Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

VELA ENERGY EQUITYCO, S.L. and SUBSIDIARIES
Consolidated Financial Statements and Consolidated
Management Report for the year ended
December 31, 2018

Ernst & Young, S.L.
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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

To the Sole Shareholder of Vela Energy Equityco, S.L. at the request of the Sole Director:

Opinion

We have audited the consolidated financial statements of Vela Energy Equityco, S.L. (the Parent), and its subsidiaries (the Group) which comprise the consolidated statement of financial position as 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 ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the 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 regulations are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks 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 risks.

Deferred tax assets

Description

At December 31, 2018 the Group has tax loss carryforwards and other deferred tax assets amounting to 19,995 thousand euros. The recoverability of these assets mainly depends on the Group's capacity to generate sufficient future tax profits and within the period for which the Group can provide clear evidence of recovery. We consider the valuation of deferred tax assets as the most relevant audit issue, given the valuation process is complex, requiring Management to perform significant estimates and because the amounts recorded are materials.

Breakdowns including key aspects and movements related to the deferred tax assets valuation are reflected in the Note 13 of the accompanying consolidated notes.

Our response

As part of our audit procedures, among others, we have performed:

- The analysis of the recoverability of the deferred tax assets by assessing the estimated future taxable profits and other tax hypothesis included in the analysis performed by the Parent's management.
- Checking the estimated future taxable profits against historical information.
- Review the disclosures included on the accompanying consolidated financial statements comply with the applicable regulatory financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the Parent's Sole Director and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation 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 in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Parent's Sole Director responsibilities for the consolidated financial statements

The Parent's Sole Director is 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 the IFRS-EU and other provisions in the regulatory framework applicable in Spain, and for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Sole Director is 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 Parent's Sole Director either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 Parent's Sole Director.

- Conclude on the appropriateness of the Parent's Sole Director 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 Parent's Sole Director 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.

From the significant risks communicated with the Parent's Sole Director, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

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

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

(signed on the original version In Spanish)

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

May 30, 2019

Vela Energy Equityco, S.L. and Subsidiaries

Consolidated financial statements for the year ended 31 December 2018 and consolidated management report, together with the independent auditor's report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(Thousands of euros)

ASSETS	Notes to the financial statements	2018	2017
NON-CURRENT ASSETS		297,224	331,948
Intangible assets	Note 5	41,292	45,806
Rights of use		34,476	38,106
Other intangible assets		6,816	7,700
Property, plant and equipment	Note 6	234,798	264,151
Land and buildings		1,386	1,386
Plants		233,057	262,409
Other property, plant and equipment		355	356
Non-current financial investments	Note 7	1,139	1,138
Deferred tax assets	Note 13	19,995	20,853
CURRENT ASSETS		47,812	55,606
Inventories		41	53
Trade and other receivables		14,788	16,106
Receivables from Group companies	Note 14	1	1
Trade receivables from sales and services	Note 8	13,972	14,756
Other receivables from Public Administrations	Note 13	569	1,334
Other receivables		246	15
Investments in Group companies	Note 14	-	26
Current financial assets	Note 7	20,438	20,572
Current prepayments and accrued income		265	313
Cash and other cash equivalents	Note 10	12,280	18,536
TOTAL ASSETS		345,036	387,554

EQUITY AND LIABILITIES	Notes to the financial statements	2018	2017
EQUITY		(41,305)	(26,032)
SHAREHOLDERS'EQUITY	Note 11	(41,305)	(26,032)
Share Capital		3	3
Issued capital		3	3
Issue premium		53,875	70,558
Legal reserve		1	1
Consolidation reserves		(96,628)	(91,960)
Other shareholder contributions		231	34
Profit or loss for the period		1,213	(4,668)
NON-CURRENT LIABILITIES		357,387	381,775
Long-term provisions	Note 19	2,006	1,952
Non-current borrowings	Note 12.1	324,739	347,612
Bonds and other marketable securities		324,732	347,605
Other non-current borrowings		7	7
Non-current debt to Group companies and associates	Note 14	23,876	24,612
Deferred tax liabilities	Note 13	6,766	7,599
CURRENT LIABILITIES		28,954	31,811
Current borrowings	Note 12.1	23,235	22,682
Bonds and other marketable securities		23,235	22,682
Current debt to Group companies and associates	Note 14	1,326	2,495
Current payables to Group companies and associates	Note 14	95	567
Trade and other payables		4,298	6,067
Payables	Note 12.2	796	1,818
Other accounts payables to Public Administrations	Note 13	3,502	4,249
TOTAL EQUITY AND LIABILITIES		345,036	387,554

The accompanying Notes 1 to 22 are an integral part of the consolidated statement of financial position at 31 December 2018

Vela Energy Equityco, S.L. and Subsidiaries
2018 CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

	Notes to the financial statements	2018	2017
CONTINUING OPERATIONS			
Net sales	Note 15.a	58,650	58,196
Sales		58,650	58,196
Procurements	Note 15.c	(4,083)	(4,141)
Other operating revenues		235	22
Personnel expenses	Note 15.d	-	(3)
Other operating expenses	Note 15.e	(4,578)	(5,590)
Outside services		(1,102)	(1,217)
Taxes other than income tax		(3,476)	(4,373)
Depreciation and amortization charge	Note 15.f	(33,867)	(33,835)
PROFIT FROM OPERATIONS		16,357	14,649
Finance income		1	6
Other finance income		1	4
From marketable securities and other financial instruments		-	2
Finance costs	Note 15.g	(14,649)	(15,421)
On debts to Group companies and associates	Note 14	(2,446)	(1,942)
Bonds and other marketable securities		(12,105)	(12,826)
Other finance costs		(98)	(653)
FINANCIAL LOSS		(14,648)	(15,415)
PROFIT (LOSS) BEFORE TAX		1,709	(766)
Income tax	Note 13	(496)	(3,902)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,213	(4,668)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		1,213	(4,668)

The accompanying Notes 1 to 22 are an integral part of the consolidated income statement for 2018

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of euros)

	Notes to the financial statements	2018	2017
Consolidated profit for the year (I)		1,213	(4,668)
Income and expense recognized directly in equity		-	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY (II)		-	-
Transfers to the consolidated income statement		-	-
TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT (III)		-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)		1,213	(4,668)

The accompanying Notes 1 to 22 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of euros)

	Share Capital (Note 11.a)	Issue Premium (Note 11.b)	Legal reserve (Note 11.c)	Consolidation reserves (Note 11.e)	Other shareholder contributions (Note 11.d)	Profit for the period	Non-controlling interests	TOTAL
BALANCE AT 31 DECEMBER 2016	3	78,700	-	(109,465)	34	17,506	-	(13,222)
Total recognized income and expense	-	-	-	-	-	(4,668)	-	(4,668)
Distribution of the consolidated profit 2016	-	-	1	17,505	-	(17,506)	-	-
Transactions with shareholders								
Distribution of dividends	-	-	-	-	-	-	-	-
Shareholder contributions	-	-	-	-	-	-	-	-
Return of shareholder contributions	-	(8,142)	-	-	-	-	-	(8,142)
BALANCE AT 31 DECEMBER 2017	3	70,558	1	(91,960)	34	(4,668)	-	(26,032)
Total recognized income and expense	-	-	-	-	-	1,213	-	1,213
Distribution of the consolidated profit 2017	-	-	-	(4,668)	-	4,668	-	-
Transactions with shareholders								
Shareholder contributions	-	-	-	-	197	-	-	197
Return of shareholder contributions	-	(16,683)	-	-	-	-	-	(16,683)
BALANCE AT 31 DECEMBER 2018	3	53,875	1	(96,628)	231	1,213	-	(41,305)

The accompanying Notes 1 to 22 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT FOR 2018

(Thousands of euros)

	Notes to the financial statements	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		35,747	31,476
Profit for the year before tax		1,709	(766)
Adjustments for:		48,515	49,250
- Depreciation and amortization charge	Note 15.f	33,867	33,835
- Finance income	Note 15.g	(1)	(6)
- Finance costs	Note 15.g	14,649	15,421
Changes in working capital		35	2,966
- Trade and other receivables		1,564	3,554
- Other current assets		149	(1,091)
- Trade and other payables		(1,678)	503
Other cash flows from operating activities		(14,512)	(19,974)
- Interest paid		(13,642)	(19,792)
- Interest received		1	4
- Income tax paid		(871)	(186)
CASH FLOWS FROM INVESTING ACTIVITIES		(337)	(1,530)
Payments for investments (-)		(337)	(1,530)
- Property, plant and equipment	Note 6	(337)	-
- Acquisitions of corporate business combinations		-	(1,530)
CASH FLOWS FROM FINANCING ACTIVITIES		(41,666)	(39,269)
Proceeds from and payments for equity instruments	Nota 11	(16,486)	(8,142)
- Issue of equity instruments (+)		197	-
- Redemption of equity instruments (-)		(16,683)	(8,142)
Proceeds from and payments for financial liability instruments		(25,180)	(31,127)
- Issue:			
Bonds and other marketable securities (+)	Nota 12.1	-	-
Debt to Group companies and associates (+)		-	-
- Redemption and repayment of:			
Bonds and other negotiable securities (-)	Nota 12.1	(22,682)	(30,638)
Debt to Group companies and associates (-)		(2,498)	(489)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6,256)	(9,323)
Cash and cash equivalents at beginning of period	Nota 10	18,536	27,859
Cash and cash equivalents at end of period	Nota 10	12,280	18,536

The accompanying Notes 1 to 22 are an integral part of the consolidated statement of cash flows for 2018

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company Group in Spain (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

Vela Energy Equityco, S.L. and Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018

1. Group activity and companies

Vela Energy Equityco, S.L. (Sole-Shareholder Company) (hereinafter, Vela Energy Equityco, S.L. or the Parent) and its subsidiaries constitute a group of companies (hereinafter, the Group).

Vela Energy Equityco S.L. (Sole-Shareholder Company) was incorporated for an indefinite period on February 11, 2016 and was entered in the Companies Registry on that date. The Parent's Sole Shareholder at 31 December 2017 is Vela Energy Luxembourg Holdco 2 SARL.

On 31 December 2016, a new share purchase agreement was signed relating to New VE Holdco, S.L. and Vela Energy Luxemburgo GP SARL (companies that indirectly own the totality of the shares of the Parent company), being the sellers Vela Dutch 1, B.V., Vela Dutch 2, B.V., Vela Energy Luxemburgo Holdings NR S.á.rl and the buyers Sonnedix España S.L.U., Sonnedix BV and International Solar Services Limited. The agreement included the purchase of ordinary shares in New VE Holdco, S.L. and in Vela Energy Luxemburgo GP SARL.

On March 22, 2017 all the clauses included in the aforementioned agreement were fulfilled, so that the Sole-Shareholder (last) of Vela Energy Equityco, S.L. and its subsidiaries since said date is Sonnedix España, S.L.U.

In addition, in this transaction, Vela Dutch 2, B.V. ceded to Sonnedix B.V. the subordinated loans that previously were extended to the Vela Energy Equityco subsidiaries.

Thus, as of December 31, 2018, the Parent Company is part of a Group of companies (Sonnedix España Group), whose Parent company is Sonnedix España, S.L.U., a Spanish company that issues consolidated financial statements and consolidated management report, being its registered office located in Madrid, Principe de Vergara Street, number 108.

Likewise, Vela Energy Equityco, S.L. is the head of the Group and consolidated financial statements are issued voluntarily pursuant to Spanish law, in accordance with the current regulation as the Parent consolidates in Sonnedix España Group, registering their consolidated financial statements in the Spanish Companies Registry.

The Parent's registered office is at Jenner Street, 3, 4°, in Madrid.

Appendix I sets out a list of subsidiaries, associates and direct or indirect investees in which Vela Energy Equityco, S.L., holds direct or indirect interest, as well as the consolidation methods applied, registered addresses, activities, percentages of ownership interest (direct and indirect), and the most relevant financial information on said entities. Further, no subsidiary was excluded from the consolidation process.

Group activity

The Group's business model is aimed at operating renewable energy power plants in Spain. The Group uses photovoltaic technology to generate this electricity. The Group's installed capacity at 31 December 2018 and 2017 came to 98.62 MWp (87.85 MW of nominal aggregate power capacity).

During the years 2018 and 2017, there were no new business combinations or any changes in the Group consolidated perimeter with respect to the previous year.

The Group currently operates the following photovoltaic power stations:

1. Photovoltaic power station with 19 sub-stations, located in Villanueva de la Jara (Cuenca) and owned by the Group company Siluendor Plano, S.L.

2. Photovoltaic power station located in San Martín de la Vega (Madrid) and owned by the Group company Unified Group, S.L.

3. Photovoltaic power station with 8 sub-stations, one of which is located in Vic (Barcelona), three in Isona (Lérida), two in Torres del Segre (Lérida), one in Palau D´Anglesola (Lérida) and another in Bellvís (Lérida), owned by the Group company Cruanorna, S.L.

4. Photovoltaic power station with 19 sub-stations, located in Villacarrillo (Jaén) and owned by the Group company Gapalencos, S.L.

5. Photovoltaic power station with 6 sub-stations, located in Arroyo de Cuellar (Segovia) and owned by the Group company Arroyo Solar, S.L.

6. Photovoltaic power station located in Mejorada (Toledo) and owned by the Group company Vela Energy SPV VI, S.L.

7. Photovoltaic power station located in Blanca (Murcia) and owned by the Group company Vela Energy SPV VIII, S.L.

8. Photovoltaic power station with 9 sub-stations, located in Pinos Puente (Granada) and owned by the Group company Vela Energy SPV XII, S.L.

