Audit Report on Consolidated Financial Statements issued by an Independent Auditor

SONNEDIX ESPAÑA FINANCE 2, S.A. and SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2018

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 23)

To the Sole Shareholder of Sonnedix España Finance 2, S.A.:

Opinion

We have audited the consolidated financial statements of Sonnedix España Finance 2, S.A. (the Parent), and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Deferred tax assets

Description

At December 31, 2018 the Group has tax loss carryforwards and other deferred tax assets amounting to 28,432 thousand euros. The recoverability of these assets mainly depends on the Group's capacity to generate sufficient future tax profits and within the period for which the Group can provide clear evidence of recovery. We consider the valuation of deferred tax assets as the most relevant audit issue, given the valuation process is complex, requiring Management to perform significant estimates and because the amounts recorded are materials.

Breakdowns including key aspects and movements related to the deferred tax assets valuation are reflected in the note 14 of the accompanying consolidated notes.

Our response

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

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

Other information: consolidated management report

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

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Parent's Sole Director responsibilities for the consolidated financial statements

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

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

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

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

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

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

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Parent's Sole Director.

Conclude on the appropriateness of the Parent's Sole Director use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Building a better
working world

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinion.

We communicate with the Parent's Sole Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

(signed on the original version In Spanish)

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

June 14, 2019

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2018

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2018

(Thousands of euros)

ASSETS	Accompanying notes	2018	2017 (*)	EQUITY AND LIABILITIES	Notes	2018	2017 (*)
NON-CURRENT ASSETS		**211,322**	**59,692**	**EQUITY**	**Note 12**	**4,535**	**9,110**
Intangible assets	**Note 7**	**31,520**	**13,827**	***CAPITAL AND RESERVES***		**4,535**	**9,180**
Operating rights		31,520	13,827	**Share capital**		**60**	**4**
Property, plant, and equipment	**Note 8**	**127,732**	**42,378**	Issued capital		60	4
Land and buildings		366	290	**Voluntary reserves**		**(84)**	**(3)**
Plant		127,366	42,088	**Consolidation reserves**		**(3,003)**	**-**
Investments in group companies and associates	**Note 9.1**	**23,638**	**2**	**Other owner contributions**		**21,584**	**11,669**
Deferred tax assets	**Note 14**	**28,432**	**3,485**	**Profit for the year**		**(14,022)**	**(2,490)**
				UNREALIZED GAINS (LOSSES) RESERVE		**-**	**(70)**
				NON-CURRENT LIABILITIES		**214,207**	**53,789**
				Provisions	**Note 20**	**751**	**176**
				Borrowings	**Note 13**	**152,946**	**27,753**
				Bonds and other marketable debt securities		152,946	-
				Bank borrowings		-	27,660
				Derivatives		-	93
				Borrowings from group companies and associates	**Notes 13.3 and 15**	**35,148**	**20,574**
				Deferred tax liabilities	**Note 14**	**25,362**	**5,286**
CURRENT ASSETS		**23,010**	**7,969**	**CURRENT LIABILITIES**		**15,590**	**4,762**
Inventories		**12**	**1**	**Borrowings**	**Note 13**	**8,858**	**2,376**
Trade and other receivables	**Note 9.3**	**9,229**	**2,863**	Bonds and other marketable securities		8,801	-
Trade receivables from Group companies		22	3	Bank borrowings		57	2,376
Trade receivables		8,564	2,254	**Payables to group companies and associates**	**Notes 13.3 and 15**	**2,754**	**299**
Other receivables from public administrations	**Note 14**	570	579	**Trade payables to group companies and associates**	**Note 15**	**-**	**4**
Other receivables		73	27	**Trade and other payables**		**3,978**	**2,083**
Financial investments	**Note 9.2**	**7,381**	**1,572**	Other payables	**Note 13.5**	2,338	1,830
Accruals		**1**	**13**	Other payables to public administrations	**Note 14**	1,640	253
Cash and cash equivalents	**Note 11**	**6,387**	**3,520**				
TOTAL ASSETS		**234,332**	**67,661**	**TOTAL EQUITY AND LIABILITIES**		**234,332**	**67,661**

The accompanying Notes 1 to 23 are an integral part of the consolidated balance sheet at December 31, 2018.

(*) Unaudited consolidated figures

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

CONSOLIDATED INCOME STATEMENT FOR 2018

(Thousands of euros)

	Accompanying notes	2018	2017 (*)
CONTINUING OPERATIONS			
Revenue	**Note 16.a**	**23,711**	**1,244**
Income from sale of energy		23,711	1,244
Other operating income		**24**	**-**
Cost of sales	**Note 16.c**	**(1,490)**	**(172)**
Other operating expenses	**Note 16.e**	**(7,213)**	**(2,863)**
External services		(5,790)	(2,737)
Taxes		(1,423)	(126)
Depreciation and amortization	**Note 16.f**	**(20,571)**	**(1,015)**
OPERATING PROFIT		**(5,539)**	**(2,806)**
Finance income	**Note 16.g**	**408**	**-**
Other finance income		408	-
Finance costs	**Note 16.g**	**(14,488)**	**(492)**
Borrowings from group companies and associates		(2,799)	(227)
Bond issue and other marketable securities		(2,626)	-
Borrowings from credit entities		(8,943)	(261)
Other finance costs		(120)	(4)
FINANCE COST		**(14,080)**	**(492)**
PROFIT BEFORE TAX		**(19,619)**	**(3,298)**
Income tax	**Note 14**	5,597	808
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(14,022)**	**(2,490)**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(14,022)**	**(2,490)**

The accompanying notes 1 to 23 are an integral part of the consolidated income statement for the year ended December 31, 2018

(*) Unaudited consolidated figures

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

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

(Thousands of euros)

	Accompanying notes	2018	2017 (*)
PROFIT AS PER THE CONSOLIDATED INCOME STATEMENT (I)		**(14,022)**	**(2,490)**
Income and expense recognized directly in consolidated equity:			
From cash flow hedges		-	(93)
Tax effect		-	23
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN CONSOLIDATED EQUITY (II)	**Note 13.4**	**-**	**(70)**
Amounts transferred to consolidated income statement		70	-
TOTAL AMOUNTS TRANSFERRED TO CONSOLIDATED INCOME STATEMENT (III)		**70**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		**(13,952)**	**(2,560)**

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2018.

