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

VELA ENERGY EQUITYCO, S.L. AND SUBSIDIARIES
Consolidated Financial Statements and Group Management Report
for the year ended
December 31, 2017

Building a better working world

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

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Sole Shareholder of VELA ENERGY EQUITYCO, S.L. (Sole-Shareholder Company) 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, 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group as at December 31, 2017 and of its financial performance and its consolidated 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.

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

At December 31, 2017, the Group has tax loss carryforwards and other deferred tax assets amounting to 20,853 thousand euros. The recoverability of these assets mainly depends on the Group's capacity to generate sufficient future tax profits and within a period of time for which the Group can provide clear evidence of recovery. This area is significant in the context of the audit as the valuation process is complex, requiring Management to perform significant estimates and being the amounts recorded materials. Breakdowns including key aspects and movements related to the deferred tax assets valuation are reflected in the note 14 of the accompanying consolidated notes.

Our audit procedures mainly consisted in analysing 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 and checking the results against historical information as well as expected tax profit generations.

Other information: consolidated management report

Other information refers exclusively to the 2017 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 2017 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 the 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.

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)

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

May 16, 2018

Vela Energy Equityco, S.L. and Subsidiaries

Consolidated financial statements for the year ended 31 December 2017 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 Company Group in Spain (see Notes 2 and 23). 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 2017

(Thousands of euros)

ASSETS	Notes to the financial statements	2017	2016
NON-CURRENT ASSETS		331,948	371,479
Intangible assets	Note 6	**45,806**	**50,337**
Rights of use		38,106	41,753
Other intangible assets		7,700	8,584
Property, plant and equipment	Note 7	**264,151**	**294,716**
Land and buildings		1,386	1,386
Plants		262,409	292,972
Other property, plant and equipment		356	358
Non-current investments	Note 8	**1,138**	**1,132**
Deferred tax assets	Note 14	**20,853**	**25,294**
CURRENT ASSETS		55,606	67,720
Inventories		**53**	**102**
Trade and other receivables		**16,106**	**19,982**
Receivables from Group companies	Note 15	1	16
Trade receivables from sales and services	Note 9	14,756	17,299
Other receivables from Public Administrations	Note 14	1,334	1,783
Other receivables		15	884
Investments in Group companies	Note 15	**26**	**34**
Current financial assets	Note 8	**20,572**	**19,612**
Current prepayments and accrued income		**313**	**131**
Cash and other cash equivalents	Note 11	**18,536**	**27,859**
TOTAL ASSETS		387,554	439,199

EQUITY AND LIABILITIES	Notes to the financial statements	2017	2016
EQUITY		(26,032)	(13,222)
SHAREHOLDERS`EQUITY	Note 12	(26,032)	(13,222)
Share Capital		**3**	**3**
Issued capital		3	3
Issue premium		**70,558**	**78,700**
Legal reserve		**1**	**-**
Consolidation reserves		**(91,960)**	**(109,465)**
Other shareholder contributions		**34**	**34**
Profit or loss for the period		**(4,668)**	**17,506**
NON-CURRENT LIABILITIES		381,775	415,798
Long-term provisions	Note 20	**1,952**	**3,781**
Non-current borrowings	Note 13.1	**347,612**	**379,533**
Bonds and other marketable securities		347,605	379,526
Other non-current borrowings		7	7
Non-current debt to Group companies and associates	Note 15	**24,612**	**24,048**
Deferred tax liabilities	Note 14	**7,599**	**8,436**
CURRENT LIABILITIES		31,811	36,623
Current borrowings	Note 13.1	**22,682**	**27,763**
Bonds and other marketable securities		22,682	27,763
Current debt to Group companies and associates	Note 15	**2,495**	**1,609**
Current payables to Group companies and associates	Note 15	**567**	**153**
Trade and other payables		**6,067**	**7,098**
Payables	Nota 13.2	1,818	3,647
Other accounts payables to Public Administrations	Note 14	4,249	3,451
TOTAL EQUITY AND LIABILITIES		387,554	439,199

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of financial position at 31 December 2017

Vela Energy Equityco, S.L. and Subsidiaries

2017 CONSOLIDATED COMPRENHENSIVE INCOME STATEMENT

(Thousands of euros)

	Notes to the financial statements	2017	2016
CONTINUING OPERATIONS			
Net sales	**Note 16.a**	**58,196**	**51,816**
Sales		58,196	51,816
Procurements	**Note 16.c**	**(4,141)**	**(4,562)**
Other operating revenues		**22**	**-**
Personnel expenses	**Note 16.d**	**(3)**	**(135)**
Other operating expenses	**Note 16.e**	**(5,590)**	**(9,862)**
Outside services		(1,217)	(5,920)
Taxes other than income tax		(4,373)	(3,942)
Depreciation and amortisation charge	**Note 16.f**	**(33,835)**	**(32,066)**
PROFIT FROM OPERATIONS		**14,649**	**5,191**
Finance Income	**Note 16.g**	**6**	**16,794**
Other finance income		4	16,783
From marketable securities and other financial instruments		2	11
Finance costs	**Note 16.g**	**(15,421)**	**(18,017)**
On debts to Group companies and associates	**Note 15**	(1,942)	(4,719)
Bonds and other marketable securities		(12,826)	(13,298)
Other finance costs		(653)	-
FINANCIAL LOSS		**(15,415)**	**(1,223)**
PROFIT (LOSS) BEFORE TAX		**(766)**	**3,968**
Income tax	**Note 14**	(3,902)	13,538
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(4,668)**	**17,506**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(4,668)**	**17,506**

The accompanying Notes 1 to 23 are an integral part of the consolidated comprehensive income statement for 2017

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STETEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of euros)

	Notes to the financial statements	2017	2016
Consolidated profit for the year		(4,668)	17,506
Income and expense recognised directly in equity		-	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY		-	-
Transfers to the consolidated income statement		-	-
TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		(4,668)	17,506

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of euros)

	Share Capital (Note 12.a)	Issue Premium (Note 12.b)	Legal reserve (Note 12.c)	Consolidation reserves (Note 12.e)	Other shareholder contributions (Note 12.d)	Profit for the period	Non-controlling interests	TOTAL
BALANCE AT 1 JANUARY 2016	**-**	**-**	**-**	**(5,625)**	**-**	**-**	**-**	**(5,625)**
Total recognised income and expense	-	-	-	-	-	17,506	-	17,506
Others	-	-	-	(103,840)			-	(103,840)
Transactions with shareholders:								
Distribution of dividends	-	-	-	-	-	-	-	-
Other changes in equity:								
Incorporation of the Parent company	3	-	-	-	-	-	-	3
Others: shareholder contributions	-	160,000	-	-	34	-	-	160,034
Others: return of shareholder contributions	-	(81,300)	-	-	-	-	-	(81,300)
BALANCE AT 31 DECEMBER 2016	**3**	**78,700**	**-**	**(109,465)**	**34**	**17,506**	**-**	**(13,222)**
Total recognised income and expense	-	-	-	-	-	(4,668)	-	(4,668)
Distribution of the consolidated profit 2016	-	-	1	17,505	-	(17,506)	-	-
Transactions with shareholders								
Distribution of dividends	-	-	-	-	-	-	-	-
Other changes in equity:								
Others: shareholder contributions	-	-	-	-	-	-	-	-
Others: return of shareholder contributions	-	(8,142)	-	-	-	-	-	(8,142)
BALANCE AT 31 DECEMBER 2017	**3**	**70,558**	**1**	**(91,960)**	**34**	**(4,668)**	**-**	**(26,032)**

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017

Vela Energy Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017

(Thousands of euros)

	Notes to the financial statements	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**31,476**	**27,308**
Profit for the year before tax		**(766)**	**3,968**
Adjustments for:		**49,250**	**33,289**
- Depreciation and amortisation charge	Note 16.f	33,835	32,066
- Finance income	Note 16.g	(6)	(16,794)
- Finance costs	Note 16.g	15,421	18,017
Changes in working capital		**2,966**	**(1,879)**
- Trade and other receivables		3,554	(7,726)
- Other current assets		(1,091)	12,797
- Trade and other payables		503	(6,950)
Other cash flows from operating activities		**(19,974)**	**(8,070)**
- Interest paid		(19,792)	(8,081)
- Interest received		4	11
- Income tax paid		(186)	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(1,530)**	**(23,516)**
Payments for investments (-)		**(1,530)**	**(23,516)**
- Property, plant and equipment		-	(1,139)
- Acquisitions of corporate business combinations	Note 5	(1,530)	(22,377)
CASH FLOWS FROM FINANCING ACTIVITIES		**(39,269)**	**10,760**
Proceeds from and payments for equity instruments	Note 12	**(8,142)**	**(81,300)**
- Redemption of equity instruments (-)		(8,142)	(81,300)
Proceeds from and payments for financial liability instruments		**(31,127)**	**92,060**
- Issue:			
Bonds and other marketable securities (+)	Note 13.1	-	404,000
Others (fees for issue of bonds and other marketable securities)		-	(4,057)
- Redemption and repayment of:			
Bank borrowings (-)		-	(230,402)
Bonds and other negotiable securities (-)		(30,638)	-
Payables to Group companies (-)		(489)	(77,481)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(9,323)**	**14,552**
Cash and cash equivalents at beginning of period	Note 11	27,859	13,307
Cash and cash equivalents at end of period	Note 11	18,536	27,859

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of cash flows for 2017

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 23). In the event of a discrepancy, the Spanish-language version prevails.

Vela Energy Equityco, S.L. (Sole-Shareholder Company) and Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2017

1. GROUP ACTIVITY AND COMPANIES

Vela Energy Equityco, S.L. (Sole-Shareholder Company) and its subsidiaries constitute a group of companies (hereinafter, the "Group"). The Group's activity consists mainly of the operation of photovoltaic solar power stations.

Vela Energy Equityco S.L. (Sole-Shareholder Company), hereinafter, the "Parent", was incorporated for an indefinite period on 11 February 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, 2017, 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, Velazquez Street, number 157.

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. Vela Energy Equityco Group issued its consolidated financial statements for the first time in 2016, according to Spanish laws.

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

Appendix I sets out a list of subsidiaries, associates and direct or indirect investees of Vela Energy Equityco, S.L., as well as key information thereon.

Group activity

The Group's business model is aimed at operating renewable energy power plants. The Group uses photovoltaic technology to generate this electricity. The Group's installed capacity at 31 December 2016 and 2017 came to 98.62 MWp.