9. Photovoltaic power station located in Albacete and owned by Proyectos Integrados de Renovables 2, S.L.

10. Photovoltaic power station with 18 sub-stations, located in Ecija (Sevilla) and owned by the Group company Vela Energy SPV XI, S.L.

11. Photovoltaic power station with 17 sub-stations, located in Caudete de las Fuentes (Valencia) and owned by the Group company Parque Solar Caudete, S.L.

12. Nine photovoltaic power stations comprising 207 sub-stations, located in Granada, Ciudad Real, Cáceres and Badajoz, owned by the Group company Vela Energy SPV XV, S.L.

13. Photovoltaic power station with 10 sub-stations, located in Medina del Campo (Valladolid) and owned by the Group company Vela Energy SPV IX, S.L.

14. Photovoltaic power station located in Zalamea de la Serena (Badajoz) and owned by the Group company Capur Business, S.L.

15. Photovoltaic power station located in Madridejos (Toledo) and owned by the Group company Vela Energy SPV XIV, S.L.

16. Photovoltaic power station located in Villanueva de Córdoba (Córdoba) and owned by the Group company Villanueva Cosolar, S.L.

17. Photovoltaic power station with 10 sub-stations, located in Chozas de Abajo (León) and owned by the Group company Vela Energy SPV XIII, S.L.

18. Photovoltaic power station with 14 sub-stations, located in Torremejía (Badajoz) and owned by the Group company Vela Energy SPV XXI, S.L.

19. Photovoltaic power station with 6 sub-stations, located in Lorca (Murcia) and owned by the Group company Vela Energy SPV XXII, S.L.

20. Photovoltaic power station with 20 sub-stations, located in Lupiñen (Huesca) and owned by the Group company Diversia Solar, Proyectos y Explotaciones de Parques Solares, S.L.

21. Photovoltaic power station with 1 sub-station, located in Campolara (Burgos) and owned by the Group company Sociedad de Explotación Fotovoltaica Omega, S.L.

22. Photovoltaic power station with 19 sub-stations, located in Linares (Jaén) and owned by the Group company Vela Energy SPV XXV, S.L.

23. Photovoltaic power station with 10 sub-stations, located in Dos Hermanas (Sevilla) and owned by the Group company Vela Energy SPV IV, S.L.

24. Photovoltaic power station with 19 sub-stations, located in Sanlúcar la Mayor (Sevilla) and owned by the Group company Vela Energy SPV XXIII, S.L.

25. Photovoltaic power station with 57 sub-stations, located in Las Cabezas de San Juan (Sevilla) and owned by the Group company Vela Energy SPV XXIV, S.L.

26. Photovoltaic power station with 12 sub-stations, located in Albaidas (Valencia) and owned by the Group company Vermarozul, S.L.

27. Photovoltaic power station with 35 sub-stations, located in Villena (Alicante) and owned by the Group company Vela Energy SPV V, S.L.

Environmental information

Given the business activities performed by the Group, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its equity, financial position and the results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these Notes to the consolidated financial statements, except the disclosures in Note 19 regarding provisions for dismantling.

2. Basis of presentation of the consolidated financial statements

2.1 Regulatory financial reporting framework applicable to the Group

The Parent's Sole Director has prepared these consolidated financial statements in accordance with the regulatory financial reporting framework applicable to the Group, which is set out in:

a) The Spanish Commercial Code and other commercial and corporate legislation.

b) International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS-EU"), with these standards applicable since 31 December 2018, as adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting principles and standards and measurement bases with a material effect and the alternatives permitted by the Standards in this respect.

c) Binding rules approving by the ICAC (Instituto de Contabilidad y Auditoría de Cuentas – Spanish Audit and Accounting Institute) enacting Spanish GAAP and its complementary regulations.

d) All other applicable Spanish accounting legislation.

Note 4 sets out the most significant accounting principles and measurement bases used in preparing these consolidated financial statements.

2.2 Basis for presentation

The accompanying consolidated financial statements are presented in thousands of euros and were prepared from the Parent's accounting records and those of the rest of companies which belong to the Vela Energy Equityco Group, with the euro as the functional currency of the Parent and its subsidiaries.

The consolidated financial statements have been in accordance with the financial reporting regulatory framework applicable to the Group, established by the International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union (hereinafter, IFRS-EU) and taking into account all mandatory accounting principles and standards and mandatory measurement bases, in addition to the Code of Commerce, the Spanish Limited Liability Companies Law and other applicable trade legislation.

Given that the accounting policies and measurement bases used in preparing these consolidated financial statements may differ from those used by certain Group entities (which use local regulations), adjustments and reclassifications have been made in the consolidation process as required to unify policies and criteria and to bring them in line with the IFRS-EU.

In order to present the different items that make up the consolidated financial statements on a uniform basis, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation, and the effect of which has had no significant impact on the consolidated financial statements.

These consolidated financial statements for 2018, prepared by the Parent's Sole-Director will be submitted for approval by The Parent's Sole Shareholder within the legally established deadlines. The Parent's Sole-Director expects that the consolidated financial statements will be approved without any modifications.

2.3 Fair presentation

These consolidated financial statements give a true and fair view of the Vela Energy Equityco Group's consolidated equity, consolidated results of its operations, consolidated changes in equity, and consolidated cash flows during 2018 and 2017.

2.4 Adoption of IFRS

The consolidated financial statements pertaining to Vela Energy Equityco, S.L. (Sole-Shareholder Company) and Subsidiaries are presented in accordance with IFRS-EU pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to prepare consolidated financial statements under IFRS-EU is established in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social order measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

None of the new standards, interpretations or modifications to standards which became applicable for the first time in 2018 had any impact on the accounting policies of the Group.

b) Standards and interpretations issued by the IASB not yet applicable in the current reporting period

The Vela Energy Equityco Group intends to adopt the standards, interpretations, and amendments thereof issued by the IASB (which are not mandatory in the European Union for the preparation date of these consolidated financial statements) when they become effective, to the extent applicable to the Group.

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, the Parent's Sole Director considers that their first-time application will not have a significant impact on its consolidated financial statements, except for when *IFRS 16 - Leases* becomes effective from January 1, 2019.

IFRS 16 - Leases

IFRS 16 was issued in January 2017 and replaces IAS 17 - Leases, as well as other interpretations of said standard issued by the IASB.

IFRS 16 establishes the rules for recognizing, measuring and presenting leases and the related disclosure requirements. It requires that all leases be accounted for using a single balance sheet model similar to that prescribed for finance leases under IAS 17. The standard provides for two lease recognition exceptions for lessees: (i) leases of low-value assets; and (ii) short-term leases (i.e., leases with a term of 12 months or less). On the lease inception date, the lessor has to recognize a liability for the payments to be made under the lease (that is, the lease liability) and an asset representing the right to use the underlying asset during the lease term (that is, the right-of-use asset). Lessees must recognize the interest corresponding to the lease liability and the expense associated with amortization of the right of use separately.

The lessees will also be obliged to reevaluate the lease liability when certain events occur (for example, a change in the lease duration, changes in future lease payments which result from changes in an index or rate used to determine the payments). The amount of any such restatements will generally be recognized by the lessee by adjusting the right-of-use asset.

Transition to IFRS 16

Vela Energy Equityco Group expects to adopt IFRS 16 for its entire operating lease portfolio at the transition date, applying the modified retroactive simplified method. Nevertheless, during 2018 the Group performed a detailed analysis of the lease agreements it was party to, assessing the potential effect of IFRS 16 on its consolidated financial statements at January 1, 2019.

The Group shall apply the exemptions proposed in the standard to the lease contracts which finalize within twelve months subsequent to the initial application date, and to those lease contracts for which the underlying asset is of a low value.

As a result of the analysis performed, the Group estimates that the opening consolidated financial position at the transition date will reflect an increase in assets and liabilities amounting to approximately 13,840 thousand euros, corresponding to the impact of the lease agreements for the land where the photovoltaic installations are located.

2.5 *Group's presentation currency*

The accompanying consolidated financial statements are presented in thousands of euros as Euro is the presentation currency for all Group companies.

2.6 *Basis of consolidation*

All subsidiaries of the Parent disclosed in Appendix I were considered in the consolidation process.

The Group applied the following criteria to determine the consolidation method applicable for each of its companies:

- Those subsidiaries in which the Group exercises effective control by holding the majority of the voting rights in their governing or decision-making bodies were fully consolidated. At 31 December 2018 and 2017, all companies comprising the Vela Energy Equityco Group were fully consolidated.

The Full consolidation method

The operations of the Parent and of the consolidated subsidiaries were consolidated in accordance with the following principles:

- The obtainment by the Parent of control over a subsidiary constitutes a business combination to which the acquisition method is applied. When the ownership is consolidated subsequently, the investment-own funds in the subsidiary are generally eliminated on the basis of the values resulting from applying the acquisition method (described below) at the date on which control was obtained.

- Business combinations are accounted for using the acquisition method, requiring determination of the acquisition date and calculation of the cost of the combination, recognising the identifiable assets acquired and the liabilities assumed at their fair value at the acquisition date. Consequently, and at certain Group companies, the fair value of the acquired rights of use (these rights are not recognised in the individual financial statements of the companies) have been recognised for licences and administrative procedures required for carrying out a project and acquired from third parties. These acquired right of use correspond to the administrative requirements (concessions, permits, licences, etc.) for carrying out the project and are essential for the construction and commissioning of the related assets. Accordingly, the rights are amortised over the useful life of the project assets.

- Goodwill or negative goodwill arising on the combination is calculated as the difference between the aggregate of the acquisition-date fair value of the recognised assets acquired and liabilities assumed and the cost of the business combination. Changes, purchases and sales of ownership interests to and from non-controlling shareholders that occur after control is assumed and that do not entail a change in control are not considered business combinations and therefore the differences recognised on first consolidation are not modified.

At the date of preparation of these consolidated financial statements, Vela Energy Equityco Group has already concluded the process of measuring the investments made in the photovoltaic power stations acquired in the business combinations during 2016. In accordance with prevailing international financial standards, this measurement must be concluded within 12 months from each acquisition date. Consequently,

a) The carrying amount of the identifiable assets, liabilities and contingent liabilities, which are recognised or adjusted to complete the initial accounting, will be calculated as if the fair value at the acquisition date had been recognised at that date.

b) Goodwill or any gain will be adjusted with effects as from the acquisition date, for an amount equal to the fair value adjustment at that date in the identifiable asset, liability or contingent liability being recognised or adjusted.

c) The comparative information presented for prior years to completing the initial accounting of the combination will be presented as if it had been completed at the acquisition date. This includes both additional depreciation and amortisation or items recognised in profit for the year after completing the initial accounting.

The cost of the combination is the sum of:

- The fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued.

- The fair value of any contingent consideration that depends on the occurrence of future events or the fulfilment of specified conditions.

The costs incurred to issue equity instruments or financial liabilities given up in exchange for the items acquired are not included in the cost of the business combination.

If a business combination is achieved in stages, such that before the acquisition date (date on which control is obtained) a previous investment existed, goodwill or the negative difference is calculated as the difference between:

- The cost of the business combination, plus the fair value at the acquisition date of any previous interest of the acquirer in the acquiree, and

- The value of identifiable assets acquired less liabilities assumed, determined as indicated above.

Any gain or loss arising from measurement at fair value at the date on which control of the previous interest in the acquired company is obtained is recognised in the consolidated income statement. If the equity interest had been measured previously at fair value, any changes in fair value not recognised in profit or loss for the year will be transferred to the consolidated income statement. There is a presumption that the cost of the business combination is the best yardstick for an estimate of the fair value of any previous interest at the acquisition date.

If the difference arising on the combination is negative, it is recognised as income in the consolidated income statement.

If at the end of the period in which the combination took place the necessary measurements to apply the accounting treatment described above to the acquisition cannot be completed, such accounting will be regarded as provisional, and the provisional values may be adjusted within the period required to obtain the necessary information, which may in no event exceed one year. The effects of adjustments made during this period are accounted for retrospectively, with changes being made to the comparative data if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

The balances and transactions and results of operations between fully consolidated companies were eliminated on consolidation.

The Group companies applied uniform accounting principles and procedures in order to present the consolidated financial statements on a consistent basis.

2.7 *Non-mandatory accounting principles applied*

No non-mandatory accounting policies have been applied. The Parent's Sole Director authorised these consolidated financial statements for issue taking into account all the mandatory accounting principles and standards with a significant effect on the consolidated statement of financial position. All mandatory accounting principles were applied.

2.8 *Changes in the scope of consolidation*

In 2018 and 2017 no changes in the scope of consolidation have been taken place with respect of the previous year.

2.9 *Critical issues regarding the measurement and estimation of uncertainties*

In preparing these consolidated financial statements, estimates were made by the Parent's Sole Director in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Although these estimates were made on the basis of the best information available at year-end 2018, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

These estimates relate basically to the following:

- The assessment of potential impairment losses on certain assets (see Note 4.c).

- The calculation of the solar plants dismantling provision (see Note 4.i).

- Income tax and deferred taxes (see Note 4.g)

  The calculation of the income tax expense requires the interpretation of prevailing tax legislation. Significant estimates and judgements must be applied in determining the expected outcome of pending lawsuits and other disputes.

  The Group evaluates the recoverability of deferred tax assets on the basis of estimated future profits and the capacity to generate sufficient profits during the periods in which the deferred tax assets are deductible. Deferred tax liabilities are recognised in accordance with the estimated net assets that will not be tax deductible in the future.

