,931 thousand euros due to the inherent technological impairment of this type of warehouse and installation arising from the difficulty of recovering its value through use or sale. The Group estimated that the recoverable value of these plants is at least the amount at which they are recognized on the 2017 consolidated balance sheet and considers it in line with appraisals made and effective depreciation. The net carrying amount of the Puertollano plant's installations is 655 thousand euros, and 2,453 thousand euros for the buildings.

- *Toledo land* - In 2017, the Company sold a rural plot of land in Toledo and generating a profit of 708 thousand euros.

- *Land and construction in Italy (Cava):* The land in Italy features a photovoltaic installation. It began generating income from the sale of energy during the year, and therefore the Group updated its impairment test by considering income from energy sales, with an impairment reversal of 990 thousand euros.

- *Rural and agricultural land - Dehesa Vaqueros*: the key methodologies and hypotheses applied based on calculating the land's market value, analyzing the real estate segment by obtaining comparable existing offers or transactions, to then compare them based on differences observed. The appraisal was performed in 2015 by an independent consulting firm, Sociedad de Tasación, S.A. The Company considered that the hypotheses used are still applicable, and therefore did not record any further impairment.

8.3.2 Impairment / reversal - Generation installations

During 2016, the Italian Marche plant improved its performance significantly in comparison to 2015; this was mainly the result of a more favorable financial and operating environment: the plant resolved all its incidences and operational/functioning issues during 2016, thereby leading to a substantial improvement in working capital. The group also achieved a substantial improvement in operating costs thanks to renegotiating its supplier contracts, thereby notably improving their value. A partial impairment reversal of 5 million euros will therefore be recognized for this plant. The plant achieved its targeted budget; therefore, the updated impairment test had no effect on the reversal.

Main hypotheses / methodology used for impairment tests

Impairment tests on generation activities (photovoltaic plants) CGUs are based on 20-30 year cash flow projections (depending upon a plant's useful life). Projections included in business plans are created in line with the regulatory framework.

Pre-tax discount rates used in cash flow projections were 6.5% after taxes (2016: 6.5% after taxes). As in the previous year, no WACC (pre-tax discount rate) or terminal value calculations (cash flows covering the plant/CGU's expected useful life) were applied.

The chief hypotheses for income and margins used were:

			2017		2016	
			Hypothesis		Hypothesis	
UGE	**Country**	**Description**	**Income**	**Margin**	**Income**	**Margin**
PLANTA SOLAR PUERTOLLANO 6, SLU	Spain	FV Plant, 10 Mw	6,544	5,256	6,234	5,160
PLANTA GLOBASOL VILLANUEVA, SAU	Spain	FV Plant, 10 Mw	6,863	5,615	6,522	5,359
MAGACELA SOLAR	Spain	FV Plant, 10 Mw	6,874	5,795	6,533	5,478
TÉCNICAS AMBIENTALES DEL NORTE, S.L.	Spain	FV Plant, 1 Mw	744	580	701	557
SERRE UTA, S.r.l.	Italy	FV Plant, 5,8 Mw	3,756	3,217	-	-
PLANTA MARCHE ENERGÍA, S.r.l.	Italy	FV Plant, 4,9 Mw	1,984	1,580	1,943	1,476
NATELU S.A.,	Uruguay	FV Plant, 9,5 Mw	1,046	960	-	-
YARNEL, S.A.	Uruguay	FV Plant, 9,5 Mw	1,133	1,028	-	-
PLANTA PFV1	Spain	FV Plant, 0,6 Mw	249	(10)	229	1
PLANTA SARENER, SLU	Spain	FV Plant , 1 Mw	413	286	381	263
PLANTA FOTOVOLTAICA DISCARICA/CAVA (*)	Italy	FV Plant, 1,7 Mw	346	289	207	162

(*) Discarica and Cava are two adjoining plants with shared costs. During 2017, after an administrative lawsuit had been resolved, the plant began recognizing income from energy sales.

A comparison of the sensitivity analysis vs. WACC follows (only for parks with impairment or indications thereof):

	Discount rate	Increase of WACC 0,5 (absolute value)	Reduction 0,5 (absolute value)
DISCARICA/CAVA	7%	Decrease of 0,1 million euros	Increase of 0,1 million euros
Marche (Italy)	6,6%	Decrease of 0,4 million euros	Increase of 0,4 million euros

Due to the effects from current regulations, Spain's main Solaria plants feature a very significant portion of their income as fixed remuneration where the plants are still functioning and obtain a minimum number of hours of sun. Considering the current maintenance conditions of these plants, there is no risk that they will not reach their minimum production hours. The sun conditions in these areas are very similar. Therefore, the above parameters are very resistant to the effects of impairment testing.

During 2017, apart from the Marche / Discarica/Cava plant, the Group's renewable energy plans did not present any signs of impairment.

8.4 Finance leases

The net carrying amount of PP&E held under finance leases at December 31 is as follows:

(Thousands euros)	2017	2016
Technical instalations		
Cost	17,015	33,515
Accumulated depreciation	(6,903)	(20,988)
	10,112	**12,527**

Finance leases in force:

During 2011, the parent used a financial lease arrangement with Credit Agricole to contract the use of the Puertollano cell plant machinery in the amount of 3,000 thousand euros. On June 7, 2016, the Company signed the non-cancelling renewal of the above contract. The following clauses were therefore modified:

- Its maturity date was extended to June 7, 2023.
- Interest rate of 2.95%.

On September 30, 2011, the Group parent's Italian wholly-owned subsidiary Marche Energia Srl entered into a finance lease arrangement for the Lapedona Dalia photovoltaic plant in the amount of 3,576 thousand euros with Natixis Lease S.A., Monte dei Paschi di Siena Leasing & Factoring and Ubi Leasing Spa at the following conditions, maturing on September 30, 2029, and accruing interest at a nominal rate of 5.56% annually. This subsidiary also had a finance lease arrangement for the Ginestra photovoltaic plant in the amount of 3,260 thousand euros with Natixis Lease S.A., Monte dei Paschi di Siena Leasing & Factoring and Ubi Leasing Spa at the following conditions, maturing on September 30, 2029, and accruing interest at a nominal rate of 5.56% annually. This subsidiary also had a finance lease arrangement for the Gardenia photovoltaic plant in the amount of 3,626 thousand euros with Natixis Lease S.A., Monte dei Paschi di Siena Leasing & Factoring and Ubi Leasing Spa at the following conditions, maturing on September 30, 2029, and accruing interest at a nominal rate of 5.56% annually. This subsidiary had another finance lease arrangement for the Peonia photovoltaic plant in the amount of 3,553 thousand euros with Natixis Lease S.A., Monte dei Paschi di Siena Leasing & Factoring and Ubi Leasing Spa at the following conditions, maturing on September 30, 2029, and accruing interest at a nominal rate of 5.56% annually.

Borrowings pending payment at year end arising from these agreements are recognized under "Finance lease commitments" on the liabilities side of the balance sheet (Note 17.3).

8.5 Operating leases

The Group leases its offices in Madrid on c/ Princesa, 2, owned by its majority shareholder DTL Corporación, S.L. through an operating lease signed in July 1, 2009. The Company paid 114 thousand euros for these office leases during the year (2016: the same amount). Apart from these leases, Sociedades de Sarener, S.L.U, Magacela Solar 1, S.A.U, Técnicas Ambientales del Norte, S.L.U, and Serre Uta S.r.l. also lease land upon which their photovoltaic plants are based.

Payments on these operating leases, which are recognized as expenses, are as follows (Note 20.4):

(Thousands of euros)	2017	2016
Offices	114	114
Vehicles	-	2
Land	622	316
	736	**432**

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	2017	2016
Up to a year	732	351
Between one and five years	3,659	1,047
	4,391	**1,398**

8.6 Other information

At year-end 2015, certain items of property, plant, and equipment with a carrying amount of 350 thousand euros were mortgaged as collateral for the repayment of bank loans. The mortgage loans were canceled on December 30, 2016.

During 2017, there were fully-amortized items of PP&E amounting to 9,147 thousand euros (2016: 9,065 thousand euros).

During 2017, the amount of PP&E not in operation totaled 2,066 thousand euros, which were mainly land and constructions (2016: 2,857 thousand euros).

The Group has contracted insurance to cover the various risks to which its items of property, plant, and equipment are exposed. Management considers that these policies provide sufficient coverage. As of the date of preparation of these financial statements, there were no commitments to acquire any items of property, plant, and equipment.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The breakdown and movements of investments accounted for by the equity method during 2017 and 2016 is as follows:

Accounting practice 2017 - (Thousands of euros)	Balance at 01/01/2017	Participation in the result	Disposals	Balance at 12/31/2017
Elassona Solar Energía LLC	462	286	-	748
Solaria Aleph Generación FCR	6,992	-	(6,992)	-
Total 31/12/2017	**7,454**	**286**	**(6,992)**	**748**

Accounting practice 2016 - (Thousands of euros)	Balance at 01/01/2016	Participation in the result	Disposals	Balance at 12/31/2016
Elassona Solar Energía LLC	404	58	-	462
Solaria Aleph Generación FCR	6,758	584	(350)	6,992
Total 31/12/2016	**7,162**	**642**	**(350)**	**7,454**

On January 1, 2017, the Group took control of Serre UTA, S.r.l in the amount of 6,094 thousand euros, transforming it into a Solaria Group subsidiary (previously it was indirectly held 50% by Solaria Aleph Generación FCR). Also, on April 5, 2017, Solaria Aleph Generación FCR sold all its stake in Sociedades Energia S.r.l y Solar One, S.r.l, in which the Group holds an indirect shareholding of 50%. Therefore, the Group did not have an investment in Aleph at year-end 2017.

During 2016, through Solaria Aleph Generación FCR, the Group had indirect investments of 50% in Sociedades Energía S.r.l Solar One, S.r.l and Serre UTA, S.r.l.