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

In 2016, the Group entered into several agreements to acquire different groups of photovoltaic companies. All acquisitions carried out in the period between 1 January 2016 and 31 December 2016 are disclosed below:

- <u>Acquisition of the Lupiñen project</u>

On 6 February 2016, the shareholders of Diversia Solar Proyectos y Explotaciones de Parques Solares, S.L. sold all their shares in said company to Vela Energy Holdings, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) for the sum of EUR 5,320 thousand (see Note 5.1).

- <u>Acquisition of the Campolara project</u>

On 13 April 2016, Vela Energy Holdings, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) signed an agreement with Heliosolar, S.L. to acquire the shares in Sociedad de Explotación Fotovoltaica Omega, S.L. and to thus assume control over the activities and operations of the photovoltaic power station for the sum of EUR 720 thousand (see Note 5.2).

Furthermore, between 1 January 2016 and 31 December 2016, the Group acquired the following projects:

- On 23 March 2016, Vela Energy SPV V, S.L. acquired the Villena project (including its assets, agreements, licences, collection rights and payment obligations) (35 photovoltaic plants with a total power of 3.46 Mw) for the sum of EUR 9,610 thousand (see Note 5.3).

- On 5 April 2016, Vela Energy SPV IV, S.L. acquired the Copero project (including its assets, agreements, licences, collection rights and payment obligations) (10 photovoltaic plants with a total power of 0.90 Mw) for the sum of EUR 1,924 thousand (see Note 5.4).

- On 5 April 2016, Vela Energy SPV XXIII, S.L. acquired the Casaquemada project (including its assets, agreements, licences, collection rights and payment obligations) (19 photovoltaic plants with a total power of 1.88 Mw) for the sum of EUR 291 thousand (see Note 5.5).

- On 5 April 2016, Vela Energy SPV XXIV, S.L. acquired the Las Cabezas project (including its assets, agreements, licences, collection rights and payment obligations) (57 photovoltaic plants with a total power of 5.70 Mw) for the sum of EUR 1,664 thousand (see Note 5.6).

- On 5 April 2016, Vela Energy SPV XXV, S.L. acquired the Linares project (including its assets, agreements, licences, collection rights and payment obligations) (19 photovoltaic plants with a total power of 1.9 Mw) for the sum of EUR 1,053 thousand (see Note 5.7).

- On 14 June 2016, Vermarozul, S.L. acquired the Albaidas project (including its assets, agreements, licences, collection rights and payment obligations) (12 photovoltaic plants with a total power of 1.2 Mw) for the sum of EUR 2,750 thousand (see Note 5.8).

- On 29 April 2016, Vela Energy SPV XXII, S.L. acquired the FV-23M (Lorca) project (1 photovoltaic plant with a total power of 0.1 Mw) for the sum of EUR 401 thousand (see Note 5.9).

The Group's business is conducted in Spain.

Group activity in Spain

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.

On 31 December de 2017 and 2016, the total installed power of all companies forming part of the Vela Energy Equityco Group is 98.62 MWp.

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 financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1) Regulatory financial reporting framework applicable to the Group

The 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"), with these standards applicable since 31 December 2017, 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) Mandatory standards approved by the Spanish Institute of Accountants and Auditors.

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) Basis for presentation

These consolidated financial statements pertaining to Vela Energy Equityco, S.L. (Sole-Shareholder Company) and Subsidiaries for the year ended 31 December 2017, have been prepared from the accounting records of the Parent and the other companies that make up the Vela Energy Equityco Group.

In the year 2016 the Group was set up as part of the reorganisation of companies under joint control, through which Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the companies specified in Note 1 on 8 June 2016 for a total amount of EUR 160,000 thousand.

In 2016 the consolidation process was carried out using the consolidated values of the pre-existing subsidiaries at 1 January 2016. Therefore, the consolidated financial statements for the year ended at 31 December 2016 are not considered initial financial statements and the acquisition method was not applied because the companies were previously under common control (see Note 1) and because the directors considered that this would be the most suitable accounting policy for reflecting these transactions and that it falls within the exceptions permitted under IFRS 3 ("pooling of interest" – "predecessor accounting").

The results of subsidiaries incorporated during 2016 and listed in Note 5 were included in the consolidated income statement effective from the business combination date. However, the results of pre-existing subsidiaries at 1 January 2016 and incorporated during 2016, in line with the reorganisation task set out in Note 1, were included in the consolidated income statement from the start of the period.

The consolidated financial statements have been prepared the in line 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, the effect of which has had no significant impact on the consolidated financial statements.

3) 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.

Standards and interpretations effective this year

In 2017, new accounting standards entered into force and were accordingly taken into account in preparing the accompanying consolidated financial statement.

The detail of standards, amendments and accounting interpretations approved by the European Union and their initial date of mandatory application, as well as those standards and interpretations that are issued by the IASB or by the IFRS Interpretations Committee but have not yet been approved for their use in the European Union, is as follows:

New standards, amendments and interpretations:		**Mandatory application for annual periods beginning on or after:**
Approved for use in the European Union		
Amendment to IAS 7. Cash flow: Disclosure Initiative	Introduces additional disclosure requirements in relation to the reconciliation of the movement of financial liabilities with the cash flows from financing activities.	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	Clarification of the principles established in relation to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendment to IFRS 4, Insurance Contracts	Allows entities the choice of either applying IFRS 9 or its temporary exemption, within the scope of IFRS 4.	1 January 2018
IFRS 15, Revenue from Contracts with Customers and clarifications	The new revenue standard will affect all industries and sectors in a cross-cutting manner in one way or another. It will replace IAS 18 and IAS 11 currently in force, in addition to current revenue interpretations (IFRIC 13, 15, 18 and SIC 31). The new IFRS 15 model is much more restrictive and, in addition to adopting a very different approach, is based on rules and, therefore, the application of the new requirements may give rise to changes in the revenue profile.	1 January 2018

New standards, amendments and interpretations:		Mandatory application for annual periods beginning on or after:
Approved for use in the European Union		
IFRS 9 Financial Instruments	This new standard will supersede the current IAS 39. IFRS 9 was issued in parts and is now complete (Classification and Measurement, Hedges and Impairment). The change in concept is significant in all sections. This changes the classification and measurement model for financial assets whose central axis will be the business model. The aim of the hedge accounting model is to become more in line with the economic management of the risk and require fewer rules. Lastly, the impairment model changes from the current incurred losses to a forecast losses model.	1 January 2018
IFRS 16, Leases	Replaces IAS 17 and the associated interpretations. The main development involves the new standard proposing a single accounting model for lessees, including all leases in the statement of financial position (with specific exceptions) with a similar impact to that of current financial leases (depreciation of the asset in terms of the right of use and finance expense on the amortised cost of the liability).	1 January 2019
Not approved for use in the European Union at the date of publication of this document		
Amendment to IFRS 2, Classification and Measurement of Shared-Based Payment Transactions	These are limited amendments which clarify specific matters such as the accounting for the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and certain aspects of the modifications to the type of share-based payment.	1 January 2018
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A very significant clarification in relation to the result of these operations, because there had been a discrepancy between the standards. When concerning a business, a full gain or loss will be recognised; should the object of the transaction be assets, a partial gain or loss will be recognised.	Its adoption in the EU and its application in accordance with IASB has been deferred indefinitely.
Amendments to IAS 40, Reclassification of Investment Property	The amendment clarifies that the reclassification of an investment as investment property shall only be permitted when it can be demonstrated that there has been a change in use.	1 January 2018
Improvements to IFRS for 2014-2016 (published in December 2016)	Small amendments to specific standards	1 January 2018
Improvements to IFRS for 2015-2017	Small amendments to specific standards	1 January 2019
IFRS 17 Insurance contracts	This new standard will replaced the current IFRS 4. It will apply to all kind of insurance contracts regardless of the type of entities that issue them. Its main purpose is to provide an accounting model for these contracts that is more useful and uniform for the insurers.	1 January 2021

Not approved for use in the European Union at the date of publication of this document		
IFRIC 22 Foreign currency transactions and advance consideration	This interpretation establishes the "transaction date" in order to establish the exchange rate applicable to transactions with advance considerations in foreign currency.	1 January 2018
IFRIC 23 Uncertainties about income tax treatment	This interpretation addresses aspects such as whether an entity has to consider tax uncertainties separately or together, and must follow the approach that best estimates the uncertainty resolution.	1 January 2019

The Parent's Sole Director considers that the adoption of these standards shall have no significant impact on the consolidated financial statements at 31 December 2017, with the exception of the entry into effect of IFRS 16 on 1 January 2019, which entails the recognition of larger assets and liabilities in terms of lease agreements for land on which certain photovoltaic power stations are located, an improvement in the consolidated operating income and a decrease in consolidated profit for the year, in addition to a more comprehensive breakdown in the consolidated financial statements.

4) Group's presentation currency

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

5) Fair view and basis of presentation

These consolidated financial statements give a fair view of the equity, the consolidated results of its operations, the changes in its consolidated equity and in consolidated cash flows at the Vela Energy Equityco Group in 2017 and 2016.

The accompanying consolidated financial statements are prepared in thousands of euros from the accounting records kept by the Parent and by the other entities comprising the Vela Energy Equityco Group. Each company prepares its own financial statements, following the accounting policies and measurement bases in force in the country in which they undertake their operations; therefore, 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 adopted by the European Union.

6) Basis of consolidation

During the consolidation process, all subsidiaries of the Parent, as detailed in Annex I, were taken into account.

The Group used the following criteria to determine which consolidation method to apply to the various companies comprising the Group:

- 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 2017 and 2016, all companies comprising the Vela Energy Equityco Group were fully consolidated.

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 (see Notes 5 and 6). 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 set out in Note 5. 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.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired, and is translated to euros at the exchange rate prevailing at the date of the consolidated statement of financial position.

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 financial statements of any subsidiaries with a functional currency other than the presentation currency (the euro) would be translated to euros as follows:

- The assets and liabilities in their statements of financial position were translated at the closing rate on the date of the consolidated statement of financial position.

- The income statement items were translated at the cumulative average exchange rates for the period in which they arose.

- Any resulting exchange differences are recognised as a separate component of equity under "Translation differences".

When control, joint control or a significant influence over a company with a functional currency other than the euro is lost, the translation differences recognised as a component of equity relating to that company are recognised in the consolidated income statement at the same time as the gain or loss on the disposal is recognised. If an investee with a functional currency other than the euro is a jointly controlled entity or associate and it is partially disposed of, without giving rise to a change in its classification as an investee, or if the jointly controlled entity becomes an associate, only the proportionate share of the exchange difference is recognised in profit or loss.

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.

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.