2.10 *Comparison of information*

The information contained in these consolidated financial statements for the year 2018 are presenting, for comparative purposes, with the information for 2017.

3. Regulation applicable to renewable energy production activities

The Vela Energy Equityco Group currently operates in the electricity generation market in Spain through the operation of renewable energy production facilities (the Group uses photovoltaic solar technology). At the date of authorization of the accompanying consolidated financial statements, the Group's investments were located in Spain.

The regulatory framework for the production of energy from renewable sources in Spain is described in detail below:

Electricity Sector Act and Royal Decree Law 9/2013 of July 12

At 2018 year end, the main legislative reference for electricity production was Law 24/2013, of December 26, on the Electricity Sector, which repealed Law 54/1997 of November 27.

The Act states that the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenue with specific regulated remuneration allowing these technologies to compete on an equal footing with the other technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

Under this criterion, the specific remuneration, in accordance with the technology, shall consist of:

- A term per unit of installed power to cover the investment costs of a standard installation that cannot be recovered by the sale of energy in the market, and

- A term for the operation to cover the shortfall between operating costs and revenue from participating in the market.

Remuneration shall be calculated based on a standard installation over its regulatory useful life, taking into account:

- Standard revenue from sale of the energy generated, valued at the (estimated) price on the production market,

- Standard operating costs, and

- The standard value of the original investment.

Regulatory periods of six years and half-periods of three years are established to calculate the specific remuneration. The first regulatory period began on July 14, 2013 and ends on December 31, 2019.

In the review corresponding to each regulatory period, all remuneration parameters may be modified. This includes the value used to calculate the reasonable return on the remainder of the regulatory useful life of the standard installations, which shall be set by law. Once the regulatory useful life or standard value of the initial investment in an installation has been recognized, these values may not be revised under any circumstances.

Estimates of revenue from the sale of energy generated, measured at the market production price, will be revised every three years for the rest of the regulatory period based on market price trends and forecasts for operating hours.

In addition, remuneration parameters shall be adjusted based on deviations in the market price from the estimates made for the preceding three-year period. The adjustment method shall be established by regulation and be applicable for the remainder of the installation's useful life.

Reasonable return is defined as a return generated on a project, calculated, before taxes, based on the average yield in the secondary market of Spanish 10-year bonds and applying the appropriate spread.

The first additional provision of Royal Decree Law 9/2013 sets the reasonable return for facilities entitled to premium remuneration when Royal Decree Law 9/2013 became effective, such as the average return on the secondary market of Spanish 10-year bonds for the 10 years prior to the entry into force of Royal Decree Law 9/2013, plus 300 basis points (equivalent to 7.398% for the first regulatory period).

Further, the law specifies the criteria for priority access and dispatch of electricity from high-efficiency renewable energy sources and cogeneration, as set out in European Union directives.

<u>Royal Decree 413/2014, Order IET/1045/2014, and Order ETU/130/2017</u>

On June 6, 2014, Royal Decree 413/2014 was published, regulating the production of electric energy from renewable energy sources, cogeneration, and waste. Subsequently, on June 20, 2014, Order IET/1045/2014, of June 16, approving the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste, was published.

On February 17, 2017, Order ETU/130/2017 was published for application to the regulatory half-period beginning January 1, 2017, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste.

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period. The Parent's Sole Director estimates the impact of this adjustment, concluding it is not material for the Group.

In the opinion of the Parent's Sole Director, the income generated by the Group under the new regulatory framework should be reasonably sufficient to guarantee continuity of its operations.

Royal Decree Law 15/2018

Royal Decree Law 15/2018 was published on October 5, 2018, on urgent measures for energy transition and protection of consumers.

Its sixth and seventh additional provisions establish the basis for determining tax on the value of electric energy produced and the amount of tax payment installments for the years 2018 and 2019, respectively.

Further, its eighth additional provision establishes the basis for reviewing the remuneration parameters applicable to installations that produce electricity from renewable energy sources, cogeneration, and waste as a consequence of the modification of Law 15/2012, of December 27, on tax measures for energy sustainability, and the modification of Law 38/1992, of December 28, on special taxes.

Sixth additional provision (2018)

Tax on the value of electric energy production for 2018 corresponds to the total amount receivable for the tax-paying entity for production and incorporation of electricity in the electric energy system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the last natural quarter.

The payment installments for the last quarter will be calculated based on the value of electric energy production measured in power station busbars during the tax period, less the remuneration corresponding to electricity incorporated in the system during the last natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid on the previous installments.

Seventh additional provision (2019)

Tax on the value of electric energy production for 2019 corresponds to the total amount receivable by the tax-paying entity for production and incorporation of electricity in the electric energy system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the first natural quarter.

The payment installments will be calculated based on the value of electric energy production measured in power station busbars from the beginning of the tax period until the end of the three, six, nine, or twelve months to which the previous section referred, less the remuneration corresponding to electricity incorporated in the system during the first natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid on the previous installments.

Eighth additional provision

The eighth additional provision stipulates that within a period of three months the Ministry for Ecological Transition, via ministerial order, will approve the remuneration parameters for standard installations applicable to the installations that produce electricity from renewable energy sources, cogeneration, and waste, reviewed taking into account the modifications to Law 15/2012, of December 27, on tax measures for energy sustainability, and modifications to Law 38/1992, of December 28, on special taxes, to which the sixth and seventh additional provisions refer, as well as the final first provision of this Royal Decree Law, respectively.

At the date of approval of these consolidated financial statements, said remuneration parameters had not yet been approved. Once approved, they will be applicable as soon as the aforementioned modifications to Law 15/2012 of December 27 and Law 38/1992, of December 28 come into effect, without prejudice to the reviews foreseen in article 14 of Law 24/2013 and the corresponding regulatory developments.

Royal Decree Law 1/2019

On January 12, 2019 the Official State Gazette ("BOE" in Spanish - Boletín Oficial del Estado) published this Royal Decree Law, the purpose of which is to adapt the responsibilities of the National Markets and Competition Commission ("CNMC" in Spanish - Comisión Nacional de los Mercados y la Competencia) to EU legislation, subsequent to the requirements established by EU authorities.

With respect to the installations that produce energy based on renewable sources, high-efficiency co-generation, and waste with a specific remuneration scheme, said Royal Decree Law stipulates that the value used to calculate the reasonable return on the remainder of the regulatory useful life of a standard installation, which is set by law, can be modified when the corresponding reviews for each regulatory period are performed.

Amendments to tax regulations approved in previous years

The following tax regulations, which are still effective and continue to have an impact on the Group's activity, were approved in previous years:

- Royal Decree Law 3/2016, of December 2, 2016, by virtue of which the following tax measures were adopted:

  This Royal Decree Law establishes tax measures designed to consolidate public finances and other urgent social measures. These measures affect the recoverability of tax losses incurred by companies and the impairment losses on shares which were deductible in the past.

  In addition, new limits are established for offsetting tax loss carryforwards, taking into account the minimum limit of one million euros for all cases:

  - 70% of taxable income: for periods beginning on or subsequent to January 1, 2017.

  - 50% of taxable income: when revenue amounts to at least 20 million euros but less than 60 million euros for the 12-month period.

  - 25% of taxable income: when revenue amounts to at least 60 million euros for the 12-month period.

- Royal Decree Law 12/2012, of March 30, introducing various tax and administrative measures designed to reduce the public deficit.

  Among the changes introduced, this regulation provides that net finance costs shall be deductible up to a limit of 30% of operating profit for the year. In any event, net finance costs of 1 million euros shall be deductible for the tax period.

  For companies taxed on a consolidated basis, this limit shall refer to the tax group.

- Law 16/2012, of December 27, adopting various tax measures to consolidate public finances and promote economic activity.

  Amongst other measures, this law provided that accounting depreciation of PP&E items and investment properties and accounting amortization of intangible assets for tax periods commencing in 2013 and 2014 shall be deducted from the tax base by up to 70% of the amount that would have been deducted if that percentage did not apply.

  Accounting depreciation and amortization that was not deductible in 2013 and 2014 is deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset, from the first tax period commencing in 2015.

- Law 27/2014, of November 28, on Corporate Income Tax

  The applicable tax rate was 28% from January 1, 2015 and 25% from January 1, 2016. The Law also modifies the treatment of tax loss carryforwards, which may now be applied in the future without any time limit. However, a quantitative limit on taxable income before offsetting tax loss carryforwards is established at 60% for 2016 and 70% for 2017 and beyond, allowing for a minimum of 1 million euros in any case. Furthermore, offsetting tax loss carryforwards from the year 2015 will be based on the previous regulation, which established a limit of 50% for taxable income prior to said offsetting when during the 12-month period revenue amounts to between 20 million euros and 60 million euros; and 25% of taxable income prior to said offsetting when during the 12-month period revenue amounts to more than 60 million euros.

4. Accounting policies and measurement bases

The main valuation methods applied by the Group to prepare its consolidated financial statements as of 31 December 2018 were as follows:

a) *Intangible assets (see Note 5)*

In general, intangible assets are measured initially at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment. These assets are amortised over their years of useful life.

Rights of use

As required by prevailing international standards, the Group analysed the fair values of the assets and liabilities acquired and recognised the items at the fair values determined. As indicated in Note 2.6, the Group recognised the fair value of the acquired rights to use on the consolidated statement of financial position although these rights are not recognised on the corresponding statements of the acquired companies. These assets are amortised on a straight-line basis over the useful lives of the assets associated with each photovoltaic power station, which is 18 years from the commercial operation date of the corresponding installation. In summary, these assets correspond to the acquisition price paid to third parties for carrying out a project up to the acquisition date.

Other intangible assets

Other intangible assets include mainly amounts paid for rights of way and electric power easements. These rights are amortised on a straight-line basis over the contracted period or the operations period. Furthermore, in this epigraph is included the costs directly attributable to administrative licences and authorisations recorded in the financial statements of the Vela Energy Equityco Group subsidiaries that have acquired photovoltaic projects (assets, agreements, licences, collection rights and payment obligations) to third parties.

Intangible assets are derecognised when disposed of or when no future economic benefits or returns are expected therefrom.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and will be taken to the consolidated income statement for the year incurred.

b) *Property, plant and equipment (see Note 6)*

Property, plant and equipment are initially recognised at acquisition or production cost, and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognised as indicated below.

Upkeep and maintenance expenses are taken to the consolidated income statement in the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

At the end of the useful life of certain photovoltaic power stations, the Group must dismantle them. Upon initial measurement of the asset, the Group estimates the fair value of the future cost of dismantling, retirement and restoration and capitalises, as an increase in the cost of the asset, the discounted amount of the dismantling cost. The balancing entry for this measurement is a provision, which is discounted in subsequent periods (see Note 19).

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the related assets, as follows:

	Years of estimated useful life
Plant and other property, plant and equipment	18

The useful life is counted from the start-up of the installations (regardless of when the asset was acquired by the Group).

Items of property, plant and equipment are derecognised when disposed of or when no future economic benefits or returns are expected therefrom. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and will be taken to the consolidated income statement for the year incurred.

c) Impairment of intangible assets and property, plant and equipment (see Notes 5 and 6)

At each consolidated financial statement date, the Group reviews the carrying amounts of its intangible asset and items of property, plant and equipment to determine whether there are indications of impairment. However, this process is carried out at least at the close of each period for intangible assets with indefinite useful lives and for intangible assets that have not yet entered use. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent of other assets, the Group estimates the recoverability of the cash-generating unit to which the asset belongs.

Cash-generating units relate to each of the projects carried out by the Group, i.e., to each solar farm.

Recoverable amount is the higher of market value less costs to sell and value in use, which is the determined by calculating the present value of estimated future cash flows. Generally, this parameter is used by the Company when calculating impairment, except when there is evidence of a purchase transaction, in which case the reference value is the transaction price. It is worth noting that, as an identifiable asset that generates no cash flows independently, the recoverable amount of the cash-generating unit to which said asset belongs is calculated.

In order to quantify value in use, for each cash-generating unit the Group prepares estimates with a time horizon of, generally, the useful life of the assets, and based on budget estimates and the most recent business plans approved by the Sole Director, it prepares the expected future pre-tax cash flows, incorporating the best available estimates of income and costs of the cash-generating units and using reasonable growth rates and macroeconomic assumptions based on corporate projections drawing from sector knowledge, past experience and future business expectations.

In order to determine the present value of these cash flows, the Group uses a pre-tax discount rate incorporating the cost of capital of the business and the corresponding geographic area. This calculation takes into account the time value of money and the risk premiums generally used by analysts and investment banks for each specific business and geographic area. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as income, except in the case of goodwill, the impairment losses on which cannot be subsequently reversed.

d) Leases

Leases are classified as operating leases whenever the terms of the lease indicate that the risks and rewards incidental to ownership of the leased asset are not transferred to the lessee. All other leases are classified as finance leases.

In general, a lease is considered to be a finance lease when:

- The lessor transfers ownership of the asset to the lessee at the end of the lease term.

- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable so that, at the inception of the lease, it is reasonably certain that the option will be exercised.

- The lease term covers the majority of the economic life of the asset.

- At the inception of the lease, the present value of the minimum lease payments amounts to at least virtually the entire fair value of the leased asset.

- The leased assets are of a specialised nature whereby only the lessee can use them without major modifications being made.

Operating leases

Costs from operating leases are recognised in the consolidated income statement for the year in which they are incurred.