The following table provides a summary of the investments accounted for under the equity method at December 31, 2017 and 2016:

(Thousands of euros)	Non-current assets	Current assets	Equity (without including result)	Profit for the period	Non-current liabilities	Current liabilities	Revenue	Participation
Elassona Solar Energía LLC	863	497	1,212	572	209	37	232	50%
Total 31/12/2017	**863**	**497**	**1,212**	**572**	**209**	**37**	**232**	**50%**

(Thousands of euros)	Non-current assets	Current assets	Equit (without including result)	Profit for the period	Non-current liabilities	Current liabilities	Revenue	Participation
Elassona Solar Energía LLC	1,065	217	327	54	700	255	212	50%
Solaria Aleph Generación FCR	52,120	7,111	6,464	587	19,184	3,864	604	50%
Total 31/12/2016	**53,185**	**7,328**	**6,791**	**641**	**19,884**	**4,119**	**816**	

10 TRADE AND OTHER RECEIVABLES

(Thousands of euros)	2017	2016 Restated
Trade receivables	15,561	12,111
Group companies and associates (Nota 21,1)	-	788
Other receivables	423	251
	15,984	**13,150**
Valuation for impairment	(5,576)	(5,576)
	10,408	**7,574**

Impairment

The balance of “Trade receivables” is presented net of any impairment. The changes in impairment losses during 2017 and 2016 are set forth below:

(Thousands of euros)	2017	2016
Balance at 1 of January 2017	(5,576)	(6,248)
Endowment of the year	-	-
Applications	-	408
Reversals and other movements	-	264
Balance at 31st December 2017	**(5,576)**	**(5,576)**

11 OTHER FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

(Thousands of euros)	2017		2016	
	Non-current	Current	Non-current	Current
Guarantees constituted in the long term	209	-	209	-
Long-term impositions	185	-	185	-
Long-term deposits	1,489	-	402	-
Current account with group companies (Note 20,1)	-	-	-	-
Other financial assets	-	77	-	77
	1,883	**77**	**796**	**77**

During 2017, long-term deposits were established in the amount of 1,110 thousand euros for the Group's photovoltaic projects in Uruguay.

Long-term deposits also include a 400 thousand euros deposit required by a financial entity for financing projects in Spain.

There are no significant differences between the fair values and carrying amounts of these financial assets.

12. INVENTORIES

The breakdown of "Inventories" at December 31, 2017 and 2016:

(thousands of euros)	2017				2016			
	Thermal	Photovoltaic	Solar Plants	Total	Thermal	Photovoltaic	Solar Plants	Total
Raw materials and other supplies	-	-	-	**-**	394	3,741	1,290	**5,425**
Work in progress and finished goods	-	-	-	**-**	120	88	21,561	**21,769**
Impairment	-	-	-	**-**	(394)	(3,741)	(1,290)	**(5,425)**
TOTAL	**-**	**-**	**-**	**-**	**120**	**88**	**21,561**	**21,769**

In 2017, inventory related to the Uruguay project recognized at year-end 2016 were transferred to PP&E, since the Group decided to operate the park (Note 8). "Inventories" during 2018 mainly correspond to cells, glass, aluminium, and other necessary materials for manufacturing photovoltaic modules.

Inventory impairment corrections made by the Group during 2016 corresponded to several factors, such as: a drop in the market price of different inventory, technological obsolescence, and low rotation. During 2017, the Group did not have any inventory.

Movements in impairment losses were as follows:

(Thousands of euros)	2017	2016
Initial balance	(5,425)	(4,789)
Reversals / (Endowment)	-	(636)
Application	5,425	-
Closing Balance	**-**	**(5,425)**

The Group has subscribed several insurance policies to cover the potential risks which could affect its inventories, which it considers to be sufficient.

Advances from suppliers recognized at the amount of 515 thousand euros during 2016 mainly corresponded prepayments received related to projects

13 CASH AND CASH EQUIVALENTS

The breakdown of this heading at December 31, 2017 and 2016 was the following:

(Thousands of euros)	2017	2016 Restated
Cash	11	-
Cash Equivalents	21,961	13,502
	21,972	**13,502**

The entirety of the balance of this heading corresponds to balances in current accounts and cash. Current accounts accrue market interest rates.

There are restrictions on the availability of the amount of current accounts for certain subsidiaries for energy generation financed using project financing and the "Bond Project." Therefore, the Debt Service Reserve Account (DSRA) which guarantees debt servicing for these companies, amounted to 8,572 thousand euros (2016: 2,830 thousand euros). The remainder of the balance of current accounts is freely distributable, once the contractual obligations with the Group's lending banks / bondholders for distribution have been met.

14 EQUITY - CAPITAL AND RESERVES

14.1 Issued capital

During 2017 and 2016, Solaria Energía y Medioambiente, S.A.'s share capital stood at 1,097 thousand euros, divided into 109,606,032 bearer shares of 0.01 euros nominal value each. The shares were fully subscribed and paid in.

The following table reflects the shareholders and their equity interest at December 31:

(Thousands of euros)	2017	2016
DTL Corporación, S.L.	56,78%	56,78%
Own shares	1,21%	1,21%
Spanish Stock Exchange ("Mercado continuo)	42,01%	42,01%
	100%	**100%**

The shares were listed on the four official Spanish stock exchanges and are quoted on the Spanish electronic trading platform (continuous market). There are no restrictions over the transfer of these shares. At year-end 2017 their listed price was 1.63 euros (2016: 0.77 euros).

The Group's capital management objectives are designed to safeguard its ability to continue its operations as a going concern, so that it may continue to earn profit for its shareholders and benefit from other interest groups, as well as maintain and adjust its capital structure to reduce its costs. With this in mind, the Group may adjust the amount of dividends payable to shareholders, return capital, or increase / reduce indebtedness, according to its needs. The parent monitors its capital structure based on its ratio of indebtedness. This ratio is calculated as net debt divided by equity. Net debt is calculated as the total amount of external financial resources less cash and cash equivalents. Equity is comprised of the total of share capital plus reserves, and undistributed profits, as indicated in its statement of financial position.

The Group endeavors to maintain sufficient equity to be able to obtain the necessary financing from external sources for its expansion, without compromising its solvency or minimizing the performance its shareholders receive from invested equity.

Financial indebtedness ratios at December 31, 2017 and 2016 stood at:

(Thousands of euros)	2017	2016 Restated
External resources	186,959	120,138
- Cash and cash equivalents (note 12)	(21,972)	(13,502)
Net debt	164,987	106,636
Total equity	55,698	40,803
Ratio Debt/Equity	**296%**	**261%**

The Group contemplated external sources, bank borrowings, finance lease borrowings, and bonds.

14.2 Share premium

There were no changes during 2017 and 2016.

	Thousands of euros
2017	
Balance at December 31, 2016	220,830
2017 Movements	-
Balance at December 31, 2017	**220,830**
2016	
Balance at December 31, 2015	220,830
2016 Movements	-
Balance at December 31, 2016	**220,830**

Issue premiums are freely distributable if as of result of doing so equity falls below the required amount of share capital.

14.3 Own shares

At year end, the parent had 1,342,546 own shares valued at 2,245 thousand euros. There were no changes in own shares during 2017 and 2016.

On June 20, 2017, the General Shareholders Meeting of the Company approved a share capital decrease of 13 thousand euros, through the payment of 1,342,546 treasury shares over a period of 6 months after approval. Subsequently, the General Shareholders Meeting held on November 14, 2017 agreed not to execute the above agreement approved by the shareholders in general meeting, as it was granted the faculties to do so.

14.4 Reserves

14.4.1 Legal reserve

In accordance with the Spanish Corporate Enterprise Act, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

During 2017 and 2016, the parent's legal reserve was over the minimum established by law, totaling 5,311 thousand euros during both years.

15 CASH FLOW HEDGES

The movement in this heading in 2017 and 2016 was as follows:

(Thousands of euros)	Opening Balance	Acquisition Note 2.6	Opening Balance Restated	Additions and disposals (net of taxes)	Transfers to the profit and loss account (net of taxes)	Closing Balance
31/12/2017						
Hedging transactions	(6,504)	-	(6,504)	(140)	564	(6,080)
	(6,504)	**-**	**(6,504)**	**(140)**	**564**	**(6,080)**
31/12/2016						
Hedging transactions	(4,481)	(2,890)	(7,371)	(1,362)	2,229	(6,504)
	(4,481)	**(2,890)**	**(7,371)**	**(1,362)**	**2,229**	**(6,504)**

The year-end 2017 Group balance reflected 6 million euros corresponding to derivatives to which Globasol Villanueva 1, S.A.U., Planta Solar Puertollano 6, S.A.U., Magacela Solar 1, S.A.U. and Marche I, S.R.L. apply hedge accounting policies.

Due to the entry into effect of Law 27/2014 of November 27 on corporate income tax, which modified tax rates effective 2016 and beyond, the changes in the tax effect for 2017 for Spanish companies is comprised of changes in the fair value of the companies' hedging derivatives, as well as updated balances recorded under "Deferred tax assets" in line with new applicable tax rates.

16 PROVISIONS AND CONTINGENCIES

The following table provides the breakdown of provisions at December 31, 2017 and 2016:

(Thousands of euros)	Non-current	Current	Total
Fiscal year 2017			
Provision for liabilities, risks, and expenses	1,030	-	1,030
Other provisions	64	-	64
	1,094	**-**	**1,094**

(Thousands of euros)	Non-current	Current	Total
Fiscal year 2016			
Provision for liabilities, risks, and expenses	1,340	-	1,340
Other provisions	64	-	64
	1,404	**-**	**1,404**

Details of and movements in these items during these years are as follows:

(Thousands of euros)	Opening balance	Additions (note 19.8)	Utilized	Overprovision	Closing Balance
Fiscal year 2017					
Provision for liabilities, risks, and expenses	1,340	-	-	(310)	1,030
Other provisions	64	-	-	-	64
	1,404	**-**	**-**	**-**	**1,094**

(Thousands of euros)	Opening balance	Additions (note 19.8)	Utilized	Overprovision	Closing Balance
Fiscal year 2016					
Provision for litigation, risks, and expenses	1,434	814	(590)	(318)	1,340
Other provisions	64	-	-	-	64
	1,498	**814**	**(590)**	**(318)**	**1,404**

In 2017, the Company recognized an overprovision of 310 thousand euros due to the best estimate made by the parent's attorneys with regard to certain lawsuits.