8) *Changes in the scope of consolidation*

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

The most significant changes in the scope of consolidation in 2016 were as follows:

- **Corporate acquisitions:**

They correspond to the incorporation of interests as part of the reorganisation of companies under joint control, as set out in Note 1:

Acquisition of the Lupiñen project: during 2016, Diversia Solar, Proyectos y Explotaciones de Parques Solares, S.L. was included in the scope of consolidation. This transaction generated goodwill at consolidated level (see Note 5.1)

Acquisition of the Campolara project: during 2016, Sociedad de Explotación Fotovoltaica Omega, S.L. was included in the scope of consolidation. This transaction generated goodwill at consolidated level (see Note 5.2).

- **Incorporation of new companies**:

In 2016, the following companies have been incorporated within the Vela Energy Equityco Group:

  - Vela Energy Finance, S.A.

- **Mergers:**

In 2016, the following subsidiaries of the Vela Energy Equityco Group were merged with their corresponding subsidiaries:

  - Vela Energy Solar Alcudia, S.L.
  - Vela Energy Solar Acula, S.L.
  - Vela Energy Solar Pedro Martínez, S.L.
  - Vela Energy SPV IX, S.L.
  - Vela Energy SPV XI, S.L.
  - Vela Energy SPV XII, S.L.
  - Vela Energy SPV XXI, S.L.
  - Vela Energy SPV XXII, S.L.

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 2017, 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.

10) Comparison of information

The information contained in these consolidated financial statements for the year 2017 are presenting, for comparative purposes, with the information for 2016.

3. REGULATIONS APPLICABLE TO RENEWABLE ENERGY PRODUCTION ACTIVITIES

The Vela Energy Equityco Group currently operates in the electricity generation market in Spain through the promotion, development and operation of renewable energy production facilities (with the Group employing photovoltaic solar power technology). At the time of preparing these consolidated financial statements, the Group's investments were located in Spain.

The bases of the new regulatory framework that regulates the activity of energy production through renewable sources in Spain are detailed below:

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

At 31 December 2017 and 2016, the primary regulations in respect of electricity were set out in Electricity Sector Law 24/2013 of 26 December, which repealed Law 54/1997 of 27 November.

The Electricity Sector Law aims to govern the sector in order to ensure the supply of electricity and to adapt the supply to the needs of consumers in terms of security, quality, efficiency, objectivity, transparency and minimum cost.

The law establishes that 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.

By virtue of this criteria, specific remuneration will comprise the following, depending on the technology in question:

- An amount per unit of installed capacity that covers the investment costs of a standard facility that cannot be recovered through the market sale of energy, and

- An amount for the operation that covers the shortfall between operating costs and income in accordance with market share.

The remuneration will be calculated for a standard facility throughout its regulatory useful life, taking into account the following:

- Standard income for the sale of energy generated, measured at the (estimated) price in the production market

- Standard operating costs and

- Standard value of initial investment.

In order to calculate the specific remuneration, regulatory period of six years and partial periods of three years are established. The first regulatory period began on 14 July 2013 and will end on 31 December 2019.

A review will be conducted during each regulatory period, in which all remuneration parameters may be modified, including the value of a reasonable return throughout the remainder of the regulatory useful life of standard facilities, established by law. Once the regulatory useful life or the standard value of the initial investment of a facility has been recognised, they may not be revised under any circumstances.

Every three years, the estimated income for the sale of energy generated will be reviewed for the remaining regulatory period, valued at the production market price and based on trends in market prices and expected operating hours.

In addition, the remuneration parameters will be adjusted in accordance with deviations between the market price and the estimates made for the preceding three-year period. The adjustment method will be established through the pertinent regulations and will be applicable for the remaining useful life of the facility.

The reasonable return will be defined as a project return, which will be pegged to the average pre-tax yield in the secondary market of 10-year Spanish bonds plus an appropriate spread.

Additional provision one of Royal Decree-Law 9/2013 sets the reasonable return for those facilities entitled to the remunerated economic regime upon the entry into force of the Royal Decree as the average yield in the secondary market of 10-year Spanish bonds during the ten years prior to entry into force of Royal Decree-Law 9/2013 plus 300 basis points (equivalent to 7.398% for the first regulatory period).

The law also establishes the priority access and dispatch criteria for electricity from renewable energy sources and from high-efficiency cogeneration, in accordance with European Union directives.

Royal Decree 413/2014, Ministerial Order IET/1045/2014 and Ministerial Order ETU/130/2017

Royal Decree 413/2014 was published on 6 June 2014, governing electricity production through renewable energy sources, cogeneration and waste. Subsequently, Ministerial Order IET/1045/2014 of 16 June was published on 20 June 2014, approving the remuneration parameters for standard facilities applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste.

Furthermore, on 17 February 2017, Ministerial Order ETU/130/2017 was published, updating the remuneration parameters for standard facilities applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste, for application in the regulatory partial period beginning on 1 January 2017.

This new remuneration includes the adjusted remuneration parameters in accordance with deviations between the market price and the estimates made for the preceding three-year period. The Parent's Sole Director does not believe that the aforementioned adjustment will have a significant impact on the Group.

The Sole Director of the Parent considers that the income the Group will generate under the new regulatory framework will be reasonably sufficient to ensure continuity of operations.

Regulatory changes approved in previous years

The following regulations were approved in recent years and continue in force, with an impact on the photovoltaic power station business:

- Royal Decree-Law 3/2016, of 2 December 2016, approving tax measures:

Adopts tax measures aimed at the consolidation of public finances and other urgent social security measures. These measures affect the recoverability of tax losses of companies and the impairment of shares that had previously been tax deductible.

In addition, new limits are established for offsetting tax loss carryforwards, taking into account the minimum of EUR 1 million in all cases:

  - 60% of taxable income: for periods beginning on or after 2016 (70% for periods beginning on or after 1 January 2017).

- 50% of taxable income: when revenue is at least EUR 20 million but less than EUR 60 million during the 12-month period

- 25% of taxable income: when revenue is EUR 60 million or above during the 12-month period

- Royal Decree-Law 12/2012 of 30 March, introducing tax and administrative measures aimed at reducing public debt.

  Among other changes, the regulation establishes that net finance costs will be deductible, with a limit of up to 30% of profit from operations for the period. In any event, net finance costs of EUR 1 million will be deductible for the tax period.

  Given that the entities file taxes as part of a consolidated tax group, the limit foreseen refers to the tax group as a whole.

- Law 16/2012 of 27 December, adopting tax measures to support public fiscal consolidation and to stimulate economic activity.

  Among other provisions, the law established that the depreciation and amortisation for accounting purposes of property, plant and equipment, intangible assets and investment property for tax periods beginning in 2013 and 2014 can be deducted from taxable income up to 70% of the amount that, to date, could be considered tax deductible had the percentage not been applied.

  Any depreciation or amortisation expenses that are not tax deductible in 2013 and 2014 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.

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

  As from 1 January 2015, the applicable tax rate was reduced to 28%, with a further reduction to 25% as from 1 January 2016. Modifications were also made to the treatment of the offset of tax loss carryforwards, whereby the time limit on their use has been eliminated. Nevertheless, quantitative limits of 60% and 70% of taxable income prior to the offset have been set for 2016 and for 2017 and thereafter, respectively, and a minimum of EUR 1 million has been established for all cases. Nevertheless, the offset of tax loss carryforwards for 2015 will be subject to the previous regulations, which establish a limit of 50% of taxable income prior to the offset, when revenue for the 12-month period is at least EUR 20 million but less than EUR 60 million, and a limit of 25% of taxable income prior to the offset, when revenue for the 12-month period is at least EUR 60 million.

4. ACCOUNTING POLICIES AND MEASUREMENT BASES

The main valuation methods applied by the Group to prepare its consolidated financial statements as of 31 December 2017 were as follows:

a) Intangible assets (see Note 6)

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, namely 18 years. 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 includes 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 7)

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.

Property, plant and equipment comprises the capitalised cost of construction of the photovoltaic solar power stations. The cost includes, where applicable, the following items accrued exclusively prior to the moment the assets are in operating conditions, i.e., the point at which it is available for use, up to the market value of the related item of property, plant and equipment:

a. For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

b. Personnel expenses and other costs directly or indirectly related to works.

c. Income generated by the asset up to its commissioning (income during the testing phase, construction penalties, etc.) are recognised as a decrease in the cost of acquisition of the asset.

The necessary costs for developing and commissioning solar plants are recognised as an increase in the value thereof.

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.

The Group reclassifies property, plant and equipment under construction to property, plant and equipment in use once the start-up of the facility has been duly accredited, and after all rights and obligations associated with the different assets have been transferred to the Group.

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

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*

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 i006Ecorporating 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.

e) ***Financial instruments***

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 amortised cost, using the effective interest rate method and reduced, as applicable, by impairment losses. Other categories are measured at their fair value.

Borrowings

Short-term 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 derecognised. Any difference between the liability recognised and the amount paid is included in the consolidated income statement under "Finance costs".

Derecognition of financial assets

Financial assets are derecognised in the consolidated statement of financial position when the rights to receive cash flows linked to these assets mature. When the Group retains the contractual rights to receive the cash flows of a financial asset, whilst assuming an obligation to pay said cash flows to a third party, said financial asset shall be derecognised only once the assets have been transferred (the Group has an obligation to pay cash flows to a third party whenever they are collected and there is no significant delay in their collection, and the original asset cannot be sold or pledged) and under the terms of the agreement, the Group has substantially transferred all risks and benefits associated with the asset.

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 11)***

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 14)*

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 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.

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 16)*

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 vast majority 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 20)

In preparing the consolidated financial statements, the Sole Director of the Parent 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 in Note 20.

k) Related party balances and transactions (see Note 15)

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 21)

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.

5. BUSINESS COMBINATIONS

During the year 2017, contrary to what happened in the previous year, the Group has not carried out any business combination.

Projects acquired in 2016

Below is shown the business combinations that had taken place during the year 2016. In this Note, the distinction is made between:

- Annual profit / (loss) at companies acquired by the Vela Energy Equityco Group during the year ended 31 December 2016 corresponds to the individual profit / (loss) at companies consolidated during these periods.

- The profit / (loss) contributed to the consolidated Vela Energy Equityco Group by companies acquired during the year ended 31 December 2016 are those recognised by said companies since their acquisition, considering all adjustments to mark the assets acquired and liabilities assumed on the purchase date to market.