Any receipts or payments carried out upon arrangement of an operating lease are treated as an advance receipt or payment and charged to profit or loss over the entire lease term, as benefits from the leased asset are received or provided.

Finance leases

In finance leases in which the Group acts as lessee, the cost of the leased assets (depending on the nature of the leased assets) is presented in the consolidated statement of financial position and, simultaneously, a liability is recognised in the same amount. This amount is the lower of the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that may be passed on by the lessor. The total finance charge on the lease is recognised in the consolidated income statement for the year in which it is incurred, using the effective interest rate method. Contingent payments are recognised as an expense in the period in which they are incurred.

Assets recognised under finance leases are depreciated on the basis of their nature, using similar criteria to those applied to other items of property, plant and equipment.

At December 31, 2018 and 2017, the Group had not entered into any lease agreements with the characteristics of a finance lease.

As indicated in Note 2.4 to the accompanying consolidated financial statements, the Vela Energy Equityco Group will adopt the new IFRS 16 for its entire operating lease portfolio at the transition date (January 1, 2019), applying the retroactive modified simplified method.

e) Financial instruments (see Notes 8 and 13)

i. Financial assets

Classification

At the time of its initial recognition, financial assets are classed under the following categories depending on their type and purpose, at the time of initial recognition "at fair value through profit or loss, "investments held to maturity", "financial assets available for sale" and "loans and receivables". Investments held to maturity and loans and receivables are measured at amortized cost, using the effective interest rate method and reduced, as applicable, by impairment losses. Other categories are measured at their fair value. The financial assets held by the Group are classified as follows:

- Loans and receivables: financial assets arising on the sale of goods and the rendering of services in the course of the company's trade operations, and non-trade receivables that are neither equity instruments nor derivatives, with fixed or determinable payments and which are not traded in an active market.

Initial recognition

Financial assets are initially recognized at the fair value of the consideration given plus directly attributable transaction costs.

Subsequent measurement

Loans and receivables are measured at amortized cost.

At least at each reporting date, the Group tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognized in the statement of profit or loss.

In particular, the Group calculates impairment allowances for trade and other receivables, where applicable, by performing an individualized analysis at each year end in order to identify any impaired accounts receivable.

The Group derecognizes financial assets when the rights to receive the asset's cash flows have expired or are sold and substantially all the risks and rewards of ownership have been transferred, such as the outright sale of assets, the assignment of trade loans in factoring operations in which the Company does not retain any credit or interest rate risk, sales of financial assets under repurchase agreements at fair value or securizations of financial assets in which the selling company does not retain subordinated financing or grant any type of guarantee or assume any other type of risk.

ii. Financial liabilities

Financial liabilities are the Group's debts and payables arising on the purchase of goods and services in the course of the Group's trade operations, and non-trade payables that are not derivatives.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost.

Short- and long-term loans are shown at their repayment value. Any implicit interest paid, included in either the nominal value or the repayment value, is considered a direct reduction in the nominal value of the debt. This interest is calculated using financial methods based on the life of the financial debt. When the debt matures, the main liability is derecognized. Any difference between the liability recognized and the amount paid is included in the consolidated income statement under "Finance costs".

The Group derecognizes financial liabilities when the obligations giving rise to them cease to exist.

The fair value of the financial assets and liabilities not measured at their fair value does not differ significantly from their carrying amount.

f) Cash and cash equivalents (see Note 10)

This section of the consolidated statement of financial position includes cash, sight deposits and other highly liquid short-term investments with a maturity of less than three months that are readily convertible into cash and are not subject to the risk of changes in value.

g) Income tax (see Note 13)

Income tax expense (revenue) comprises the current tax expense (current tax revenue) and the deferred tax expense (deferred tax revenue).

Current tax is the amount of taxes the Group pays as a result of income tax settlements for a period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax loss carryforwards and tax credits. These amounts are measured by applying the tax rate at which the asset is expected to be realised or the liability is expected to be settled to the corresponding temporary difference or tax asset.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that affects neither accounting profit/(loss) nor taxable income/(tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit, respectively, to equity.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Also, deferred tax assets not recognised in the consolidated statement of financial position are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

Since 1 January 2017, the Group has filed consolidated tax returns, with Vela Energy Equityco, S.L. (Sole-Shareholder Company) as the representative of the tax Group to be made up of the Spanish companies listed in Appendix I, with the exception of those subsidiaries whose tax domicile is abroad, that file taxes on an individual basis in accordance with the applicable tax regulations.

The filing of consolidated tax statements implies the joint determination of Group taxable income, deductions and tax credits. For tax purposes, the consolidated tax group is understood to comprise the Parent and all the subsidiaries that are resident in Spain, in which the Parent holds a direct or indirect ownership interest of at least 75% and that meet the requirements to be included in the tax group.

The tax burden is distributed as agreed between the companies within the consolidated tax group and in line with accounting standards issued by the Spanish Institute of Accountants and Auditors (Instituto de Contabilidad y Auditoría de Cuentas, ICAC).

h) Income and expenses (see Note 15)

Income and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Income is measured at the fair value of the consideration received, net of any discounts and taxes.

The Group recognises income from sales when it can be measured reliably and when it is probable that future economic profit will be generated to the Group and the specific conditions for each activity are met, as detailed below. Income cannot be measured reliably until all contingencies related to the sale have been resolved.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the right to receive the payment is established. In any case, interest and dividends on financial assets accrued after the date of acquisition are recognised as income in the consolidated income statement.

The totality of the Group income comes from the sale of the energy produced by the Group's photovoltaic power stations.

i) Provisions and contingencies (see Note 19)

In preparing the consolidated financial statements, the Parent's Sole Director distinguishes between:

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the Group.

Provisions are recognised in the consolidated statement of financial position when it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the consolidated statement of financial position but rather are disclosed in the consolidated Notes, unless the possibility of an outflow is considered remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis and are estimated at each reporting date.

j) Environmental assets and liabilities

Environmental assets are those used on a lasting basis in the Group's operations and whose main purpose is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

Given the nature of the Group's activity, it does not have a significant impact on the environment. In summary, in light of the Group's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its equity, financial position and the results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these consolidated notes to the consolidated financial statements, except those related to the provision for dismantling explained in Note 19.

k) Related party transactions (see Note 14)

The Group carries out transactions with related parties at arm's length. Transfer prices are adequately documented. Therefore, the Parent's Sole Director considers that there are no significant risks that could give rise to any material future liabilities. Transactions with Group companies have been eliminated on consolidation.

l) Classification as current/non-current

The Group presents assets and liabilities on the consolidated statement of financial position as current or non-current. To that end, assets and liabilities are classified as current when they are associated with the Group's operating cycle and are expected to be sold, used, realised or settled within that cycle, together with those expected to mature, be disposed of or realised within one year, and those classified as held for trading, with the exception of non-current derivatives and cash and cash equivalents. All other assets and liabilities are classified as non-current.

As an exception to the foregoing, all deferred tax assets and liabilities are classified as non-current assets or non-current liabilities.

m) Segment reporting (see Note 20)

Operating segments have been prepared under the management approach, which requires that segments be presented on the basis of internal reports on the components of the entity. These reports are regularly reviewed by the chief operating decision-maker in order to decide which resources should be allocated to the segment and to assess its performance.

n) Consolidated statement of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

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

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of other non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that lead to changes in the size and composition of equity and borrowings and are not operating activities.

o) Consolidated statement of changes in Equity

The accompanying consolidated statement of changes in equity shows the movements in consolidated equity accounts arising during the year. This information is in turn broken down into two parts: the consolidated statement of comprehensive income and the consolidated statement of changes in equity. The main features of the disclosures included in both statements are described below:

Consolidated statement of comprehensive income

This section of the consolidated statement of changes in equity presents the income and expenses generated by the Group during the year as a result of its activities, distinguishing between income and expenses recognized in the consolidated income statement for the year and other income and expenses recognized directly in equity, in keeping with prevailing accounting regulations.

Accordingly, these statements present:

a) Profit as per the consolidated income statement

b) Income and expenses which must be directly recognized in consolidated equity as required by measurement standards

c) The transfers made to the consolidated income statement, in keeping with adopted measurement standards

d) The corresponding tax effect, if any, of the letters b) and c) above.

e) Total recognized income and expense, this being the sum of all the above.

Consolidated statement of changes in equity

This section of the consolidated statement of changes in equity presents all the movements in consolidated equity accounts, including those arising from changes in accounting criteria and corrections of misstatements, if any. This statement therefore reconciles the carrying amounts at the start and end of the period of all the items composing consolidated equity, grouping the movements into the following categories in accordance with their nature:

a) Total recognized income and expense: shows the aggregate total of the aforementioned items recognized in the consolidated statement of comprehensive income.

b) Transactions with shareholders: shows the changes in consolidated equity arising from subscriptions and redemptions carried out, if any, during the year.

c) Other changes in equity: shows the remaining items recognized in consolidated equity, such as appropriation of results, transfers among equity items, and any other increase or decrease in consolidated equity.

5. Intangible assets

As described in Note 1, acquisitions of assets were carried out during 2018 by either acquiring companies or associated photovoltaic installations.

The section "Rights of Use" on the consolidated statement of financial position is composed by the net cost of the rights of operation acquired during the above-mentioned merger processes. This net cost amounts to 34,476 thousand euros at 31 December 2018 (38,106 thousands euros at 31 December 2017).

On the other hand, as a result of the valuation process of the directly attributable costs to licenses and administrative authorizations included in the assets transferred during the previous years, the Group registers related to this concept in the consolidated financial statement epigraph "Other Intangible Assets", a net amount of 6,478 and 7,341 thousand euros for 2018 and 2017 respectively.

In addition, in the section "Other Intangible Assets" is registered the intangible asset for access easement where it is located the photovoltaic projects Villacarrillo, Isnalloz and Alhama for a net amount of 338 and 359 thousand euros at 31 December 2018 and 2018 respectively.

The breakdown in this heading in the consolidated statement of financial position and the summary of transactions during 2018 and 2017 is as follows:

2018

	Thousands of euros			
	Beginning balance	Additions	Derecognition	Ending balance
Cost:				
Rights of use	45,311	-	-	45,311
Other intangible assets	9,405	-	-	9,405
Total cost:	**54,716**	-	-	**54,716**
Accumulated amortization:				
Rights of use	(7,205)	(3,630)	-	(10,835)
Other intangible assets	(1,705)	(884)	-	(2,589)
Total accumulated amortization	**(8,910)**	**(4,514)**	-	**(13,424)**
Impairment (Rights of use)	-	-	-	-
Total net intangible assets	**45,806**	**(4,514)**	-	**41,292**

2017

	Thousands of euros			
	Beginning balance	Additions	Derecognition	Ending balance
Cost:				
Rights of use	45,328	-	(17)	45,311
Other intangible assets	9,405	-	-	9,405
Total cost:	**54,733**	-	**(17)**	**54,716**
Accumulated amortization:				
Rights of use	(3,575)	(3,630)	-	(7,205)
Other intangible assets	(821)	(884)	-	(1,705)
Total accumulated amortization	**(4,396)**	**(4,514)**	-	**(8,910)**
Impairment (Rights of use)	-	-	-	-
Total net intangible assets	**50,337**	**(4,514)**	**(17)**	**45,806**

a) Additions and derecognition

During 2018 and 2017, there have not been recorded any significant additions, derecognitions or transfers of intangible assets in the Vela Energy Equityco Group.

b) Amortization and impairment

The intangible asset amortization charge recognized in the 2018 and 2017 consolidated income statement amounted to EUR 4,514 thousand in both fiscal years (see Note 15.f).

The useful life of the photovoltaic plants and therefore the useful life of the rights of use is set at 18 years from the start-up of each installation (regardless of when the asset was acquired by the Group).

Likewise, in "Other intangible assets" is included the rights of way and electric power easements corresponding to acquired companies, which are amortised over a 35-year period.

At 31 December 2018, an appraisal was carried out concerning external and internal indications of impairment demonstrating the need to perform an impairment test on intangible assets. Following this analysis, the Sole Director of the Parent does not believe that there are any indications that demonstrate the need to review the carrying amounts of intangible assets; therefore, no impairment test was run at 31 December 2018. At 31 December 2017, the external and internal indications of impairment were also evaluated with the same outcome, not existing any intangible asset impaired.

At 31 December 2018, the Group had no significant fully-amortised intangible assets.

c) Other information

At 31 December 2018 and 2017, the Group did not have any intangible assets under development.

All the Group's intangible assets are directly involved in the operating activities at 31 December 2018 and 2017.

At 31 December 2018 and 2017, no intangible assets were subject to guarantees, nor had the Group received any subsidies to acquire any of the intangible assets recognised.

At 31 December 2018, the Group did not have any commitments to invest in intangible assets.

6. Property, plant and equipment

The breakdown of this heading in the consolidated statement of financial position and the summary of transactions during 2018 and 2017 is as follows:

2018

	Thousands of euros			
	Beginning balance	Additions	Disposals	Ending balance
Cost:				
Land and buildings	1,386	-	-	1,386
Plants	319,398	-	-	319,398
Other tangible assets	358	-	-	358
Total cost	**321,142**	-	-	**321,142**
Accumulated amortization:				
Plants	(56,989)	(29,352)	-	(86,341)
Other tangible assets	(2)	(1)	-	(3)
Total accumulated amortization	**(56,991)**	**(29,353)**	-	**(86,344)**
Impairment	-	-	-	
Total property, plant and equipment, net	**264,151**	**(29,353)**	-	**234,798**

2017

	Thousands of euros			
	Beginning balance	Additions	Disposals	Ending balance
Cost:				
Land and buildings	1,386	-	-	1,386
Plants	320,642	637	(1,881)	319,398
Other tangible assets	358	-	-	358
Total cost	**322,386**	**637**	**(1,881)**	**321,142**
Accumulated amortization:				
Plants	(27,670)	(29,319)	-	(56,989)
Other tangible assets	-	(2)	-	(2)
Total accumulated amortization	**(27,670)**	**(29,321)**	-	**(56,991)**
Impairment	-	-	-	-
Total property, plant and equipment, net	**294,716**	**(28,684)**	**(1,881)**	**264,151**

At 31 December 2018 and 2017, "Plant" in the accompanying consolidated balance sheet primarily reflects the cost of the photovoltaic power stations indicated in Note 1.

