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, 2018

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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, 2018, 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, 2018 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.

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 2018, the Group recognized debt totaling 132,996 thousand euros for "Bonds and other marketable securities" corresponding the Project Bonds issued by its subsidiaries (Note 16). 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 2018 based on the terms outlined in the "Bond Project" issue prospectuses.

Property, plant, and equipment

Description	As explained in Note 8 to the accompanying consolidated financial statements, at December 31, 2018, the Company recorded industrial plants and photovoltaic solar energy plants amounting to 241,774 thousand euros in "Property, plant, and equipment". The Group's policy is to recognise this type of asset initially at cost, and subsequently depreciate them over the assets' estimated useful life. The Group also assesses the useful life of property plant and equipment at each financial year end by calculating the value in use of the assets for which there are indications of impairment, based on financial models or market comparables. Breakdowns including key aspects related to the valuation of items of property, plant, and equipment are provided in Notes 4.3 and 4.4 of the accompanying consolidated financial statements. We determined this to be a key audit matter due to the significance of the amounts involved, the high component of judgment required of management when estimating the recoverable amount and the high sensitivity of the analysis carried out with respect to the changes in assumptions.
Our response	In relation to this matter, our procedures included the following: - Understanding the criteria applied and reviewing the processes established by management to determine the recoverable amounts of property, plant, and equipment. - Reviewing the financial model or market comparables provided by Group management, in collaboration with our valuation specialists, including a mathematical analysis of the model, the analysis of projected cash flows or market comparables, and the review of discount rates. In performing our review, we interviewed people in charge of the business and used recognised external sources and other available information for contrasting data.

- Checking that the disclosures made in the Group's consolidated financial statements comply with those required under the applicable financial reporting framework.

Measurement of deferred tax assets

Description

As explained in Note 18 to the accompanying consolidated financial statements, at December 31, 2018, the Group recognised deferred tax assets amounting to 32,755 thousand euros. The recoverability of these assets depends on the Group's capacity to generate sufficient future tax profits. We determined this to be a key audit matter due to the complexity of measuring these assets as well as the need for management to make significant estimates. The disclosures reflecting the fundamental aspects related to the process of measuring deferred tax assets are provided in Note 4.14 to the accompanying consolidated financial statements.

Our response

Our audit procedures consisted primarily in:

- Reviewing the analysis of the recoverability of deferred tax assets conducted by management, which includes evaluating the calculation method and the amounts associated with estimating future taxable profit, as well as verifying the tax considerations supporting the Group's analysis.
- Checking that the disclosures made in the Group's consolidated financial statements comply with those required under the applicable financial reporting framework.

Other information: Consolidated management report

"Other information" exclusively comprises the consolidated 2018 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 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

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 25, 2019.

Term of engagement

During the Ordinary General Shareholders' Meeting held on June 29, 2018, we were appointed auditors for a period of 3 years, commencing the year ended December 31, 2018.

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

(signed in the original version)

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

February 26, 2019

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

Consolidated financial statements and consolidated management report for the year ended December 31, 2018

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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, 2018
(€ thousand)

ASSETS	Notes	2018	2017
NON CURRENT ASSETS		**288,339**	**246,080**
Intangible assets	**7**	**12,140**	**80**
Patents and licenses		76	80
Computer software		-	-
Surface area rights		12,064	-
Property, plant and equipment	**8**	**241,774**	**226,596**
Land and buildings		27,107	28,119
Plant and other tangible assets		208,099	198,477
Property, plant and equipment under construction		6,568	-
Investment accounted for using the equity method	**9**	**-**	**748**
Non-current financial assets		**1,670**	**1,911**
Equity instruments		26	28
Other financial assets	11	1,644	1,883
Deferred tax assets	**19**	**32,755**	**16,745**
CURRENT ASSETS		**106,331**	**34,807**
Trade and other receivables		**13,000**	**12,478**
Trade receivables	10	9,268	9,985
Other receivables	10	87	423
Current tax assets	19	2,566	1,701
Other tax assets	19	1,079	369
Current investments in group companies and associates	**11**	**77**	**77**
Other financial assets		77	77
Prepayments for current assets		**245**	**280**
Cash and cash equivalents	**12**	**93,009**	**21,972**
Cash and cash equivalents		93,009	21,972
TOTAL ASSETS		**394,670**	**280,887**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of financial position for the year ended December 21, 2018
(€ thousand)

EQUITY AND LIABILITIES	Notes	2018	2017
EQUITY		**170,914**	**55,698**
CAPITAL AND RESERVES		**178,075**	**61,778**
Capital	**13.1**	**1,250**	**1,097**
Issued capital		1,250	1,097
Share Premium	**13.2**	**309,676**	**220,830**
Reserves	**13.4**	**41,433**	**33,638**
Legal		5,311	5,311
Other reserves		36,122	28,327
Own shares	**13.3**	**-**	**(2,245)**
Prior periods ‘profit and loss		**(195,630)**	**(206,553)**
Profit/(loss) for the year	**3**	**21,346**	**15,011**
VALUE ADJUSTMENTS	**14**	**(7,161)**	**(6,080)**
Hedgings transactions		(6,686)	(6,080)
Translation differences		(475)	**-**
NON CURRENT LIABILITIES		**206,840**	**211,323**
Non-current provisions	**15**	**536**	**1,094**
Provision for liabilities		536	1,094
Non-current payables		**204,087**	**207,933**
Bank loans and borrowings	16.1	44,836	35,181
Bonds and marketable securities	16.1	126,443	132,499
Finance lease payables	16.3	18,895	9,340
Derivatives	16.4	2,103	577
Non-current debts to group companies and associates	20.1	10,287	30,336
Other financial liabilities	17	1,523	-
Grants	16.2	**2,217**	**2,296**
CURRENT LIABILITIES		**16,916**	**13,866**
Current payables		**14,506**	**10,095**
Bank loans and borrowings	16.1	5,587	2,962
Bonds and marketable securities	16.1	6,553	6,205
Finance lease payables	16.3	1,588	772
Derivatives	16.4	778	156
Trade and other payables		**1,919**	**2,981**
Suppliers	17	232	607
Other payables	17	182	660
Personnel (salaries payable)	17	-	28
Current tax liabilities	17	1,129	194
Other tax liabilities	17	369	1,485
Advances from customers	17	7	7
Current accruals		**491**	**790**
TOTAL LIABILITIES AND EQUITY		**394,670**	**280,887**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated income statement for the year ended December 21, 2018
(€ thousand)

	Notes	2018	2017
CONTINUING OPERATIONS			
Turnover	**19.1**	**33,791**	**31,124**
Sales		33,152	30,161
Services rendered		639	963
Other operating income	**19.1**	**1,740**	**3,548**
Work carried out by the company for assets	**19.1**	**3,120**	**-**
Raw materials and other consumables	**19.2**	**-**	**(147)**
Subcontracted work	**19.2**	**(1,635)**	**(400)**
Personnel expenses	**19.3**	**(3,180)**	**(2,758)**
Wages, salaries and similar		(2,737)	(2,411)
Social charges		(443)	(347)
Other operating expenses		**(5,383)**	**(5,645)**
External services	**19.4**	(3,597)	(3,843)
Taxes		(1,786)	(1,802)
Losses, impairment and changes in provisions for commercial operations	**10**	**(94)**	**-**
Depreciation and amortization	**8**	**(13,630)**	**(11,290)**
Non-financial and other capital grants	**16.2**	**61**	**62**
Provision surpluses	**15**	**94**	**310**
Impairments and reversals	**19.8**	**3,633**	**3,447**
Impairment and reversals		2,626	671
Result for impairment and others		1,007	2,776
RESULTS FROM OPERATING ACTIVITIES		**18,517**	**18,251**
Financial income	**19.6**	**31**	**358**
Other financial income		31	358
Financial costs	**19.7**	**(11,076)**	**(10,699)**
Borrowings from group companies and associates		(761)	(1,168)
Third-party borrowings		(10,315)	(9,531)
Exchange gains / (losses)		**(29)**	**1**
FINANCE COST		**(11,074)**	**(10,340)**
Share of results of companies accounted for using the equity method		**-**	**(191)**
PROFIT BEFORE TAX		**7,443**	**7,720**
Income tax expense	**18**	**13,903**	**7,291**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**21,346**	**15,011**
Profit / loss per share	**21**	**0.18**	**0.14**
Profit / loss per share from continuing operations	**21**	**0.18**	**0.14**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated income statement for the year ended December 21, 2018
(€ thousand)

	Notes	2018	2017
Profit for the period		**21,346**	**15,011**
Other global result			
Net benefit/(loss) of cash flow hedges (net of taxes)	14	(606)	424
Foreign exchange tranlation differences		(475)	
Other global result that will be reclassify to results in future accounting practices, net of taxes		**(1,081)**	**424**
Total profit for the period, net of taxes		**20,265**	**15,435**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of changes in equity for the year ended December 31, 2018
(€ thousand)