(*) Unaudited consolidated figures

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

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

(Thousands of euros)

	Share capital (Note 12.a)	Other owner contributions (Note 12.b)	Voluntary reserves	Legal reserve of the Parent Company (Note 12.c)	Consolidation reserves (Note 12.d)	Profit for the year	Unrealized gains (losses) reserve (Note 12.e)	TOTAL
BALANCE at JANUARY 1, 2017 (*)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total recognized income and expense	**-**	**-**	**-**	**-**	**-**	**(2,490)**	**(70)**	**(2,560)**
Appropriation of 2016 comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with shareholders:								
Incorporation of Parent company	4	-	-	-	-	-	-	4
Owner contributions	-	12,719	-	-	-	-	-	12,719
Repayment of owner contributions	-	(1,050)	-	-	-	-	-	(1,050)
Other changes in equity:								
Other	-	-	(3)	-	-	-	-	(3)
BALANCE AT DECEMBER 31, 2017 (*)	**4**	**11,669**	**(3)**	**-**	**-**	**(2,490)**	**(70)**	**9,110**
Total recognized income and expense	**-**	**-**	**-**	**-**	**-**	**(14,022)**	**70**	**(13,952)**
Appropriation of 2017 comprehensive income	**-**	**-**	**-**	**-**	**(2,490)**	**2,490**	**-**	**-**
Transactions with shareholders:								
Owner contributions	-	9,915	-	-	-	-	-	9,915
Other changes in equity:								
Exit of former Parent Company due to reverse merger	(4)	-	3	-	-	-	-	(1)
Entry of new Parent Company due to reverse merger	60	-	(84)	-	-	-	-	(24)
Other	-	-	-	-	(513)	-	-	(513)
BALANCE AT DECEMBER 31, 2018	**60**	**21,584**	**(84)**	**-**	**(3,003)**	**(14,022)**	**-**	**4,535**

The accompanying Notes 1 to 23 form an integral part of the consolidated statement of changes in equity for the year ended December 31, 2018.

(*) Unaudited consolidated figures

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of euros)

	Accompanying notes	2018	2017 (*)
CASH FLOWS FROM OPERATING ACTIVITIES		**(4,243)**	**(4,202)**
Profit before tax		**(19,619)**	**(3,298)**
Adjustments to profit:		**34,651**	**1,507**
- Depreciation and amortization	**Note 16.f**	20,571	1,015
- Finance income	**Note 16.g**	(408)	-
- Finance costs		14,488	492
Change in working capital		**(9,223)**	**(1,864)**
- Trade and other receivables		(6,366)	(2,863)
- Other current assets and liabilities		(4,748)	(1,088)
- Trade and other payables		1,891	2,087
Other cash flows from operating activities		**(10,052)**	**(547)**
- Interest paid		(10,052)	(547)
CASH FLOWS FROM INVESTING ACTIVITIES		**(21,872)**	**(27,713)**
Payments on investments (-)		**(24,301)**	**(29,782)**
- Property, plant, and equipment	**Note 8**	-	(13,391)
- Acquisitions of business combinations	**Note 6**	(1,071)	(16,391)
- Group companies and associates		(23,230)	
Proceeds from investments (+)		**2,429**	**2,069**
- Other assets (Cash contributed in business combinations)	**Note 6**	2,429	2,069
CASH FLOWS FROM FINANCING ACTIVITIES		**28,982**	**35,435**
Proceeds from and payments on equity instruments		**-**	**5,864**
- Owner contributions (+)	**Note 12**	-	6,914
- Repayment of owner contributions (-)	**Note 12**	-	(1,050)
Proceeds from and payments of financial liabilities		**28,982**	**29,571**
- Issues			
Bank borrowings (+)		-	28,678
Bonds and other marketable debt securities (+)	**Note 13**	168,173	-
Other (commissions for bond issue and other marketable securities)	**Note 13**	(1,682)	-
Payable to group companies and associates (+)		1,979	11,769
- Repayment and redemption of:			
Bank borrowings (-)		(86,741)	(6,430)
Bonds and other marketable debt securities (-)	**Note 13**	(4,823)	-
Payables to group companies and associates (-)		(47,924)	(4,446)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,867**	**3,520**
Cash and cash equivalents at January 1	**Note 11**	3,520	-
Cash and cash equivalents at December 31	**Note 11**	6,387	3,520

The accompanying notes 1 to 23 are an integral part of the consolidated cash flow statement for the year ended December 31, 2018
(*) Unaudited consolidated figures

1. COMPANIES AND ACTIVITIES OF THE GROUP

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) ("Sonnedix España Finance 2, S.A." or "the Parent") and subsidiaries form a Group of companies ("the Group").

Sonnedix España Finance 2, S.A. was incorporated on November 8, 2017 in accordance with the revised text of the Spanish Corporate Enterprises Act. The Parent was incorporated on an open-ended basis under the name of Cantilan Directorship, S.A. and was registered as such at the Mercantile Registry at the same date.

On March 9, 2018 the Mercantile Register approved the application for reserving the name "Sonnedix España Finance 2, S.A.," subsequently registered in the Official Gazette of the Mercantile Register ("BORME") on March 23, 2018.

On March 14, 2018 the former shareholders of the Parent (Legal Management Advisory, S.L. and Directorship Cibeles, S.L.) signed the agreement for all its shares to be sold to Global Benengeli, S.L.U.

Likewise, Sonnedix España Finance 2, S.A. and its subsidiaries form a Group of companies which performs its activities in the market for generating electricity in Spain via the operation of photovoltaic plants.

At 2017 year end the Parent of the Group was Global Benengeli, S.L., the Sole Partner of which was Sonnedix España, S.L.U. However, during 2018 the Group was configured within the framework for reorganization of companies under joint control carried out by the Sonnedix España Group, to which the Parent belongs, and via which Sonnedix España Finance 2, S.A. acquired control over the companies as a result of related party transactions (Note 2). Additional information on these companies is provided in Appendix I.

Said configuration of the Group took place as a consequence of the approval by Sonnedix España, S.L.U. (Sole Partner of Global Benengeli, S.L. and thus indirect Sole Shareholder of Sonnedix España Finance 2, S.A. at said date) of the reverse merger project by virtue of which Sonnedix España Finance 2, S.A. absorbed its parent Global Benengeli, S.L.U. Said merger was approved by Sonnedix España, S.L.U. on August 28, 2018 and filed at the Mercantile Registry on November 21, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies ("LSM").

At December 31, 2018 the Sole Shareholder of the Parent of the Group is Sonnedix España, S.L.U. Thus, the Parent belongs to the Group of companies (the Sonnedix Spain Group) whose parent is Sonnedix España, S.L.U., a Spanish company that issues consolidated financial statements and a consolidated management report, and whose registered address is located in Madrid at calle Príncipe de Vergara 108.

In turn, Sonnedix España Finance 2 S.A. is the head of a group of companies and has voluntarily issued first-time consolidated financial statements in accordance with prevailing regulations given that it is in turn consolidated by Sonnedix España, S.L.U., filing said consolidated financial statements with the Spanish Mercantile Registry.