Additionally, "Land and Buildings" contains the register of the cost of the plot of land where some of the Group's plants are located, arising to EUR 1,386 thousand both at year-end 2018 and 2017.

a) ***Additions and disposals***

During 2018, there have not been recorded any significant addition, disposal or transfer of Property, Plant and Equipment in the Group.

A summary of the operations undertaken between 1 January 2017 and 31 December 2017, is shown below:

- The Group has recognized an addition under the epigraph "Plants" for the sum of EUR 337 thousand related to the cost of the services rendered and invoiced by Vela Energy, S.L. in order to improve and adapt some of the photovoltaic facilities to the standard quality established by Sonnedix España, S.L.U., last Parent company of Vela Energy Equityco Group (see Note 1).

- Furthermore, the Group has recorded a derecognition for the sum of EUR 1,881 thousand corresponding to the reestimation of the decommissioning provisions of those Group photovoltaic power stations on which there is any legal or contractual obligation to proceed with their dismantling at the end of their exploitation. The new expected costs have been calculated based on the conclusions derived from a technical report prepared by an independent specialist in which dismantling costs are estimated according to the size and the installed capacity of each plant (see Note 19).

b) Depreciation and impairment

The depreciation charge recognised by the Group at 31 December 2018 and 2017 came to a total of EUR 29,353 and 29,321 thousand respectively (see Note 15.f).

The useful life of the photovoltaic plants is set at 18 years from the start-up of each installation (regardless of when the asset was acquired by the Group).

At 31 December 2018, an appraisal was carried out concerning external and internal indications of impairment demonstrating the need to perform an impairment test on property, plant and equipment. Following this analysis, the Sole Director of the Parent does not believe that there are any indications that demonstrate the need to review the carrying amounts of property, plant and equipment; therefore, no impairment test was run at 31 December 2017. At 31 December 2017, the external and internal indications of impairment were also evaluated with the same outcome, not existing any item of property, plant and equipment impaired.

At 31 December 2018 and 2017, the Group had no significant fully-depreciated items of property, plant and equipment.

c) Other information

At 31 December 2018 and 2017, the Group had no significant assets under construction.

All the Group's property, plant and equipment are directly used in operations and located in Spain at 31 December 2018 and 2017.

At 31 December 2018 and 2017, the Group had no significant commitments to invest in property, plant and equipment.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. At 31 December 2018, all items of property, plant and equipment were fully insured against these risks.

7. Financial assets

Details of financial assets at 31 December 2018 and 2017 are as follows:

	(in thousands of euros)	
	31/12/2018	
	Non-current financial instruments	Current financial instruments
Financial investments	1,139	20,438
	1,139	**20,438**

	(in thousands of euros)	
	31/12/2017	
	Non-current financial instruments	Current financial instruments
Financial investments	1,138	20,572
	1,138	**20,572**

Non-current financial investments

The Vela Energy Equityco Group has recognised EUR 1,139 thousand at 31 December 2018 (EUR 1,138 thousand on December 31, 2017) in the heading of the consolidated statement of financial position "non-current financial investments", corresponding to long-term guarantees and deposits.

Current financial assets

Under this heading of the consolidated statement of financial position, at 31 December 2018, the Group has mainly recognised the amount of EUR 20,374 thousand (EUR 20,507 thousand at 31 December 2017) corresponding to the balances maintained at financial institutions relating to the debt service reserve fund and the maintenance reserve fund. These elements are basically treasury that are retained by subsidiaries pursuant to the requirements set out in guaranteed bond issue framework agreements to secure payments to be made in the following months (see Note 12.1).

The aforementioned restricted accounts bear interest at the market rate.

8. Trade receivables from sales and services

Under the heading of the consolidated statement of financial position "Trade receivables from sales and services" is mainly recorded the amount owed as a consequence of selling electric energy produced at the photovoltaic installations, amounting to EUR 13,972 thousand at 31 December 2018 (EUR 14,756 thousand at 31 December 2017).

At 31 December 2018 and 2017, no impairment losses were recognized for these accounts receivable.

9. Financial risk management policy

In order to manage its financial risks, the Vela Energy Equityco Group uses both an economic perspective, evaluating, through the review of business plans, the relationship between the exposure posed by an investment and the present value of that investment's cash flows, as well as an accounting perspective, which allows the Group to evaluate the status of different risk situations.

The Parent's Sole Director has established the mechanisms required to control its exposure to fluctuations in interest rates and to credit and liquidity risks.

General exposures or adverse situations that could give rise to losses or negative deviations in the Group's financial performance and that, therefore, generate risks that must be managed, include the following:

- **Liquidity risk.**
- **Credit risk.**
- **Other market risks: Price risk.**

These risks are monitored and controlled periodically, as described below:

a) Liquidity risk

Liquidity risk is defined as a company's inability to settle its obligations, due to adverse situations in debt and/or capital markets that hinder or prevent the company from securing the necessary financing.

The Group manages liquidity risk by having sufficient financing available in order to negotiate, in the best conditions, the substitution of payables nearing maturity with new transactions, and in order to cover its short-term cash needs, thereby avoiding having to secure funds in unfavourable conditions. Liquidity risk coverage is considered adequate when financing is available to cover at least six months of debt service.

b) Credit risk

In terms of financial operations, credit risk arises when a counterparty is unable to meet its contractual obligations. When transactions could generate counterparty risk for a subsidiary, the Group ensures that the transactions are arranged with a counterparty whose credit quality rating is equal to or higher than that of the Group.

During 2018, the Group held receivables from highly-solvent companies, as follows:

- Electricity distribution companies to which energy generated is sold, although the sale is invoiced to and collected from the Spanish competition authorities (Comisión Nacional de Mercados y Competencia-CNMC) and the market agents.

  As from 1 January 2014, all parties performing settlements must bear the timing mismatch between income and costs in the electricity system. In that regard, the CNMC might not pay 100% of monthly settlements, in which case the Group companies, as receivers of the system costs, become the party financing these monthly timing mismatches.

  At 31 December 2018, the CNMC paid 87.33% (88.04% at 31 December 2017) of investment and operation supplements accrued up to October.

Thus, the Parent's Sole Director considers the likelihood of said credit risk materializing as remote. In addition, he considers that, taking into account an annualized perspective of cash flows generated by the projects, working capital at present available to the Group, together with the expected cash flows from coming months, will be sufficient to meet financial obligations contracted in the short term.

At 31 December 2018, none of the Group's financial assets were in arrears or were considered impaired.

c) Other market risks: price risk

In addition to the financial risks detailed above, the Group is exposed to operational risks, primarily in respect of fluctuations in the sales price of the electricity generated.

As indicated in Note 3, the remuneration regime for renewable, cogeneration and waste-generated energies will be based on the necessary market share of each facility, supplementing market income, where necessary, with specific regulated remuneration so that these technologies can compete on an equal basis with other market technologies. This specific supplementary remuneration will be sufficient to reach the minimum level necessary to cover the costs that, in contrast to conventional technologies, cannot be recovered in the market and that will allow these energy producers to obtain returns that are reasonable for a standard facility in each case.

10. Cash and other cash equivalents

The details of "Cash and other equivalents" on the consolidated statement of financial position at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Cash and cash equivalents	12,280	18,536
	12,280	**18,536**

This section of the consolidated statement of financial position includes cash, sight deposits and other highly liquid short-term investments with a maturity of less than three months that are readily convertible into cash and are not subject to the risk of changes in value.

In general, accumulated cash balances earn interest at market rates. No significant restrictions have been placed on the use of cash, except for the restricted cash recognized in respect of projects in operation (see Note 7).

There are no significant differences between the market value and the carrying amount of cash and cash equivalents.

11. Equity

a) *Share Capital*

On 18 February 2016, Vela Energy Holdings S.L. established Vela Energy SPV XXVIII, S.L. with share capital of EUR 3 thousand represented by 3,000 shares of EUR 1 par value each. On 15 April 2016, the Sole Director of Vela Energy SPV XXVIII, by means of a public deed, approved the change of corporate name to Vela Energy Equityco, S.L. (Sole-Shareholder Company).

On 24 May 2016, the Vela Energy S.L. acquired the holdings in Vela Energy Equityco, S.L. (Sole-Shareholder Company), which were sold on 7 June 2016 to Vela Energy Luxembourg Holdco 2, SARL (Sole Shareholder of the Parent at 31 December 2016). .

Because of that, at 31 December 2018 and 2017 Vela Energy Luxembourg Holdco 2, SARL. owns the totality of the shares in the Group Parent, Vela Energy Equityco, S.L. (Sole-Shareholder Company).

b) *Share premium of the Parent*

The Consolidated Text of the Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

During 2018, the Sole Shareholder of Vela Energy Equityco, S.L., has approved to reduce and distribute the Parent's share premium, for a total amount of EUR 16,683 thousand:

- Returning the share premium by the imbursement of cash for EUR 10,517 thousand on April 11, 2018
- Returning the share premium by the imbursement of cash for EUR 6,166 thousand on September 26, 2018

On April 19, 2017, the Parent's Sole Shareholder, Vela Energy Luxembourg Holdco 2, SARL, approved to return contributions charged to share premium of Vela Energy Equityco, S.L. (Sole-Shareholder Company) for the sum of EUR 5,536 thousand.

Similarly, on September 18, 2017, the Parent agreed to return contributions charged to share premium to the Sole Shareholder Vela Energy Luxembourg Holdco 2, SARL for the sum of EUR 2,606 thousand.

c) *Legal reserve of the Parent*

Under the Consolidated Text of the Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can be used only to offset losses, provided that other available reserves are not sufficient for this purpose.

At 31 December 2018, the full amount required by law has already appropriated to this reserve, for the sum of EUR 0.6 thousand that is equal to the 20% of Parent's share capital.

d) *Other shareholder contributions*

On February 22, 2018, the Parent received a shareholders' contribution of EUR 197 thousand in cash from its Sole Shareholder.

e) *Consolidation reserves*

During 2018, the 2017 consolidated was fully distributed to the Group's consolidated reserves amounting to EUR 4,668 thousand.

In the fiscal year 2017, the main movement registered on the consolidation reserves was also related to the distribution of the consolidated result of the previous year.

12. Financial liabilities

12.1) Bonds and other marketable securities

On June 22, 2016, Vela Energy Finance, S.A., agreed to issue guaranteed bonds (hereinafter, "Selene Bond"), used mainly to refinance the existing debt in Group companies.

The par value of the issue came to EUR 404,400 thousand, maturing at 30 June 2036 with instalments payable on a half-yearly basis. The bond bears annual nominal interest of 3.195%, payable on a half-yearly basis. The first repayment on both the principal and the interest was due on January 2, 2017, with subsequent repayments on 30 June and 31 December each year.

At 31 December 2018, the sums recognised as long-term and short-term bonds and other marketable securities of EUR 327,845 thousand and EUR 23,235 thousand, respectively. Furthermore, the par value of long-term bonds and other marketable security for the sum of EUR 3,113 thousand have been netted as debt arrangement expenses.

At 31 December 2017, the sums recognised as long-term and short-term bonds and other marketable securities of EUR 351,080 thousand and EUR 22,682 thousand, respectively. Furthermore, the par value of long-term bonds and other marketable securities for the sum of EUR 3,475 thousand have been netted as debt arrangement expenses.

Holdings in guarantor Parent and subsidiaries are pledged and correspond to bonds deriving from the issue of bonds with all their assets. The breakdown of guarantor companies is as follows:

Guarantor companies	
Siluendor Plano, S.L.	Vela Energy SPV XXII, S.L.
Unified Group, S.L.	Vela Energy SPV XXIII, S.L.
Cruanorna, S.L.	Vela Energy SPV XXIV, S.L.
Diversia Solar, Proyectos y Explotaciones Solares, S.L.U.	Vela Energy SPV XXV, S.L.
Sociedad de Explotación Fotovoltaica Omega, S.L.U.	Proyectos Integrados Renovables, 2, S.L.U.
Gapalencos, S.L.	Parque Solar Caudete, S.L.
Fotovoltaica la Gamonosa, S.L.U.	Capur Business, S.L.
Global Atreo, S.L.U.	Bujía Solar, S.L.U.
J.B. Solar Malagón, S.L.	Acacia Instalaciones Fotovoltaicas, S.L.U.
Vela Energy SPV IV, S.L.	Villanueva Cosolar, S.L.
Vela Energy SPV V, S.L.	Vela Energy Solar Acula S.L.U.
Vela Energy SPV VIII, S.L.	Vela Energy Solar Alhama de Granada, S.L.U.
Vela Energy SPV IX, S.L.	Vela Energy Solar Isnalloz, S.L.U.
Vela Energy SPV XI, S.L.	Vela Energy Solar Pedro Martínez, S.L.U.
Vela Energy SPV XII, S.L.	Vela Energy Solar Villamesías, S.L.U.
Vela Energy SPV XIII, S.L.	Vela Energy Solar Alcudia S.L.U.
Arroyo Solar, S.L.	Vermarozul, S.L.U.
Vela Energy SPV XXI, S.L.	Vela Energy SPV XIV, S.L.U.
Vela Energy Power España I B.V.	Vela Energy SPV XV, S.L.U.
Vela Energy Power España II B.V.	Vela Energy Holdings, S.L.U.
Vela Energy Power España I B.V., S.L.U.	Vela Energy Equityco, S.L.U.
Vela Energy Solar España Finance, S.L.U.	Vela Energy Solarfin, S.L.U.