	Issued capital (Note 13.1)	Share premium (Note 13.2)	Own shares (Note 13.3)	Legal reserve (Note 13.4)	Other reserves and prior period´s profit and loss	Profit/(loss) for the year (Note 3)	Cash flow hedge (Note 14)	Translation differences	TOTAL
Opening balance at January 1, 2017	**1,097**	**220,830**	**(2,245)**	**5,311**	**(185,216)**	**7,019**	**(6,504)**	**-**	**40,292**
Total comprehensive income	-	-	-	-	-	15,011	424	-	15,435
Result application	-	-	-	-	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**
Total comprehensive income	-	-	-	-	-	21,346	(606)	(475)	20,265
Result application	-	-	-	-	15,011	(15,011)	-	-	-
Capital increases	153	88,846	2,245	-	3,674	-	-	-	94,918
Other movements	-	-	-	-	33	-	-	-	33
Balances at December 31,2018	**1,250**	**309,676**	**-**	**5,311**	**(159,508)**	**21,346**	**(6,686)**	**(475)**	**170,914**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated cash flow statement for the year ended December 31, 2018
(€ thousand)

	Notes	2018	2017
Profit before tax		**7,443**	**7,720**
Adjustments to profit		**21,988**	**18,092**
Depreciation and amortization	8	13,630	11,290
Grants recognised in the income statement		(61)	(62)
Impairment		(2,626)	(3,447)
Finance income	20,6	(31)	(358)
Finance costs	20,7	11,076	10,669
Change in working capital		**(2,406)**	**(244)**
Inventories		-	22,284
Trade and other receivables		(521)	(2,266)
Other current assets		34	(137)
Trade and other payables		(1,063)	(20,322)
Other current liabilities		(856)	197
Other cash flows from operating activities		**(11,045)**	**(9,501)**
Interest paid		(11,076)	(9,501)
Interest received		31	-
Cash flow from operating activities		**15,980**	**16,067**
Cash flows from/(used in) investing activities		**-**	**-**
Payments for investment property		(28,362)	(45,621)
Proceeds from divestments		-	3,823
Cash flows from/(used in) investing activities		**(28,362)**	**(41,798)**
Cash flows from financing activities			
Capital increase		94,918	-
Issue of bonds and other marketable securities		-	94,670
Redemption and repayment of bonds and other marketable securities		(5,708)	-
Issue/redemption and repayment of group companies and associates		(20,049)	(27,602)
Issue/ redemption and repayment of debt with financial institutions		14,258	(32,867)
Cash flows from financing activities		**83,419**	**34,201**
Net Increase/Decrease of cash and equivalents		**71,037**	**8,470**
Cash and cash equivalents at January 1	12	**21,972**	**13,502**
Cash and cash equivalents at December 31	12	**93,009**	**21,972**

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.

2.3 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 2017 consolidated financial statements, having no impact on new NIIF applicable for 2018 period.

Moreover, the Group has applied for the first time NIIF 16 during 2018.

NIIF 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.The lessor's accounting under IFRS 16 does not substantially differ from the current accounting under IAS 17. Lessors will continue to classify their leases using the same classification criteria as in IAS 17 and will recognize two classes of lease: operating and finance leases.

Transition to IFRS 16 - January 1, 2018

The Solaria Group applied this standard to all its portfolio of operating leases, at the date of transition, using the modified retrospective method; therefore, it was unnecessary to recognize any effects under “Reserves” or restate comparative information.

Its effect in 2018 was the following:

	January 1, 2018
Assets	
PP&E (incorporation of right-of-use assets)	11,524
Advances	381
Liabilities	
Lease liabilities	11,143

Impact on the income statement (increase/(decrease)) during 2018

	Thousand euros
Repayment	353
Operating lease expenses	622
Finance expenses	269
Profit for the year	**-**

Following is the reconciliation of the amounts of “Future minimum non-cancelable operating lease payments” under the scope of the current IAS during 2017, and “Operating lease liabilities” recognized during 2018 during the transition to IFRS 16:

(Thousand euros)	
Future minimum non-cancelable operating lease payments according to IAS 17	4,391
Acquisition of SAE	2,193
Reversal Serre Uta	1,160
The difference between the contractual useful life of the lease and its associated asset	3,399
Lease liabilities at January 1, 2018	**11,143**

Implicit interest rate:

Since the implicit interest rates for leases could not be reliably calculated, the lessee’s incremental borrowing rate was used; according to the standard, this is the interest rate the lessee would have to pay when acquiring a similar asset under similar market circumstances (payment in euros, same maturity and credit risk). We consider it reasonable that the Group has applied the practical solution in paragraph C10(a) of IFRS-EU 16: apply a single discount rate to the entire operating lease portfolio, as all the characteristics are similar (payment in euros, same specific conditions for lessee companies, and similar underlying asset). The FASS team determined that the Solaria Group’s interest rate is reasonable (2.6%), considering general market conditions as well as those which are specific to the Group at the date of early voluntary application of this standard (1/1/18).

2.4 Changes in scope of consolidation

Solaria is the parent of a Group formed by 48 subsidiaries at December 31, 2018 (2017: 31 subsidiaries), the majority of which are wholly-owned by the Company and an investee over which Solaria has no control (Appendix I).

All Group entities have been founded or acquired (Note 6) at its initial phase, so that photovoltaic plants are built and developed, therefore these are not considered as a bussines combination.

2.5 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 32,755 thousand euros at December 31, 2018 (2017: 16,745 thousand euros) for deductible temporary differences and unused tax loss carryforwards (Note 18).

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.

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.

2.6 Acquisition on 2017 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, the acquisitions fall beyond 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 2017 y 2016 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 January 1, 2016	Payable amount	Impact on reserves January 1, 2016
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) a la compra)	(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	Payable amount	Impact on reserves

	December 31, 2016	(Note 21.1)	as December 31, 2016
Technical instalation and other tangible assets (Note 8)	53,378		
Deferred tax assets (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 years profit/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 from DTL))		(18,494)	
Non-current debts to group companies and associates (Debt Magacela with DTL previous 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	2,016
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 December 31, 2016)	(7,379)	(444)	(7,823)
Debts arising from the purchase of group companies and associates	(4,656)	(6,015)	(16,671)
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 2018 and 2017.

- 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.

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. In October, 2018 these tax measures have been suspended as a temporary policy for a 6 months period.

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 2018 are included in addition to those of the prior year.

2.10 Functional currency

The figures in these consolidated financial statements are shown in thousands of euros, rounded to the nearest thousand. Each Group entity defines each own functional currency, and so financial statements are prepared using that specific currency.

All subsidiaries use euro as its functional currency, except for Yarnel, S.A. and Natelu, S.A., whose financial statements are prepared using US dolars.

3. APROPRIATION 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:

(Thousand euros)	2018
Base of distribution	
Profit/loss for the year	21,346
Application results	
Prior periods profit and loss	21,346

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

Main accounting policies used for the Group in order to prepare Financial Consolidated Statements are the following:

4.1 Materiality

In deciding how to disclose items of the financial statements or other information, the Group assessed materiality in relation to the 2018 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.

Land rights

The Company has land right contracts for the properties upon which the solar plants are located: they are amortized according to each contract’s duration (25-30 years).

Computer software

This heading includes the costs incurred by the Company to develop its own software which meet the development expenses capitalization criteria defined above, in addition to the cost of acquiring software from third parties. The costs are amortized on a straight-line basis over its estimated useful life (5 years).

Employee benefits expense pertaining to the Company’s own personnel involved in the development of software are included in the cost of the software with a credit to 'Own work capitalized' in profit or loss.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred.

Brands and patents

The Group pays for its patents and brands in cash. Patents were obtained for a 10-year period, and may be renewed at the end of the period. Licenses for the use of intellectual property are granted over periods ranging from five to ten years, depending on the type of license. Licenses may be renewed at little or no cost to the Group; therefore, we consider them to have indefinite useful lives.

	Useful lives

Patents	10 years
Licenses	undefined

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 lives
Buildings	33 years
Solar plants	30 years
Other tangible assets	10 year
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 the value 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.

For industrial assets, and certain plots of land not involved in the operation, the recoverable amount was calculated based on fair value. The value corresponds that received by selling an asset, or paid for transferring a liability in an orderly transaction for selling or transferring the liability between market participants at the valuation date in present market conditions (excluding finance costs and income tax). The Group valued each of its assets individually rather than part of a portfolio.

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.

There is reasonable certainty that the Group will own these assets acquired under finance lease arrangements upon expiration of the related lease agreements.

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

4.6 Financial assets

Recognition and measurement

For valuation purposes, financial assets, are classified as follows: “Loans and receivables,” “Investments in Group companies,” and “Available-for-sale financial assets.”

The Company determines the classification of its financial assets on initial recognition and reassesses this designation at each financial year end.

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.

The carrying amount of the asset to the extent that the provisions account is used, and losses are recognized on the income statement under “Impairment losses on current receivables.” When a receivable is not irrecoverable, the related provision is derecognized. The subsequent recovery of amounts derecognized previously is recognized as a receivable under “Impairment losses on current receivables.” Current receivables with no set interest rates are valued at the amount of the invoice.

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.

If this correlation ceases to hold at any time, hedge accounting is discontinued and the hedges are reclassified as trading derivatives.

For the purpose of hedge accounting, hedges are classified as:

- In cash flow hedges, these are hedges of the exposure to variability in cash flows that is attributable to changes in interest rates on loans received. Interest rate swaps are used to exchange variable for fixed rates. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity and allocated to the income statement in the reporting period or periods in which the hedged transaction affects profit or loss.