In 2016, the Company recognized 814 thousand euros corresponding to litigation. It also recognized an overprovision totaling 318 thousand euros which was mainly related to agreements reached during the year with suppliers.

Company management considers that there are no additional lawsuits, litigation, or civil proceedings underway in which it is immersed or involving its directors or management over recent years which could affect the parent, or which due to their amounts could significantly impact the financial statements and/or financial position or profitability for which provisions had not been set aside at the end of 2017.

Due to the termination of its operations in Brazil, the Solaria group received assistance regarding potential claims. During 2017 and 2016, the Solaria Group advisors concluded that there are no probable disbursement risks facing the Group as a result of the above claims.

17. FINANCIAL LIABILITIES

17.1 Bank borrowings, bonds, and other marketable securities

The breakdown of this heading at December 31, 2017 and 2016 was the following:

(Thousands of euros)	Current	Non-current	Total
Year 2017:			
Bank loans and borrowings	2,125	35,181	37,306
Bonds and marketable securities	6,315	134,442	140,757
Accrual interests	837	-	837
Debt formalization expenses	(110)	(1,943)	(2,054)
	9,167	**167,680**	**176,846**

(Thousands of euros)	Current	Non-current	Total
Year 2016:			
Bank loans and borrowings	5,241	50,472	55,713
Bonds and marketable securities	1,620	42,637	44,257
Accrual interests	391	-	391
Debt bank loans formalization	(67)	(364)	(431)
Debt bonds formalization	(41)	(778)	(819)
	7,144	**91,967**	**99,111**

The Group's main loans and policies during 2017 and 2016 follow:

Type of contract	Society	Original lender	Date of initial contract	Due date or the end of contract	Loan initial amount (euros)	Value at 12/31/2017	Value at 12/31/2016	Non-current at 12/31/2017	Current at 12/31/2017
Bonds and marketable securities	Solaria Casiopea, S.A.U.	Bondholders	12/22/2017	09/30/2040	9,200	9,200	-	8,468	732
Bonds and marketable securities	Globasol Villanueva 1, S.A.U.	Bondholders	05/18/2016	01/31/2037	45,300	42,596	44,257	40,950	1,646
Bonds and marketable securities	Planta Solar Puertollano 6	Bondholders	02/27/2017	12/31/2037	45,100	43,387	-	41,557	1,830
Bonds and marketable securities	Magacela Solar	Bondholders	07/21/2017	06/30/2037	47,100	45,646	-	43,467	2,179
BANCO POPULAR	Solaria	Banco Popular	04/30/2015	02/28/2017	4,200	-	3,890	-	-
Loan	Solaria	La Caixa	06/24/2014	12/31/2014		-	247	-	-
Loan	Solaria	La Caixa	01/02/2013	12/02/2024	519	283	519	-	283
Debt with public administration	Solaria	FIT				-	43	-	-
Debt with public administration	Ollastra					-	251	-	-
Credit Account	Solaria Energía y Medioambiente	Banco Santander	12/12/2014	12/20/2017	3,773	-	1,258	-	-
Loan	Planta Solar Puertollano 6	Bankinter	07/07/2011	12/20/2027	20,000	-	15,820	-	-
Loan	Magacela	Barclays Bank	09/30/2009	07/28/2017	44,000	-	31,978	-	-
Loan	Natelu	Corporación Interamericana de Inversiones	09/09/2916	08/15/2034	12,200	10,173	-	9,852	320
Loan	Yarnel	Corporación Interamericana de Inversiones	09/09/2916	08/15/2034	12,774	10,645	-	10,315	332
Loan	Serre UTA	Intesa San Paolo	10/15/2010	06/30/2028	23,000	16,132		15,013	1,119
Loan	Sarener		12/28/2012	03/30/2030	1,668	-	1,707	-	-
Debt formalization expenses						(2,053)	(1,250)		(2,053)
Accrued interests						837	391	-	837
Total						**176,846**	**99,111**	**169,622**	**7,225**

During 2017 and 2016, the Group did not default on any of the loan stipulations arising from its project bonds or project finance loans leading to early repayment. They are guaranteed by the financed plant. The detail of this heading at year end was the following:

GLOBASOL VILLANUEVA 1, S.A.U.

On May 20, 2106, the Company issued a 20.7-year "Project Bond" at the nominal amount of 45,300 thousand euros, disbursed in the net amount of arrangement costs of 43,438 thousand euros on May 25, 2016 (2016: 44,257 thousand euros). The bond accrues interest of 4.20% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force until then corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contracts stipulates early repayment should the debt service coverage ratio fall below 1.05.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;
- Provisions for the debt service reserve and capex accounts are totally set aside;
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.

MAGACELA SOLAR 1, S.L.

On September 30, 2009, the Company entered into a loan agreement with Barclays Bank, S.A. and BNP Paribas, S.A., for a total of 44,000 thousand euros, with 22,000 thousand euros corresponding to Barclays Bank S.A. and 22,000 thousand euros to BNP Paribas S.A., for acquiring a solar photovoltaic plant.

On July 24, 2017, the Company issued a 20-year "Project Bond" at a nominal amount of 47,100 thousand euros, disbursed on July 24, 2017. The bond accrues interest of 3.679% with monthly payments. As a result of the issue, the Company canceled its bank borrowings until that date the corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contracts stipulates early repayment should the debt service coverage ratio fall below 1.05.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x; similarly, the coverage ratio over the bond's life should at least be 1.25x;
- Provisions for the debt service reserve, the operating account, and capex accounts are provisioned at minimum balances;
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.

During 2017, the Company met its debt service coverage needs.

Planta Solar Puertollano 6, S.A.

On July 7, 2011, the Company signed a 20,000 thousand euro loan with Bankinter to finance the acquisition of a photovoltaic solar plant. The loan bears interest at six-month Euribor plus 3.25%, with twice-yearly installments. The contract stipulates early payment in the case of infringement of certain financial ratios (debt service coverage ratio, which should be higher than 1.15; ratio of equity/borrowings, which should be at least 30/70, and ratio of equity/senior debt, which should be at least 40/60), or other commitments.

On February 28, 2017, the Company issued a 20-year "Project Bond" at a nominal amount of 47,100 thousand euros. The bond accrues interest of 3.75% with monthly payments. As a result of the issue, the Company canceled its bank borrowings until that date the corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contracts stipulates early repayment should the debt service coverage ratio fall below 1.20.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented and reviewed by an auditor.
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;
- Provisions for the debt service reserve and capex accounts are totally set aside (Note 7);
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.

During 2017, the Company met its debt service coverage needs.

Natelu and Yarnel:

On September 12, 2017, the Group closed its financing transactions with Corporación Interamericana de Inversiones (CII), member of the Iberamerican Development Group (IDB) to build, operate, and maintain two photovoltaic solar energy plants in Uruguay (Yarnel and Natelu).

The total amount of this financing transaction was $25 million euros. The Natelu solar plant has a senior CII loan in the amount of $6.1 million, and a joint $6.1 million loan from the Canadian Americas Private Sector Climate Fund (C2F), a $250 million fund used to co-finance private sector projects mitigating the effects of climate change in the region. The Yarnel plant will receive $6.4 million in capital from CII and $6.4 from C2F. The financing package matures in 18 years.

Solaria Casiopea:

On July 24, 2017, the Company issued a 22.8-year "Project Bond" at a nominal amount of 9,200 thousand euros, disbursed on December 22, 2017. The bond accrues interest of 4.15% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force and part of its subordinated debt with related entities.

The issue contracts stipulates early repayment should the debt service coverage ratio fall below 1.05.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio should at least be 1.20x;
- Provisions for the debt service reserve, the operating account, and capex accounts are set aside at minimum balances;
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.
- The merger has been terminated.

17.2 Grants

The parent had grants in the net amount of 2,296 thousand euros during 2017 (2016: 2,339 thousand euros). The Group recognized 62 thousand euros for grants received in 2017 (2016: 62 thousand euros).

17.3 Finance lease contracts

The Group's financial lease contracts during 2017 and 2016 as follows:

Type of contract	Society	Original lender	Date of initial contract	Due date	Loan initial amount (euros)	12/31/2017	12/31/2016	Non current at 12/31/2017	Current at 12/31/2017
Leasing	Solaria Energía y Medioambiente	Banco Popular	03/28/2008	04/28/2030	16,500	-	10,178	-	-
Leasing	Solaria Energía y Medioambiente	Credit Agricole	12/13/2010	06/07/2023	3,000	1,614	1,850	1,370	244
Leasing	Marche	Natixis, Monte dei Paschi di Siena y Ubi Leasing	02/09/2011	02/09/2029	14,015	8,498	8,999	7,970	528
Total						**10,112**	**21,027**	**9,340**	**772**

The detail of financial lease arrangements in force year end was the following:

	Thousands of euros	
	2017	**2016**
Until a year	772	1,259
Between 1 and 5 years	3,860	6,936
More than 5 years	5,480	12,832
Actual value of liabilities due to leasing	**10,112**	**21,027**

Solaria Energía y Medio Ambiente, S.A. - Banco Popular

On February 28, 2017, Domiento canceled its finance lease obligations with the Banco Popular with early repayment.

Solaria Energía y Medio Ambiente, S.A. - Credit Agricole

On December 13, 2010, the Company acquired items of machinery through finance lease agreements related to the production of cells at the Puertollano plant. This agreement was signed with Credit Agricole Leasing y Factoring for 3,000 thousand euros, with a 7-year duration and a nominal interest rate of 4.8%.

On June 7, 2016, the parent and Credit Agricole signed a non-cancelling renewal of its finance lease agreement amounting to 2.3 million euros at that date. As a result, the maturity date was extended until June 7, 2023, accruing interest at a rate of 2.95%. Amounts pending payment are those recognized at year-end 2017 and 2016.