The Parent has its registered business address in Madrid, calle Jenner, number 3, 4º.

Appendix I includes the breakdown of subsidiaries, associates, and investees in which Sonnedix España Finance 2, S.A. holds direct or indirect interest, as well as the consolidation method applied, registered addresses, activities, percentages of ownership interest (direct and indirect), and the most relevant financial information on said entities. Further, no subsidiary was excluded from the consolidation process.

Group activity

The Group's business model is oriented towards the operation of solar energy farms for the generation of electric energy in Spain. The Group currently employs photovoltaic technology. At December 31, 2018 the aggregate nominal capacity of the Group totaled 33.70 MW (37.4 MWp of total installed capacity).

During 2018, in the context of the Sonnedix España Group's reorganization of companies under joint control, the Parent received contributions from its Sole Shareholder corresponding to non-monetary contributions comprised of the entire share interest in a variety of businesses which the latter had acquired previously and whose corporate purposes are focused on the exploitation of photovoltaic energy.

A breakdown of the companies contributed to the Group during 2018 is provided below (Notes 6 and 12.b):

- Contribution of the La Puebla project

  On May 26, 2017 Sonnedix España, S.L.U. and Tourgeville Holding, B.V. signed a purchase-sale contract for all the participation units of Hear Home Spain, S.L.U. (Note 6.10).

  On June 12, 2018 Sonnedix España, S.L.U. ratified by public deed the contribution of all participation units of Hear Home Spain, S.L. to Global Benengeli, S.L.U.

  The contributed company and its subsidiaries are dedicated to operating a photovoltaic solar farm in the municipality of Puebla del Prior (Badajoz) with a nominal capacity of 2 MW, known as the La Puebla project. Said project became operational in 2007.

- Contribution of the Pinos project

  On June 12, 2018 the contribution of all participation units of Solar Europe Andalucía Pinos (16-28), S.L.[1], the sole partner of which was Sonnedix España, S.L.U until that date, to Global Benengeli, S.L.U. was ratified by public deed.

  The contributed companies are dedicated to operating a photovoltaic solar farm in the municipality of Pinos Puente (Granada) with a nominal capacity of 0.8 MW, known as the Pinos project. The Pinos project became operational in 2008.

- Contribution of the Elices project

  On June 12, 2018 Sonnedix España, S.L.U. ratified by public deed the non-monetary contribution of all shares of Elices Renovables, S.L. to Global Benengeli, S.L.U.

  The contributed company is dedicated to operating a photovoltaic solar farm in Langa del Duero (Soria) with a nominal capacity of 1 MW, known as the Elices project, which became operational during 2010.

- Contribution of the Pozohondo project

  On December 21, 2017, V-Energy SX SPV I, S.L. (100%-owned by Sonnedix España, S.L.U) signed a purchase-sale contract with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L., the sellers, by virtue of which it acquired all participation units of Alten Pozohondo, S.L.

  On June 12, 2018, V-Energy SX SPV 1, S.L. went on to sell said participation units to Sonnedix España, S.L.U. Subsequently, though on the same date, Sonnedix España, S.L.U. agreed to transfer all participation units of Alten Pozohondo, S.L. to Global Benengeli, S.L.U. (Note 6.9).

  The contributed company is dedicated to operating a photovoltaic solar farm in the municipality of Pozohondo (Albacete) with a nominal capacity of 3 MW, known as the Pozohondo project. Said project became operational in 2008.

- Contribution of the Los Hinojosos project

  On December 21, 2017, V-Energy SX SPV I, S.L. (100%-owned by Sonnedix España, S.L.U) signed a purchase-sale contract with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L., the sellers, by virtue of which it acquired control over all participation units of Alten Los Hinojosos, S.L.

[1] **Solar Europe Pinos Andalucía (16-28):** Solar Europe Andalucía Pinos Dieciséis, S.L; Solar Europe Andalucía Pinos Diecisiete, S.L.; Solar Europe Andalucía Pinos Dieciocho S.L.; Solar Europe Andalucía Pinos Diecinueve, S.L.; Solar Europe Andalucía Pinos Veinte, S.L.; Solar Europe Andalucía Pinos Veintitrés, S.L.; Solar Europe Andalucía Pinos Veinticuatro, S.L., and Solar Europe Andalucía Pinos Veintiocho, S.L.

On June 12, 2018, V-Energy SX SPV 1, S.L. went on to sell said participation units to Sonnedix España, S.L.U. Subsequently, though on the same date, the sole partner of Sonnedix España, S.L.U. approved the contribution of all participation units of Alten Los Hinojosos, S.L. to Global Benengeli, S.L.U. (Note 6.8).

The contributed company is dedicated to operating a photovoltaic solar farm in the municipality of Los Hinojosos (Cuenca) with a nominal capacity of 1.8 MW, known as the Los Hinojosos project. Said project became operational in 2007.

- Contribution of the Alange project

On January 26, 2018, V-Energy SX SPV I, S.L. (100%-owned by Sonnedix España, S.L.U) signed a purchase-sale contract with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L., the sellers, by virtue of which it acquired all participation units of Alten Alange, S.L.

On June 12, 2018, V-Energy SX SPV 1, S.L. went on to sell said shares to Sonnedix España, S.L.U. Subsequently, though on the same date, Sonnedix España, S.L.U. agreed to transfer all participation units of Alten Alange, S.L. to Global Benengeli, S.L.U. (Note 6.1).

The contributed company is dedicated to operating a photovoltaic solar farm in Alange (Badajoz) with a nominal capacity of 8 MW, known as the Alange project. Said project became operational in 2008.

- Contribution of the Olmeda project

On March 28, 2017 Sonnedix España, S.L.U. signed a purchase-sale contract with Admiralty Investments Holdco 4, S.L. (the seller), by virtue of which it acquired all participation units in Vela Energy SPV XVI, S.L.

On December 11, 2018 the contribution of all participation units of Vela Energy SPV XVI, S.L., the sole partner of which was Sonnedix España, S.L.U. until that date, to Sonnedix España Finance 2, S.A. was ratified by public deed (Note 6.7).

The contributed company is dedicated to operating a photovoltaic solar farm in the municipality of La Olmeda (Cuenca) with a nominal capacity of 6 MW, known as the La Olmeda project. Said project became operational in 2008.