The public deed corresponding to the issue establishes the causes of early repayment as any non-payment, unless attributable to administrative causes with payment being made in the following 3 working days of the maturity of the issue, the debt servicing coverage ratio for the range of companies financed by the bond dropping beneath 1.05 and any regulatory change that may result in a reduction in EBITDA equal to or in excess of 15%. During 2018, the Group complied with the minimum financial ratios established in the bond issue contract.

The financial debt maturity structure at 31 December 2018, is as follows:

	Thousands of euros						
	2019	2020	2021	2022	2023	2024 and thereafter	Total
Bonds	23,235	18,430	17,955	18,609	19,293	253,558	351,080
Unpaid accrued interest	-	-	-	-	-	-	-
	23,235	**18,430**	**17,955**	**18,609**	**19,293**	**253,558**	**351,080**

12.2) Other payables

On December 31, 2018, the Group registers an amount of EUR 796 thousand in the section "Other Payables" on the attached consolidated financial statement, which correspond to amounts pending to be payed to third parties for services received related to Operation & Maintenance of the photovoltaic installation, tax, technical and legal advisory services along with audit services.

Under the epigraph "Payables" on the accompanying statement of consolidated financial position at 31 December 2017, the Group has primarily recognised the amount outstanding related to the payment of the electric power generation tax established in Law 15/2012 of 27 December on tax measures for energy sustainability for the sum of EUR 1,116 thousand.

12.3) Information on the average payment period to suppliers

On 4 February 2016, the State Official Newsletter carried notice of the ICAC resolution of 29 January 2016 on information to be disclosed in the Notes to consolidated financial statements on the average payment period to suppliers in commercial transactions. The objective of this resolution was to comply with the express mandate set out in Law 31/2014 of 3 December, which repealed the previous regulation in that regard, ICAC resolution of 29 December 2010 on information to be disclosed in the notes to financial statements on delayed payments to suppliers in commercial transactions, which originated from the previous wording of additional provision three of Law 15/2010 of 5 July, modifying Law 3/2004 of 29 December.

The Group's average payment period to suppliers in 2018 and 2017 were as follows:

	31/12/2018	31/12/2017
	Days	
Average period of payment to suppliers	23	19
Ratio of transactions settled	23	19
Ratio of outstanding transactions	35	28
	Amount (Thousands of euros)	
Total payments made (*)	6,043	5,705
Total payments pending	60	165

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Trade payable" under current liabilities in the consolidated statement of financial position. Furthermore, payments on project acquisitions perfomed in previous years were included for the calculation of the figures at 31 December 2017.

The average payment period to suppliers is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment. The average period of payment to suppliers is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of the payments made and the ratio of transactions not yet settled multiplied by the total amount of outstanding payments, and whose denominator is the result of adding the total amount of the payments made to the total amount of outstanding payments.

The ratio of transactions settled is calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts paid by the number of days of payment (the number of calendar days elapsing from the date the period was started to the date of effective payment of the transaction) and whose denominator is the total amount of the payments made.

In addition, the ratio of transactions not yet settled is calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amount of the transactions not yet settled by the number of days in which payment has not been made (the number of calendar days elapsing from the date the period was started to the last day of the period reported) and whose denominator is the total amount of the outstanding payments.

The statutory payment period applicable to the Group companies in 2018 and 2017 under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 calendar days, unless agreed otherwise between the parties, who may resolve to extend the period to up to 60 calendar days.

13. Taxation

Since 1 January 2017, the Group has filed consolidated tax returns, with Vela Energy Equityco, S.L. (Sole-Shareholder Company) as the fiscal representative of the tax Group to be made up of the Spanish companies listed in Annex I, with the exception of those subsidiaries whose tax domicile is abroad, that file taxes on an individual basis in accordance with the applicable tax regulations.

This specific tax regime of fiscal consolidation, implies the joint settlement of the Group's tax result along with the determination of the additions and deductions to the tax base. In this case, we understand that the Group (in fiscal terms), it is formed by the individual companies that whose registered office is in Spain, those whose capital is direct or indirectly participated at least in a 75% by the Parent Company, and those who fulfill the requirements that regulate the special tax regime of fiscal consolidation.

The share of the tax burden is accomplished as accorded by the companies in the Group of fiscal consolidation and following the established standards settled by the Spanish Institute of Accounting and Accounts Auditing.

Balances held with Public Administrations

The detail of the balances held with Public Administrations at 31 December 2018 and 2017 is as follows:

Receivables from public authorities

2018

	Thousands of euros	
	31/12/2018	
	Non-current	Current
Deferred tax assets	19,995	-
VAT	-	138
Income tax	-	431
Other receivables from Public Administrations	-	-
	19,995	**569**

2017

	Thousands of euros	
	31/12/2017	
	Non-current	Current
Deferred tax assets	20,853	-
VAT	-	138
Income tax	-	1,196
Other receivables from Public Administrations	-	-
	20,853	**1,334**

Accounts payables to Public Administrations

2018

	Thousands of euros	
	31/12/2018	
	Non-current	Current
Deferred tax liabilities	6,766	-
VAT	-	3,307
Income tax	-	189
Other accounts payables to Public Administrations	-	6
	6,766	**3,502**

2017

	Thousands of euros 31/12/2017	
	Non-current	Current
Deferred tax liabilities	7,599	-
VAT	-	4,074
Income tax	-	171
Other accounts payables to Public Administrations	-	4
	7,599	4,249

Deferred tax assets primarily comprise the following items:

- The tax credit for tax loss carryforwards generated and capitalised by the Group, in the amount of EUR 11,353 thousand at 31 December 2018 (EUR 11,867 thousand at 31 December 2017).
- Tax credit for non-deductible finance costs and for non-deductible depreciation in 2013-2014, in the amount of EUR 7,620 thousand at 31 December 2018 (EUR 7,835 thousand at 31 December 2017).
- Deferred tax assets derived from for environmental expenditure, in the amount of EUR 1,022 thousand (EUR 1,151 thousand at 31 December 2017).

"Deferred tax liabilities" include:

- Deferred tax liabilities recognised as a result of allocation of the difference between the amount paid on the acquisitions made and the net assets acquired, recognised as an increase in the value of intangible assets with a definite useful life (rights of use; see Notes 5). This allocation will be reversed over the useful life of the assets associated with these rights. At 31 December 2018, the amount recognised under this heading in the consolidated statement of financial position was EUR 6,766 thousand (EUR 7,599 thousand on December 31, 2017).

Calculation of the Group's taxable income

The reconciliation between consolidated profit (loss) and the Group's taxable income is as follows:

2018

	Thousand of euros		
	Increases	Decreases	Total
Consolidated profit before tax	**1,709**	-	**1,709**
Permanent differences:			
Non-deductible expenses	2	-	2
Temporary differences:			
Application non-deductible amortisation 2013-2014	-	(562)	(562)
Non-deductible amortisation of rights of use	3,332	-	3,332
Non-deductible finance costs	-	(181)	(181)
Offset tax losses carryforwards	-	(2,060)	(2,060)
Taxable income	**5,043**	**(2,803)**	**2,240**

2017

	Thousand of euros		
	Increases	Decreases	Total
Consolidated loss before tax	**(766)**	-	**(766)**
Permanent differences:			
Non-deductible expenses	5	-	5
	1,425	-	1,425
Temporary differences:			
Application non-deductible amortisation 2013-2014	-	(562)	(562)
Non-deductible amortisation of rights of use	3,348	-	3,348
Non-deductible finance costs	1,122	-	1,122
Offset tax losses carryforwards	-	(1,885)	(1,885)
Taxable income	**5,134**	**(2,447)**	**2,687**

In 2018, permanent differences has been recognised by the Group for the sum of EUR 2 thousand related to non-deductible expenses, fines and penalties (EUR 5 thousand in 2017).

The permanent differences recognised primarily included:

- The Group has recorded the non-deductible amortisation of use rights for the sum of EUR 3,332 thousand at 31 December 2018 (EUR 3,348 thousand in the year ended December 31 2017) as a positive temporary difference.

- Temporary negative differences have been recognised corresponding to the limit on the deductibility of amortisation resulting from the approval of Royal Decree-Law 16/12, of 27 December, introducing a temporary measure limiting tax-deductible amortisation corresponding to the 2013 and 2014 tax years at companies that, during said tax periods, failed to meet the requirements set out in Article 108.1, 108.2 or 108.3 of the Consolidated Text of the Spanish Corporate Income Tax Law, approved by Royal Legislative Decree 4/2004, of 5 March, shall deduct up to 70% of the amount that would have been tax-deductible had said percentage not been applied from the tax base, pursuant to Article 11.4 and 11.7 of the aforementioned Law. Any depreciation or amortisation expenses that are not tax deductible pursuant to that article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015. The negative difference recognised by the Group at 31 December 2018 and 2017 came to EUR 562 thousand.

- The limitation on the deductibility of financial expenses included in Royal Decree-Law 12/2012, of March 30, later modified by Royal Decree-Law 20/2012, which establishes as deductible financial expense limit the 30% of operating income (defined in the aforementioned Royal Decree-Law: basically, operating result increasing by amortization charged) or EUR 1 million. In fact, in any case the first 1 EUR million will always be tax deductible. In 2018, the Group has recorded a negative temporary adjustment to the taxable income for this matter for an amount of 181 thousand euros (positive adjustment of EUR 1,122 thousand in 2017).

- Due to the offset tax losses carryforwards generated in the previous years, the Group has registered in 2018 a negative adjustment to the taxable income for this concept for an amount of EUR 2,060 thousand (EUR 1,885 thousand in 2017).

The theoretical base tax for 2018 and 2017 is calculated at the tax rate of 25%.

Reconciliation between taxable income (tax loss) and income tax expense

The reconciliation of taxable income (tax loss) and income tax expense is as follows:

	Thousands of euros	
	2018	2017
Consolidated profit (loss) before tax	**1,709**	**(766)**
Permanent differences	**2**	**1,430**
Temporary differences:		
Non-deductible amortisation of rights of use	3,332	3,348
Application non-deductible amortisation 2013-2014	(562)	(562)
Non-deductible finance costs	(181)	1,122
Offset tax losses carryforwards	(2,060)	(1,885)
Taxable income	**2,240**	**2,687**
Theoretical tax calculated at 25%	**(560)**	**(672)**
Application of accounting registered deductions	**219**	**-**
Tax payable / refundable (Group current income tax)	**(341)**	**(672)**
Temporary differences impact:		
Non-deductible amortisation of rights of use	833	837
Application non-deductible amortisation 2013-2014	(140)	(141)
Non-deductible finance costs	(45)	281
Offset tax losses carryforwards	(515)	(471)
Application of deductions accounted for in previous years	(129)	(3,736)
Tax rate adjustment related to companies not included in the consolidation tax group	(81)	-
Adjustment to the LY tax expense	(78)	-
Total income tax (expense)/refund	**(496)**	**(3,902)**

Given that the rights of use acquired and not recognised in the individual financial statements are not tax deductible, the Group adjusts the amortisation of these rights within its provision for income tax. In addition, the Group recognises a deferred tax liability for the difference between the accounting valuation and the tax valuation of the asset in question. The corresponding deferred tax liability amounted to EUR 6,766 thousand at 31 December 2018 (EUR 7,599 thousand at 31 December 2017).

In 2017, based on the analysis performed about the estimate of the recovery of the tax asset, and as consequence of the new tax system (consolidation tax group) adopted by the Group, the Parent's Sole Director decided to reduce the tax assets recorded for the amount of EUR 3,736 thousand.

During 2018 and 2017, income tax was calculated applying a tax rate of 25%.

Recorded deferred tax assets and liabilities

Details of these headings at year-end are as follows:

Deferred tax assets

	Thousands of euros	
	31/12/2018	31/12/2017
Tax loss carryforwards	11,353	11,867
Non-deductible finance costs and amortization	7,620	7,835
Environmental tax credits	1,022	1,151
Total deferred tax assets	**19,995**	**20,583**

These deferred tax assets are recorded in the consolidated statement of financial position since the Parent's Sole Director considers that, based on the best estimates of future tax results, including certain tax planning measures, it is likely that these assets will be recovered.

Deferred tax liabilities

	Thousands of euros
	Negative temporary differences (rights of use)
Balance at 1 January 2018	**7,599**
Business combination	-
Amortisation of rights of use	(833)
Balance at 31 December 2018	**6,766**
Balance at 1 January 2017	**8,436**
Business combination	-
Amortisation of rights of use	(837)
Balance at 31 December 2017	**7,599**

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations period has expired. The Parent's Sole Director considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the consolidated statement of financial position.

14. Related party transactions and balances

Related party transactions

During 2018, the Vela Energy Equityco Group carried out transactions with Sonnedix B.V. in the amount of EUR 2,446 thousand (EUR 1,942 thousand during 2017), related to accrued interest on financing received from (see Note 14.1 and Note 15.g).