Marche

On September 2, 2011, the subsidiary Marche Energía, S.r.l signed a loan agreement with three financial institutions with principal amounting to 14,015 thousand euros to finance the acquisition of four photovoltaic solar plants. The leasing agreement's duration is 18 years, maturing on September 1, 2029. On July 24, 2013, the Company and the financial institutions signed an addendum to the lease agreement covering the delays in installment payments over previous months. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 17.4).

17.4 Derivatives and other financial liabilities

The Group's transactions expose it to financial risks, chiefly interest rate risk. To reduce the impact of these risks, and in accordance with their management policies, the Group has arranged several financial derivatives.

The fair value of these financial instruments, calculated based on discounted cash flow analysis using the yield curves and futures exchange rates, are shown in financial liabilities during 2017 and 2016 as follows:

(Thousands of euros)	**2017**	**2016**
Non-current debt – Derivatives	577	4,509
Current debt – Derivatives	156	1,151
	733	**5,660**

Thanks to the emission of the "Project Bond," the Group restructured its bank financing to finance itself using a fixed-rate issue (Note 17.1). Hence, the prior bank borrowings are now guaranteed senior bond issues with new capital suppliers. At the restructuring date, Globasol Villanueva 1, S.L., Magacela Solar 1, S.A., and Planta Solar Puertollano 6, S.L. held the accumulated value of the swaps in equity dating back to the inception of the hedging instruments, which may be considered as a dynamic hedging instrument which adapt to the hedged item. Based on the initial hedging documentation, and following IAS 39 guidelines, this second hedge (covering the new loan's IRR), the deferred amount of equity at the date the new fixed-rate loan was issued, the same as the date of the swap cancellation, are charged to "Equity" over the period its interest is recognized, rather than when the hedged debt is covered.

The breakdown of the above hedging transactions follows:

	Notional		Fair value	
(Thousands of euros)	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
Swap - Planta Solar Puertollano 6	-	11,866	-	2,375
Swap- Magacela Solar 1	-	12,249	-	2,337
Swap– Marche	6,958	8,999	733	948
	6,958	**33,114**	**733**	**5,660**

GLOBASOL VILLANUEVA 1, S.A.U.

The Group's transactions prior to the "Project Bond" issue are exposed to financial risks, chiefly interest rate risk. To reduce the impact of these risks, and in accordance with its management policies, Globasol Villanueva has arranged three financial derivatives. On July 28, 2010, the Company took out two loans with financial entities in the amount of 26,000 thousand euros. Also, on March 24, 2012, the Company signed another interest rate hedging agreement with Bankinter, to hedge is interest rate risk associated with the increase of the non-current loan with Bankinter (Note 12).

To hedge the interest rates applicable to the contracted loan, the Company simultaneously entered into two interest rate swaps with the following characteristics:

	Abanca (Novacaixa Galicia)	Dexia Sabadell	Natixis
Initial notional amount (thousands of euros)	13,600	8,500	5,088
Due date	12/20/2023	12/20/2023	06/20/2023
Type of interest	3,2175%	3,2175%	3,735%
Expiration of the notional swap	Semiannually	Semiannually	Semiannually

Planta Solar Puertollano 6:

To hedge the interest rates applicable to the contracted loan, on June 7, 2011, the Group company entered into a loan agreement with Bankinter in the amount of 20,000 thousand euros, an interest rate hedging transaction with the following characteristics:

	Bankinter
Initial notional amount (thousands of euros)	15,000
Due date	12/20/2027
Type of interest	3,615%
Expiration of the notional swap	Semiannually

The notional amount of derivatives covers 75% of the amount of bank borrowings, maturing in 2027.

The cash flows from the hedge are expected to occur and affect the income statement in the following years:

(Thousands of euros)	12/31/2017	12/31/2016
Year 2017		452
Year 2018	-	410
Year 2019	-	363
Year 2020	-	311
More than five years	-	828
	-	**2,364**

The derivative was cancelled in 2017.

MAGACELA SOLAR 1, S.L.

On September 30, 2009, the Company signed a loan agreement with two financial institutions amounting to 44,000 thousand euros to acquire technical installations (Note 5). In order to mitigate interest rate variations, it arranged several hedge accounting agreements for 85% of the principal of the amount loaned for each.

On June 15, 2016, the Company reached an agreement with Barclays London PLC to cancel the derivative at an estimated cost of 2,926 thousand euros, and finally attained a 45% reduction, with the final cancellation cost of 1,609 thousand euros, of which 198 thousand are interest generated by the derivative as of its most recent payment, and the remaining 1,411 thousand euros as financial costs arising from the cancellation.

The chief characteristics of the derivative financial instruments overall are as follow:

	BNP	Barclays (*)
Initial notional amount (thousands of euros)	16,250	16,250
Due date	09/22/2027	Cancelled
Fixed	4,42%	4,42%
Variable	Euribor to 6 months	Euribor to 6 months
Expiration of the notional swap	Semiannually	Semianually

(*) It was canceled on June 15, 2016.

On July 24, 2017, the BNP derivative was cancelled.

Marche:

To hedge the interest rates applicable to the contracted loan, on September 5, 2011, the Group Company entered into a loan agreement with Natixis in the amount of 11,212 thousand euros, an interest rate hedging transaction with the following characteristics:

	Natixis
Initial notional amount (thousands of euros)	11,212
Due date	09/01/2021
Type of interest	2,562%
Expiration of the notional swap	Semiannually

The cash flows from the hedge are expected to occur and affect the income statement in the following years:

(Thousands of euros)	12/31/2017	12/31/2016
Year 2017		253
Year 2018	246	234
Year 2019	218	210
Year 2020	187	183
More than five years	82	68
	733	**948**

17.5 Changes in liabilities arising from financing activities

	January 1, 2017	Cash flow	Variation in the fair value	December 31, 2017
Loans and credits	51,823	(14,588)	-	37,235
Bonds and obligations	44,257	100,051	-	144,308
Leasing	21,027	(10,909)	-	10,118
Swap	5,660	(4,564)	(363)	733
Total liabilities for financial activities	**122,767**	**69,990**	**(363)**	**192,394**

18. OTHER CURRENT LIABILITIES

The breakdown of this heading at December 31, 2017 and 2016 is as follows:

(Thousands of euros)	2017	2016 Restated
Suppliers	607	20,752
Suppliers, group companies and associates (Note 21,1)	-	171
Other payables	660	829
Personnel (salaries payable)	28	81
Advances from customers	7	15
	1,302	**21,848**

The balance of “Suppliers” during 2016 included payables related to the construction of the Uruguay plants (cancelled in 2017 thanks to financing received).

19. TAXES

The breakdown of balances relating to tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2017	2016 Restated
Deferred tax assets	16,745	9,046
Current tax assets	1,701	677
Other tax assets	369	1,961
	18,815	**11,684**
Current tax liability	194	121
Other tax liabilities	**1,485**	**1,334**
IRPF	-	295
Social security	9	62
VAT	1,476	977
	1,679	**1,455**

Since 2010, the parent has filed consolidated tax returns as it heads the Group. Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired.

On June 11, 2014, the parent was notified of tax assessment verifications of 2010 and 2011 corporate income tax. During 2017, no significant changes took place, although the directors do not consider that the assessments in course will lead to additional liabilities with significant effects on the annual consolidated financial statements overall.

The Company's directors and their tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise for the parent or its subsidiaries as a result of varying interpretations of the tax legislation applicable to its transactions.

19.1 Income tax

The reconciliation of net income and expenses for the year with taxable income (tax results) for corporate income tax is as follows:

2017	Profit and Loss account		
Thousands of euros	**Increase**	**Decrease**	**Total**
Profit for the period	15,011	-	15,011
Income tax	(7,291)	-	(7,291)
Profit before taxes	7,720	-	7,720
Permanent differences:			
From the Parent Company			0
From the rest of companies in the fiscal group		(4,361)	(4,361)
Originating in the accounting year	13		13
Temporary differences:			
From the Parent Company	88	(216)	(128)
From the rest of companies in the fiscal group	574	(252)	322
Originating in the accounting year	1,320		1,320
Tax base (Previous compensation BINS)			**4,886**
Compensation BINS Fiscal group			(2,037)
Tax base (Compensation BINs)			**2,849**
Expenditure current tax 2017 (25%)			**712**
Tax deductions applied			**(164)**

The reconciliation of net income and expenses for the year with taxable income (tax results) is as follows:

2016 Restated	Profit and Loss account		
Thousands of euros	**Gains**	**Losses**	**Total**
Profit for the period	7,019	-	7,019
Income tax	(3,247)	-	(3,247)
Profit before taxes	3,772	-	3,772
Permanent differences			
From the Parent Company	91		91
From the rest of companies in the fiscal group			
Temporary differences:			
From the Parent Company	-	(11)	(11)
From the rest of companies in the fiscal group	-	(4,586)	(4,586)
By deductibility limit Art, 20 TRLIS (Restated- Deductibility Magacela)	2,512		2,512
Originating in the accounting year	175	(168)	7
Base Tax (Fiscal result)			**1,785**

The permanent difference generated during 2017 mainly corresponds to the exemption of profit earned from the sale of Aleph (Solar Oner y Energia) during the year.

Temporary differences during 2017 and 2016 mainly corresponded to impairment reversals which had not been considered deductible during recognition (temporary differences were not capitalized, either).

Corporate income tax income amounted to 7,291 thousand euros during 2017, and mainly corresponded to the capitalization of temporary differences from prior years, and negative tax bases (2016: 3,247 thousand euros).