During 2017 the Group signed a series of purchase-sale contracts for the acquisition of various groups of companies and assets related to the exploitation of photovoltaic energy. A breakdown of all the acquisitions carried out during said year is provided below:

- Acquisition of the Madrigal project

On June 29, 2017, Global Ciconia, S.L. (incorporated in April 2017 and entirely owned by Global Benengeli, S.L.U. at said date) signed a purchase-sale contract with the sellers Grupo Ionsolar, Alternativas Energéticas Renovables, S.L., and Socuellamos Solar Quince, S.L., by virtue of which it acquired all participation units of the 13 companies which comprise the Madrigal project,[2] for a total amount of 2,759 thousand euros (Note 6.2).

The acquisition of the Madrigal project involves operating a photovoltaic farm made up of 13 photovoltaic installations located in Madrigal de las Altas Torres (Ávila) with a nominal installed capacity of 1.3 MW. Said project became operational in 2008.

- Acquisition of the Olivenza project

On October 17, 2017, Global Colquida, S.L. (incorporated in August 2017 and entirely owned by Global Benengeli, S.L.U. at said date) signed a purchase-sale contract with Promociones León Badajoz, S.L. for the acquisition of all the participation units of the 10 companies comprising the Olivenza Project[3] for a total amount of 3,249 thousand euros (Note 6.3).

[2] **Madrigal:** Madrigal I Grupo Ionsolar, S.L., Madrigal II Grupo Ionsolar, S.L., Madrigal III Grupo Ionsolar, S.L., Madrigal IV Grupo Ionsolar, S.L., Madrigal V Grupo Ionsolar, S.L., Madrigal VI Grupo Ionsolar, S.L., Madrigal VII Grupo Ionsolar, S.L., Madrigal VIII Grupo Ionsolar, S.L., Madrigal IX Grupo Ionsolar, S.L., Madrigal X Grupo Ionsolar, S.L., Madrigal XI Grupo Ionsolar, S.L., Madrigal XII Grupo Ionsolar, S.L., and Madrigal XIII Grupo Ionsolar, S.L.

[3] **Olivenza**: Parque Solar San Francisco Uno, S.L.U., Parque Solar San Francisco Dos, S.L.U., Parque Solar San Francisco Tres, S.L.U., Parque Solar San Francisco Cuatro, S.L.U., Parque Solar San Francisco Cinco, S.L.U., Parque Solar San Francisco Seis, S.L.U., Parque Solar San Francisco Siete, S.L.U., Parque Solar San Francisco Ocho, S.L.U., Parque Solar San Francisco Nueve, S.L.U., and Parque Solar San Francisco Diez, S.L.U.

The acquisition of this project, which comprises 10 photovoltaic installations located in Olivenza (Badajoz) represents an aggregate nominal capacity of 1 MW. It became operational in 2007.

- Acquisition of the Puig Gros project

  On October 20, 2017 Global Benengeli, S.L.U. signed a purchase-sale contract with Genera Avante, S.L. and Dynameo Energías y Recursos, S.L., the sellers, by virtue of which it acquired all the participation units of Artemisia Pirenaica Patrimonial, S.L. for an amount of 2,786 thousand euros (Note 6.4).

  The acquired company is the legitimate titleholder of the 1.4 MW photovoltaic installation located in the municipality of Puig Gros (Lleida). Said project became operational in 2008.

- Acquisition of the Portichuelo and Ollería projects

  On November 7, 2017 Global Catón, S.L. (incorporated in May 2017 and entirely owned by Global Benengeli, S.L.U. at said date) signed a purchase-sale contract with Estudios de Investigación Servicio, S.L. for acquiring participation units and photovoltaic assets, thus acquiring the following projects:

  - Ollería project: 100% of the participation units of Ollería Solar 2007, S.L. were acquired for an amount of 3,673 thousand euros. Said company owns 20 photovoltaic installations located in L 'Ollería (Valencia) with an aggregate nominal capacity of 2 MW (Note 6.5).

  - Portichuelo project: the Portichuelo assets were also acquired, comprised of 29 photovoltaic solar installations located in the municipality of Losa del Obispo y Chulilla (Valencia), with an aggregate nominal capacity of 2.9 MW, as well as the land on which said installations are located, for a total amount of 13,391 thousand euros (Note 7 and 8).

  Both projects became operational during 2008.

- Acquisition of the Hinojoso del Valle project

  On December 14, 2017, Global Benengeli, S.L.U. signed a purchase-sale contract with Alten 2010 Energías Renovables, S.A. for the acquisition of all participation units of Alten Hinojosa del Valle, S.L. for an amount of 3,924 thousand euros (Note 6.6).

  The acquired company is the legitimate titleholder of the 2.5 MW photovoltaic installation located in the municipality of Hinojoso del Valle (Cuenca). Said project became operational in 2010.

Environmental disclosures

Given the business activities performed by the Group, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Consequently, the Notes to the accompanying consolidated financial statements do not include specific disclosures relating to environmental matters, except for Note 20, which includes disclosure on dismantling provisions.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Financial reporting framework applicable to the Group

The Sole Director of the Parent prepared the accompanying consolidated financial statements in accordance with the financial reporting framework applicable to the Group, which is set out in:

a) The Spanish Code of Commerce and other commercial law

b) International Financial Reporting Standards adopted by the European Union ("IFRS-EU"), with the IFRS in force at December 31, 2018 being applicable to the extent adopted by the European Union, in accordance with Regulation (EC) number 1606/2002 of the European Parliament and the Council, taking into account all the mandatory accounting principles and standards as well as measurement criteria which have a significant effect, as well as the alternatives permitted by regulations in this respect

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

d) Other applicable Spanish regulations

Note 4 to the accompanying consolidated financial statements provides a summary of the most significant accounting principles and measurement criteria applicable for preparation of these consolidated financial statements.

2.2. Basis of presentation

The accompanying consolidated financial statements are presented in thousands of euros and were prepared from the Parent's accounting records and those of the rest of the companies which belong to the Sonnedix España Finance 2 Group (known as the Global Benengeli Group in 2017).

The Group was configured during 2018 within the framework of reorganizing companies under joint control, by virtue of which Sonnedix España Finance 2, S.A. acquired control over the companies disclosed in Note 1 to the accompanying consolidated financial statements on June 12, 2018 and December 11, 2018 (Olmeda project) via the contribution of participation units received from its Sole Shareholder, Sonnedix España, S.L.U.

The consolidation process was carried out using the consolidated values of the subsidiaries prior to January 1, 2018. The accompanying consolidated financial statements are not considered first-time financial statements and the acquisition method was not applied as the corresponding entities were previously under joint control (under control of Global Benengeli, S.L.U., the Parent of the Group at December 31, 2017; and under control of V-Energy SX SPV I, S.L. (entirely owned by Sonnedix España, S.L.U.) at December 31, 2017 (Note 1)). This approach was considered the most appropriate accounting policy to reflect these transactions in practice, considering this is in accordance with the exceptions permitted by IFRS 3 ("pooling of interest-predecessor accounting).