Derivatives are initially recognized at acquisition cost, and subsequently remeasured at fair value, with the necessary valuation adjustments made to reflect fair value at all times. They are recognized under "Non-current financial assets - Derivatives" or “Current financial assets - Derivatives” on the consolidated balance sheet when fair value is positive and "Non-current borrowings - Derivatives" or “Current borrowings - Derivatives” when fair value is negative.

The fair value of the various derivative instruments is calculated on the following basis:

- Derivatives traded on organized markets: their fair value is their listed price at year end.

- Derivatives traded on OTC markets: the Company values these using techniques which are customary in the financial market, i.e., discounting all forecast cash flows from the contract in keeping with the terms thereof, such as notional amounts and scheduled collections and payments. Values thus obtained by the Company at year end are contrasted with valuations sent by financial intermediaries and independent third parties.

The fair value of derivative instruments used as hedges is found in Note 17.4. Movements arising as a result of valuation changes are recorded under “Other comprehensive income within consolidated equity.”

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.

The subsequent amortization of the parent’s instruments led to a capital decrease in the nominal amount of the above shares, and any positive or negative differences in the acquisition and nominal prices of the shares is charged or credited to “Reserves.”

Transaction costs related to the entity’s own equity instruments are recognized as a decrease in reserves, after taking the tax effects into account.

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.

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.

Warranty provisions

The Company recognized a provision for risks and expenses related to the guarantees associated to module sales. Assumptions and estimates regarding expected costs were individually made to determine the amount of the provision. 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.

4.14 Income Tax

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.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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.

The normal operating cycle for all activities is less than one year, except for installation and assembly, the cycle for which varies depending on the duration of the project.

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 2018, 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 others
- *Segment 4:* Corporate

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.

The income statements by Group segments follow:

(Thousand euros)	Spain		Italy		LATAM and others		Corporate		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales	22,196	21,753	8,050	6,086	2,681	2,179	865	1,105	33,791	31,124
Total ordinary income from external clients	**22,196**	**21,753**	**8,050**	**6,086**	**2,681**	**2,179**	**865**	**1,105**	**33,791**	**31,124**
Depreciation and amortization	(7,069)	(6,927)	(854)	(1,730)	(1,118)	(413)	(2,033)	1,227	(11,074)	(7,843)
Raw materials and other consumables	-	-	-	-	-	-	(547)	(147)	(547)	(147)
Other income and expense from segment	(3,390)	(2,608)	(1,459)	(642)	(481)	(674)	1,679	(960)	(3,652)	(4,884)
Operating result	**11,737**	**12,218**	**5,737**	**3,714**	**1,082**	**1,092**	**(36)**	**1,225**	**18,518**	**18,250**
Financial result	(5,831)	(5,766)	(2,122)	(1,723)	(1,723)	(1,051)	(1,400)	(1,796)	(11,074)	(10,337)
Result before taxes	**5,906**	**6,452**	**3,615**	**1,991**	**(641)**	**41**	**(1,436)**	**(571)**	**7,444**	**7,913**
Equity-accounted equity	-	-		(439)		248	-	-	-	(191)
Income / (Loss) of segments before taxes	**5,906**	**6,452**	**3,615**	**1,552**	**(641)**	**289**	**(1,436)**	**(571)**	**7,444**	**7,722**

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

(Thousand euros)	Spain		Italy		LATAM and others		Corporate		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	**164,994**	**159,270**	**61,360**	**42,411**	**33,316**	**31,472**	**102,225**	**28,640**	**361,894**	**261,793**
Fixed assets	145,873	139,582	49,117	34,930	29,072	25,747	31,798	26,337	255,860	226,596
Trade and other receivables	5,839	6,388	4,414	4,419	1,291	1,250	1,482	421	13,026	12,478
Investment accounted for using the equity method	-	-				748		-	-	748
Cash and cash equivalents	13,282	13,300	7,829	3,062	2,953	3,727	68,945	1,882	93,009	21,971
Not distributed assets	**-**	**-**	**-**	**-**	**-**	**-**	**32,775**	**19,094**	**32,775**	**19,094**
Total assets	**164,994**	**159,270**	**61,360**	**42,411**	**33,316**	**31,472**	**135,000**	**47,734**	**394,669**	**280,887**

(Thousand euros)	Spain		Italy		LATAM and others		Corporate		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Non-current provisions	-	-	-	-	-	-	536	1,094	536	1,094
Grants	-	-	-	-	-	-	2,217	2,296	2,217	2,296
Bank loans and borrowings	132,996	138,840	36,057	24,908	21,561	21,241	1,541	1,971	192,154	186,960
Finance lease (NIIF16)	7,872	-	415	-	-	-	1,827	-	10,114	-
Derivatives			2,881	733	-	-	-	-	2,881	733
Debts to group companies and associates	-	-	-	-	-	-	10,287	30,336	10,287	30,336
Trade and other payable	182	156	827	144	227	363	682	2,318	1,918	2,981
Not distributed liabilities	-	-	-	-	-	-	3,649	789	3,649	789
Total liabilities	**141,050**	**138,996**	**40,180**	**25,785**	**21,787**	**21,604**	**20,739**	**38,804**	**223,756**	**225,189**

During 2018 and 2017, customers with ordinary income over 10% of the total were:

(Thousand euros)	2018	2017
C.N.M.C.	19,187	17,965
G.S.E.	6,740	-
	25,927	**17,965**

6. BUSINESS COMBINATIONS

Following is a breakdown of the business combinations taking place in 2018.

6.1 Acquisition of the Elassona Solar Energiaki LLC Project

During January 2018, the Group acquired control of Elassona Solar Energiaki LLC, (100% of the political and economic rights), an unlisted entity based on Mesogion Avenue, Athens. During 2017, the Group had an indirect investment of 50%.

The Group acquired Elassona Solar Energiaki LLC as part of the consolidation and growth process within certain photovoltaic markets.

Fair value of acquired assets and assumed liabilities

The fair values of the identifiable assets and liabilities of Sardegna Agrienergia Uno S.r.l. at the date of acquisition were as follows:

	Fair value recorded in the acquisition
Assets	
Property, plant and equipment (Note 8)	1,585
Cash and cash equivalents	75
Trade receivable	657
Acquired assets	**2,317**
Liabilities	
Bank loans and borrowings	(221)
Acquired liabilities	**(221)**
Total net assets identifiable at fair value	**2,096**

Goodwill (negative) arising on the combination

The following negative goodwill arose on this business combination:

	Thousands of euros
Consideration transferred on acquisition of the remaining 50%	400
Full monetary acquisition cost (including initial 50%)	848
Amount receivable from Solaria by the seller (*)	1,248
Total acquisition (100%)	**2,096**
Profit from the purchase-sale	
Acquisition cost	2,096
Equity of the acquired company at January 1, 2018	1,242
- Reserves of the equity-accounted investee Ellasona in prior years	(235)
Other gains (losses)	**1,007**

(*) Solaria Energía y Medioambiente held 100% of receivables set aside in previous years.

The negative difference on consolidation of 1,007 thousand euros was recognized under "Results from disposals and others" on the consolidated income statement.

During 2018, Solaria Energía y Generación Renovable still owed 1.1 million euros, in accordance with the terms of the purchase-sale agreement for Sardegna Agrienergia 1, S.r.l. This amount is expected to be paid in April 2020.

6.2 Acquisition of Proyecto Sardegna Agrienergia Uno S.r.l.

During January 2018, the Group acquired control of Sardegna Agrienergia Uno S.r.l., (100% of the political and economic rights), an unlisted entity based at Via del Babuino 51, Roma (Italy).

The Group acquired Sardegna Agrienergia Uno S.r.l as part of the consolidation and growth process within certain photovoltaic markets.

Fair value of acquired assets and assumed liabilities

The fair values of the identifiable assets and liabilities of Sardegna Agrienergia Uno S.r.l. at the date of acquisition were as follows:

	Fair value recorded in the acquisition
Assets	
Fixed assets	13,400
Surface area rights	2,193
Other assets	270
Cash and cash equivalents	1,757
Trade receivable	839
Acquired Assets	**18,459**
Liabilities	
Non-current liabilities	(15,289)
Current liabilities	(1,724)
Acquired Liabilities	**(17,013)**
Total net assets identifiable at fair value	**1,446**
Goodwill - Technical installations	2,712
Consideration transferred	**4,158**

The fair value and gross amount of receivables was 839 thousand euros; none of the receivables were impaired, as all pending amounts are expected to be recovered.

Goodwill totaling 2,712 thousand euros was recognized under "Technical installations."

7. INTANGIBLE ASSETS

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

(Thousand euros)	Beginning Balance	Bussiness combination (Note 6)	Additions and allowances	Derecognition or reversal	Final balance
2018					
Cost					
Patents and licenses	80	-	-	(4)	76
Computer software	1.222	-	-	-	1.222
Surface area rights	1.160	3.485	8.711	-	13.356
	2.462	3.485	8.711	(4)	14.654
Accumulated amortization					
Patents and licenses	-	-	-	-	-
Computer software	(1.222)	-	-	-	(1.222)
Surface area rights	-	(1.292)		-	(1.292)
	(1.222)	(1.292)	-	-	(2.514)
Valuation for impairment					
Surface area rights	(1.160)			1.160	-
	(1.160)	-	-	1.160	-
Net carrying amount	**80**	**2.193**	**8.711**	**1.156**	**12.140**
2017					
Cost					
Patents and licenses	80		-	-	80
Computer software	1.222		-	-	1.222
Surface area rights	1.160		-	-	1.160
	2.462		-	-	2.462
Accumulated amortization					
Patents and licenses	-				
Computer software	(1.222)		-	-	(1.222)
Surface area rights	-				
	(1.222)		-	-	(1.222)
Valuation for impairment					
Surface area rights	(1.160)	-			(1.160)
	(1.160)	-	-		(1.160)
Net carrying amount	**80**		**-**	**-**	**80**

At December 31, 2018, the Company had 1,222 thousand euros in fully amortized intangible assets still in use (2017: same amount).