The breakdown of the Group's tax credits is based on the year they were granted and pending application at December 31, 2017:

		Tax base (Thousands of euros)	
Deferred tax assets	**Generated**	**12/31/2017**	**12/31/2016**
For compensable losses	2011	58,003	60,040
For compensable losses	2012	26,621	26,621
For compensable losses	2013	60,680	60,680
For compensable losses	2014	2,270	2,270
For compensable losses	2015		
		147,574	**149,611**

In 2017, the Group had capitalized taxable temporary differences and negative tax bases amounting to 16,745 thousand euros (2016: 9,046 thousand euros). The breakdown of deferred tax assets is as follows:

Description	12/31/2017	12/31/2016
Adjustment for change in value	2,010	2,151
Tax losses carryforward and deferred tax assets	14,735	6,895
	16,745	**9,046**

Thanks to the inclusions into the Spanish tax group of the Magacela and TAN plants, as well as the 250 MW adjudication through the Spanish energy auction held July 26, 2017, business plan perspectives and tax projections for the Group in Spain have improved greatly (Note 2.5). Therefore, the Group updated its tax forecasts: - In upcoming years tax credits and temporary differences will be recovered in the amount of 14.7 million euros (a 10-year time horizon was established in order to recover tax credits, which is in line with the previous year).

In addition, the Company has unused tax credits amounting to 5,030 thousand euros during the year (2016: 5,068 thousand euros) for which it has not recognized the corresponding deferred tax assets. The breakdown of these deductions is as follows:

	(Thousands of euros)	
Generated	**2017**	**2016**
2008	441	441
2009	4,574	4,574
2010	15	53
	5,030	**5,068**

The breakdown and movements in the items composing deferred tax assets and liabilities are as follows:

(Thousands of euros)	Opening Balance	Acquisition Note 2,6	Variations reflected in Profit and Loss Account	Variations reflected in Net equity	Closing Balance
Accounting practice for 2017					
Deferred tax asset					
Cash flow hedge	2,151	-	(141)	-	2,010
Tax losses carryforward and deferred tax assets	6,895	-	7,840	-	14,735
	9,046		7,699	-	16,745
	9,046				**16,745**
Accounting practice for 2016 Restated					
Deferred tax asset					
Cash flow hedge	2,458	(379)		72	2,151
Tax losses carryforward and deferred tax assets	3,318	(131)	3,695	13	6,895
	5,776	(510)	3,695	85	9,046
	5,776				**9,046**

20. REVENUE AND EXPENSE

20.1 Ordinary revenue

20.1.1 Revenue

The “Revenue” breakdown is included under “Segment reporting” (Note 5). Group income broken down for 2017 and 2016 follows:

(Thousands of euros)	2017	2016 Restated
Spain	22,858	20,958
Italy	6,086	2,150
Latam	2,180	-
	31,124	**23,108**

20.1.2 Other revenue

(Thousands of euros)	2017	2016
Other incomes	3,548	2,183
	3,548	**2,183**

“Other revenue” includes written off supplier balances totaling 991 thousand euros (2016: 554 thousand euros), and sundry income from rentals, claims, etc.

20.2 Row materials and consumables used

This heading breaks down as follows:

(Thousands of euros)	2017	2016
Purchase of raw materials and other consumables	**147**	**20,015**
Variation of raw materials and other provisions	**-**	**(65)**
	147	**19,950**

20.3 Personnel expenses

The breakdown of these expenses is as follows:

(Thousands of euros)	2017	2016 Restated (note 2.6)
Wages, salaries and similar		
Wages and salaries	2,411	2,370
	2,411	2,370
Social security		
Social security	347	489
	347	489
	2,758	**2,859**

20.4 External services

The breakdown of “External services” is as follows:

(Thousands of euros)	2017	2016 Restated (Note 2,6)
Leases (Note 8,4)	736	430
Reparations and conservation	76	576
Independent professional services	981	30
Shipping	4	7
Insurance premiums	620	151
Banking services	55	171
Advertising and public relations	268	309
Supplies	206	342
Other services	898	1,039
Other taxes	1,802	1,839
	5,645	**4,894**

20.5 Transfer to the income statement of capital grants

On January 17, 2006, the Ministry of Industry, Tourism, and Commerce notified the Company that it had been awarded a grant in the amount of 4,546 euros for the “Startup of a thermal solar module and photovoltaic cell plant” project. The grant was collected in 2008 and 2010, contingent on compliance with a number of conditions, mainly executing investments and creating jobs, and mainly classified on the financial statements as construction costs.

The accounting treatment used for transaction is described and detailed in Note 16.2 and related to repayable capital grants. First the costs associated to executing the investments and then job creation are broken down. The proportional part of the value of the grant attributable to each of the items is then calculated. The attributable portion investment execution (the most significant) is charged to results as the financed assets are amortized (technical installations, solar plants with an estimated useful life of 25 years). The portion attributable to job creation was charged to results over a 4-year maintenance period established by the Ministry of Industry, Tourism, and Commerce (met and expired in 2011).

Degree of compliance of this project was 100%, as indicated in the grant justification account performed by a third party, as well as on the Note of Certification issued by the Ministry of Industry, Tourism, and Commerce on April 15, 2010.

There are no risks regarding the repayment of the amounts collected from this grant. The project is closed and certified. Additions during the year amounted to 62 thousand euros (2016: 62 thousand euros).

20.6 Finance income

The breakdown of "Finance income" is as follows:

(Thousands of euros)	2017	2016
Third parties interests and other regulations	358	5,725
	358	**5,725**

20.7 Finance expenses

The breakdown of "Finance expenses" is as follows:

(Thousands of euros)	2017	2016 Restated (Note 2,6)
Interest with group companies and associates (Nota 20,2)	1,168	1,556
Interest with third parties	9,531	11,781
	10,699	**13,337**

20.8 Impairment and reversals, results from disposals and others

(Thousands of euros)	2017	2016
Property, plant and equipment impairment (Note 8)	-	(1,931)
Provisions for risks and expenses (Note 15)	-	(814)
Other impairment and regularization	(319)	
Result for disposals of property plan and equipment (Note 8)	708	-
Property plant and equipment reversal (Note 8)	990	5,107
Negative difference in consolidated (Note 6)	2,068	
Others	-	325
	3,447	**2,687**

The amount recognized under "Negative difference in consolidation" corresponds to the negative difference mentioned in Note 6.

21. TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group performed transactions during 2017 and 2016 (amounts restated, not including transactions with Magacela and TAN, as indicated in Note 2.6), as well as the nature of the relationships follow:

	Nature of the relationship
DTL Corporación, S.L.	Parent Company

21.1 Related-party transactions

The detail of balances payable to and receivable from related parties at year end 2017 and 2016 is the following:

(Thousands of euros)	Parent Company
Accounting practice for 2017	
Trade debtors and other accounts payable (Note 10)	-
TOTAL ASSETS	**-**
Commercial suppliers and other accounts payable (Note 18)	-
Non-current debt with related companies (TAN acquisition and Magacela)	13,622
Non-current debt with related companies	16,714
TOTAL LIABILITIES	**30,336**

(Thousands of euros)	Parent company
Accounting practice for 2016	
Commercial debtors and other accounts payable (Note 10)	788
TOTAL ASSETS	**788**
Commercial suppliers and other accounts payable (Note 18)	171
Other short term financial liabilities	93
Non-current debt with related companies (TAN acquisition and Magacela)	18,494
Non-current debt with related companies	39,955
TOTAL LIABILITIES	**58,713**

During 2017 and 2016, “Non-current payables to related parties” includes a loan payable by the Group to its main shareholder for the acquisition of Magacela Solar 1, S.L. and Técnicas Ambientales del Norte, S.L. for 13,622 and 21,444 thousand euros, respectively (Note 2.6).

Also, to be able to comply with investment plans, the Group and its main shareholder DTL Corporación S.L. signed three current account credit agreements with the following Group companies: Solaria Energía Generación Renovable, S.L., Planta Solar FV4, S.L., and the parent for a maximum of 10 million, 10 million, and 15 million euros, respectively, with a fixed interest rate of 3.5%. The amounts of these borrowings are recognized under “Non-current payables to related parties.”

Based on and in compliance with the Solaria Group’s strategic plan, 2020 was established as the date of maturity for all non-current borrowings.

21.2 Transactions with related companies

The detail of transactions carried out in 2017 and 2016 with related parties and associates is as follows:

(Thousands of euros)	Parent Company
Accounting practice for 2017	
External services– Rents	(114)
Financial expenses(Note 19,7)	(1,168)
Accounting practice for 2016	
External services– Rents	(114)
Financial expenses(Note 19,7)	(927)

The parent provides operation and maintenance services to its plants and services, as well as their administration and management.

The parent's offices are in Madrid, where it has had its operations and headquarters since July 2009, on c/ Princesa, 2, and owned by DTL Corporación, S.L. (Note 7.4). The lease agreement dated April 1, 2009, establishes a yearly lease duration which is may be extended at the request of the lessee (Solaria), without any prior notification necessary for the first two annual extension periods. As of the third year, the contract is renewable through notification from the lessee with a month's notice. The Company paid 114 thousand euros for these office leases during the year (2016: the same amount).

All the related-party transactions relate to normal Company trading activity and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

21.3 Directors and senior executives

The breakdown of the compensation earned by members of the Company's Board of Directors and senior executives is as follows:

(Thousands of euros)	2017	2016
Directors	450	450
Senior executives	521	693
	971	**1,143**

The Company had no pension plans or life insurance policies for former or current Board members at December 31, 2017 and 2016.

Insofar as article 229 of the Capital Companies Law, management has communicated that they do not have any conflicts of interest with the Company.

In 2017, the Company paid 15 thousand euros in civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2016: 15 thousand euros).

22. EARNINGS PER SHARE (EPS)

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year.

The following reflects the income and share data used for calculating basic and diluted earnings per share:

	2017	2016 Restated
Profit attributable to ordinary shareholders of the parent company;		
For continuous operations	15,011	7,019
For interrupted operations	-	-
Profit attributable to ordinary shareholders of the parent company for basic gains	**15,011**	**7,019**
Weighted average number of ordinary shares in circulation	107,097,961	107,097,961
Gain / (Loss) per share (euros per share)	**0,14**	**0,07**
Gain / (Loss) per share for continuous operations (euros per share)	**0,14**	**0,07**

There have been no transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the date of preparation of these financial statements.