The results of the subsidiaries included in the consolidation scope of the Sonnedix España Finance 2 Group via the contributions of participation units received from Sonnedix España, S.L.U. during 2018, which were in turn also acquired during 2018 (only the subsidiary Alten Alange, S.L.; Notes 1 and 6), are included in the consolidated income statement from the date of the business combination.

However, the results obtained by subsidiaries existing prior to January 1, 2018 and included in the consolidation scope during 2018, in accordance with the reorganization described in Note 1, are included in the consolidated income statement from the beginning of the period.

The consolidated financial statements were prepared in accordance with the regulatory framework for financial information applicable to the Group as established in IFRS adopted by the European Union ("IFRS-EU"), taking into account all the mandatory accounting principles and standards as well as measurement criteria, together with the Spanish Commercial Code, the Spanish Corporate Enterprises Act, and remaining applicable mercantile legislation.

Given that the accounting principles and measurement criteria applied when preparing the consolidated financial statements may differ from those used by certain companies included therein (which apply local regulations), the necessary adjustments and reclassifications were applied during the consolidation process to standardize the principles and criteria in accordance with IFRS-EU.

In order to standardize presentation of the various items included in the accompanying consolidated financial statements, the measurement principles and criteria followed by the Parent were applied to all companies included in the consolidation scope, the effect of which did not have a significant impact on the consolidated financial statements. .

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

2.3. True and fair view

The accompanying consolidated financial statements give a true and fair view of the Sonnedix España Finance 2 Group's consolidated equity, consolidated results of its operations, changes in consolidated equity, and consolidated cash flows during 2018 and 2017.

2.4. Adoption of IFRS

The consolidated financial statements of Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and its subsidiaries are presented in accordance with IFRS-EU, as established in Regulation (EC) number 1606/2002 of the European Parliament and Council, of July 19, 2002. In Spain, the obligation to prepare consolidated financial statements under IFRS-EU was established in the final eleventh provision of Law 62/2003, of December 30, on tax, administrative, and social measures.

The main accounting policies and measurement standards adopted by the Group are presented in Note 4 to the accompanying consolidated financial statements.

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

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

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

The Sonnedix España Finance 2 Group intends to adopt the standards, interpretations, and modifications thereof issued by the IASB that are not mandatory in the European Union at the date these consolidated financial statements were prepared when they become effective, where applicable.

Although the Group is currently assessing their impact, based on the analysis performed to date, the Sole Director of the Parent considers that their initial application will not have a significant impact on the consolidated financial statements, except for *IFRS 16 - Leases*, which becomes effective from January 1, 2019.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 - Leases, as well as other interpretations of said standard issued by the IASB.

IFRS 16 establishes the principles for recognizing, measuring, and presenting leases together with the related disclose requirements, which require lessees to account for all leases under one single balance sheet model similar to the current accounting of finance leases in accordance with IAS 17. The standard provides for two lease recognition exceptions for lessees: (i) leases of low-value assets; and (ii) short-term leases (i.e., leases with a term of 12 months or less). On the lease inception date, the lessee recognizes a liability for the payments to be made under the lease (that is, the lease liability) and an asset representing the right to use the underlying asset during the lease term (that is, the right-of-use asset). Lessees must recognize the interest expense corresponding to the lease liability and the expense for amortizing the right to use separately.

The lessees will also be obliged to reevaluate the lease liability when certain events occur (for example, changes in lease terms or changes in future lease payments resulting from changes in an index or rate used to determine the payments). The lessee will in general recognize the amount of any such restatements as an adjustment to the right-of-use asset.

Transition to IFRS 16

The Sonnedix España Finance 2 Group expects to adopt IFRS 16 for its entire operating lease portfolio at the transition date, applying the modified retroactive simplified method. Nevertheless, during 2018 the Group performed a detailed analysis of the lease agreements it was party to, assessing the potential effect of IFRS 16 on its consolidated financial statements at January 1, 2019.

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

As a result of the analysis performed, the Group estimates that the opening consolidated balance sheet at the transition date will reflect an increase in assets and liabilities amounting to approximately 5,964 thousand euros, corresponding to the impact on the lease agreements for the land where the photovoltaic installations are located.

2.5. Presentation currency of the Group

The accompanying consolidated financial statements are presented in thousands of euros given that the euro is the presentation currency of all Group companies.

2.6. Non-mandatory accounting policies applied

The Company has not applied any non-mandatory accounting policies. Further, the Sole Director of the Parent prepared these consolidated financial statements taking all the mandatory accounting principles and standards which had a significant effect on them into account. All mandatory accounting policies were applied.

2.7. Critical issues regarding the measurement and estimation of uncertainty

The accompanying consolidated financial statements were prepared using estimates made by the Sole Director of the Parent to measure the assets, liabilities, income, expenses, and commitments recognized therein. Although these estimates were made based on the best information available at 2018 year end, events may occur in the future that require prospective adjustments (upwards or downwards) in subsequent years.

These estimates basically refer to:

- The evaluation of possible impairment losses on certain assets (Note 4.c).
- The measurement of the identifiable assets acquired and liabilities assumed in the business combinations (Notes 5 and 6).
- The calculation of dismantling provisions for the photovoltaic solar installations. (Note 4.i).
- The expected amount to be settled for corporate income tax (Note 4.g)

  The calculation of corporate income tax expenses requires interpretation of prevailing tax legislation. Further, the evaluation of expected outcomes for pending controversies and litigation requires the use of significant estimates and judgments.

  The Group assesses the recoverability of deferred tax assets based on estimates of future taxable profit and the capacity to generate sufficient profit during the periods in which said deferred taxes can be deducted. Deferred tax liabilities are recognized in accordance with the estimates made with respect to net assets which will not be deductible in the future.

2.8. Comparative information

For comparative purposes, the information included in the accompanying consolidated financial statements for 2018 is presented with the information relating to 2017.

Note, however, that the 2017 figures presented for comparative purposes are unaudited figures.

2.9. Changes in consolidation scope

Note 5 to the accompanying consolidated financial statements breaks down the main operations performed during 2018 and 2017 which gave rise to changes in the Group's consolidation scope.

2.10. Grouping of items

Certain items in the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement are grouped together to facilitate understanding. However, whenever the amounts involved are material, the information is broken down in the notes to the accompanying consolidated financial statements.

2.11. Consolidation principles

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

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

- The full consolidation method was utilized to consolidate those investees over which the Group has effective control due to holding a majority in their representative and decision-making bodies. At December 31, 2018 and 2017 all the companies that make up the Sonnedix España Finance 2 Group were consolidated under this method.