8. PROPERTY, PLANT AND EQUIPMENT

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

(Thousand euros)	Opening Balance	Business combination (Note 6)	Additions and depretiation	Reversals and disposals	Translation differences	Closing Balance
2018						
Cost						
Property, plant and equipment	47,946	-	-	-	-	47,946
Technical instalations and machinery	303,307	18,372	3,467	-	4,110	329,256
property, plant and equipment under construction	1,761	-	6,389	-	-	8,150
	353,014	18,372	9,856	-	4,110	385,352
Accumulated amortization						
Property, Plant and equipment	(8,178)	-	(1,731)		-	(9,909)
Technical instalations and other tangible assets	(81,855)	(4,972)	(11,899)		-	(98,726)
property, plant and equipment under construction	(1,585)	-			-	(1,585)
	(91,618)	(4,972)	(13,630)	-	-	(110,220)
Valuation for impairment						
Property, plant and equipment	(11,649)	-	-	719	-	(10,930)
Technical instalations and other tangible assets	(23,151)	-	-	723	-	(22,428)
	(34,800)	-	-	1,442	-	(33,358)
Net carrying amount	**226,596**					**241,774**

(Thousand euros)	Opening Balance	Business combination (Note 6)	Additions and depretiation	Reversals and disposals	Transfer of stock	Closing Balance
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						
Plant and equipment	(5,586)	-	(2,592)	-	-	(8,178)
Technical instalations and machinery	(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 machinery	(23,151)	-	-	-	-	(23,151)
	(37,153)	-	-	2,353	-	(34,800)
Net carrying amount	**188,647**					**226,596**

8.1 Significant movements

In 2018, the Company recognized additions in the amount of 6,389 thousand euros corresponding to construction and development of the 250 MW awarded during the auction held during July, 2017.

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."

8.2 Impairment

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

(Thousand euros) Asset	Description	Segment	Impairment 2018	2017
Land in Toledo (Sold in 2017)	Rural property	Spain	-	-
Land in Dehesa Vaqueros	Rural property	Spain	(455)	(455)
Land and buildings in Italy	Rural property with renewable use	Italy	-	(719)
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)
TOTAL			**(33,358)**	**(34,800)**

8.3.1 Impairment - Rural land, industrial warehouses, and machinery

No activity was recognized for industrial assets during 2018 and 2017, 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 company 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 254 thousand euros, and 1,272 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.

- *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

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 719 thousand euros.

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:

	2018	2017

CGU	Country	Description	Hypothesis		Hypothesis	
			Income	Margin	Income	Margin
PLANTA SOLAR PUERTOLLANO 6, SLU	Spain	PLANTA PV, 10 Mw	6,745	5,666	6,544	5,256
PLANTA GLOBASOL VILLANUEVA, SAU	Spain	PLANTA PV, 10 Mw	7049	6032	6,863	5,615
MAGACELA SOLAR	Spain	PLANTA PV, 10 Mw	6,914	5,956	6,874	5,795
TÉCNICAS AMBIENTALES DEL NORTE, S,L,	Spain	PLANTA PV, 1 Mw	730	628	744	580
SERRE UTA, Srl	Italy	PLANTA PV,5,8 Mw	3,395	2,864	3,756	3,217
PLANTA MARCHE ENERGÍA, Srl	Italy	PLANTA PV, 4,9 Mw	2,015	1,766	1,984	1,580
NATELU S,A,	Uruguay	PLANTA PV, 9,5 Mw	1,308	1,082	1,046	960
YARNEL, S,A,	Uruguay	PLANTA PV, 9,5 Mw	1,372	1,132	1,133	1,028
PLANTA PFV1	Spain	PLANTA PV, 0,6 Mw	237	198	249	-10
PLANTA SARENER, SLU	Spain	PLANTA PV, 1 Mw	440	342	413	286
PLANTA FOTOVOLTAICA DISCARICA/CAVA (*)	Italy	PLANTA PV, 1,7 Mw	242	118	346	289
SARDEGNA AGRIENERGIA UNO S,R,L,	Italy	PLANTA PV, 4,3 Mw	2,408	1,850	-	-

(*) Discarica and Cava are two adjoining plants with shared costs.

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.

On February 14, 2019, the Solaria refinanced its Italian photovoltaic plants Energia, S.R.L., Ollastra Energia, S.R.L., Serre UTA Società Agricola, S.R.L., Sardegna Agrienergia Uno, S.R.L. thanks to improved performance and profitability of the plants in 2018. As a result, the updated impairment tests on these plants generated a reversal of 1,442 thousand euros under PP&E and 1,160 thousand euros in land rights.

During 2018, the remainder of the Group's photovoltaic plants did not show any indications of impairment.

8.4 Finance leases

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

(Thousand euros)	2018	2017
Technical instalations		
Cost	17,015	17,015
Accumulated depreciation	(7,677)	(6,903)
	9,338	**10,112**

Finance leases in force:

Company	Financial lease	Entity	Amount	Date	Maturity	Interest rate
Solaria Energía y Medio ambiente, S.A.	Célula Puertollano	Credit Agricole	3,000	06/07/2018	06/07/2023	2,95%
Marche Energia, S.R.L.	Lapedona Dalia	Natixis Lease, S.A.	3,576	09/30/2011	09/30/2029	5,56%
Marche Energia, S.R.L.	Ginestra	Natixis Lease, S.A.	3,260	09/30/2011	09/30/2029	5,56%
Marche Energia, S.R.L.	Gardenia	Natixis Lease, S.A.	3,626	09/30/2011	09/20/2029	5,56%
Marche Energia, S.R.L.	Peonia	Natixis Lease, S.A.	3,553	09/30/2011	09/20/2029	5,56%

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 16.3).

8.5 Other information

During 2018, there were fully-amortized items of PP&E amounting to 11,057 thousand euros (2017: 9,147 thousand euros).

During 2018, the amount of PP&E not in operation totaled 1,245 thousand euros, which were mainly land and constructions (2017: 2,066 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 INVESTMENT IN ASSOCIATES ACCOUNTED FOR BY THE EQUITY METHOD

The breakdown and movements of investments accounted for by the equity method during 2018 and 2017 is as follows:

Accounting practice 2018 - (Thousand euros)	Balance at January 1, 2018	Participation in the result	Disposals	Balance at December 31, 2018
Elassona Solar Energía LLC	748	-	(748)	-
Total December 31, 2018	**748**	**-**	**(748)**	**-**
Accounting practice 2017 - (Thousand euros)	**Balance at January 1, 2017**	**Participation in the result**	**Disposals**	**Balance at December 31, 2018**
Elassona Solar Energía LLC	462	286	-	748
Solaria Aleph Generación FCR	6,992	-	(6,992)	-
Total December 31, 2017	**7,454**	**286**	**(6,992)**	**748**

During the year, the Group also took control of Elassona Solar Energiaki LLC, which now is a subsidiary (it was originally was held 50% through Solaria).

During 2017, the Group also took control of Serre UTA, S.r.l for 6,984 thousand euros, which now is a subsidiary of the Solaria Group (it was originally was held 50% through Solaria Aleph Generación FCR). Also, on April 5, 2017, Solaria Aleph Generación FCR sold all its stake in Energia S.r.l and Solar One, S.r.l, in which the Group holds an indirect shareholding of 50%.

10 FINANCIAL ASSETS

(Thousand euros)	2018	2017
Trade receivables	14,938	15,561
Other receivables	87	423
	9,355	**15,984**
Valuation for impairment	(5,670)	(5,576)
	3,725	**10,408**

Impairment

The balance of “Trade receivables” is presented net of any impairment. The changes in impairment losses during 2018 and 2017 are set forth below:

(Thousand euros)	2018	2017
Balance January 1, 2018	(5,576)	(5,576)
Endowment of the year	(347)	-
Applications	-	-
Reversals and other movements	253	-
Balance December 31, 2018	**(5,670)**	**(5,576)**

11 OTHER FINANCIAL ASSETS

(Thousand euros)	2018		2017	
	Non-current	Current	Non-current	Current
Guarantees constituted in the long term	77	-	209	-
Long-term impositions	185	-	185	-
Long-term deposits	1,382	-	1,489	-
Other financial assets	-	77	-	77
	1,644	**77**	**1,883**	**77**

In 2017 and 2018, long-term deposits were established that were necessary to develop projects in Spain (2018) and in other countries (2017).

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

12 CASH AND CASH EQUIVALENTS

The breakdown of this heading at December 31, 2018 and 2017 was the following:

(Thousand euros)	2018	2017
Cash	8	11
Cash Equivalents	93,001	21,961
	93,009	**21,972**

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 7,372 thousand euros (2017: 8,572 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.