23. OTHER DISCLOSURES

23.1 Personnel structure

	Number of hired people at the end of the period			Number of people hired during the period	Number of people with disabilities > 33% of total people hired
	Male	Female	Total		
Year 2017					
Engineers	11	1	12	12	-
University graduates	9	2	11	11	-
Plant personal	7	0	7	7	-
	27	**3**	**30**	**30**	**-**
Year 2016					
Engineers	12	2	14	14	-
University graduates	8	1	9	9	-
Plant personal	6	1	7	7	-
	36	**4**	**30**	**30**	**-**

23.2 Audit fees

Audit fees accrued during the year for services rendered by the auditor of accounts are as follows:

(Thousands of euros)	2017	2016
Audit services	138,000	130,000
Other services related to the audit	22,000	-
Other services	42,500	47,300
	202,500	**177,300**

23.3 Information on environmental issues

The Group contemplates environmental protection laws in its operations, and considers that it substantially complies with them, while maintaining procedures designed to foster and guarantee compliance.

In the course of 2017 and 2016, the Group had made no environmental investments nor did it incur costs for protection and improvement of the environment. Nor was it considered necessary to make any provision for environmental contingencies and expenses as it had no contingent liabilities relating to the protection and improvement or environmental liabilities.

The directors consider there to be no significant environmental protection or enhancement contingencies and therefore, have not deemed it necessary to record a provision for environmental liabilities and charges at December 31, 2017 or 2016.

23.4 Bank guarantees

During 2017, the Group has contingent liabilities for bank and other guarantees related to its renewable energy projects amounting to euros 18,832 thousand (2015: 562 thousand euros). The Group does not expect any liabilities or contingencies to arise from the abovementioned guarantees.

23.5 Guarantees

i) Guarantees for operating and maintenance contracts

There is an availability guarantee for the plant included in its maintenance contracts, with penalties on their income should the guarantee not be reached.

iii) Guarantee for module contract sales

The parent offers all its clients' standard guarantee certificates for its photovoltaic modules, which encompasses a guarantee covering defects in materials, manufacturing, and capacity.

During the first three years, the parent guarantees that its modules are free of material or manufacturing defects which would prohibit it from functioning normally under adequate usage, installation, and maintenance conditions. In case of the contrary, the Company is obliged to substitute or repair the defective modules.

From the date the module is sold, the parent guarantees a minimum outflow based on the contract's technical specifications, to thereby deliver modules for the equivalent amount of lost power, which it must repair or replace, as follows:

Years from the date of delivery	Guaranteed power output
Up to 25 years	80%
Up to 10 years	90%

The parent considers that no liabilities should arise from guarantees granted, since historic experience has revealed that no significant payments have been made in this regard, and none are expected to in the future.

Information on the average payment period to suppliers. Third additional provision: "Disclosure requirements" of Law 15/2010 of July 5"

In accordance with the terms of the single additional provision of the Resolution of the Institute of Accounting and Auditors of Accounts dated January 29, 2016 on information to be included in notes to the consolidated financial statements regarding the average period for making payments to suppliers, only the information for the year is presented, rather than comparative information; thus, these are considered first-time consolidated financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

Information on the average payment period to suppliers follows:

	2017	2016
(Days)		
Average period of payments to suppliers	60	83
Ratio of paid operations	57	99
Ratio of pending operations	30	67
(Thousands of euros)		
Total paid payments	11,304	18,475
Total pending payments	1,331	17,525

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including exchange rate, price, and interest rate risk), liquidity risk, and credit risk. The Group's global risk management program contemplates the uncertainty in financial markets and tries to minimize the potential adverse effects on financial profitability mainly through the use of derivatives to hedge said those risks.

Risk is managed by the parent's finance department. This department identifies, evaluates, and hedges financial risks in close collaboration with the Group's business units.

24.1 Credit risk

The Group does not have any significant credit risk concentration and has the appropriate policies in place to ensure that sales are only made to customers with good credit ratings. Transactions with derivatives and cash transactions are only entered into with extremely creditworthy financial institutions with policies limiting risk with other financial entities. Where no independent credit ratings have been performed on customer creditworthiness, the Finance Department conducts the evaluation based on the customers' financial position, past experience, and other factors. The Group does not generally grant its customers' long-term loans except for under extraordinary circumstances.

The net balance of receivables from third parties during 2017 and 2016 includes future maturities:

(Thousands of euros)	From 0 until 90 days	From 90 until 180 days	Less than a year	
Third party clients balance 2017 (Note 9)	9,002	983	-	**9,985**
Third party clients balance 2016 (Note 9)	4,002	2,455	78	**6,535**

The balance of receivables during 2017 and 2016 included respective impairment provision totaling 5,576 thousand and 5,576 thousand euros (Note 10).

24.2 Market risk

Currency risk

The Group operates internationally and is therefore exposed to exchange rate risk on transactions in foreign currencies, especially the US dollar. Exchange rate risk mainly arises from the geographic distribution of subsidiaries, although it is greatly reduced thanks to the fact all operate using the same currency.

Price risk

The Group is exposed to price risk arising from energy sales on the market. Management handles this risk based on market conditions when transactions are performed based on analyses of possible closed-price contracts.

Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operations are not significantly exposed to interest rate risk.

It arises from non-current borrowings with credit institutions. Variable rate loans expose the Group to cash flow interest rate risk. The Group's policies consist in using interest rate hedges on loan referenced to variable interest rates. All the Company's bank borrowings are indexed at floating interest rates in euros.

The Group manages its cash flow interest rate risk when conditions make it recommendable for doing so through variable interest rate swaps. These interest rate swaps convert t borrowings at floating rates into borrowings at fixed rates.

In 2017 and 2016, Solaria's structure was as follows:

(Thousands of euros)	2017	2016
Debt with fixed interest rate	138,775	47,960
Debt with variable interest rate	38,072	72,178
Total	**176,847**	**120,138**

24.3 Liquidity risk

Prudent management of liquidity risk consists in maintaining sufficient cash and marketable securities, having sufficient financing available from committed credit facilities, and having the capacity to exit market positions. Given the dynamic nature of the underlying businesses, the objective of the Company's Finance Department is to maintain flexibility in financing through the availability of committed credit facilities.

Management reviews the Company's projected liquidity regularly in light of expected cash flows.

25. EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred have taken place since year end subsequent to the balance sheet date which might affect these consolidated financial statements or the notes thereto.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
APPENDIX I
(€thousand)

(Thousands of euros)				Book value					
Share owner	Tax domiciles	% Direct participation	%Indirect participation	Cost	Capital	Reserves	Result 2017	Negative results previous accounting practices	Total
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(6)	(28)	(31)
Planta Solar Puertollano 6, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	103	13,006	196	(9,970)	3,335
Planta Solar Puertollano 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	31	-	(334)	(300)
Pronature, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	50	33	30	(48)	65
Planta Solar Puertollano 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	(15)	(12)
Planta FV 1, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	3	46	(10)	(179)	(140)
Planta FV 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(5)	(1)	(3)
Planta FV 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	1,020	(49)	(303)	671
Solaria energía y generación renovables, S.L.	C/ Princesa nº 2, Madrid	-	100%	80,807	1,965	101,958	6,268	(24,435)	85,756
Sarener, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	13	288	51	(33)	319
Fondo solaria aleph fcr (*)	Plaza de la Libertad, 4 , Madrid	-	50%	-	-	-	-	-	-
Ellasona solar energía LLC (*)	2 Mesogion Ave, Athens	50%	50%	-	-	-	-	-	-
Solaria energía y proyectos internacionales, S.L.	C/ Princesa nº 2, Madrid	100%	-	-	3	-	-	(229)	(226)
Magacela solar 1, S.A.U.	C/ Princesa nº 2, Madrid	-	100%	-	1,509	865	383	(2,337)	420
Técnicas ambientales del norte, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	455	3,831	277	-	4,563
Solaria casiopea, S.A.	C/ Princesa nº 2, Madrid	-	100%	-	60	-	(6)	-	54
Lerapa investments, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	3	-	(1)	-	2
Ranti investments, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	3	-	(1)	-	2
Guleve investments, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	3	-	(1)	-	2
Globasol villanueva 1, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	795	8,893	366	(5,243)	4,811
Solaria Deutschland gmbh	Basler Strasse 115, 7911 Freiburg im Breisgau	100%	-	-	25	-	-	(1,256)	(1,231)
Solaria Italia, S.R.L.	Largo F, Richini, 6 Milan	100%	-	-	10	136	270	(812)	(396)
Solaria Francia, SAS	Inm, Place 93, Rue de la Villete 69003, Lyon	100%	-	-	60	-	-	(1,324)	(1,264)
Marche energía, S.R.L.	Via 6 Bocaccio 15/A, Milan	-	100%	-	10	6,874	423	(7,527)	(220)
Ollastra energía, S.R.L.	Via Cagliari, 70, San Sperate	-	100%	-	10	147	253	(20)	390
Solaria Brasil, S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%	-	-	-	-	-	-
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,235	216	(60)	1,393
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,273	260	(116)	1,419
Planta mesosolar 1, S.A.	Ciudad de Mexico Distrito Federal	100%	-	3	2	-	(13)	(6)	(17)
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	100%	-	3	2	-	(7)	(12)	(17)
Serre uta S.R.L.	Via Monastir snc, Cagliari	-	100%	-	10	6,470	846	-	7,326

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
APPENDIX I
(€thousand)