- The equity method is used to consolidate those investees over which the Group has significant influence in their representative and decision-making bodies without attaining control. At December 31, 2018 and 2017 none of the companies that make up the Group were consolidated under this method.

The full consolidation method

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

- The acquisition by the Parent of control of a subsidiary constitutes a business combination, to be measured using the acquisition method. In subsequent consolidations, the investment-equity of subsidiaries is generally eliminated based on values obtained by applying the acquisition method described below at the date on which control is obtained.

- Business combinations are accounted for using the acquisition method, which requires identification of the acquisition date, calculation of the cost of the combination, and recognition of the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Consequently, and for certain Group companies, during 2018 and 2017 the Group recognized the fair value of the acquired rights of use (rights not recognized in the individual financial statements of said companies), corresponding to licenses and administrative procedures necessary for development of a project and acquired from third parties (Note 6).

  These acquired operating rights correspond to the necessary administrative requirements (concessions, permits, licenses, etc.) which are mandatory for construction and starting up the assets associated with each project. Thus, they are also amortized over the useful life of the project assets.

- Goodwill or the negative consolidation difference is calculated as the difference between the fair values of the recognized assets acquired and liabilities assumed and the cost of the business combination, all as of the acquisition date. Changes subsequent to obtaining control, purchases and sales of non-controlling interest, which do not represent a change in control, shall not be considered business combinations, and consequently the differences recognized on first consolidation are not modified.

At the date of preparation of the accompanying consolidated financial statements, the Sonnedix España Finance 2 Group had not concluded the valuation process for investments made in photovoltaic installations acquired during 2018 (Note 6). In accordance with the prevailing regulations, said valuation can be reviewed and adjusted within the twelve months subsequent to the acquisition date. Thus,

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

b) Goodwill or any gains shall be adjusted, effective from the acquisition date, by an amount equal to the adjustments made to the fair values at said date of the assets, liabilities, or identifiable contingent liabilities being recognized or adjusted.

c) The comparative information presented for the years prior to completing the initial accounting for the business combination, shall be presented as if it had been completed at the acquisition date. This includes both additional amortization/depreciation, as well as any other effect recognized in results for the year as a consequence of completing the initial accounting.

The cost of a business combination is the aggregate of:

- The acquisition-date fair values of the assets received, the liabilities incurred or assumed, and any equity instruments issued.
- The fair value of any contingent consideration which depends on future events or the fulfillment of predetermined conditions.

The costs of the business combination do not include expenses related to the issuing of equity instruments or financial liabilities exchanged for the acquired elements.

In a business combination achieved in stages, goodwill or negative goodwill on any previously held equity interest prior to the acquisition date (the date on which control is obtained) is the difference between:

- the cost of the business combination plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and
- the value of the identifiable assets acquired less the liabilities assumed, determined in the manner described above.

Any gain or loss arising from measurement at fair value at the date control of the prior interest held in the investee is obtained is recognized in the consolidated income statement. If said investment in the investee had been measured previousl y at fair value, any changes in fair value not yet recognized in profit or loss for the year shall be transferred to the consolidated income statement. Further, the cost of the business combination is presumed to be the best reference for estimating acquisition-date fair value of any previously held equity interest.

In the exceptional event of a negative difference arising upon the combination, this will be recognized in the consolidated income statement as income.

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation processes needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts recognized can subsequently be adjusted within the period required to obtain the necessary information, which can under no circumstances exceed one year. The effects of the adjustments made during said period are accounted for retrospectively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, unless the consideration has been classified in equity, in which case subsequent changes in its fair value are not recognized.

All balances, transactions, and results generated between Group companies consolidated under the full consolidation method were eliminated upon consolidation.

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

3. REGULATION OF ENERGY PRODUCTION ACTIVITIES FROM RENEWABLE SOURCES

The Sonnedix España Finance 2 Group at present mainly pursues its activities in the market for electricity generation in Spain via the operation of production installations using renewable energies (the Group uses photovoltaic solar technology). At the date of authorization of the accompanying consolidated financial statements, all Group investments were located in Spain.

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

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

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

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

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

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

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

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

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

- Standard operating costs, and

- The standard value of the original investment.

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

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

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

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

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

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

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

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

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

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

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period. The Sole Director of the Parent estimated the impact of said adjustment, not considering it significant for the Group.

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

Royal Decree Law 15/2018

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

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

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

Sixth additional provision (2018)

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

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

Seventh additional provision (2019)

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

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

Eighth additional provision

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

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

Royal Decree Law 1/2019

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

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

Amendments to tax regulations approved in previous years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The applicable tax rate was 28% from January 1, 2015 and 25% from January 1, 2016. This law also modifies the treatment of tax loss carryforwards, which may now be applied in the future without any time limit. However, a quantitative limit of 60% for 2016 and 70% for 2017 and beyond is established for taxable income before offsetting tax loss carryforwards, allowing for a minimum of 1 million euros in any case.

Furthermore, offsetting tax loss carryforwards from the year 2015 will be based on the previous regulation, which established a limit of 50% of taxable income prior to said offsetting when during the 12-month period revenue amounts to between 20 million euros and 60 million euros; and 25% of taxable income prior to said offsetting when during the 12-month period revenue amounts to at least 60 million euros.

4. ACCOUNTING POLICIES AND MEASUREMENT STANDARDS

The main measurement standards utilized by the Group in the preparation of the 2018 consolidated financial statements were the following:

a) Intangible assets (Note 7)

As a general rule, intangible assets are measured initially at acquisition or production cost. They are subsequently measured at cost less accumulated amortization and impairment losses, if any. Further, intangible assets are amortized over their useful lives.

Operating rights

As stipulated in prevailing international regulations, the Group performed an analysis of the fair values of the assets acquired and liabilities assumed, recognizing the resulting values as the carrying amounts. Thus, as indicated in Note 2.11 to the accompanying consolidated financial statements, the Group recognized the fair value of the operating rights acquired, and not recognized in the balance sheets of the acquired companies, in the consolidated balance sheet. Said assets are amortized on a straight-line basis over the useful life of the assets associated with the corresponding photovoltaic solar installation, which is 18 years, counting form the start-up date of the corresponding installation. In summary, said assets correspond to the acquisition price paid to third parties for development of a project until the acquisition date.

Intangible assets are derecognized as soon as they are disposed of or no longer in use, or when no longer expected to generate economic benefits.

The difference between the amount which is obtained from an asset, net of sales costs, and its carrying amount determines any gains or losses upon derecognition, and is recognized in the consolidated income statement for the year to which they relate.

b) Property, plant, and equipment (Note 8)

PP&E items are initially measured at acquisition or production cost, subsequently reduced by the corresponding accumulated depreciation and any impairment losses, in accordance with the criteria described below.