5.1. Acquisition of the Lupiñen project

Description of the transaction

On 6 February 2016, Vela Energy Holdings, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired control over Diversia Solar Proyectos y Explotaciones de Parques Solares, S.L., whose corporate purpose is the operation of photovoltaic power stations by purchasing all shares in the company. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 5,306 thousand. This amount can be broken down as follows:

	Thousands of euros (final calculation)	Thousands of euros (initial calculation)
Cash	5,054	5,054
Contingent consideration	252	266
Total consideration transferred	5,306	5,320

As established in the purchase agreement, a contingent consideration was established for the sum of EUR 266 thousand (see Note 13.2). This contingent consideration has finally amounted to EUR 252 thousand and paid to the seller in 2017.

Given that the Group's Sole Director considered the payment of this amount likely, said consideration had been taken into consideration in the acquisition price. The difference between the initial and the final contingent consideration has been adjusted in the movement of the Intangible Assets as a derecognition for the year 2017, not being restated in 2016 given the low significance of the amount (see Note 6).

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Property, plant and equipment	8,282
Deferred tax assets	233
Trade and other receivables	331
Other assets	4
Cash and cash equivalents	193
Assets acquired	**9,043**
Non-current liabilities	4,673
Current liabilities	49
Liabilities acquired	**4,722**
Total value of net assets acquired	**4,321**

Goodwill (negative difference) arising on the business combination

Details of the goodwill generated on this business combination are as follows:

	Thousands of euros (final calculation)	Thousands of euros (initial calculation)
Consideration transferred	5,306	5,320
Less - Value of net assets acquired	4,321	4,321
Difference	**985**	**999**
Assigned to rights of use	**1,313**	**1,332**
Deferred tax liabilities	**328**	**333**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	1,174
Profit or loss for the period	(304)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of Euros
Net sales	1,394
Profit or loss for the period	(266)

5.2. Acquisition of the Campolara project

Description of the transaction

On 13 April 2016, Vela Energy Holdings, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired control over Sociedad de Explotación Fotovoltaica Omega, S.L., whose corporate purpose is the operation of photovoltaic power stations by purchasing all shares in the company. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 720 thousand. This amount can be broken down as follows:

	Thousands of euros
Cash	675
Contingent consideration	45
Total consideration transferred	720

Furthermore, a contingent consideration was established for the sum of EUR 45 thousand (see Note 13.2).

Given that the Group's Sole Director considers the payment of this amount likely, said consideration has been taken into consideration in the acquisition price. Finally, the Group has paid the totality of the contingent consideration on October 13, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of Euros
Property, plant and equipment	3,100
Deferred tax assets	440
Trade and other receivables	207
Other current assets	150
Cash and cash equivalents	51
Assets acquired	**3,948**
Non-current liabilities	3,363
Current liabilities	95
Liabilities acquired	**3,458**
Total value of net assets acquired	**490**

Goodwill (negative difference) arising on the business combination

Details of the goodwill generated on this business combination are as follows:

	Thousands of euros
Consideration transferred	720
Less - Value of net assets acquired	490
Difference	**230**
Assigned to rights of use	**306**
Deferred tax liabilities	**76**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	495
Profit or loss for the period	404

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) for the year at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	705
Profit or loss for the period	393

5.3. Acquisition of the Villena project

Description of the transaction

On 23 March 2016, Vela Energy SPV V, S.L.U. (company owned in its entirety by Vela Energy Equityco, S.L.U. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Villena photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 9,610 thousand, paid in cash.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	1,170
Property, plant and equipment	7,305
Other assets	1,233
Assets acquired	**9,708**
Current liabilities	98
Liabilities acquired	**98**
Total value of net assets acquired	**9,610**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	1,761
Profit or loss for the period	(673)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	2,105
Estimated profit/(loss) for the year	(205)

5.4. Acquisition of the Copero project

Description of the transaction

On 5 April 2016, Vela Energy SPV IV, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Copero photovoltaic power station; in addition, Vela Energy SPV IV, S.L. was subrogated to the financial debt pending payment on the acquisition date. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred as part of the business combination came to EUR 1,924 thousand, by means of the provision of EUR 1,725 thousand in cash on the purchase date, with the remaining amount pending payment on the date of preparation of the 2016 consolidated financial statements (EUR 199 thousand, see Note 13.2). The total outstanding amount was paid on April 30, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	303
Property, plant and equipment	4,488
Other assets	177
Assets acquired	**4,968**
Borrowings	3,013
Current liabilities	31
Liabilities acquired	**3,044**
Total value of net assets acquired	**1,924**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	564
Profit or loss for the period	(87)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	749
Estimated profit/(loss) for the year	11

5.5. Acquisition of the Casaquemada project

Description of the transaction

On 5 April 2016, Vela Energy SPV XXIII, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Casaquemada photovoltaic power station; in addition, Vela Energy SPV XIII, S.L. was subrogated to the financial debt pending payment on the acquisition date. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred as part of the business combination came to EUR 291 thousand, by means of the provision of EUR 250 thousand in cash on the purchase date, with the remaining amount pending payment on the date of preparation of the 2016 consolidated financial statements (EUR 41 thousand, see Note 13.2). The total outstanding amount was paid on April 30, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	635
Property, plant and equipment	10,454
Other assets	389
Assets acquired	**11,478**
Borrowings	11,124
Current liabilities	63
Liabilities acquired	**11,187**
Total value of net assets acquired	**291**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	1,178
Profit or loss for the period	(348)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	1,481
Estimated profit/(loss) for the year	(441)

5.6. Acquisition of the Las Cabezas project

Description of the transaction

On 5 April 2016, Vela Energy SPV XXIV, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Las Cabezas photovoltaic power station; in addition, Vela Energy SPV XXIV, S.L. was subrogated to the financial debt pending payment on the acquisition date. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred as part of the business combination came to EUR 1,664 thousand, by means of the provision of EUR 1,473 thousand in cash on the purchase date, with the remaining amount pending payment on the date of preparation of the 2016 consolidated financial statements (EUR 191 thousand, see Note 13.2). The total outstanding amount was paid on April 30, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	1,926
Property, plant and equipment	26,110
Other assets	900
Assets acquired	**28,936**
Borrowings	27,113
Current liabilities	159
Liabilities acquired	**27,272**
Total value of net assets acquired	**1,664**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	3,122
Profit or loss for the period	(233)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	4,169
Estimated profit/(loss) for the year	(35)

5.7. Acquisition of the Linares project

Description of the transaction

On 5 April 2016, Vela Energy SPV XXV, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Linares photovoltaic power station; in addition, Vela Energy SPV XXV, S.L. was subrogated to the financial debt pending payment on the acquisition date. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred as part of the business combination came to EUR 1,053 thousand, by means of the provision of EUR 936 thousand in cash on the purchase date, with the remaining amount pending payment on the date of preparation of the 2016 consolidated financial statements (EUR 117 thousand, see Note 13.2). The total outstanding amount was paid on April 30, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	639
Property, plant and equipment	10,637
Other assets	377
Assets acquired	**11,653**
Borrowings	10,534
Current liabilities	66
Liabilities acquired	**10,600**
Total value of net assets acquired	**1,053**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	1,165
Profit or loss for the period	(161)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	1,575
Estimated profit/(loss) for the year	(40)

5.8. Acquisition of the Albaidas project

Description of the transaction

On 14 June 2016, Vermarozul, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets, contracts, licences, receivables and payables associated with the Albaidas photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred as part of the business combination came to EUR 2,750 thousand, by means of the provision of EUR 2,500 thousand in cash on the purchase date, with the remaining amount pending payment on the date of preparation of the 2016 consolidated financial statements (EUR 250 thousand, see Note 13.2). The total outstanding amount was paid on April 30, 2017.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	405
Property, plant and equipment	2,243
Other assets	116
Assets acquired	**2,764**

Current liabilities	14
Liabilities acquired	**14**
Total value of net assets acquired	**2,750**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Net sales	296
Profit or loss for the period	(19)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales	464
Estimated profit/(loss) for the year	12

5.9. Acquisition of the FV-M23 (Lorca) project

Description of the transaction

On 29 April 2016, Vela Energy SPV XXII, S.L. (company owned in its entirety by Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the assets of the FV-M23 (Lorca) photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 401 thousand, paid in cash.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognised at the acquisition date were as follows:

	Thousands of euros
Intangible assets	33
Property, plant and equipment	368
Assets acquired	**401**
Non-current liabilities	-
Current liabilities	-
Liabilities acquired	**-**
Total value of net assets acquired	**401**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros

Net sales Profit or loss for the period	425 (100)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Net sales Estimated profit/(loss) for the year	452 43

6. INTANGIBLE ASSETS

The breakdown in this heading in the consolidated statement of financial position and the summary of transactions during 2017 and 2016 are as follows:

2017

	Thousands of euros				
	Beginning balance	Acquisitions in business combinations	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 amortisation:	-				
Rights of use	(3,575)	-	(3,630)	-	(7,205)
Other intangible assets	(821)	-	(884)	-	(1,705)
Total accumulated amortisation	**(4,396)**	**-**	**(4,514)**	**-**	**(8,910)**
Impairment (Rights of use)	-	-	-	-	-
Total net intangible assets	**50,337**	**-**	**(4,514)**	**(17)**	**45,806**

2016

	Thousands of euros				
	Beginning balance	Acquisitions in business combinations	Additions	Transfers	Ending balance
Cost:					
Rights of use	43,690	1,638	-	-	45,328
Other intangible assets	512	5,111	-	3,782	9,405
Total cost:	**44,202**	**6,749**		**3,782**	**54,733**
Accumulated amortisation:	-	-	-	-	-
Rights of use	-		(3,575)		(3,575)
Other intangible assets	-	-	(821)	-	(821)
Total accumulated amortisation	**-**	**-**	**(4,396)**	**-**	**(4,396)**

Impairment (Rights of use)	-	-	-	-	-
Total net intangible assets	**44,202**	**6,749**	**(4,396)**	**3,782**	**50,337**

The opening balances from the year 2016 correspond to the consolidated values of pre-existing intangible assets at 1 January 2016 acquired on 8 June 2016 by Vela Energy Equityco, S.L. (Sole-Shareholder Company) (see Note 2).

a) Business combination acquisitions

As indicated in Note 5, in 2016 the Group recognised intangible assets amounting to EUR 1,638 thousand in connection with the business combinations, specifically attributed to rights to use the photovoltaic power stations.

In 2017 no business combinations have taken place within Vela Energy Equityco Group.

b) Additions, derecognition and transfers to operating condition

During 2016, as a result of the process for measuring costs directly attributable to administrative licences and authorisations included in the assets transferred in previous years, the Group has recorded the sum of EUR 8,893 thousand under "Intangible assets" on the consolidated statement of financial position, of which EUR 5,111 thousand corresponds to the property, plant and equipment of projects acquired between 1 January 2016 to the end of the period on 31 December 2016 and EUR 3,782 thousand correspond to projects acquired beforehand (see Note 7).