13 EQUITY – CAPITAL AND RESERVES

13.1 Issued capital

In 2018, share capital recognized under “Equity” amounted to 1,250 thousand euros: 109,606.032 were bearer shares with a par value of 0.01 euros each (2017: 1,097 thousand euros, equally divided into 109,606,032 shares with a nominal par value of 0.01 euros each).

Capital Increase

Capital increase (Thousand euros)	
Issued Capital	153
Share Premium	88,847
Share treasury sold	7,787
Total capital amount increase	**96,787**
Cost of the capital increase	**(1,867)**
Equity Impact	**94,920**

- The transaction was the result of the completion of the private placement of newly-issued shares and treasury shares. The total amount arising from the capital increase was 96,786,862 euros.
- Capital increase in the nominal amount of 153,448.44 euros through the issue and placement into circulation of 15,344,884 newly-issued shares at one euro cent (0.01) nominal value each. The interest rate on the new issued shares was established at 5.80 euros per share, of which one cent corresponds to nominal value, and a 5.79 euros to share premium.
- Within the context of the capital increase, the Company place the entirety of the shares held as treasury stock totaling 1,342,546.

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

(Thousand euros)	**2018**	**2017**
DTL Corporación, S.L.	49.81%	56.78%
Share Treasury	-	1.21%
Continuous market	50.19%	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 2018 their listed price was 3.96 euros (2017: 1.63 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, 2018 and 2017 stood at:

(Thousand euros)	**2018**	**2017**
Bank loans and borrowings, bonds and financial lease liabilities	203,902	186,959
Cash and cash equivalents (Note 12)	(93,009)	(21,972)

Net debt	110,893	164,987
Total Equity	170,310	55,698
Debt/ Equity ratio	**65%**	**296%**

13.2 Share Premium

	Thousand euros
2018	
Balance at December 31, 2017	220,830
2017 Movements	88,846
Balance at December 31, 2018	**309,676**
2017	
Balance at December 31, 2016	220,830
2017 Movements	-
Balance at December 31, 2017	**220,830**

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

13.3 Treasury shares

At year end, the parent had 1,342,546 treasury shares valued at 2,245 thousand euros.

In their general meeting held on July 13, 2018, the Company's shareholders agreed to increase capital. In the context of this transaction, the Company's 1,342,546 treasury shares were sold at a price per share of 5.8 euros (Note 13.1).

13.4 Reserves

13.4.1 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 2018 and 2017, the parent's legal reserve was over the minimum established by law, totaling 5,311 thousand euros during both years.

14 CASH FLOW HEDGES

The movement in this heading in 2018 and 2017 was as follows:

(Thousand euros)	Opening Balance	Additions and disposals (net of taxes)	Transfers to the profit and loss account (net of taxes)	Closing Balance
December 31, 2018				
Hedging transactions	(6,080)	(808)	202	(6,686)
	(6,080)	**(808)**	**202**	**(6,686)**
December 31, 2017				

Hedging transactions	(6,504)	(140)	564	(6,080)
	(6,504)	**(140)**	**564**	**(6,080)**

The year-end 2018 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, Serre Uta 1, S.R.L and Sardegna Agrienergia Uno, 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.

15 PPROVISIONS AND CONTINGENCIES

The following table provides the breakdown of provisions at December 31, 2018 and 2017:

(Thousand euros)	Non-current	Current	Total
Accounting practice for 2018			
Provision for liabilities, risks, and expenses	514	-	514
Other provisions	22	-	22
	536	**-**	**536**

(Thousand euros)	Non-current	Current	Total
Accounting practice for 2017			
Provision for liabilities, risks, and expenses	1,030	-	1,030
Other provisions	64	-	64
	1,094	**-**	**1,094**

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

(Thousand euros)	Opening balance	Provisions (Note 19.8)	Utilized	Overprovisions	Closing balance
2018					
Provision for liabilities, risks, and expenses	1,030	-	(422)	(94)	514
Other provisions	64	-	(42)	-	22
	1,094	**-**	**(464)**	**(94)**	**536**

(Thousand euros)	Opening balance	Provisions (Note 19.8)	Utilized	Overprovisions	Closing balance
2017					
Provision for liabilities, risks, and expenses	1,340	-	-	(310)	1,030
Other provisions	64	-	-	-	64
	1,404	**-**	**-**	**-**	**1,094**

Un 2018, the movements pertained to:

- Application of the provisions for possible non-payment of leases amounting to 464 thousand euros.

- Reversal of 94 thousand euros from directly and indirectly held investees that are no longer in a situation deemed cause for dissolution.

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.

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 2018.

Due to the termination of its operations in Brazil, the Solaria group received assistance regarding potential claims. During 2018 and 2017, the Solaria Group advisors concluded that there are no probable disbursement risks facing the Group as a result of the above claims.

16. FINANCIAL LIABILITIES

16.1 Bank borrowings, bonds, and other marketable securities.

The breakdown of this heading at December 31, 2018 and 2017 was the following:

(Thousand euros)	Current	Non-current	Total
Accounting practice for 2018:			
Bank loans and borrowings	4,565	44,836	49,401
Bonds and marketable securities	6,649	128,311	134,960
Accrual interests	1,022	-	1,022
Debt formalization expenses	(96)	(1,868)	(1,964)
	12,140	**171,279**	**183,419**
(Thousand euros)	**Current**	**Non-current**	**Total**
Accounting practice for 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**

The Group's main loans and policies during 2018 and 2017 follow:

Type of contract	Society	Original lender	Date of initial contract	Due date or the end of contract	Loan initial amount (euros)	Value at 2018	Value at 2017	Non-current at 2018	Non-current at 2017

Bonds and marketable securities	Solaria Casiopea, S.A.U.	Bondholders	12/22/2017	09/30/2040	9,200	8,889	9,200	8,136	753
Bonds and marketable securities	Globasol Villanueva 1, S.A.U.	Bondholders	05/18/2016	01/31/2037	45,300	40,928	42,596	39,192	1,736
Bonds and marketable securities	Planta Solar Puertollano 6	Bondholders	02/27/2017	12/31/2037	45,100	41,618	43,387	39,704	1,914
Bonds and marketable securities	Magacela Solar	Bondholders	07/21/2017	06/30/2037	47,100	43,525	45,646	41,279	2,246
Loan	Solaria	La Caixa	01/02/2013	12/02/2024	519	242	283	149	93
Loan	Natelu	Corporación Interamericana de Inversiones	09/09/2916	08/15/2034	12,200	10,301	10,173	9,971	330
Loan	Yarnel	Corporación Interamericana de Inversiones	09/09/2916	08/15/2034	12,774	10,789	10,645	10,445	344
Loan	Serre UTA	Intesa San Paolo	10/15/2010	06/30/2028	23,000	15,521	16,132	13,429	2,092
Loan	Sardegna Agrienergia 1 S.r.l.	Banca Infrastrutture Innovazione	01/01/2011	60/30/2028	18,300	12,548	-	10,842	1,706
Debt formalization expenses						-1,964	-2,053	-1,868	-96
Accrued interests						1,022	837		1,022
Total						**183,419**	**176,846**	**171,279**	**12,140**

During 2018 and 2017, 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:

<u>GLOBASOL VILLANUEVA 1, S.A.U.</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.

During 2018, the Company met its debt service coverage needs.

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 2018, 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 2018, the Company met its debt service coverage needs.

Natelu y 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.

SAE1

On October 28, 2011, the subsidiary Sardegna Agrienergia Uno, S.r.l. signed a Project Finance loan agreement with a financial entity; the principal on the loan was 18,300 thousand euros, and used to finance the acquisition of the two solar energy plants. The loan's duration was 17 years, maturing on June 30, 2028. On March 20, 2012, the company and the financial institutions signed an addenda to the loan agreement by virtue of which the current payment calendar was amended. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 16.4).

Serre Uta

On September 15, 2010, the subsidiary Serre UTA 1, Societá Agricola, S.r.l. signed a Project Finance loan agreement with a financial entity; the principal on the loan was 23,000 thousand euros, and used to finance the acquisition of a solar energy plant. The loan's duration was 18 years, maturing on December 31, 2028. On December 22, 2015, the company and the financial institutions signed an addenda to the loan agreement by virtue of which the current payment calendar was amended; maturity is now scheduled for June of 2028. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 16.4).

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.

16.2 Grants

The parent had grants in the net amount of 2,217 thousand euros during 2018 (2017: 2,296 thousand euros). The Group recognized 62 thousand euros for grants received in 2018 (2017: 62 thousand euros).

16.3 Finance lease contracts

The Group's financial lease contracts during 2018 and 2017 follow:

Type of contract	Society	Original lender	Date of initial contract	Due date	Loan initial amount (euros)	2018 (Thousand euros)	2017 (Thousand euros)	Non current 2018 (Thousand euros)	Current at 2018 (Thousand euros)
Leasing	Solaria Energía y Medioambiente	Credit Agricole	12/13/2010	06/07/2023	3,000	1,367	1,614	1,115	252
Leasing	Marche	Natixis, Monte dei Paschi di Siena y Ubi Leasing	02/09/2011	02/09/2029	14,015	7,973	8,498	7,415	558
Lands – NIIF16		-				11,143	-	10,365	778
Total						**20,483**	**10,112**	**18,895**	**1,588**

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

	Thousand euros	
	2018	2017
Until a year	1,588	772
Between 1 and 5 years	7,942	3,860
More than 5 years	10,953	5,480
Actual value of liabilities due to leasing	**20,483**	**10,112**

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 2018 and 2017.