Upkeep and maintenance costs for the different PP&E items are taken to the consolidated income statement for the period in which they are incurred. However, costs incurred to improve items which contribute to increasing capacity or efficiency, or which extend the useful life of an asset, are capitalized as a greater cost of the related asset.

The Group depreciates its PP&E items on a straight-line basis over their respective estimated useful lives, broken down as follows:

	Years of estimated useful life
Technical installations	18

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

PP&E items are derecognized as soon as they are disposed of or no longer in use, or when no longer expected to generate economic benefits. The difference between the amount which is obtained from a PP&E item, net of sales costs, and its carrying amount determines any gains or losses upon disposal, and is recognized in the consolidated income statement for the year to which they relate.

c) Impairment of intangible assets and property, plant, and equipment (Notes 7 and 8)

At each consolidated balance sheet date, the Group reviews the carrying amounts of its intangible assets and PP&E items to determine whether they have suffered any impairment losses. In the case of assets with an indefinite useful life and intangible assets which have not been put to use, this process is carried out at least at each annual closing date. 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 those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The cash-generating units correspond to each of the projects being developed by the Group, that is, to each solar farm.

This recoverable amount is the greater of market value less necessary sales costs and value in use, that is, the present value of estimated future cash flows. The Group generally uses this last parameter when calculating impairment losses except when there is evidence of a purchase-sale transaction, in which case the reference value is the transaction price. It is also worth noting that, if the asset is identifiable and does not generate cash flows independently, the recoverable amount of the cash-generating unit to which the asset belongs is calculated.

In order to quantify value in use, the Group makes estimates for each cash-generating unit generally using a time period corresponding to the useful life of the assets and, based on the most recent budget forecasts and business plans approved by the Sole Director of the Parent, prepares the forecasts for future cash flows before taxes using the best estimates available for income and costs relating to the cash-generating units. Further, the Group also uses growth rates and macroeconomic hypotheses reasonably based on both corporate forecasts which, based on knowledge of the sector, take past experience into account, and future expectations of the business.

In contrast, to determine the present value of said cash flows, a discount rate is used, before taxes, which reflects the business's cost of capital and the geographical area where it is conducted. The calculation further takes into account the current cost of money and the risk premiums generally used by analysts and investment banks for each specific business and geographical zone. 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense in the consolidated income statement.

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

d) Leases

Leases are classified as operating leases when, based on the economic terms of the arrangement, all the risks and rewards incidental to ownership of the leased item are not substantially transferred to the lessee. All other leases are classified as finance leases.

In general, a lease will be considered 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 the fair value at the date the option becomes exercisable, for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- The lease term covers the greater part of the asset's economic life.
- At the inception of the lease the present value of the minimum lease payments amounts to at least practically all of the fair value of the leased asset.
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Operating leases

Expenses from operating lease agreements are recognized in the consolidated income statement for the year in which they are incurred.

Any collection or payment that might be made when arranging an operating lease will be treated as advance collection or payment, allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are transfered or received.

Finance leases

For finance leases in which the Group acts as lessee, the Group recognizes the cost of leased assets in the consolidated balance sheet in accordance with the nature of the leased asset and, simultaneously, a liability for the same amount. This amount is the lower of the fair value of the leased asset or the present value of the minimum lease payments agreed upon, each determined at the inception of the lease, including the purchase option when it is reasonably certain that the option will be exercised. Contingent installments, service expenses, and reimbursable taxes (by the lessor) are not included in the calculation. The total finance charge on the lease is recognized in the consolidated income statement for the year in which it is incurred, using the effective interest rate method. Contingent installments are recognized as expenses in the periods in which they are incurred.

The assets recognized for these types of transactions are depreciated based on their nature, using similar criteria to those applied to other PP&E items.

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

As indicated in Note 2.4 to the accompanying consolidated financial statements, the Sonnedix España Finance 2 Group will adopt the new IFRS 16 for its entire operating lease portfolio at the transition date (January 1, 2019), applying the retroactive modified simplified method.

e) Financial instruments (Notes 9 and 13)

i. Financial assets

Classification

At initial recognition financial assets are classified in accordance with the following categories based on their nature and purpose: at fair value through profit and loss; held-to-maturity investments; available-for-sale financial assets; and loans and receivables. Held-to-maturity investments and loans and receivables are measured at amortized cost applying the effective interest rate method, less any impairment losses. The remaining categories are measured at fair value. The financial assets held by the Group are classified according to the following categories:

- Loans and receivables: financial assets from the sale of goods and rendering of services corresponding to trade transactions; or those that do not have a commercial origin, are not equity instruments or derivatives, but are associated with fixed or determinable payments, and are not quoted on active markets.

Initial measurement

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

Subsequent measurement

Loans and receivables are measured at amortized cost.

At least at year end the Group tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is deemed to exist when the recoverable value of a financial asset is less than its carrying amount. When this occurs, the impairment losses are recognized in the consolidated income statement.

Specifically, with respect to impairment losses relating to trade and other receivables, the criteria used by the Group to calculate the corresponding adjustments, if any, is to perform an individualized analysis at the end of each reporting period with a view to identifying possible accounts receivable that may be impaired.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies substantially transferring all the risks and rewards incidental to ownership of the financial asset; this is the case in firm asset sales, trade receivable factoring transactions in which the Group retains neither credit risk nor interest rate risk, sales of financial assets with an agreement to repurchase them at their fair value, and securitizations in which the transferring entity neither retains subordinated financing nor grants any form of guarantee nor assumes any other type of risk.

ii. Financial liabilities

Financial liabilities correspond to those trade and other payables recognized by the Group that have arisen from the purchase of goods and services in the normal course of the Group's business or those which, while not having commercial substance, cannot be classified as derivative financial instruments.

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

In contrast, current and non-current borrowings are presented at their repayment value. Any implicit interest paid and included, both in the nominal value and repayment value, is considered a direct deduction to the nominal value of the debt. Said interest is calculated by using financial methods based on the duration of the financial borrowings. When the debt matures, the principal liability is derecognized. Any difference between the liability recognized and the amount paid is included in the consolidated income statement under finance expenses.

The Group derecognizes financial liabilities once the obligations that gave rise to them have been extinguished.

iii. Derivative financial instruments and hedging transactions

Some Group companies are exposed to changes in interest rates as they hold debt with financial entities at variable interest rates. Thus, the Group contracts hedging instruments to cover interest rate risk, basically via structured contracts which provide a ceiling for maximum interest rates when market conditions make this recommendable.