In 2017, no significant additions, derecognitions or transfers have been recorded in the Group.

c) Depreciation and impairment

The intangible asset depreciation charge recognised in the 2017 and 2016 consolidated comprehensive income statement amounted to EUR 4,514 thousand and EUR 4,396 thousand (see Note 16.f)

The useful life of plant and therefore the useful life of the rights of use is set at 18 years. 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 2017, 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 2017. In 2016 the external and internal indications of impairment were also evaluated with the same outcome, not existing any intangible asset impaired.

At 31 December 2017, the Group had no significant fully-amortised intangible assets.

d) Other information

At 31 December 2017 and 2016, the Group did not have any intangible assets under development.

At 31 December 2017 and 2016, 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 2017, the Group did not have any commitments to invest in intangible assets.

7. PROPERTY, PLANT AND EQUIPMENT

The breakdown of this heading in the consolidated statement of financial position and the summary of transactions during 2017 and 2016 are as follows:

2017

	Thousands of euros				
	Beginning balance	Acquisitions in business combinations	Additions	Disposals	Ending balance
Cost:					
Land and buildings	1,386	-	-	-	1,386
Plant	320,642	-	637	(1,881)	319,398
Advances and PP&E under construction	358	-	-	-	358
Total cost	**322,386**	**-**	**637**	**(1,881)**	**321,142**
Accumulated amortisation:					
Plant	(27,670)	-	(29,319)	-	(56,989)
Advances and PP&E under construction		-	(2)	-	(2)
Total accumulated amortisation	**(27,670)**	**-**	**(29,321)**	**-**	**(56,991)**
Impairment	-	-	-	-	-
Total property, plant and equipment, net	**294,716**	**-**	**(28,684)**	**(1,881)**	**264,151**

2016

	Thousands of euros				
	Beginning balance	Acquisitions in business combinations	Additions	Transfers	Ending balance
Cost:					
Land and buildings	1,274	-	112	-	1,386
Plant	250,330	72,987	1,107	(3,782)	320,642
Advances and PP&E under construction	211	-	147	-	358
Total cost	**251,815**	**72,987**	**1,366**	**(3,782)**	**322,386**
Accumulated amortisation:					
Plant	-	-	(27,670)	-	(27,670)
Total accumulated amortisation	**-**	**-**	**(27,670)**	**-**	**(27,670)**
Impairment	-	-	-	-	-
Total property, plant and equipment, net	**251,815**	**72,987**	**(26,304)**	**(3,782)**	**294,716**

In 2016 the opening balances correspond to the consolidated values of pre-existing property, plant and equipment at 1 January 2016 acquired on 8 June 2016 by Vela Energy Equityco, S.L. (Sole-Shareholder Company) (see Note 2).

a) Business combinations, additions, disposals and transfers

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

- The Group has recognised an addition under the epigraph "Property, plant and equipment" 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 20).

- Finally, companies or project acquisitions have no taken place during 2017.

A summary of the operations undertaken between 1 January 2016 and 31 December 2016, is shown below:

- During the first half of 2016, a number of assets were acquired through mergers (see Note 5) as well as the acquisition of assets, contracts and licences (see Notes 1 and 5). The cost of property, plant and equipment acquired through mergers and acquisitions was EUR 11,382 thousand, while the cost of acquisitions through purchases of facilities stood at EUR 61,605 thousand.

  The additions recognised resulting from the purchase of projects specified in Note 5 were as follows:

  - On 23 March 2016, Vela Energy SPV V, S.L. acquired the Villena project (35 photovoltaic plants with a total power of 3.46 Mw) for the sum of EUR 7,305 thousand.
  - On 5 April 2016, Vela Energy SPV IV, S.L. acquired the Copero project (10 photovoltaic plants with a total power of 0.90 Mw) for the sum of EUR 4,488 thousand.
  - On 5 April 2016, Vela Energy SPV XXIII, S.L. acquired the Casaquemada project (19 photovoltaic plants with a total power of 1.88 Mw) for the sum of EUR 10,454 thousand.
  - On 5 April 2016, Vela Energy SPV XXIV, S.L. acquired the Las Cabezas project (57 photovoltaic plants with a total power of 5.70 Mw) for the sum of EUR 26,110 thousand.
  - On 5 April 2016, Vela Energy SPV XXV, S.L. acquired the Linares project (19 photovoltaic plants with a total power of 1.9 Mw) for the sum of EUR 10,637 thousand.
  - On 14 June 2016, Vermorazul, S.L. acquired the Albaidas project (12 photovoltaic plants with a total power of 1.2 Mw) for the sum of EUR 2,243 thousand.
  - On 29 April 2016, Vela Energy SPV XXII, S.L. acquired the FV-M23 (Lorca) project (1 photovoltaic plant with a total power of 0.1 Mw) for the sum of EUR 368 thousand.

- As a result of the process of measuring costs directly attributable to administrative licences and authorisations included in assets acquired by the Vela Energy Group in 2015, the Group has reclassified the sum of EUR 3,782 under "Intangible assets" on the consolidated statement of financial position that had previously been recognised under "Property, plant and equipment".

- Furthermore, the Group has recognised the cost of services to adapt the photovoltaic facilities monitoring system services rendered during 2016 for the sum of EUR 1,107 thousand under "Property, plant and equipment".

b) Depreciation and amortisation

The depreciation charge recognised by the Group at 31 December 2017 and 2016 came to a total of EUR 29,321 and 27,670 thousand respectively (see Note 16.f).

A useful life of 18 years has been defined for plant.

At 31 December 2017 and 2016, the Group had no significant fully-depreciated items of property, plant and equipment.

c) Other information

At 31 December 2017 and 2016, the Company had no significant assets under construction.

All the Group's property, plant and equipment are directly used in operations at 31 December 2017 and 2016.

At 31 December 2017 and 2016, the Group had no significant commitments to invest in property, plant and equipment.

At 31 December 2017, 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. In 2016 the external and internal indications of impairment were also evaluated with the same outcome, not existing any item of property, plant and equipment impaired.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. At 31 December 2017, all items of property, plant and equipment were fully insured against these risks.

8. FINANCIAL ASSETS

Details of financial assets at 31 December 2017 and 2016 are as follows:

	(in thousands of euros)			
	31/12/2017		31/12/2016	
	Non-current financial instruments	Current financial instruments	Non-current financial instruments	Current financial instruments
Financial investments	1,138	20,572	1,132	19,612
	1,138	**20,572**	**1,132**	**19,612**

Non-current financial assets

The Vela Energy Equityco Group has recognised EUR 1,138 thousand at 31 December 2017 (EUR 1,132 thousand on December 31, 2016) in non-current financial investments under this heading, corresponding to long-term guarantees and deposits.

Current financial assets

Under this heading, at 31 December 2017, the Group has mainly recognised the amount of EUR 20,507 thousand (EUR 19,549 thousand at 31 December 2016) corresponding to balances maintained at financial institutions relating to the debt service reserve fund and the maintenance reserve. These elements are essential sums 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 13). The aforementioned accounts bear interest at the market rate.

9. TRADE RECEIVABLES FROM SALES AND SERVICES

"Trade receivables from sales and services" mainly reflects the amount receivable on sales of electricity generated at photovoltaic power stations, for EUR 14,756 thousand at 31 December 2017 (EUR 17,299 thousand at 31 December 2016).

At 31 December 2017 and 2016, no impairment allowances had been made for these receivables.

10. 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 2017, the Group held receivables from highly-solvent companies, as follows:

- Energy generated in Spain: electricity distribution companies to which energy generated is sold, although the sale is invoiced to and paid by the Spanish competition authorities (Comisión Nacional de Mercados y Competencia-CNMC, previously the Comisión Nacional de la Energía) and Gnera, Nexus, Energya and Gesternova as market representatives.

  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 2017, the CNMC paid 88.04% (86.10% at 31 December 2016) of investment and operation supplements accrued up to October.

The Group's Sole Director considers that, taking into account an annualised view of flows generated by projects, the Group's current working capital, along with the working capital it expects to generate in the coming months, is sufficient to meet the Group's short-term financial obligations.

At 31 December 2017, 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.

11. CASH AND OTHER CASH EQUIVALENTS

The details of "Cash and other equivalents" on the consolidated statement of financial position at 31 December 2017 and 2016 are as follows:

	Thousands of euros	
	2017	2016
Cash and cash equivalents	18,536	27,859
	18,536	**27,859**

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.

12. 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 2017 and 2016 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.

On 8 June 2016, the Parent approved a 1 EUR increase by means of the issue of 1 share for the par value of 1 EUR with a share premium of EUR 160,000 thousand, fully subscribed by the sole shareholder Vela Energy Luxembourg Holdco 2, SARL, through condonation of the loan that the latter held with the Parent.

On 23 June 2016, by signing the financing agreement for the issue of the guaranteed bond (see Note 13.1), the Parent agreed to return contributions charged to share premium to sole shareholder Vela Energy Luxembourg Holdco 2, SARL for the sum of EUR 80,922 thousand.

Furthermore, on 28 October 2016, the Parent agreed to return contributions charged to share premium for the sum of EUR 378 thousand.

On April 19, 2017, the sole shareholder Vela Energy Luxembourg Holdco 2, SARL of the Parent approved to return contributions charge 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 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 2017, 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) Shareholder contributions

On 26 May 2016, the Parent received a shareholders' contribution of EUR 34 thousand in cash from its former sole shareholder Vela Energy, S.L.

e) Consolidation reserves

In 2016 the Group was set up as part of the reorganisation of companies under joint control (see Note 2), through which Vela Energy Equityco, S.L. (Sole-Shareholder Company) acquired the shares previously belonging to Vela Energy, S.L. as specified in Note 1 on 8 June 2016 for a total amount of EUR 160,000 thousand. Given that the consolidation process was completed using consolidated values of the pre-existing subsidiaries at 1 January 2016, the revaluation of shares acquired by Vela Energy Equityco, S.L. (Sole-Shareholder Company) had an adverse effect, recognised under the Group's consolidation reserves, of EUR 103,840 thousand.

In 2017 the main movement recognised under the Group's consolidation reserves corresponds to the distribution of the 2016 consolidated profit.

13. FINANCIAL LIABILITIES

13.1 Bonds and other marketable securities

On 22 June 2016, Vela Energy Finance, S.A., agreed to issue guaranteed bonds, used mainly to refinance the existing debt in Group companies. The par value of the issue came to EUR 404,400 thousand, maturing on 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 is due on 2 January 2017, with subsequent repayments on 30 June and 31 December each year.