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 16.4).

16.4 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 2018 and 2017 as follows:

(Thousand euros)	2018	2017
Non-current debt – Derivatives	2,103	577
Current debt – Derivatives	778	156
	2,881	**733**

Thanks to the emission of the "Project Bond," the Group restructured its bank financing to finance itself using a fixed-rate issue (Note 16.1). 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:

(Thousand euros)	Notional 2018	Notional 2017	Fair value 2018	Fair value 2017
Swap – Marche	7,973	6,958	557	733
Swap– Serre Uta	10,848	-	1,235	-
Swap – SAE	9,150	-	1,087	-
	27,971	**6,958**	**2,879**	**733**

Marche Energía, S.R.L., Serre UTA 1 Società Agricola, S.R.L. y Sardegna Agrienergia Uno, S.R.L.

To hedge the interest rates applicable to current loans, the following companies entered into two interest rate swaps with the following characteristics:

	Marche (Natixis)	SAE (Intesa San Paolo)	Serre Uta (Intesa San Paolo)
Initial notional amount (thousand euros)	11,212	9,150	10,848
Due date	09/01/2021	06/30/2028	12/31/2026
Type of interest	2,56%	2,64%	2,86%
Expiration of the notional swap	Every 6 months	Every 6 months	Every 6 months

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

(Thousand euros)	2018	2017
Year 2018	-	246
Year 2019	735	218

Year 2020	616	187
More than five years	1,969	82
	3,320	**733**

16.5 Changes in liabilities arising from financing activities

	January 1, 2018	Cash flow	NIIF 16 Aplication	Variation in the fair value	December 31, 2018
Loans and credits	37,235	13,188	-	-	50,423
Bonds and obligations	144,308	(11,312)	-	-	132,996
Leasing	10,118	(418)	11,143	-	20,843
Swap	733	2,304	-	(156)	2,881
Total liabilities for financial activities	**192,394**	**3,524**	**9,700**	**(156)**	**207,143**

17. OTHER CURRENT LIABILITIES

The breakdown of this heading at December 31, 2018 and 2017 is as follows:

(Thousand euros)	2018	2017
Non-current liabilities	**1,523**	**-**
Non-current liabilities	1,523	-
Current liabilities	**421**	**1,302**
Suppliers	232	607
Other payables	182	660
Personnel (salaries payable)	-	28
Advances from customers	7	7
	1,944	**1,302**

In 2018, the Group still owed 1.1 million euros, in accordance with the terms of the purchase-sale agreement for Sardegna Agrienergia 1, S.r.l.; the loan matures in April of 2020.

18. TAXES

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

(Thousand euros)	2018	2017
Deferred tax assets	32,755	16,745
Current tax assets	2,566	1,701
Other tax assets	1,079	369
	36,400	**18,815**
Current tax liability	1,129	194
Other tax liabilities	**369**	**1,485**
Personnel income tax withholdings	226	-
Social security	69	9
VAT	74	1,476
	1,498	**1,679**

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.

18.1 Income tax

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

2018	**Profit and Loss account**		
Thousand euros	**Increase**	**Decrease**	**Total**
Profit for the period	21,346	-	21,346
Income tax	(13,903)	-	(13,903)
Profit before taxes	7,443	-	7,443
Permanent differences:			
From the Parent Company	17	(1,857)	(1,840)
From the rest of companies in the fiscal group	926	-	926
Originating in the accounting year			
Temporary differences:			
From the Parent Company	525	(216)	309
From the rest of companies in the fiscal group	688	(2,848)	(2,160)
Originating in the accounting year			
Tax base (Previous compensation BINS)			**4,678**
Compensation BINS Fiscal group			(998)
Tax base (Compensation BINs)			**3,680**
Expenditure current tax 2017 (25%)			**920**
Tax deductions applied			**(128)**

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

2017	**Profit and Loss account**		
Thousand euros	**Increase**	**Decrease**	**Total**
Profit for the period	21,346	-	21,346
Income tax	(13,903)	-	(13,903)
Profit before taxes	7,443	-	7,443
Permanent differences:			
From the Parent Company	17	(1,857)	(1,840)
From the rest of companies in the fiscal group	926	-	926
Originating in the accounting year			
Temporary differences:			
From the Parent Company	525	(216)	309
From the rest of companies in the fiscal group	688	(2,848)	(2,160)
Originating in the accounting year			
Tax base (Previous compensation BINS)			**4,678**
Compensation BINS Fiscal group			(998)
Tax base (Compensation BINs)			**3,680**
Expenditure current tax 2017 (25%)			**920**
Tax deductions applied			**(128)**

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 2018 and 2017 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 16,846 thousand euros during 2018, and mainly corresponded to the capitalization of temporary differences from prior years, and negative tax bases (2017: 7,291 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:

Deferred tax assets	Generated	Tax base (Thousand euros)	
		2018	2017
For compensable losses	2011	58,445	58,003
For compensable losses	2012	23,486	26,621
For compensable losses	2013	59,523	60,680
For compensable losses	2014	2,270	2,270
		143,724	**147,574**

In 2018, the Group had capitalized taxable temporary differences and negative tax bases amounting to 32.755 thousand euros (2017: 16,745 thousand euros). The breakdown of deferred tax assets is as follows:

Description	2018	2017
Adjustment for change in value	4,054	2,010
Tax losses carryforward and deferred tax assets	28,701	14,735
	32,755	**16,745**

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 6,795 thousand euros during the year (2017: 5,030 thousand euros) for which it has not recognized the corresponding deferred tax assets. The breakdown of these deductions is as follows:

Generated	(Thousand euros)	
	2018	2017
2008	441	441
2009	6,339	4,574
2010	15	15
	6,795	**5,030**

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

(Thousand euros)	Opening Balance	Variations reflected in: Profit and Loss Account	Variations reflected in: Net equity	Closing Balance
Accounting practice for 2018				
Deferred tax asset				
Cash flow hedge	2,010	958		2,968
Tax losses carryforward and deferred tax assets	14,735	15,052		29,787
	16,745	16,010		32,755
	16,745			**32,755**
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**

19. REVENUE AND EXPENSE

19.1 Ordinary income

19.1.1 Revenue

The “Revenue” breakdown is included under “Segment reporting” (Note 5). Group income broken down for 2018 and 2017 follows:

(Thousand euros)	2018	2017
Spain	22,196	21,753
Italy	8,050	6,086
Latam and others	2,681	2,179
Corporative	864	1,106
	33,791	**31,124**

19.1.2 Other revenue

(Thousand euros)	2018	2017
Other incomes	1,740	3,548
Work carried out by the company for assets	3,120	-
	4,860	**3,548**

“Other revenue” includes written off supplier balances totaling 698 thousand euros (2017: 991 thousand euros), and sundry income from rentals, claims, etc.

19.2 Consumption of goods for resale and work performed by other companies

This heading breaks down as follows:

(Thousand euros)	2018	2017
Purchase of raw materials and other consumables	**-**	**147**
Work carried out by the company for assets	**1,635**	**-**
	1,635	**147**

19.3 Personnel expenses

The breakdown of these expenses is as follows:

(Thousand euros)	2018	2017
Wages, salaries and similar		
Wages and salaries	2,737	2,411
	2,737	2,411
Social security		
Social security	443	347
	443	347
	3,180	**2,758**

19.4 External services

The breakdown of “External services” is as follows:

(Thousand euros)	2018	2017
Leases (Note 8.4)	124	736
Reparations and conservation	519	76
Independent professional services	936	981
Shipping	-	4
Insurance premiums	849	620
Banking services	29	55
Advertising and public relations	9	268
Supplies	308	206
Other services	823	898
Other taxes	1,786	1,802
	5,383	**5,645**

19.5 Profit (loss)

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 (2017: 62 thousand euros).

19.6 Finance income

The breakdown of “Finance income” is as follows:

(Thousand euros)	2018	2017
Third parties interests and other regulations	31	358
	31	**358**

19.7 Finance expenses

The breakdown of “Finance expenses" is as follows:

(Thousand euros)	2018	2017
Interest with group companies and associates (Note 20.2)	761	1,168
Interest with third parties	10,315	9,531
	11,076	**10,699**

19.8 Impairment losses and gains (losses) on disposal of assets, and other

(Thousand euros)	2018	2017
Other impairment and regularization	(94)	(319)
Result for disposals of property plan and equipment (Note 8)	-	708
Property plant and equipment reversal (Note 8)	2,626	990
Negative difference in consolidated (Note 6)	1,007	2,068
	3,539	**3,447**

20. TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group performed transactions during 2018 and 2017, as well as the nature of the relationships follow:

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

20.1 Related-party transactions

The detail of balances payable to and receivable from related parties at year end 2018 and 2017 is the following:

(Thousand euros)	Parent Company
Accounting practice for 2018	
Non-current debt with related companies	10,287
TOTAL LIABILITIES	**10,287**

(Thousand euros)	Parent Company
Accounting practice for 2017	
Trade debtors and other accounts payable (Note 10)	-
TOTAL ASSETS	**-**

During 2018 and 2017, “Non-current payables to related parties” included a loan payable by the Group to its main shareholder in the amount of 10,287 and 30,336 thousand euros respectively.

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.