The detail of the finance costs accrued during 2018 and 2017 per Group subsidiary from the loans granted by Sonnedix, B.V. is as follows:

Finance costs with Group companies	Thousands of euros	
	2018	2017
Unified Group, S.L.	19	18
Cruanorna, S.L.	197	158
Acacia Instalaciones Fotovoltaicas, S.L.	42	164
Villanueva Cosolar, S.L.	84	81
Vela Energy Solarfin, S.L.	1,859	1,331
Vela Energy Solar Pedro Martínez, S.L.	245	190
	2,446	1,942

The finance costs accrued by the Group subsidiaries related to the financing received from Vela Dutch II, B.V for the period between January 1, 2017 and March 22, 2017 (date in which subordinated loans are transferred to Sonnedix B.V.) are recorded under "Other finance costs" on the consolidated income statement (see Note 15.g).

Furthermore, the cost deriving from the photovoltaic power station maintenance and operation services performed by the Vela Energy, S.L. has been included under "Procurements" on the consolidated income statement. In 2018, these costs came to EUR 3,772 thousand (EUR 3,749 thousand in 2017) (see Note 15.c).

The detail of procurement costs per subsidiary is as follows:

Group operation and maintenance costs	Thousands of Euros	
	2018	2017
Siluendor Plano, S.L.	82	81
Unified Group, S.L.	85	84
Cruanorna, S.L.	210	207
Gapalencos, S.L.	82	81
Vela Energy SPV VIII, S.L.	259	256
Vela Energy SPV IX, S.L.	43	43
Vela Energy SPV XI, S.L.	65	64
Vela Energy SPV XII, S.L.	39	38
Arroyo Solar, S.L.	26	26
Fotovoltaica La Gamonosa, S.L.	82	81
Vela Energy SPV XXI, S.L.	60	60
Proyectos Integrados Renovables, S.L.	129	128
Parque Solar Caudete, S.L.	73	73
Capur Business, S.L.	41	41
Acacia Instalaciones Fotovoltaicas, S.L.	345	341
Villanueva Cosolar, S.L.	151	149
Vela Energy Solar Isnalloz, S.L.	116	115
Vela Energy Solar Villamesías, S.L.	86	85
Vela Energy Solar Pedro Martínez, S.L.	48	48
Global Atreo, S.L.	215	213
Vela Energy Solar Alcudia, S.L.	43	43
Vela Energy Solar Acula, S.L.	78	77
J.B. Solar Malagón, S.L.	284	299
Vela Energy Solar Alhama de Granada, S.L.	78	77
Bujía Solar, S.L.	202	200
Vela Energy SPV XIII, S.L.	22	21
Vela Energy SPV XXII, S.L.	28	28
Vela Energy SPV XXIII, S.L.	81	80
Vela Energy SPV XXIV, S.L.	246	243
Vela Energy SPV XXV, S.L.	82	81
Diversia Solar Proyectos y Explotaciones de Parques solares, S.L.	86	85
Sociedad de Explotación Fotovoltaica Omega, S.L.	65	64
Vela Energy SPV IV, S.L.	39	38
Vermarozul, S.L.	52	51
Vela Energy SPV V, S.L.	149	148
	3,772	3,749

In addition, the costs deriving from other services rendered by Vela Energy, S.L. in 2018 for the sum of EUR 18 thousand (EUR 202 thousand in 2017) are included under "Outside services" in the accompanying consolidated income statement (see Note 15.e):

Other operating expenses	Thousands of Euros	
	2018	2017
Villanueva Cosolar, S.L	-	95
Vela Energy Solar Isnalloz, S.L.	-	48
Vela Energy Solar Alhama de Granada, S.L.	9	-
Bujía Solar, S.L.	5	-
J.B. Solar Malagón, S.L.	4	59
	18	**202**

Balances with related parties

At 31 December 2018 and 2017, the detail of balances with related parties is as follows:

	31/12/2018		31/12/2017	
	Trade receivables from Group companies	Short-term financial investments in Group companies	Trade receivables from Group companies	Short-term financial investments in Group companies
Receivables from Group companies	1	-	1	26
	1	**-**	**1**	**26**

	31/12/2018			31/12/2017		
	Non-current debt to related parties	Payables to Group companies	Current debt to related parties	Non-current debt to related parties	Payables to Group companies	Current debt to related parties
Payables to group companies	23,876	95	1,326	24,612	567	2,495
	23,876	**95**	**1,326**	**24,612**	**567**	**2,495**

14.1) Non-current debt to Group companies and associates

The detail of subordinated debt to Group companies and associates at 31 December 2018 and 2017 relating to the loans held with Sonnedix B.V. are as follows:

Payables to Group companies and associates	31/12/2018	31/12/2017	Maturity	Interest rate
Unified Group, S.L.	118	230	31/01/2029	10%
Cruanorna, S.L.	1,940	2,001	01/04/2033	10%
Acacia Instalaciones Fotovoltaicas, S.L.	30	2,078	31/01/2029	10%
Villanueva Cosolar, S.L.	752	1,029	31/10/2026	10%
Vela Energy Solarfin, S.L.	18,588	16,877	31/01/2029	10%
Vela Energy Solar Pedro Martínez, S.L.	2,448	2,397	31/01/2029	10%
	23,876	**24,612**		

14.2) Current debt to Group companies and associates

At 31 December 2018, the Group recognised an amount of EUR 1,326 thousand corresponding to accrued interest payable to the related party Sonnedix B.V. derived from the subordinated loan granted by this company (see Note 14.1). At 31 December 2017, the Group recognised an amount of EUR 2,495 thousand corresponding to accrued interest payable to the related party Sonnedix B.V. derived from the subordinated loan granted by that company.

The details of interest payable to Group companies and associates at 31 December 2018 and 2017 relating to Sonnedix B.V., are as follows:

Interest payable to Group companies and associates	31/12/2018	31/12/2017
Unified Group, S.L.	8	23
Cruanorna, S.L.	99	203
Acacia Instalaciones Fotovoltaicas, S.L.	4	211
Villanueva Cosolar, S.L.	40	104
Vela Energy Solarfin, S.L.	1,011	1,711
Vela Energy Solar Pedro Martínez, S.L.	164	243
	1,326	**2,495**

15. Revenue and expenses

a) *Revenue*

Net sales in 2018 amounted to EUR 58,650 thousand (EUR 58,196 thousand in 2017) and mainly corresponds to the revenues obtained with the sale of electricity generated in the different photovoltaic power stations.

The Group does not submit information broken down by business lines, as it only has one business line: the generation of electricity at its range of photovoltaic power stations in Spain.

b) *Details of expenses and services by origin*

During 2018 and 2017, no fixed purchases were made abroad.

c) *Procurements*

At 31 December 2018 and 2017, "Procurements" comprises EUR 4,083 thousand and EUR 4,141 thousand respectively, which primarily relates to maintenance and operation work performed on the Group's photovoltaic power stations by Vela Energy, S.L. The cost of these services is a fixed amount charged to each Group company, which once combined comes to a total of EUR 3,772 thousand in 2018 (EUR 3,749 thousand in 2017) (see Note 14).

d) *Personnel expenses*

The breakdown of "Personnel expenses" in the accompanying consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Salaries and similar items	-	-
Employee benefit costs	-	3
	-	3

The average number of employees at the Group in 2018 and 2017, by professional category, are as follows:

	Average headcount	
	2018	2017
Administrative	-	-
	-	-

At 31 December 2018 and 2017 the Group's headcount, by professional category and gender, was as follows:

	Number of employees			
	2018		2017	
	Male	Female	Male	Female
Administrative	-	-	-	-
	-	-	-	-

The Group has not made any contributions to pension plans.

In terms of Group director and employee remuneration, no payments are made using financial instruments (shares).

In 2018 and 2017, no employee had a degree of disability equal to or greater than 33%.

e) *Other operating expenses*

The breakdown of this item in the accompanying consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
External services:		
Leases	801	791
Insurance	-	72
Banking services	17	29
Independent professional services	284	316
Repairs	-	9
Other taxes	3,476	4,373
	4,578	**5,590**

The Group files the lease payments corresponding to the plots of land on which photovoltaic assets are located under "Leases". In 2018, the cost of leases came to EUR 801 thousand (EUR 791 thousand in 2017).

"Other taxes" primarily reflects the electric power generation tax established in Law 15/2012 of 27 December on tax measures for energy sustainability.

f) *Depreciation and amortisation*

The breakdown of this item in the accompanying consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Amortisation of intangible assets (Note 5)	4,514	4,514
Depreciation of property, plant and equipment (Note 6)	29,353	29,321
	33,867	**33,835**

g) *Finance costs*

Finance costs correspond fundamentally to the interests of the subsidiary company's financing, financing obtained for operating the solar plants. The details of such finance costs are as follow:

	Thousands of euros	
	2018	2017
Finance costs related to bonds and other marketable securities	12,105	12,826
Finance costs on debts to group companies and associates	2,446	1,942
Other finance costs	98	653
Total	**14,649**	**15,421**

Finance costs related to bonds and other marketable securities

Finance costs related to bonds and other marketable securities correspond to the interest on financing deriving from the guaranteed bond issue (see Note 12.1) in the sum of EUR 11,743 thousand during 2018 (EUR 12,443 thousand during 2017).

Under this epigraph is also included the finance cost resulting from the accrual of the fee to open the guaranteed bond for the sum of EUR 362 thousand in 2018 (EUR 383 thousand in 2017) (see Note 12.1).

Finance costs related to debt with group companies and associates

Likewise, in 2018 and 2017, finance costs with related companies correspond to those associated with the loan obtained from Sonnedix B.V. and amounted to EUR 2,446 thousand and EUR 1,942 thousand respectively (see Note 14).

Other finance costs

Under "Other finance costs" are included the finance costs accrued from the measurement of the decommissioning provisions at present value related to the fiscal year 2018 for the sum of EUR 54 thousand (EUR 52 thousand in 2017) (see Note 19).

In addition, in 2017 under this epigraph of the consolidated income statement was also included the sum of EUR 554 thousand regarding the financial expenses accrued by the Group subsidiaries related to the financing received from Vela Dutch II, B.V. (See Note 1) for the period between January 1, 2017 and March 22, 2017 (date of the acquisition of the Group by Sonnedix).

16. Information regarding conflicts of interest involving the Parent's Sole Director and in relation to remuneration to senior management

Information regarding conflicts of interest involving the Parent's Sole Director

At year-end 2018 and 2017, the Parent's Sole Director did not report any situation of direct or indirect conflict that the Sole Director, or persons related thereto, as defined in the Consolidated Text of the Corporate Enterprises Act, might have with the Parent's interest.

Remuneration and other benefits to Senior Management and the Parent's Sole Director

In 2018 and 2017, the Parent's Sole Director did not receive any remuneration or benefits charged to the Group. In 2018, the functions of the Group's senior management were assumed by the Parent's Sole Director.

Furthermore, in 2018 and 2017, the Group has not undertaken any pension fund or insurance obligations or third-party liability in favour of the Parent's Sole Director, nor have any loans or advances been extended thereto.

17. Financing structure (see Note 12)

The Group finances its projects using Group-wide financing obtained via the guaranteed bond set out in Note 12. In addition to the bonds, some subsidiaries are financing through the subordinated loans granted by Sonnedix B.V. (see Note 14.1).

18. Audit fees

In 2018 and 2017 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L., and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by companies related to them through control, common ownership or management, were as follows:

Description	Thousands of euros	
	Services rendered by the main auditor	
	2018	2017
Audit services	114	111
Total auditing services and related	114	111
Other services	-	-
Total	114	111

19. Provisions

At the end of the useful life of certain photovoltaic power stations, the Group must dismantle them. Upon initial measurement of the fixed assets, the Group estimates the future cost of dismantling, retirement and other activities associated with those fixed assets, such as the costs of restoring the site on which it is located.

In 2017, the Group has carried out a review of the decommissioning provisions recorded on the consolidated statement of financial position for some of the photovoltaic power stations based on a new technical report issued by an independent expert. From this report, a change in the accounting estimates have taken place in relation to the future cost of dismantling regarding the size and the total installed capacity for each plant, which will range between EUR 27 thousand and EUR 45 thousand per MW installed. These changes in the accounting estimates are applied prospectively from January 1, 2017.

The Group recognised a provision of EUR 2,006 thousand at 31 December 2018 (EUR 1,952 thousand at 31 December 2017) in the consolidated statement of financial position in connection with some of these photovoltaic power stations. This provision will not entail an outflow of cash until the end of the useful life of the related photovoltaic power station.

At each reporting date, Provisions are measured at the present value of the best possible estimate and where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis and are estimated at each reporting date (see Note 15.g).

20. Segment reporting

In 2018 and 2017, the Group has focussed its activities on a single line of business: the exploitation of photovoltaic power stations in Spain, including, among other activities, the generation and sale of electricity using solar energy. This segment is the only segment on which Group management reports to the Parent's Sole Director and the only segment used for managing the Group.

21. Events after the reporting period

There are no subsequent events after the reporting period that require to be disclosed in this consolidated financial statements.

22. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

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

Vela Energy Equityco, S.L. and Subsidiaries

Consolidated Management Report for the year ended 31 December 2018

1. Business performance and situation of the Group

Group performance in Spain

Profit from operations stood at EUR 16,357 thousand for the year 2018 (EUR 14,649 thousand in 2017), reaching a volume of revenues amounted to EUR 58,650 thousand for the year ended 31 December 2018 (EUR 58,196 thousand in the previous year).