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.

At 31 December 2016, the sums were recognised as long-term and short-term bonds and other marketable securities of EUR 383,384 thousand, EUR 21,016 thousand and EUR 6,747 thousand corresponding to finance expenses accrued and pending payment, respectively. Furthermore, the par value of long-term bonds and other marketable securities for the sum of EUR 3,858 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 SPV XI, S.L. Vela Energy SPV XII, S.L. Vela Energy SPV XIII, S.L. Arroyo Solar, S.L. Vela Energy SPV XXI, S.L. Vela Energy Power España I B.V. Vela Energy Power España II B.V. Vela Energy Power España I B.V., S.L.U. Vela Energy Solar España Finance, S.L.U.	Vela Energy Solar Isnalloz, S.L.U. Vela Energy Solar Pedro Martínez, S.L.U. Vela Energy Solar Villamesías, S.L.U. Vela Energy Solar Alcudia S.L.U. Vermarozul, S.L.U. Vela Energy SPV XIV, S.L.U. Vela Energy SPV XV, S.L.U. Vela Energy Holdings, S.L.U. Vela Energy Equityco, 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%.

The financial debt maturity structure at 31 December 2017, is as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	2023 and thereafter	Total
Bonds	22,682	23,235	18,430	17,955	18,609	272,851	373,762
Interest on bonds and debentures	-	-	-	-	-	-	
	22,682	**23,235**	**18,430**	**17,955**	**18,609**	**272,851**	**373,762**

Furthermore, on 22 June 2016, after obtaining the guaranteed bond, the Group cancelled the loans held by the subsidiaries with CaixaBank and Triodos Bank.

13.2. Other payables

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 (EUR 1,314 thousand at 31 December 2016).

On December 31, 2016 it included the sum pending payment on the acquisition of holdings, assets, contracts and licences during 2016 for the sum of EUR 1,064 thousand and defined in Note 5. The outstanding balances were fully paid in 2017, except for an amount of EUR 17 thousand corresponding to the decrease in the contingent consideration related to the acquisition of the Group's subsidiary Diversia Solar Proyectos y Explotaciones de Parques Solares, S.L. as detailed in Note 5.1.

Furthermore, at 31 December 2016 it also included the sum of EUR 400 thousand pending payment on the acquisition of Acacia Instalaciones Fotovoltaicas, S.L., which took place in 2015. The outstanding amount was totally paid on June 30, 2017.

13.3. 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 2017 and 2016 were as follows:

	31/12/2017	31/12/2016
	Days	

Average period of payment to suppliers	282	23
Ratio of transactions settled	216	23
Ratio of outstanding transactions	740	98
	Amount (Thousands of euros)	
Total payments made (*)	12,646	78,092
Total payments pending	1,806	292

(*) To calculate the average supplier payment period, the volume of operations undertaken throughout the whole of 2016 has been taken into account.

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, as set out in Note 5 to the consolidated financial statements have been included.

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 2017 and 2016 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.

14. TAXATION

At 31 December 2016, all Group companies file taxes on an individual basis. However, on 23 December 2016, pursuant to Article 56 of the Income Tax Law, the Group asked to file consolidated tax returns, recognising 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 for years beginning on or after 1 January 2017.

Thus, 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.

Balances held with Public Administrations

The details of the balances held with Public Administrations at 31 December 2017 and 2016 are as follows:

Receivables from public authorities

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**

2016

	Thousands of euros	
	31/12/2016	
	Non-current	Current
Deferred tax assets	25,294	-
VAT	-	543
Income tax		1,235
Other receivables from Public Administrations		5
	25,294	**1,783**

Accounts payables to Public Administrations

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**

2016

	Thousands of euros	
	31/12/2016	
	Non-current	Current
Deferred tax liabilities	8,436	-
VAT		3,384
Income tax	-	63
Other accounts payables to Public Administrations	-	4
	8,436	**3,451**

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 5,919 thousand at 31 December 2017 (EUR 10,699 thousand at 31 December 2016).

- Tax credit for non-deductible finance costs for EUR 13.577 thousand at 31 December 2017 (EUR 13,276 thousand at 31 December 2016).

- Deferred tax assets derived from non-deductible depreciation in 2013-2014, in the amount of EUR 984 thousand. (EUR 1,124 thousand at 31 December 2016).

"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 and 6). This allocation will be reversed over the useful life of the assets associated with these rights. At 31 December 2017, the amount recognised under this heading in the consolidated statement of financial position was EUR 7,599 thousand (EUR 8,436 thousand on December 31, 2016).

Calculation of the Group's taxable income

The reconciliation of aggregate individual accounting profit and the Group's taxable income is as follows:

2017

	Thousand of euros		
	Increases	Decreases	Total
Aggregate Group profit before tax	**659**	**-**	**659**
Permanent differences:			
Non-deductible expenses	5	-	5
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**

2016

	Thousand of Euros		
	Increases	Decreases	Total
Aggregate Group profit before tax	**37,646**	**-**	**37,646**
Permanent differences:			
AES Group dividend	-	(48,612)	(48,612)
Temporary differences:			
Application non-deductible amortisation 2013-2014	-	(562)	(562)
Non-deductible amortisation of rights of use	3,379	-	3,379
Taxable income	**41,025**	**(49,174)**	**(8,149)**

The permanent differences recognised primarily included:

- In 2016, the Group recognised permanent differences in the sum of EUR 40,610 thousand corresponding to finance income from dividends of the AES Group (subgroup within the Vela Energy Equityco Group), which have been considered as revenue exempt from taxes pursuant to Article 21 of Law 27/2014, of 27 November on Income Tax, as on 31 December 2016 the requirements for said exemption to apply have been satisfied.

- The Group also recognised in 2016 permanent negative differences of EUR 8,002 thousand corresponding to the reversal of impairment in AES Group shares. At the time provisions were set aside for this impairment, the reversal was not considered deductible; therefore, the Group does not believe that the reversal undertaken during the year is taxable.

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

Furthermore, 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 2017 and 2016 came to EUR 562 thousand.

Finally, the Group has recorded the non-deductible amortisation of use rights for the sum of EUR 3,348 thousand at 31 December 2017 (EUR 3,379 thousand in the year ended December 31 2016) as a positive temporary difference.

The theoretical base tax for 2017 and 2016 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	
	2017	2016
Aggregate Group profit before tax	**659**	**37,646**
Permanent differences	**5**	**(48,612)**
Temporary differences:		
Non-deductible amortisation of rights of use	3,348	3,379
Application non-deductible amortisation 2013-2014	(562)	(562)
Non-deductible finance costs	1,122	
Offset tax losses carryforwards	(1,885)	
Adjusted profit	**2,687**	**(8,149)**
Theoretical tax calculated at 25%	**(672)**	**2,037**
Temporary differences impact:		
Non-deductible amortisation of rights of use	837	845
Application non-deductible amortisation 2013-2014	(141)	(140)
Non-deductible finance costs	281	-
Offset tax losses carryforwards	(471)	-
Tax assets applied at individual companies	-	13,460
Adjusted of tax credits from previous years	(3,736)	(393)
Total income tax (expense)/refund	**(3,902)**	**13,538**

Given that the rights of use acquired and not recognised in the individual financial statements are not tax deductible, the Company adjusts the amortisation of these rights within its provision for income tax. In addition, the Company 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 7,599 thousand at 31 December 2017 (EUR 8,436 thousand at 31 December 2016).

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

In 2016, the Vela Energy Equityco Group undertook a range of activities with an impact on profit (creation of tax group, refinancing projects through the corporate bond issue, etc.) that have improved the estimate of the recovery of tax assets. Based on business plans created by the Group's management, taking into consideration these new conditions, the Group recognised during that year tax assets for the sum of EUR 13,460 thousand.

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 (consolidated tax group) adopted by the Group, the Parent's Sole Director has decided to reduce the tax assets for the amount of EUR 3,736 thousand.

Recognised deferred tax assets and liabilities

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

Deferred tax assets

	Thousands of euros	
	31/12/2017	31/12/2016
Non-deductible amortisation and depreciation	983	1,124
Tax loss carryforwards	5,941	10,699
Non-deductible finance costs	13,557	13,276
Environmental tax credits	102	195
Total deferred tax assets	**20,583**	**25,294**

These deferred tax assets were recognised in the consolidated statement of financial position since the Parent's Sole Director considers that, based on the best estimates of future 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 2017	**8,436**
Business combination	-
Amortisation of rights of use	(837)
Balance at 31 December 2017	**7,599**
Balance at 1 January 2016	**8,872**
Business combination	409
Amortisation of rights of use	(845)
Balance at 31 December 2016	**8,436**

Unrecognised deferred tax assets

The Group has not recognised certain deferred tax assets in the consolidated statement of financial position. For the large part, said unrecognised assets correspond to environmental deductions for the sum of EUR 1,139 thousand with an adverse impact, concerning those for which there is no definitive evidence of their use in the coming years, of EUR 6,516 thousand.

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.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

During 2017, the Vela Energy Equityco Group carried out transactions with Sonnedix B.V. in the amount of EUR 1,942 thousand (EUR 4,719 thousand during 2016), relating to interest on financing received from (see Note 16.g).

During 2016, this financing was initially granted by Vela Dutch II, B.V., but on March 22, 2017 said subordinated loans were transferred in favour of Sonnedix B.V. in accordance with the established in the share purchase agreement related to New VE Holdco, S.L. and Vela Energy Luxembourg GP SARL, companies that indirectly own the totality of the shares of the Parent company (see Note 1).