20.2 Transactions with related companies

The detail of transactions carried out in 2018 and 2017 with related parties and associates is as follows:

(Thousand euros)	Parent Company
Accounting practice for 2018	
External services– Rents	(124)
Financial expenses(Note 19,7)	(761)
Accounting practice for 2017	
External services– Rents	(114)
Financial expenses(Note 19,7)	(1,168)

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 124 thousand euros for these office leases during the year (2017: 114 thousand euros).

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.

20.3 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:

(Thousand euros)	2018	2017
Directors	450	450
Senior executives	699	521
	1,149	**971**

The Company had no pension plans or life insurance policies for former or current Board members at December 31, 2018 and 2017.

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 2018, 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 (2017: 15 thousand euros).

21 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:

	2018	2017
Profit attributable to ordinary shareholders of the parent company;		
For continuous operations	21,346	15,011
For interrupted operations	-	-
Profit attributable to ordinary shareholders of the parent company for basic gains	**21,346**	**15,011**
Weighted average number of ordinary shares in circulation	116,710,905	107,097,961
Gain / (Loss) per share (euros per share)	**0,18**	**0,14**
Gain / (Loss) per share for continuous operations (euros per share)	**0,18**	**0,14**

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.

22. OTHER DISCLOSURES

22.1 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**		
Accounting practice for 2018					
Engineers	22	3	25	19	-
University graduates	15	1	16	14	-
Plant personal	7	1	8	8	-
	44	**5**	**49**	**41**	**-**
Accounting practice for 2017					
Engineers	11	1	12	12	-
University graduates	9	2	11	11	-
Plant personal	7	-	7	7	-
	27	**3**	**30**	**30**	**-**

22.2 Audit fees

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

(Thousand euros)	**2018**	**2017**
Audit services	134,650	138,000
Other services related to the audit	7,261	22,000
Other services	54,958	42,500
	196,869	**202,500**

22.3 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 2018 and 2017, 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, 2018 or 2017.

22.4 Bank guarantees

During 2018, the Group has contingent liabilities for bank and other guarantees related to its renewable energy projects amounting to euros 81,800 thousand (2017: 18,892 thousand euros). The Group does not expect any liabilities or contingencies to arise from the abovementioned guarantees.

22.5 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:

	2018	2017
(Days)		
Average period of payments to suppliers	32	60
Ratio of paid operations	31	57
Ratio of pending operations	30	30
(Thousand euros)		
Total paid payments	16,839	11,304
Total pending payments	933	1,331

23. 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.

23.1 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 2018 and 2017 includes future maturities:

(Thousand euros)	From 0 until 90 days	From 90 until 180 days	Less than a year	Total liabilities
Third party clients balance 2018 (Note 9)	8,446	822	-	**9,268**
Third party clients balance 2017 (Note 9)	9,002	983	-	**9,985**

The balance of receivables during 2018 and 2017 included respective impairment provision totaling 5,670 thousand and 5,576 thousand euros (Note 10).

23.2 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 2018 and 2017, Solaria's structure was as follows:

(Thousand euros)	2018	2017
Debt with fixed interest rate	143,932	138,775
Debt with variable interest rate	39,846	38,072
Total	**183,419**	**176,847**

23.3 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.

24. SUBSEQUENT EVENTS

From December 31, 2018 until the date of preparation of these consolidated financial statements, the following significant events have taken place:

1) On February 14, 2019, the Group terminated its refinancing agreement with Banco Santander, S.A. for the Project Finance debt associated to its Italian assets, The above assets encompass 10 photovoltaic plants located in Marche and Sardinia, with a combined power of 16,67MW.

   This transaction totaled 52.2 million euros, which were drawn down on the same date as the agreement.

   This transaction represented a significant improvement in interest rates and installments applied to the financing of the plants.

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

(Thousand euros)		%	%	Carrying amount					
Indirect	Tax address	Direct holding	Indirect Holding	Cost	Capital	Reserves	2018	Prior year losses	Total
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(39)	(34)	(70)
Planta Solar Puertollano 6, S.A.	C/ Princesa nº 2, Madrid	-	100%	-	103	13.203	797	(9.970)	4.132
Planta Solar Puertollano 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	31	(20)	(334)	(320)
Pronature, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	50	33	23	(48)	58
Planta Solar Puertollano 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3		(1)	(15)	(13)
Planta FV 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3		(1)	(6)	(4)
Planta FV 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	1.020	12	(352)	683
Solaria energía y generación renovables, S.L.	C/ Princesa nº 2, Madrid	-	100%	80.807	1.965	103.932	4.234	(24.435)	85.696
Ellasona solar energía LLC (*)	2 Mesogion Ave. Athens		100%		448	793	(2)	-	1.239
Solaria energía y proyectos internacionales, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	514	55	(743)	(171)
Magacela solar 1, S.A.U.	C/ Princesa nº 2, Madrid	-	100%	-	1.509	1.248	860	(2.673)	944
Solaria casiopea, S.A.	C/ Princesa nº 2, Madrid	-	100%	-	60	-	55	(6)	109
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.A.	C/ Princesa nº 2, Madrid	--	100%	-	795	9.259	704	(5.243)	5.515
Solaria Italia, S.R.L.	Largo F. Richini, 6 Milan	100%	-	-	10	406	-	(812)	(396)
Marche energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	7.297	736	(7.527)	516
Ollastra energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	400	(136)	(20)	254
Solaria Brasil, S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%	-	-	-	-	-	-
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1.451	(308)	(60)	1.085
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1.533	(432)	(116)	987
Planta mesosolar 1, S.A.	Ciudad de Mexico Distrito Federal	-	100%	3	3	-	(11)	(19)	(27)
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	-	100%	3	3	-	(11)	(19)	(27)
Serre uta S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	7.316	1.605	-	8.931
Sardegna Agrienergia UNO SRL	Via Filippo Cinini,111 Roma		100%	-	1.350	97	543	-	1.990
Prodigy Orbit LDA	Rua do Alecrim,26 Lisboa		100%	-	1		()	-	1
Satellite Horizon LDA	Rua do Alecrim,26 Lisboa		100%	-	1		()	-	1
Planta FV100,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Solaria Lyra, S.r.l.	Via Babuino, 51 Roma		100%	-	10	-	-	-	10
Planta FV101,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV102,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV103,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV104,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV105,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV106,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV107,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV108,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV109,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV110,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV111,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV112,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV113,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV114,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV115,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV116,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3
Planta FV117,S.L.	C/ Princesa nº 2, Madrid		100%	-	3	-	-	-	3

(*) Companies under joint control of a third party in each case

None of the Group companies in which the Company has an investment are listed on the stock exchange.

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(€ thousand)

(Thousand euros) Indirect	Tax address	% Direct holding	% Indirect Holding	Carrying amount Cost	Capital	Reserves	2018	Prior year losses	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/ Balbino Marrón, Sevilla	-	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
Tecnicas 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 deustchland 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

(*) Companies under joint control of a third party in each case

None of the Group companies in which the Company has an investment are listed on the stock exchange.

2018 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.

At year end, Solaria was the parent of a Group comprising 48 companies (2017: 30 companies), all of which are 100% direct/indirect investees of the Company.

During 2018 the Group was comprised of the following companies:

Direct wholly-owned subsidiaries:

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 4, S.L.U., Planta FV 3, S.L.U., Solaria Energía Generación Renovable S.L.U., Solaria Energía Proyectos Internacionales S.L.U., and Solaria Italia S.R.L.

Indirect wholly-owned subsidiaries:

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., Planta FV100, S.L., Planta FV101, S.L., Planta FV102, S.L., Planta FV103, S.L., Planta FV104, S.L., Planta FV105, S.L., Planta FV106, S.L., Planta FV107, S.L., Planta FV108, S.L., Planta FV109, S.L., Planta FV110, S.L., Planta FV111, S.L., Planta FV112, S.L., Planta FV113, S.L., Planta FV114, S.L., Planta FV115, S.L., Planta FV116, S.L., Planta FV117, S.L., Marche Energia, S.r.l., Serre UTA S.r.l, Sardegna Agrienergia Uno, S.r.l., , Ollastra Energia, S.r.l., Natelu, S.A., Yarnel, S.A., Mesolar 1 S.A. de CV y Mesolar 2, S.A. de CV., Satellite Horizón Lda., Prodigy Orbit, Lda., Solaria Lyra, S.R.L. and Elassona Solar Energiaki LLC.

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 January of 2018, through its subsidiary Solaria Energía y Generación Renovable, S.L., the Solaria Group reached an agreement with the venture capital fund Eland Energías Renovables III F.C.R. to acquire and obtain control of Sardegna Agrienergia 1, S.r.l., owner of the two photovoltaic solar energy plants with a total capacity of 4.29 MWp located in Sardinia (Italy). The transaction was carried out on June 13, 2018.

During January of 2018, the Solaria Group also took control of Elassona Solar Energiaki LLC, the company which originally was held 50% through Solaria Energía y Generación Renovable S.L. thanks to the acquisition of Solutions Societe Anonyme of Energy and IT of the remaining 50% in the company. Elassona Solar Energiaki LLC owns four plants in Greece, with 100 kW each.

On November 15, 2018, 18 new companies were formed to foster and developing new photovoltaic plants in Spain.

On December 21, 2018, Solaria Lyra s.r.l. was created as the vehicle for financing a group of Italian companies, which will become subsidiaries: Marche Energía s.r.l., Ollastra Energía s.r.l,, Sardegna Agrienergia 1, s.r.l y Serre Uta 1 s.r.l.