Share owner	Tax domiciles	% Direct participation	%Indirect participation	Book value					
				Cost	Capital	Reserves	Result 2017	Negative results previous accounting practices	Total
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(3)	(26)	(26)
Planta Solar Puertollano 6, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	103	15,983	6,368	(9,971)	12,483
Planta Solar Puertollano 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	31	-	(334)	(300)
PRONATURE, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	50	-	33	(48)	35
Planta Solar Puertollano 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	(15)	(12)
Planta FV 1, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	46	-	(158)	(109)
Planta FV 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	(1)	2
Planta FV 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	633	84	-	720
Solaria Energía y Generación Renovables, S.L.	C/ Princesa nº 2, Madrid	-	100%	80,807	1,965	98,391	6,572	(24,435)	82,493
Sarener, S.L.	C/ Balbino Marrón, Sevilla	-	100%	-	13	339	79	(33)	398
Fondo Solaria Aleph FCR (*)	Plaza de la Libertad, 4 , Madrid	50%	-	3	-	-	-	-	-
Ellasona Solar Energía LLC (*)	2 Mesogion Ave, Athens	50%	50%	-	-	-	-	-	-
Serre UTA S.r.l. (*)	Via Monastir snc, Cagliari	-	50%	-	-	-	-	-	-
Solaria Energía y Proyectos Internacionales, S.L.	C/ Princesa nº 2, Madrid	100%	-	-	3	446	68	(743)	(226)

Share owner	Tax domiciles	% Direct participation	%Indirect participation	Book value					
				Cost	Capital	Reserves	Result 2017	Negative results previous accounting practices	Total
Globasol Villanueva 1, S.L.	C/ Princesa nº 2, Madrid	-	100%	-	795	8,893	(241)	(5,002)	4,445
Solaria Deutschland GmbH	Basler Strasse 115, 7911 Freiburg im Breisgau	100%	-	-	25	-	-	(1,256)	(1,231)
Solaria Italia S.R.L.	Largo F, Richini, 6 Milan	100%	-	-	10	4	132	(812)	(666)
Solaria Francia SAS	Inm, Place 93, Rue de la Villete 69003, Lyon	100%	-	-	60	-	-	(1,324)	(1,264)
Marche Energía, S.R.L.	Via 6 Bocaccio 15/A, Milan	-	100%	-	10	1,718	156	(7,527)	(5,643)
Ollastra Energía S.R.L.	Via Cagliari, 70, San Sperate	-	100%	-	10	22	125	(20)	137
Solar One S.R.L. (*)	Via Natti, 34, Pessaro	-	50%	-	5	-	-	-	5
Energía S.R.L. (*)	Via Abazzia, 64, Morciano di Romagna	-	50%	-	5	-	-	-	5
Solaria Brasil S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	55%	-	-	-	-	-	-	-
Natelu	Ituzaingo, 1393- Montevideo	-	100%	279	1	992	(117)	(62)	814
Yarnel	Ituzaingo, 1393- Montevideo	-	100%	279	1	954	(122)	(116)	717
Planta Mesosolar 1	Ciudad de Mexico Distrito Federal	100%		3	3	-	-	-	2,459
Planta Mesosolar 2	Ciudad de Mexico Distrito Federal	100%	-	3	3	-	-	-	2,459

Solaria

2017 CONSOLIDATED MANAGEMENT REPORT

Position, relevant matters, and changes in group structure

The parent of the Group, Solaria Energía y Medio Ambiente (hereafter "Solaria," "the Company," or "the parent"), was founded on November 27, 2002 as a limited liability company in Spain for an indefinite period.

Until 2008, there was no consolidated group, as all the information provided corresponded to the parent.

Throughout 2008, a group was formed which continued growing over the following years.

The most significant events occurring over recent years in Group subsidiaries follow: During 2017, through its subsidiary Solaria Energía Generación Renovable S.L., the Solaria Group entered into an agreement with the venture capital fund Solaria Aleph Generación F.C.R. to acquire Serre Uta 1 Societa Agricola s.r.l. at an Enterprise Value of 24.03 million euros, The transaction was completed on June 7, 2017.

On June 30, 2017, through its subsidiary Solaria Energía y Generación Renovable, S.L. the Solaria Group decided to acquire 100% of the investment in Magacela Solar 1, S.A. from DTL Corporación S.L., ultimate parent of the Group at the enterprise value of 61.59 million euros. The transaction was completed on July 28, 2017. For accounting purposes, the acquisition took place on January 1, 2017, since it was a joint control transaction under incorporating the Solaria Group's assets and liabilities at its carrying amount rather than fair value.

On December 11, 2017, through its subsidiary Solaria Energía y Generación Renovable, S.L., the Solaria Group acquired 100% of Técnicas Ambientales del Norte, S.L., from DTL Corporación S.L., the Group's ultimate parent. For accounting purposes, the acquisition took place on January 1, 2017, since it was a joint control transaction under incorporating the Solaria Group's assets and liabilities at its carrying amount rather than fair value.

On July 6, 2017, the venture capital fund Solaria Aleph Generación F.C.R., 50% owned by the Group, sold its investment in Solar One S.r.l. and Energia S.r.l., both owners of several photovoltaic plants. The Group received 3,663 thousand euros for its 50% indirect stake.

On November 21, 2017, Solaria Casiopea S.A., wholly-owned by Solaria Energía Generación Renovable S.L. was formed.

On December 11, 2017, Planta FV3 S.L. acquired 100% of the share capital in Ranti S.L., Lerapa S.L., and Guleve S.L., which are used to develop new photovoltaic plants.

During 2017 the Group was comprised of the following companies:

<u>Direct wholly-owned subsidiaries:</u>

Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 8, S.L.U., Pronature Consulting and Engineering, S.L., Planta Solar Puertollano 10, S.L.U., Planta FV 1, S.L.U., Planta FV 3, S.L.U., Solaria Energía Generación Renovable S.L.U., Solaria Energía Proyectos Internacionales S.L.U., Solaria Italia S.R.L., and Solaria Deutschland GmbH.

<u>Indirect wholly-owned subsidiaries:</u>

Globasol Villanueva 1, S.A.U, Planta Solar Puertollano 6, S.A.U., Magacela Solar 1, S.A.U., Técnicas Ambientales del Norte, S.L., Solaria Casiopea S.A., Ranti, S.L., Lerapa S.L., Guleve, S.L., Marche Energia, S.r.l., Serre UTA Srl, Sarener, S.L., Ollastra Energia, S.r.l., Natelu, S.A., Yarnel, S.A., Mesolar 1 S.A. de CV, and Mesolar 2, S.A. de CV.

Direct subsidiaries with a 50% stake:

Solaria Aleph Generación FCR, Elassona Solar Energía LLC, and Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas Ltda. (formally owns a stake of 55%).

On October 5, 2016, the following companies were sold, which until that date had been wholly owned:

Planta Solar Puertollano 3, S.L.U, Planta Solar Puertollano 5, S.L.U, Planta Solar Puertollano 7, S.L.U, Planta FV 2, S.L.U., Planta FV 5, S.L.U., Planta FV 6, S.L.U., Planta FV 7, S.L.U., Planta FV 8, S.L.U., Planta FV 9, S.L.U., Planta FV 10, S.L.U., Planta FV 11, S.L.U., Planta FV 12, S.L.U., Planta FV 13, S.L.U., Planta FV 14, S.L.U., Planta FV 15, S.L.U., Planta FV 16, S.L.U., Planta FV 17, S.L.U., and Planta FV 18 S.L.U.

i. Solaria Energía Generación Renovable, S.L.U.:

This company, originally denominated “Planta FV 19 S.L.U” (FV 19), changed its registered name in 2009, and is mainly devoted to acquiring investments in entities devoted to the development and operation of photovoltaic plants.

On May 4, 2016, Globasol Villanueva 1, S.A.U, owner of 100% in Solaria Energía Generación Renovable S.L., issued and placed the Globasol project bond on the Alternative Fixed-Income Market (MARF) in the amount of 45.3 million euros, with an interest of 4.20%, maturing in January 2037. This made it possible to restructure the financial debt of Globasol Villanueva 1, S.A.U., substituting its financing until that date with other financial institutions, thereby granting the Group an increased treasury capacity.

ii. Fondo Solaria Aleph Generación F.C.R.:

At November 12, 2009, this Fund was owned in equal parts by Solaria Energía Generación Renovable, S.L.U. and a venture capital management fund.

The purpose of the Fund is to invest in entities devoted to the development and subsequent operation of photovoltaic plants in the USA and in Europe. Thanks to owner contributions and external financing received to develop the above photovoltaic solar plants, the Fund now has an investment potential of up to 50 MW of installed nominal capacity.

A preferential collaboration agreement indicating the Company as the exclusive provider of photovoltaic modules for its plant investments was subscribed through the Fund. The Company has preferential rights for building the abovementioned photovoltaic plants.

iii. Elassona LLC.:

During 2009, the subsidiary formed this 50% investee in Greece for the Solaria Group, which carries out its electricity-generation activity through its 400Kw plant with nominal installed capacity.

iv. Solaria Energía Proyectos Internacionales, S.L.U.:

This company, originally denominated as Planta FV 20, S.L., changed its registered name in 2009 but kept its corporate purpose.

On November 18, 2009, the Company entered into a strategic agreement with the CEO of the private group Fairway Logística y Trasporte Ltda. (Fairway) and Vice Chairman of the Sao Paulo Business Federation (FIESP). The agreement was designed to foster business opportunities in Brazil’s energy sector to design, install, and operate photovoltaic solar energy plants using crystalline technology, and to sell photovoltaic equipment.

On February 9, 2010, this company acquired 55% of the shares in the Brazilian company Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas LTDA.

Internationalization

In 2016, the internationalization continued with the construction of two photovoltaic plants in Uruguay (Yarnel and Natelu), with a peak power of 22.7 MWp.

On September 9, 2016, the Group closed its financing transactions with Corporación Interamericana de Inversiones (CII), member of the Iberamerican Development Group (IDB) to build, operate, and maintain Yarnel and Natelu. The total amount of this financing transaction was $25 million euros. The Natelu solar plant has a senior CII loan in the amount of $6.1 million, and a joint $.61 million loan from the Canadian Americas Private Sector Climate Fund. The Yarnel plant had a senior loan of $6.4 million from CII, and $6.4 million from C2F. The financing package matures in 18 years.

During the first half of 2017, the final stage of construction on both parks took place. On July 17, 2017, Yarnel S.A. was granted the habitability certificate for the plant it manages, and Natelu S.A. got its on September 5.