The details of the finance costs accrued during 2017 per Group company deriving from the loan extended by Sonnedix, B.V. (during 2016 and until March 22, 2017 derived from the debt with Vela Dutch II, B.V.) are as follows:

	Thousands of euros	
Finance costs with Group companies	2017	2016
Siluendor Plano, S.L.	-	53
Unified Group, S.L.	18	102
Cruanorna, S.L.	158	260
Gapalencos, S.L.	-	67
Vela Energy SPV IV, S.L.	-	33
Vela Energy SPV V, S.L.	-	96
Vela Energy SPV VIII, S.L.	-	265
Vela Energy SPV IX, S.L.	-	56
Vela Energy SPV XI, S.L.	-	92
Vela Energy SPV XII, S.L.	-	36
Arroyo Solar, S.L.	-	30
Vela Energy SPV XIII, S.L.	-	43
Proyectos Integrados Renovables, S.L.	-	107
Parque Solar Caudete, S.L.	-	60
Capur Business, S.L.	-	45
Acacia Instalaciones Fotovoltaicas, S.L.	164	698
Villanueva Cosolar, S.L.	81	284
Vela Energy Solarfín, S.L.	1,331	1,855
Vela Energy Solar Pedro Martínez, S.L.	190	152
Vela Energy Solar Alcudia, S.L.	-	11
Vela Energy Solar Acula, S.L.	-	18
Vela Energy SPV XXI, S.L.	-	126
Vela Energy SPV XXII, S.L.	-	45
Vela Energy SPV XXIII, S.L.	-	21
Vela Energy SPV XXIV, S.L.	-	52
Vela Energy SPV XXV, S.L.	-	27
Diversia Solar Proyectos y Explotaciones de Parques solares, S.L.	-	47
Sociedad de Explotación Fotovoltaica Omega, S.L.	-	38
	1,942	**4,719**

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 comprehensive income statement (see Note 16.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 comprehensive income statement. In 2017, these costs came to EUR 3,749 thousand (EUR 3,945 thousand in 2016) (see Note 16.c).

The details of procurement costs per company are as follows:

	Thousands of Euros	
Group operation and maintenance costs		2016
Siluendor Plano, S.L	81	92
Unified Group, S.L	84	93
Cruanorna, S.L	207	234
Gapalencos, S.L	81	91
Vela Energy SPV VIII, S.L	256	290
Vela Energy SPV IX, S.L	43	48
Vela Energy SPV XI, S.L	64	73
Vela Energy SPV XII, S.L	38	43
Arroyo Solar, S.L	26	29
Fotovoltaica La Gamonosa, S.L.	81	75
Vela Energy SPV XXI, S.L	60	67
Proyectos Integrados Renovables, S.L	128	145
Parque Solar Caudete, S.L	73	82
Capur Business, S.L	41	46
Acacia Instalaciones Fotovoltaicas, S.L.	341	385
Villanueva Cosolar, S.L	149	169
Vela Energy Solar Iznalloz, S.L.	115	130
Vela Energy Solar Villamesías, S.L.	85	96
Vela Energy Solar Pedro Martínez, S.L.	48	50
Global Atreo, S.L.	213	241
Vela Energy Solar Alcudia, S.L.	43	46
Vela Energy Solar Acula, S.L.	77	82
J.B. Solar Malagón, S.L.	299	351
Vela Energy Solar Alhama de Granada, S.L.	77	87
Bujía Solar, S.L.	200	226
Vela Energy SPV XIII, S.L.	21	24
Vela Energy SPV XXII, S.L.	28	32
Vela Energy SPV XXIII, S.L.	80	65
Vela Energy SPV XXIV, S.L.	243	196
Vela Energy SPV XXV, S.L.	81	65
Diversia Solar Proyectos y Explotaciones de Parques solares, S.L.	85	70
Sociedad de Explotación Fotovoltaica Omega, S.L.	64	46
Vela Energy SPV IV, S.L.	38	31
Vermarozul, S.L.	51	26
Vela Energy SPV V, S.L.	148	119
	3,749	**3,945**

In addition, the costs deriving from other services rendered by Vela Energy, S.L. in 2017 for the sum of EUR 202 thousand (EUR 2,550 thousand in 2016) are included under "Outside services" in the accompanying consolidated income statement (see Note 16.e):

	Thousands of Euros	
Other expenses	2017	2016
Siluendor Plano, S.L	-	52
Unified Group, S.L	-	28
Cruanorna, S.L	-	45
Gapalencos, S.L	-	53
Vela Energy SPV VIII, S.L	-	162
Vela Energy SPV IX, S.L	-	33
Vela Energy SPV XI, S.L	-	50
Vela Energy SPV XII, S.L	-	60
Arroyo Solar, S.L	-	18
Fotovoltaica La Gamonosa, S.L.	-	51
Vela Energy SPV XXI, S.L	-	74
Proyectos Integrados Renovables, S.L	-	92

Parque Solar Caudete, S.L	-	47
Capur Business, S.L	-	31
Acacia Instalaciones Fotovoltaicas, S.L.	-	218
Villanueva Cosolar, S.L	95	62
Vela Energy Solarfin, S.L.	-	207
Vela Energy Solar Iznalloz, S.L.	48	64
Vela Energy Solar Villamesías, S.L.	-	59
Vela Energy Solar Pedro Martínez, S.L.	-	30
Global Atreo, S.L.	-	124
Vela Energy Solar Alcudia, S.L.	-	27
Vela Energy Solar Acula, S.L.	-	49
J.B. Solar Malagón, S.L.	59	174
Vela Energy Solar Alhama de Granada, S.L.	-	48
Bujía Solar, S.L.	-	119
Vela Energy SPV XIII, S.L.	-	13
Vela Energy SPV XXII, S.L.	-	32
Vela Energy SPV XXIII, S.L.	-	64
Vela Energy SPV XXIV, S.L.	-	163
Vela Energy SPV XXV, S.L.	-	83
Diversia Solar Proyectos y Explotaciones de Parques solares, S.L.	-	58
Sociedad de Explotación Fotovoltaica Omega, S.L.	-	29
Vela Energy SPV IV, S.L.	-	30
Vermarozul, S.L.	-	18
Vela Energy SPV V, S.L.	-	83
	202	**2,550**

Balances with related parties

At 31 December 2017 and 2016, the details of balances with related parties were as follows:

	31/12/2017		31/12/2016	
	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	26	16	34
	1	**26**	**16**	**34**

	31/12/2017			31/12/2016		
	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 related parties	24,612	567	2,495	24,048	153	1,609
	24,612	**567**	**2,495**	**24,048**	**153**	**1,609**

15.1 Long-term payables to Group companies and associates

The details of subordinated debt to Group companies and associates at 31 December 2017 relating to the loans held with Sonnedix B.V. (at 31 December 2016 with Vela Dutch II, B.V.), are as follows:

Payables to Group companies and associates	31/12/2017	31/12/2016	Maturity	Interest rate
Unified Group, S.L.	230	386	31/01/2029	10%
Cruanorna, S.L.	2,001	2,124	01/04/2033	10%
Acacia Instalaciones Fotovoltaicas, S.L.	2,078	1,896	31/01/2029	10%
Villanueva Cosolar, S.L.	1,029	1,239	31/10/2026	10%
Vela Energy Solarfín, S.L.	16,877	16,023	31/01/2029	10%

Vela Energy Solar Pedro Martínez, S.L.	2,397	2,380	31/01/2029	10%
	24,612	**24,048**		

15.2 Current payables to Group companies and associates

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 (see Note 15.1). At 31 December 2016, the Group subsidiaries recognised EUR 1,609 thousand corresponding to accrued interest payable to Vela Dutch II, B.V.

The details of interest payable to Group companies and associates at 31 December 2017 relating to Sonnedix B.V. (at 31 December 2016 with Vela Dutch II, B.V.), are as follows:

Interest payable to Group companies and associates	31/12/2017	31/12/2016
Unified Group, S.L.	23	21
Cruanorna, S.L.	203	113
Acacia Instalaciones Fotovoltaicas, S.L.	211	428
Villanueva Cosolar, S.L.	104	66
Vela Energy Solarfín, S.L.	1,711	854
Vela Energy Solar Pedro Martínez, S.L.	243	127
	2,495	**1,609**

16. REVENUE AND EXPENSES

a) *Revenue*

Revenue in 2017 amounted to EUR 58,196 thousand (EUR 51,816 thousand in 2017) and for the large part corresponds to 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 2017 and 2016, no fixed purchases were made abroad.

c) *Procurements*

At 31 December 2017 and 2016, "Procurements" comprises EUR 4,141 thousand and EUR 4,562 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 3,749 thousand in 2017 (EUR 3,945 thousand in 2016) (see Note 15).

d) *Personnel expenses*

The breakdown of "Personnel expenses" in the accompanying consolidated comprehensive income statement at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Salaries and similar items	-	123
Employee benefit costs	3	12
	3	**135**

The average number of employees at the Group in 2017 and 2016, by professional category, are as follows:

	Average headcount

	2017	2016
Administrative	-	1
	-	**1**

At 31 December 2017 and 2016 the Group's headcount, by professional category and gender, was as follows:

	Number of employees 2017		Number of employees 2016	
	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 2017 and 2016, 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 2017 and 2016 are as follows:

	Thousands of euros	
	2017	2016
External services:		
Leases	791	700
Insurance	72	31
Banking services	29	439
Independent professional services	316	4,736
Supplies	-	8
Repairs	9	5
Other services	-	1
Other taxes	4,373	3,942
	5,590	**9,862**

The Group files the lease payments corresponding to the plots of land on which photovoltaic assets are located under "Leases". In 2017, the cost of leases came to EUR 791 thousand (EUR 700 thousand in 2016).

In 2016, under "Independent professional services", EUR 2,595 thousand were included corresponding to Caixabank, linked to the services provided associated with the financing granted during the year. Furthermore, "Independent professional services", featured the cost of consultancy services pertaining to the new projects acquired by the Group in 2016.

"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 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Amortisation of intangible assets (Note 6)	4,514	4,396
Depreciation of property, plant and equipment (Note 7)	29,321	27,670
	33,835	**32,066**

g) *Finance income and costs*

Finance income

The Group files interest obtained on investments made with cash surpluses under finance income.

On 1 February 2016, Acacia Instalaciones Fotovoltaicas S.L. capitalised EUR 20,997 thousand of the loan extended by Vela Dutch II, B.V. The fair value of the capitalisation came to EUR 4,223 thousand, with the difference representing finance income for said Group subsidiary.

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 in the sum of EUR 12,443 thousand during 2017 (EUR 6,747 thousand during 2016). Under this epigraph is also includes the finance cost resulting from the accrual of the fee to open the guaranteed bond for the sum of EUR 383 thousand in 2017 (EUR 199 thousand in 2016) (see Note 13.1).

Furthermore, in 2016 the sum of EUR 6,352 thousand has been filed corresponding to finance costs accrued in relation to the Project Finance agreements held by subsidiaries with Triodos and CaixaBank that were repaid on June 22, 2016.

Finance costs related to debt with related parties

In 2017, finance costs with related companies correspond to those associated with the loan obtained from Sonnedix B.V. and amounted to EUR 1,942 thousand (see Note 15).

Likewise, in 2016 the finance costs with related parties corresponded to those associated with the loan obtained from Vela Dutch II, B.V. for the sum of EUR 4,719 thousand.

Other finance costs

Under "Other finance costs" in the consolidated comprehensive income statement are basically recognized 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. for the period between January 1, 2017 and March 22, 2017. At this moment, subordinated loans were transferred to Sonnedix B.V. and Vela Dutch II, B.V. ceased to be considered a related party to the Group (see Note 15).