BUSINESS OUTLOOK

The most significant events which occurred in 2018 were as follows:

1) Acquisition of new companies:

During January of 2018, through its subsidiary Solaria Energía y Generación Renovable, S.L., the Solaria Group reached an agreement with the venture capital fund Eland Energías Renovables III F.C.R. to acquire and obtain control of Sardegna Agrienergia 1, S.r.l., owner of the two photovoltaic solar energy plants with a total capacity of 4.29 MWp located in Sardinia (Italy). The transaction was carried out on June 13, 2018.

During January of 2018, the Solaria Group also took control of Elassona Solar Energiaki LLC, the company which originally was held 50% through Solaria Energía y Generación Renovable S.L. thanks to the acquisition of Solutions Societe Anonyme of Energy and IT of the remaining 50% in the company. Elassona Solar Energiaki LLC owns four plants in Greece, with 100 kW each.

2) Capital increase in parent company capital

On July 13, 2018, the Group's parent terminated the capital increase under the following terms:

- The transaction was the result of the completion of the private placement of newly-issued shares and treasury shares. The total amount arising from the capital increase was 96,786,862 euros.
- Capital increase in the nominal amount of 153,448.44 euros through the issue and placement into circulation of 15,344,884 newly-issued shares at one euro cent (0.01) nominal value each. The interest rate on the new issued shares was established at 5.80 euros per share, of which one cent corresponds to nominal value, and a 5.79 euros to share premium.
- Within the context of the capital increase, the Company place the entirety of the shares held as treasury stock totaling 1,342,546.
- The Group's shareholder structure subsequent to the transaction follows:

	Current		Previous	
	Number of shares	%	Number of shares	%
DTL Corporación, S,L,	62,237,333	49.81%	62,237,333	56.78%
Treasury shares	-	-	1,342,546	1.21%
Continuous market	62,713,543	50.19%	46,026,153	42.01%
Total	**124,950,876**	**100.00%**	**109,606,032**	**100.00%**

3) Project declaration

On April 13, 2018, in compliance with the terms outlined in RD 650/2017 and ETU/615/2017 related to the power awarded during the July 2017 auction, the Ministry for Energy, Tourism, and Digital Agendas formally announced the locations for the projects to be built under its remuneration scheme, with an excess of up to 50% of awarded power: 375 MW for Solaria.

The above projects are located in: Extremadura, Castilla y Leon, Aragon, and Castilla La Mancha.

4) PPA agreement with Repsol

On November 15, 2018, Solaria closed a long-term power purchase agreement (PPA) with Repsol for 7 years, and a total contracted power of 52MW generated by two photovoltaic installations located in Spain.

Energy for this agreement is to be supplied for the two photovoltaic solar energy plants: 30 MW in Castilla y Leon, and another 22 MW in Castilla la Mancha.

5) Second PPA agreement signed with Repsol

On December 3, 2018, Solaria closed a long-term power purchase agreement (PPA) with Repsol for 7 years, and a total contracted power of 50MW generated by two photovoltaic installations located in Spain.

As a result of this agreement, the total power covered by the PPA by Solaria and Repsol is 102 MW.

6) Start of construction on the 400 MW package

On December 13, 2018, Solaria communicated that it began construction of 400MW in different locations across Spain, and therefore contracted the supply of critical electricity teams to ensure compliance with the building schedule. SUNGROW supplies the transformation and investment centers, while SIEMENS handles the supply for the high-tension network connection transformers.

These teams are used in construction of the photovoltaic plants located in Caceres, Valladolid, Salamanca, Toledo, Cuenca, and Huesca, with a total power of 400MW, equivalent to the annual electricity supply for a city of 150,000 inhabitants. Over 1,100,000 photovoltaic solar modules were used in execution.

FINANCIAL REPORT

At December 31, 2018, the Group presented net sales in the amount of 33,791 thousand euros, consolidated EBITDA totaling 32,147 thousand euros, and net profits of 21,345 thousand euros, which would represent respective increases of 9%, 13%, and 42% vs. 2017. This is all part of sticking to a growth plans based on generating electricity using photovoltaic solar energy plants; growth is based on developing new generation plants and acquiring others already in operation.

The parent’s directors provide financial information broken down by the geographic segments in which it competes or develops renewable energy generation installations.

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

(Thousand euros)	2018	%	2017	%
Sales Spain	22,195	65%	21,753	70%
Sales Italy	8,050	24%	6,086	20%
Sales LATAM and others	2,681	9%	2,179	7%
Corporative sales and others	865	2%	1,105	3%
Total Sales	**33,791**	**100%**	**31,123**	**100%**

Increases in “Other income” arose from higher volumes of costs capitalized, arising as a result of the promotion, development, and construction of the new projects executed in Spain.

“Employee benefits expense” rose 15% due to an increase in staff over the year, which were added as a result of the upcoming expansion of the Group.

The increase in this heading was mainly due to the incorporation of Sardegna Agrienergía 1, S.r.l. and Elassona Solar Energiaki, LLC to the scope of consolidation; these companies manage the photovoltaic plants in Italy and Greece, respectively. The rise is also due to the fact that in 2017, amortization was recorded for a 6-month period, as the plants were only operational during the second half of the year.

Finance results for the year included costs of 11,074 thousand euros (2017: 10,340 thousand euros), which represented a 7% increase in finance costs vs. 2017 due to the inclusion of the costs linked to the financing of the Sardegna Agrienergia 1 plant.

The main variations under “Cash and cash equivalents,” which indicated the Company’s liquidity after the capital increase carried out on July 13, 2018 follow: This increase also explains the rise in the amounts under “Capital” and “Issue premium,” as well as Group equity.

Decreases in “Investments in companies consolidated using the equity method” arose as a result of the acquisition of 100% of Elassona Solar Energiaki, LLC., previously held in 50% and over which no control was exerted, with the elimination of the investment under this heading (as it is now fully consolidated).

The rise in “Bank borrowings” was the result of including the Company's borrowings (similar to Project Finance) for Sardegna Agrienergia 1, which was partially mitigated by payment installments on the loan during the year based on the respective maturity calendars.

The Solaria Group had positive working capital in the amount of 89,415 thousand euros, which represents multiplying the amount at year end 2017 (20,491 thousand euros) by 4.3, as a result of the capital increase carried out by the Group parent on July 13, 2018.

TREASURY SHARES

As discussed in ”Capital increases,” and within the framework of this transaction, the parent sold the entirety of its 1,342,546 treasury shares at a capital gain of 5,542 thousand euros.

GROUP OUTLOOK

2018 ended with a robust, healthy balance sheet, which was attributable to the Group’s debt restructuring process, and above all, the capital increase carried out in July of 2018. The Solaria Group’s outlook will be affected by the following:

- Execution and connection of the first 400 MW package: The Group’s efforts are now focused on terminating the construction and connection of the first set of promoting solar energy pants, which will represent an exponential growth in the Group’s energy generation.

- Launch of a second set of construction projects: The Group intends to launch the second group of projects under execution, to become one of the top energy generators using photovoltaic solar energy worldwide.

- Continue developing the project portfolio: 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.

- Sale of non-core assets: The Group is working to sell off real estate assets, such as the old manufacturing plants which no longer have any strategic value for our business model.
- Financial optimization: We will continue to work on optimizing the financing of existing assets, be it through refinancing, or even considering the possibility of selling off minority investments of some.

KEY MARKET RISKS

Martket risk

Market risk arises as a result of excessive positioning in a single market, and serious dependence on the regulatory system. To reduce these risks and dependence and the regulated Spanish market, we are working on diversifying geographically; examples are the purchase of Agrienergia 1 and 50% of Elassona Solar. Dependence of Spanish projects on the regulatory system is low, and virtually none at all for projects not involved in auctions.

Liquidity risk

The Group ensures its solvency and flexibility thanks to non-current borrowings with a good capital ratio, which only represent around 1.5% of total available cash.

Thanks to the capital increase carried out during the year by the parent, the Solaria Group consolidated its solvency, with sufficient cash balances to meet its commitments.

Capital management

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) Market risk

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 price risk arising from energy sales on the market. Management handles this risk by contemplating the market environment when transactions take place, analyzing the possibility of signing contracts with closed prices. Solaria closed two long-term energy sale deals at a set price with Repsol, and we continue to seek out similar arrangements with leading counterparties.

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 policy involves contracting interest rate risk derivatives for those ranging from 75% to the total of its variable rate loans.

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.

Thanks to issuing different bonds during recent years, the most probable market risk would be interest rate fluctuations, which will be neutralized since the bonds pay annual fixed interest.

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.

The Group's chief activity is energy sales. For regulated systems, such as the plants located in Spain or Italy, credit ratings are determined by the country and system defining these regulations.

Sales under Long-term Power Purchase Agreements (PPA) involve evaluations and selections based on the counterparty's creditworthiness. This is reflected in the PPAs signed with companies having recognized solvency and prestige, such as Usinas y Transmisiones Eléctricas (UTE) and Repsol S.A., both with investment grade credit ratings.

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 2018 financial statements on Febrero 25, 2019.

Enrique Díaz-Tejeiro Gutiérrez
Chairmen

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

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

Manuel Azpilicueta Ferrer
Board Member

Carlos Abad Rico
Board member