Consolidated profit before tax on continue operations for the year 2018 has amounted to EUR 1,709 thousand, while in the last year the consolidated loss before tax on continue operations amounted to EUR 776 thousand. In 2018, the Group's consolidated net profit has been EUR 1,213 thousand (consolidated net loss amounted to 4,668 for the year 2017).

The Group will continue operating the above-listed photovoltaic power stations described in the Note 1 to the accompanying consolidated financial statements over the coming years.

2. Main risks inherent to the business

The main risk inherent to the business performed by the Group is related to potential regulatory changes that could occur in the different markets in which it operates. Insofar as the Group performs its activities in developed, legally secure countries, it is able to manage the risk and does not expect any relevant issues that may have a significant impact on its equity in the future.

Otherwise, the Group does not face significant risks, given that the critical business variables (electricity sales price and power station lease cost) are known and honoured with contractually agreed terms; therefore, the Group's evolution during the operating period of the photovoltaic power stations is basically dependent on the hour of sunlight that allow for electricity to be produced.

3. Business outlook

The main strategic objective for the year 2019 is based on ensuring the utmost efficiency in the ongoing operations of its photovoltaic projects, so as to maximise their value.

4. Significant events for the Group after the reporting date

There were no significant events after the reporting date other than those set out on Note 21 to the consolidated financial statements.

5. Research and development activities

No research or development activities were carried during 2018.

6. Acquisition of treasury shares.

During 2018, the Group did not perform any transaction with treasury shares. The Group held no treasury shares at 31 December 2018.

Appendix I Subsidiaries of Vela Energy Equityco, S.L. at 31 December 2018

Company	Line of business	Registered Office (2)	% indirect ownership interest	% direct ownership interest	Year acquired	Equity of the subsidiary (in thousands of EUR)				
						Share capital	Reserves	Profit (loss)		Total equity
								Operating	Net	
Vela Energy Finance, S.A.	(1)	Luxembourg	-	100%	2016	531	191	(98)	99	821
Vela Energy Holdings, S.L.	(1)	Spain	-	100%	2016	17	18,857	(1)	(10)	18,864
Siluendor Plano, S.L.	(1)	Spain	100% (2)	-	2014	6	983	1,202	358	1,347
Unified Group, S.L.	(1)	Spain	100% (2)	-	2014	3	73	690	100	176
Cruanorna, S.L.	(1)	Spain	100% (2)	-	2016	4	(32)	1,089	(51)	(79)
Gapalencos, S.L.	(1)	Spain	100% (2)	-	2016	4	628	1,195	249	881
Arroyo Solar, S.L.	(1)	Spain	100% (2)	-	2016	3	180	413	44	227
Parque Solar Caudete, S.L.	(1)	Spain	100% (2)	-	2016	3	428	1,061	105	536
P.I.Renovables 2, S.L.U.	(1)	Spain	100% (2)	-	2016	3	488	1,672	57	548
Capur Business, S.L.	(1)	Spain	100% (2)	-	2016	3	150	318	46	199
Villanueva Cosolar, S.L.	(1)	Spain	100% (2)	-	2016	3	552	1,555	169	724
Vermarozul, S.L.	(1)	Spain	100% (2)	-	2016	4	491	434	71	566
Vela Energy SPV IV, S.L.	(1)	Spain	100% (2)	-	2016	3	453	675	23	479
Vela Energy SPV V, S.L.	(1)	Spain	100% (2)	-	2016	3	648	1,949	572	1,223
Vela Energy SPV VI, S.L.	(1)	Spain	100% (2)	-	2016	3	1,202	-	-	1,205
Fotovoltaica La Gamonosa, S.L.	(1)	Spain	100% (2)	-	2016	4	724	1,148	204	932
Vela Energy SPV VIII, S.L.	(1)	Spain	100% (2)	-	2016	3	1,376	3,667	388	1,767
Vela Energy SPV IX, S.L.	(1)	Spain	100% (2)	-	2016	3	226	771	44	273
Vela Energy SPV XI, S.L.	(1)	Spain	100% (2)	-	2016	3	275	1,113	101	379
Vela Energy SPV XII, S.L.	(1)	Spain	100% (2)	-	2016	3	605	560	100	708
Vela Energy SPV XIV, S.L.	(1)	Spain	100% (2)	-	2016	3	266	-	-	269
Acacia Instalaciones Fotovoltaicas, S.L.U.	(1)	Spain	100% (2)	-	2016	7	5,459	4,941	69	5,535
Vela Energy SPV XV, S.L.	(1)	Spain	100% (2)	-	2016	3	9,882	-	-	9,885
Vela Energy Solar Spanish Holdings 2, BV	(1)	Netherlands	100% (2)	-	2016	-	61	(28)	(28)	33
Vela Energy Power España I, BV	(1)	Netherlands	100% (2)	-	2016	18	20,767	(30)	(30)	20,755
Vela Energy Power España II, BV	(1)	Netherlands	100% (2)	-	2016	18	(36)	(28)	(28)	(46)
Vela Energy Power España I, BV S.L.	(1)	Spain	100% (2)	-	2016	1,593	7,951	-	(1)	9,543
Vela Energy Solar España Finance, S.L.	(1)	Spain	100% (2)	-	2016	980	5,560	-	-	6,540
Vela Energy Solarfin, S.L.	(1)	Spain	100% (2)	-	2016	3	4,061	(35)	(1,420)	2,644
Vela Energy Solar Alcudia, S.L.	(1)	Spain	100% (2)	-	2016	4	624	622	105	733
Vela Energy Solar Acula, S.L.	(1)	Spain	100% (2)	-	2016	4	965	1,120	83	1,052
Vela Energy Pedro Martinez, S.L.	(1)	Spain	100% (2)	-	2016	4	85	692	(354)	(265)
Vela Energy Solar Alhama de Granada, S.L.	(1)	Spain	100% (2)	-	2016	4	338	1,085	79	421
Vela Energy Solar Isnalloz, S.L.	(1)	Spain	100% (2)	-	2016	4	552	1,461	92	648
Vela Energy Solar Villamesías, S.L.	(1)	Spain	100% (2)	-	2016	3	1,005	1,339	308	1,316
Global Atreo, S.L.	(1)	Spain	100% (2)	-	2016	4	1,942	2,819	451	2,397
Bujía Solar, S.L.	(1)	Spain	100% (2)	-	2016	3	1,826	2,756	227	2,056
J.B. Solar Malagón, S.L.	(1)	Spain	100% (2)	-	2016	3	2,624	3,994	977	3,604
Vela Energy SPV XIII, S.L	(1)	Spain	100% (2)	-	2016	3	155	311	56	214
Vela Energy SPV XXIV, S.L	(1)	Spain	100% (2)	-	2016	3	1,663	3,705	55	1,721
Vela Energy SPV XXI, S.L.	(1)	Spain	100% (2)	-	2016	3	261	832	44	308
Vela Energy SPV XXII, S.L.	(1)	Spain	100% (2)	-	2016	3	106	406	61	170
Sociedad de Explotación Fotovoltaica Omega, S.L.	(1)	Spain	100% (2)	-	2016	10	976	658	239	1,225
Diversia Solar, Proyectos y Explot. de Parques solares, S.L.	(1)	Spain	100% (2)	-	2016	3	481	1,301	182	666
Vela Energy SPV XXV, S.L.	(1)	Spain	100% (2)	-	2016	3	592	1,473	16	611
Vela Energy SPV XXIII, S.L.	(1)	Spain	100% (2)	-	2016	3	318	1,420	(17)	304

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All investments presented have been fully consolidated

Appendix I: Subsidiaries of Vela Energy Equityco, S.L. at 31 December 2017

Company	Line of business	Registered Office (2)	% indirect ownership interest	% direct ownership interest	Year acquired	Equity of the subsidiary (in thousands of EUR) Share capital	Reserves	Profit (loss) Operating	Profit (loss) Net	Total equity
Vela Energy Finance, S.A.	(1)	Luxemburg	-	100%	2016	531	163	(97)	140	834
Vela Energy Holdings, S.L.	(1)	Spain	-	100%	2016	17	18,675	(15)	(18)	18,674
Siluendor Plano, S.L.	(1)	Spain	100%	-	2014	6	677	605	305	988
Unified Group, S.L.	(1)	Spain	100%	-	2014	3	53	230	19	75
Cruanorna, S.L.	(1)	Spain	100%	-	2016	4	35	366	(85)	(46)
Gapalencos, S.L.	(1)	Spain	100%	-	2016	4	430	511	199	633
Arroyo Solar, S.L.	(1)	Spain	100%	-	2016	3	143	140	37	183
Parque Solar Caudete, S.L.	(1)	Spain	100%	-	2016	3	285	387	143	431
P.I.Renovables 2, S.L.U.	(1)	Spain	100%	-	2016	3	416	461	72	491
Capur Business, S.L.	(1)	Spain	100%	-	2016	3	121	119	29	153
Villanueva Cosolar, S.L.	(1)	Spain	100%	-	2016	3	532	484	(2)	533
Vermarozul, S.L.	(1)	Spain	100%	-	2016	4	419	158	51	474
Vela Energy SPV IV, S.L.	(1)	Spain	100%	-	2016	3	443	169	10	456
Vela Energy SPV V, S.L.	(1)	Spain	100%	-	2016	3	194	979	454	651
Vela Energy SPV VI, S.L.	(1)	Spain	100%	-	2016	3	1,202	0	0	1,205
Fotovoltaica La Gamonosa, S.L.	(1)	Spain	100%	-	2016	4	567	453	157	728
Vela Energy SPV VIII, S.L.	(1)	Spain	100%	-	2016	3	1,292	966	6	1,301
Vela Energy SPV IX, S.L.	(1)	Spain	100%	-	2016	3	190	215	35	228
Vela Energy SPV XI, S.L.	(1)	Spain	100%	-	2016	3	363	320	(88)	278
Vela Energy SPV XII, S.L.	(1)	Spain	100%	-	2016	3	529	210	76	608
Vela Energy SPV XIV, S.L.	(1)	Spain	100%	-	2016	3	269	0	(2)	270
Acacia Ins. Fot, S.L.U.	(1)	Spain	100%	-	2016	7	6,754	1,216	(1,295)	5,466
Vela Energy SPV XV, S.L.	(1)	Spain	100%	-	2016	3	10,032	0	(150)	9,885
Vela Energy Solar Spanish Holdings 2, BV	(1)	Netherlands	100%	-	2016	-	92	(31)	(31)	61
Vela Energy Power España I, BV	(1)	Netherlands	100%	-	2016	18	20,806	(40)	(40)	20,784
Vela Energy Power España II, BV	(1)	Netherlands	100%	-	2016	18	1	(36)	(36)	(17)
Vela Energy Power España I, BV S.L.	(1)	Spain	100%	-	2016	1,593	10,207	(4)	(2,256)	9,544
Vela Energy Solar España Finance, S.L.	(1)	Spain	100%	-	2016	980	5,562	(1)	(2)	6,540
Vela Energy Solarfin, S.L.	(1)	Spain	100%	-	2016	3	5,841	(1)	(1,780)	4,064
Vela Energy Solar Alcudia, S.L.	(1)	Spain	100%	-	2016	4	530	253	95	629
Vela Energy Solar Acula, S.L.	(1)	Spain	100%	-	2016	4	906	329	59	969
Vela Energy Pedro Martinez, S.L.	(1)	Spain	100%	-	2016	4	593	(87)	(507)	90
Vela Energy Solar Alhama de Granada, S.L.	(1)	Spain	100%	-	2016	4	268	330	71	343
Vela Energy Solar Isnalloz, S.L.	(1)	Spain	100%	-	2016	4	498	401	54	556
Vela Energy Solar Villamesias, S.L.	(1)	Spain	100%	-	2016	3	710	624	295	1,008
Global Atreo, S.L.	(1)	Spain	100%	-	2016	4	1,531	1,113	412	1,947
Bujia Solar, S.L.	(1)	Spain	100%	-	2016	3	1,658	885	168	1,829
J.B. Solar Malagón, S.L.	(1)	Spain	100%	-	2016	3	1,872	1,871	753	2,628
Vela Energy SPV XIII, S.L	(1)	Spain	100%	-	2016	3	90	149	64	157
Vela Energy SPV XXIV, S.L	(1)	Spain	100%	-	2016	3	1,682	836	(78)	1,607
Vela Energy SPV XXI, S.L.	(1)	Spain	100%	-	2016	3	246	232	14	263
Vela Energy SPV XXII, S.L.	(1)	Spain	100%	-	2016	3	72	140	34	109
Sociedad de Explotación Fotovoltaica Omega, S.L.	(1)	Spain	100%	-	2016	10	693	407	283	986
Diversia Solar, Proyectos y Explot. de Parques solares, S.L.	(1)	Spain	100%	-	2016	3	335	486	146	484
Vela Energy SPV XXV, S.L.	(1)	Spain	100%	-	2016	3	629	324	(38)	594
Vela Energy SPV XXIII, S.L.	(1)	Spain	100%	-	2016	3	359	325	(42)	320

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VELA ENERGY EQUITYCO S.L. AND SUBSIDIARIES

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Authorization by the Parent's Sole Director:

At 29 March 2019, the representative of the Parent's Sole Director authorized these consolidated financial statements (comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto) for issue for the year ended 31 December 2018, along with the management report for 2018. The consolidated financial statements and consolidated management report comprise 43 pages, numbered 1 to 43, all signed by the Parent's Sole Director.

D. Miguel Ángel García Mascuñán