According to parent Management, this international expansion will continue during the upcoming year. Apart from projects in Spain, internationally the focus is on Europe (chiefly Italy, Greece, Portugal, and France), and Latin America (Mexico, Chile, Brazil, and Colombia, mainly).

Financial information

During 2017, the Group presented net accumulated sales of 31,124 thousand euros, and a net profit of 15,011 thousand euros, once again a clear indication of how its positive results and compliance with its growth plan, as well as restructuring through the investment in highly-profitable low-risk projects have been successful endeavors. All its goals for implementing an ambitious photovoltaic product pipeline in widespread geographic areas worldwide are reaching fruition.

Due to the entry into force of *IFRS 8 - Operating Segments* in 2016, and based on its criteria regarding spin-offs, Management decided to provide financial information broken down by segments based on the geographical markets in which it operates or manages renewable energy plants; the latter will be the Group's main focus in the future. Therefore, it no longer breaks down its financial information by segments based on products and services, as before.

A breakdown of sales by the newly-defined Group segments follows:

(Thousands of euros)	2017	%	2016	%
Sales in Spain	21,753	70%	20,664	89%
Sales in Italy	6,086	20%	2,151	9%
Sales in LATAM and other	2,179	7%	..	..
Corporate sales and other	1,105	4%	293	1%
Total sales	**31,124**	**100%**	**23,108**	**100%**

Operating costs amounted to 5,270 thousand euros vs. 4,912 the prior year, representing an increase of 6% mainly caused by the Serre UTA (acquired in 2017 by the fund Solaria Aleph F.C.R.) plant's operating costs.

2017 financial results reflect costs amounting to 10,337 thousand euros (2016: 7,615 thousand euros), representing a 36% increase in finance costs vs. the previous year, due to Planta Solar Puertollano 6, S.A. and Magacela Solar, S.A.'s debt restructuring transactions and associated costs during 2017.

The most significant change on the balance sheet was the reclassification of the assets related to the photovoltaic plants located in Uruguay (during their construction phase, they were recognized under "Inventories"), and "Property, plant, and equipment" when plants are fully operational at year end, and the parent's directors have decided to maintain the investment in these plants and manage them directly.

The drop in "Investments in companies consolidated using the equity method" over the first nine months of the year was basically due to the acquisition of 100% of Serre UTA, previously with an indirect 50% stake, over which there was no control, and thereby eliminating its investment as it is now consolidated using the full consolidation method. Also, during the third quarter of the year, Solar One Srl and Energia Srl were sold; 50% of each were directly owned through the Solaria Group's investment in the venture capital fund Solaria Aleph Generación F.C.R., over which there was no control; therefore, the investment in both companies was derecognized.

Increases in the remaining asset items are the result of including the new companies into the scope of consolidation.

The decrease in "Bank borrowings" during the year was mainly due to the abovementioned financial debt restructuring processes of Planta Solar Puertollano 6, S.A. And Magacela Solar 1, S.A., transforming their debt into "Project Bonds."

The significant decrease in "Suppliers" is due to the fact that during the year, the Group paid off its debt related to the construction of the parks in Uruguay, based on the payment calendars agreed upon with them. The Group obtained financing in the amount of $25 million to pay off this debt from Corporación Interamericana de Inversiones.

Finally, the Solaria Group's positive working capital was 21,057 thousand euros.

Treasury shares

To foster share liquidity and provide additional remuneration to the parent's shareholders, during the Board of Directors held May 17, 2011, an agreement was reached for a treasury share repurchase program, in conformity with Regulation EC 2273/2003, and authorization granted by the shareholders in their general meeting held on May 17, 2011, all in accordance with Article 146 and in conformity with Capital Companies Law. This treasury share repurchase plan will be performed as follows:

- Through the plan, the Company may repurchase a maximum number of shares equivalent to 10% of share capital. This is the maximum authorized by regulations.

- Shares were purchased in conformity with the price and volume conditions set forth in Article 5 of Regulation EC 2273/2003 of the Company's Code of Conduct on matters related to the securities market.

- The Program's duration is from the previous date the Ordinary Shareholders Meeting of the Company is held for approving the 2011 financial statements, unless changes to be made in conformity with Article 4 of EC Regulation 2273/2003.

- In accordance with Article 3 of EC Regulation 2273/2003, we hereby state that the purpose of the Repurchasing Plan is to reduce share capital based on prior approval by the Company's shareholders in general meeting in the terms they decide therein. Notwithstanding the foregoing, acquired shares may also be used to meet share delivery plans and share option plans duly approved by the Company.

On June 30, 2012, the parent's general shareholders meeting approved the revocation of the abovementioned Repurchase Plan.

During 2017 and 2016, the number of shares owned by the parent as treasury shares was 1,342,546, or 1.22% of the Company's share capital recognized at 2,245 thousand euros.

Group outlook

2017 ended with a robust and healthy balance sheet thanks to the finance debt restructuring initiative concluded by the Group over the past two years. This restructuring process also made it possible to optimize cash flows in the future, fostering a predictable and sustainable cash flow, and/or acquisition of new projects in countries which are highly profitable and with controlled risk.

This year was key for the Group, which doubled its size in terms of installed capacity thanks to the acquisition of the Magacela and TAN plants, and 50% of Serre Uta, and the startup of the two plants in Uruguay, Yarnel and Natelu.

The Solaria Group's future growth pivots around two main propositions:

- Acquisition of operating photovoltaic plants in markets which are already consolidated, to subsequently optimize costs and financing. Work along these lines includes a number of opportunities in Spain, Italy, Greece, and Chile.

- New product development Thanks to the continuous reduction of the photovoltaic plants' construction and operating costs, photovoltaic energy is now the most competitive technology, and expected to increase in popularity in upcoming years, and thereby providing huge opportunities for growth. In this regard, a key highlight was the allocation of 250 MW during the Spain's third renewable energy auction, which should guarantee the Group's future project portfolio in Spain. That said, the above 250 MW are part of an ambitious development plan including over 600 MW in Spain during upcoming years. Also, the Solaria Group is working to develop new projects in Mexico, Chile, and Portugal so as to diversify its portfolio geographically.

With the plants already in existence, our goals will be focused on:

- reducing the operating costs at our plants,

- improving project costs and financing structure.

Key market risks

Market risk

Market risks involve the excessive positioning in a sole or very regulated market. Strategies designed to reduce them include opening up new geographical and non-regulated markets. An example of the above is the Group's two new projects in Uruguay which will be functioning in 2017.

Liquidity risk

The Group ensures its solvency and flexibility thanks to long-term non-recourse financing, and a small secured loan and available cash.

The Group has the available resources to meet its commitments.

<u>Capital management</u>

There are capital management objectives focused on safeguarding sustainable growth, providing sufficient returns to shareholders, and maintaining optimal capital structure.

The Group is not subject to strict capital management criteria, and thanks to its financial robustness, may at any time adopt appropriate solutions for optimal management.

The Group's activities expose it to a variety of financial risks: market risk (including exchange rate, price, and interest rate risk), liquidity risk, and credit risk. Its global risk management program considers the uncertainty in financial markets and aims to minimize the potential adverse effects on financial profitability mainly through the use of derivatives to hedge said risks, as well as exchange rate and interest rate risk.

Risk is managed by the parent’s Finance Department. This department identifies, evaluates, and hedges financial risks in close collaboration with the Group’s business units.

Risk related to financial instruments

a) <u>Market risk</u>

i) Currency risk

The Group operates internationally and is therefore exposed to exchange rate risk on transactions in foreign currencies, especially the US dollar. Exchange rate risk mainly arises from the geographic distribution of subsidiaries, although it is greatly reduced thanks to the fact all operate using the same currency.

The currency in which the Group operates other than the euro is the US dollar.

ii) Price risk

The Group is exposed to market price risk related to raw materials. Management handles this risk based on market conditions when transactions are performed based on entering into closed-price contracts.

iii) Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operations are not significantly exposed to interest rate risk.

Interest rate risk arises from non-current borrowings with credit institutions. Variable rate loans expose the Group to cash flow interest rate risk. The Group’s policies consist in using interest rate hedges on loan referenced to variable interest rates. All the Company’s bank borrowings are indexed at floating interest rates in euros.

The Group manages its cash flow interest rate risk when conditions make it recommendable for doing so through variable interest rate swaps. These interest rate swaps convert to borrowings at floating rates into borrowings at fixed rates.

The sensitivity of the Group’s performance to a positive or negative price variation of 10 b.p. in interest rates is not significant with regard to the remuneration earned from the sale of energy valued at market prices.

With the issue of the Globasol Project Bond, the market risk related to interest rate variations would be neutralized by the fact that the project bond pays fixed annual interest at a rate of 4.20%.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivatives, and deposits with banks and financial institutions. Transactions are only carried out with entities excellent credit ratings, contemplating past experience, and other factors. Where no independent credit ratings have been performed on customer creditworthiness, the Finance Department conducts the evaluation based on the customers' financial position, past experience, and other factors.

c) Liquidity risk

Prudent management of liquidity risk consists in maintaining sufficient cash and marketable securities, having sufficient financing available from committed credit facilities, and having the capacity to exit market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

Management reviews the Group's projected liquidity regularly in light of expected cash flows.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The members of the Board of Directors prepared the accompanying 2017 financial statements on February 12, 2018.

(Signed in the original version in Spanish)

Enrique Díaz-Tejeiro Gutiérrez
Chairman

(Signed in the original version in Spanish)

Corporación Arditel, S.L.U. Represented by
Arturo Díaz-Tejeiro Larrañaga
First Vice-Chairman of the Board

(Signed in the original version in Spanish)

Inversiones Miditel, S.L.U. Represented by
Miguel Díaz-Tejeiro Larrañaga
Second Vice-Chairman of the Board

(Signed in the original version in Spanish)

Manuel Azpilicueta Ferrer
Board Member

(Signed in the original version in Spanish)

Carlos Abad Rico
Board member