Under this epigraph is also included the finance costs accrued from the measurement of the decommissioning provisions at present value related to the fiscal year 2017 for the sum of EUR 52 thousand (see Note 20).

Details of finance costs are as follow:

	Thousands of euros	
	2017	2016
Finance costs related to bonds and other marketable securities	12,826	13,298
Finance costs on debts to group companies and associates	1,942	4,719
Other finance costs	653	-
Total	**15,421**	**18,017**

17. 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 Sole Director

At year-end 2017 and 2016, 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 Sole Director

In 2017 and 2016, the Sole Director did not receive any remuneration or benefits charged to the Company. In 2017, the functions of the Company's senior management were assumed by the Sole Director.

Furthermore, in 2017 and 2016, the Company has not undertaken any pension fund or insurance obligations or third-party liability in favour of the Sole Director, nor have any loans or advances been extended thereto.

18. FINANCING STRUCTURE (SEE NOTE 13)

The Group finances its projects using Group-wide financing obtained via the guaranteed bond set out in Note 13. In addition to the bonds, some subsidiaries are financing through the subordinated loans granted by Sonnedix B.V. (see Note 15.1).

19. AUDIT FEES

On October 2, 2017 the Parent's Sole Director appointed as new auditor of the Group's consolidated financial statements for the year ended at 31 December 2017 to the audit services company Ernst & Young, S.L. (EY), replacing the former auditor, Deloitte, S.L.

In 2017 and 2016 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L. (previously Deloitte, 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:

	Thousands of euros	
	Services rendered by the main auditor	
Description	2017	2016
Audit services	102	46
Total auditing services and related	**102**	**46**
Other services	-	-
Total	**102**	**46**

20. 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 1,952 thousand at 31 December 2017 (EUR 3,781 thousand at 31 December 2016) 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 16.g).

21. SEGMENT REPORTING

In 2017 and 2016, the Group has focussed its activities on a single line of business: promotion, construction and operation 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 Sole Director and the only segment used for managing the Group.

22. EVENTS AFTER THE REPORTING PERIOD

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

23. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Appendix I

Subsidiaries of Vela Energy Equityco, S.L. (Sole-Shareholder Company) at 31 December 2017

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

General public	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	
Sociedad de Explotación Fotovoltaica Omega, S.L.	(1)	Spain	100% (2)	-	2016	10	693	407	283	986
Diversia Solar, Proyectos y Explotaciones de Parques solares, S.L.	(1)	Spain	100% (2)	-	2016	3	335	486	146	484
Vela Energy SPV XXV, S.L.	(1)	Spain	100% (2)	-	2016	3	629	324	(38)	594
Vela Energy SPV XXIII, S.L.	(1)	Spain	100% (2)	-	2016	3	359	325	(42)	320

(1) None of the aforementioned companies are publicly listed. The line of business of companies focuses on the development and promotion of electricity production projects.

(2) Company's registered office located at c/ Jenner 3, 4º, 28010 (Madrid), owned in full by Vela Energy Holdings, S.L.

All investments presented have been fully consolidated

Appendix I

Subsidiaries of Vela Energy Equityco, S.L. (Sole-Shareholder Company) at 31 December 2016

General public	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	Net	Total equity
Vela Energy Finance, S.A.	(1)	Luxembourg	-	100%	2016	531	108	(96)	(116)	523
Vela Energy Holdings, S.L.	(1)	Spain	-	100%	2016	17	14,279	(25)	4,396	18,692
Siluendor Plano, S.L.	(1)	Spain	100% (2)	-	2014	6	557	464	120	683
Unified Group, S.L.	(1)	Spain	100% (2)	-	2014	3	179	165	(126)	56
Cruanorna, S.L.	(1)	Spain	100% (2)	-	2016	4	396	107	(361)	39
Gapalencos, S.L.	(1)	Spain	100% (2)	-	2016	4	621	379	(191)	434
Arroyo Solar, S.L.	(1)	Spain	100% (2)	-	2016	3	192	80	(49)	146
Parque Solar Caudete, S.L.	(1)	Spain	100% (2)	-	2016	3	510	189	(224)	289
P.I.Renovables 2, S.L.U.	(1)	Spain	100% (2)	-	2016	3	802	160	(385)	420
Capur Business, S.L.	(1)	Spain	100% (2)	-	2016	3	135	62	(14)	124
Villanueva Cosolar, S.L.	(1)	Spain	100% (2)	-	2016	3	699	212	(167)	535
Vermarozul, S.L.	(1)	Spain	100% (2)	-	2016	4	188	27	(19)	173
Vela Energy SPV IV, S.L.	(1)	Spain	100% (2)	-	2016	3	332	5	(88)	247
Vela Energy SPV V, S.L.	(1)	Spain	100% (2)	-	2016	3	867	(610)	(673)	197
Vela Energy SPV VI, S.L.	(1)	Spain	100% (2)	-	2016	3	1,130	36	72	1,205
Fotovoltaica La Gamonosa, S.L.	(1)	Spain	100% (2)	-	2016	4	536	326	31	571
Vela Energy SPV VIII, S.L.	(1)	Spain	100% (2)	-	2016	3	1,698	710	(406)	1,295
Vela Energy SPV IX, S.L.	(1)	Spain	100% (2)	-	2016	3	336	76	(145)	194
Vela Energy SPV XI, S.L.	(1)	Spain	100% (2)	-	2016	3	525	186	(162)	366
Vela Energy SPV XII, S.L.	(1)	Spain	100% (2)	-	2016	3	501	77	28	532
Vela Energy SPV XIV, S.L.	(1)	Spain	100% (2)	-	2016	3	140	179	128	271
Acacia Ins. Fot, S.L.U.	(1)	Spain	100% (2)	-	2016	7	2,291	423	4,463	6,761
Vela Energy SPV XV, S.L.	(1)	Spain	100% (2)	-	2016	3	(2,335)	302	12,366	10,034
Vela Energy Solar Spanish Holdings 2, BV	(1)	Netherlands	100% (2)	-	2016	-	(12,005)	(16)	12,051	46
Vela Energy Power España I, BV	(1)	Netherlands	100% (2)	-	2016	18	20,806	(16)	(16)	20,808
Vela Energy Power España II, BV	(1)	Netherlands	100% (2)	-	2016	18	1	(16)	(16)	3
Vela Energy Power España I, BV S.L.	(1)	Spain	100% (2)	-	2016	1,593	94	7,832	10,148	11,835
Vela Energy Solar España Finance, S.L.	(1)	Spain	100% (2)	-	2016	980	(4,664)	(4)	10,266	6,582
Vela Energy Solarfín, S.L.	(1)	Spain	100% (2)	-	2016	3	4,726	(258)	1,115	5,844
Vela Energy Solar Alcudia, S.L.	(1)	Spain	100% (2)	-	2016	4	292	176	238	534
Vela Energy Solar Acula, S.L.	(1)	Spain	100% (2)	-	2016	4	527	183	379	910
Vela Energy Pedro Martínez, S.L.	(1)	Spain	100% (2)	-	2016	4	317	(159)	277	598
Vela Energy Solar Alhama de Granada, S.L.	(1)	España	100%	-	2016	4	502	170	(234)	272
Vela Energy Solar Isnalloz, S.L.	(1)	España	100%	-	2016	4	675	239	(177)	502
Vela Energy Solar Villamesías, S.L.	(1)	España	100%	-	2016	3	625	431	85	713
Global Atreo, S.L.	(1)	España	100%	-	2016	4	1,309	589	221	1,534
Bujía Solar, S.L.	(1)	España	100%	-	2016	3	1,245	510	413	1,661
J.B. Solar Malagón, S.L.	(1)	España	100%	-	2016	3	1,822	1,244	50	1,875
Vela Energy SPV XIII, S.L	(1)	España	100% (2)	-	2016	3	135	54	(125)	13
Vela Energy SPV XXIV, S.L	(1)	España	100% (2)	-	2016	3	1,723	317	(233)	1,493
Vela Energy SPV XXI, S.L.	(1)	Spain	100% (2)	-	2016	3	390	53	(144)	249
Vela Energy SPV XXII, S.L.	(1)	Spain	100% (2)	-	2016	3	172	5	(100)	75
Sociedad de Explotación Fotovoltaica Omega, S.L.	(1)	Spain	100% (2)	-	2016	10	300	202	393	703
Diversia Solar, Proyectos y Explotaciones de	(1)	Spain	100% (2)	-	2016	3	601	281	(266)	338

General public	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	
Parques solares, S.L.										
Vela Energy SPV XXV, S.L.	(1)	Spain	100% (2)	-	2016	3	673	42	(161)	515
Vela Energy SPV XXIII, S.L.	(1)	Spain	100% (2)	-	2016	3	667	(213)	(349)	321

(1) None of the aforementioned companies are publicly listed. The line of business of companies focuses on the development and promotion of electricity production projects.

(2) Company's registered office located at c/ Jenner 3, 4º, 28010 (Madrid), owned in full by Vela Energy Holdings, S.L.

All investments presented have been fully consolidated

Vela Energy Equityco, S.L. (Sole-Shareholder Company) and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2017

1. Business performance and situation of the Group

Group performance in Spain

Operating profit stood at EUR 14,649 thousand for the year 2017 (EUR 5,191 thousand in 2016), reaching a volume of revenues amounted to EUR 58,196 thousand for the year ended 31 December 2017 (EUR 51,816 thousand in the previous year).

The pre-tax loss on continue operations for the year 2017 has amounted to EUR 766 thousand, while in the last year the pre-tax profit on continue operations amounted to EUR 3,968 thousand. In 2017, the Group's overall net loss has been EUR 4,668 thousand (net profit amounted to 17,506 for the year 2016).

The Group will continue operating the above-listed photovoltaic power stations in the Note 1 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 2018 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 22 to the financial statements.

5. Research and development activities

No research or development activities were carried out in 2017 and 2016.

6. Acquisition of treasury shares.

During 2017, the Group did not perform any transaction with treasury shares. The Group held no treasury shares at 31 December 2017.

VELA ENERGY EQUITYCO S.L. (Sole-Shareholder Company) AND SUBSIDIARIES

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Authorisation by the Sole Director:

On 31 March 2018, the representative of the Sole Director authorised these consolidated financial statements (comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto) for issue for the year ended 31 December 2017, along with the management report for 2017. The consolidated financial statements and management report comprise pages, numbered 1 to 62, all signed by the Sole Director.

Iñigo Olaguibel Amich