For these instruments to qualify for hedge accounting, the Group designates them as hedges from the outset, while also documenting the hedging relationship. In addition, the Group initially verifies whether the hedging relationships are effective and continues to do so periodically over the entire duration of the hedging contract. For the hedge to be considered effective, the Group must be able to prospectively expect that the changes in fair value or cash flows of the hedged item are almost completely offset by the hedging instruments.

These cash flow hedging derivatives are measured at their market value at the date they are contracted. Subsequent changes in the market value of the portion of the hedge considered effective are recognized under "Unrealized gains (losses) reserve," not recognizing them as results until the gains or losses of the hedged transactions are recognized in results or until the date the corresponding operations expire. The portion of the hedge considered ineffective is taken directly to the consolidated income statement.

Changes in the fair value of derivative financial instruments that do not meet the conditions to qualify for hedge accounting are recognized in the consolidated income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gains or losses recognized in equity are transferred to profit or loss for the year.

During 2018 and 2017, some Group companies contracted interest rate swaps (IRS) as a hedge on interest rates, corresponding to a derivative financial instrument based on which the Group covers itself against interest rate increases affecting the senior loans they were granted. Thus, these companies pay the financial entities the difference between the market rate and the fixed rate established in the IRS, should the former be lower than the latter, or receives the difference between the fixed rate and the market rate, should the latter be higher than the former, recognizing said difference in the consolidated income statement. In 2018, subsequent to issuing the secured Limero I and Limero II bonds (Note 13), the Group companies opted for early cancellation of the IRSs and senior debt they had contracted with various financial entities.

f) Cash and cash equivalents (Note 11)

This heading of the consolidated balance sheet includes cash in hand, sight deposits, and other highly liquid short-term investments which mature in less than 3 months, can be readily converted into cash, and are not exposed to the risk of changes in value.

g) Corporate income tax (Note 14)

Income tax payable or receivable comprises current tax payable or receivable as well as deferred tax expenses or income.

Current tax is the amount settled by the Group in respect of the corporate income tax returns filed for the period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce tax payable.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the carrying amounts of assets and liabilities and their tax bases, as well as any unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply when the corresponding temporary differences or tax credits are expected to be realized or settled.

Deferred tax liabilities are recognized 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 is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and those associated with investments in subsidiaries, associates, and jointly controlled entities in which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are only recognized to the extent that it is considered probable that the Group will obtain taxable profits in the future against which they can be utilized.

Deferred tax assets and liabilities arising from transactions involving direct credits or debits to equity headings are also accounted for with a balancing entry in equity.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made when there are doubts as to their future recoverability. Similarly, at each reporting date, the Group reassesses deferred tax assets not recognized in the consolidated balance sheet, subsequently recognizing them to the extent that it has become probable that taxable profit will be available against which they can be utilized.

At December 31, 2018 and 2017 all companies of the Sonnedix España Finance 2 Group file their tax returns individually.

h) Income and expenses (Note 16)

Income and expenses are recognized in accordance with the accruals principle, that is, at the moment the goods or service transactions represented by them take place, regardless of when actual payment or collection occurs. Said income is measured at the fair value of the consideration received less discounts and taxes.

Revenue from the sale of goods is recognized when the significant risks and rewards incidental to ownership of the goods have been transferred to the buyer and when the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the consolidated balance sheet date, provided the outcome of the transaction can be estimated reliably.

Interest income on financial assets is recognized using the effective interest rate method, while dividends are recognized when the right to receive them is established. At any rate, interest and dividend income accrued on financial assets after their date of acquisition are recognized as revenue in the consolidated income statement.

All the Group's revenue is generated through the sale of electric energy produced by the solar farms it owns.

i) Provisions and Contingencies (Note 20)

In drawing up the consolidated financial statements, the Parent's Sole Director distinguished between:

- Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

- Contingent liabilities: possible obligations that arise as a consequence of past events, future materialization of which depends on one or more future events not within the control of the Group occurring.

The consolidated balance sheet includes all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognized in the consolidated balance sheet, but rather are disclosed in the accompanying notes, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best estimate possible for the amount required to settle or transfer the obligation, taking into account the information available concerning the obligating event and its consequences, and recognizing a finance expense for the adjustments which accrue when updating said provisions in accordance with estimates made at each reporting date.

j) Environmental assets and liabilities

Environmental assets are classified as those the Group utilizes in its activities over a long period of time whose primary purpose is to minimize the environmental impact of these activities and protect or improve the environment, including those assets designed to reduce or eliminate future contamination.

The Group's activities, by their very nature, do not have a significant impact on the environment. In sum, given the business activities performed by the Group, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the accompanying consolidated financial statements, except for those relating to the dismantling provisions described in Note 20.

k) Transactions with related parties (Note 15)

The Group conducts all related-party transactions on an arm's length basis. In addition, transfer prices are duly documented so that the Parent's Sole Director considers that there are no related significant risks that could give rise to material liabilities in the future. All balances held and transactions carried out with Group companies were eliminated upon consolidation.

l) Current and non-current balances

Assets and liabilities are classified in the consolidated balance sheet as current and non-current. To this end, assets and liabilities are classified as current when they are associated with the Group's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; or when they are expected to mature, be sold or settled within one year; or if they are held for trading, other than non-current derivatives; and cash and cash equivalents. All other assets and liabilities are classified as non-current.

As an exception to the above, all deferred tax assets and liabilities are recognized as non-current assets and liabilities.

m) Information by segments (Note 21)

The operating segments have been determined using the "management approach," which requires the presentation of segments on the basis of internal reports about the components of the Group that are analyzed regularly by the Group's "chief operating decision-maker" with a view to deciding upon which resources must be assigned to the segment and evaluating their profitability.

n) Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments subject to insignificant risk of changes in value
- Operating activities: the principal revenue-producing activities of the Group and other activities that cannot be classified as investments or financing
- Investing activities: the acquisition, sale and other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities resulting in changes in the size and composition of equity and liabilities that do not form part of operating activities.

ñ) Consolidated statement of changes in equity

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

Consolidated statement of comprehensive income

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

Accordingly, these statements present:

a) Profit as per the consolidated income statement

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

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

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

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

Consolidated statement of changes in equity

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

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

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

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

5. CHANGES IN THE CONSOLIDATION SCOPE OF THE GROUP

The main operations carried out during 2018 which gave rise to changes in the Group's consolidation scope are disclosed below:

5.1. Inclusions in consolidation scope

The inclusions in the Group's consolidation scope during 2018 are broken down as follows:

- **Acquisition of Sonnedix España Finance 2, S.A.:** as explained in Note 1, on March 14, 2018 Sonnedix España Finance 2, S.A (currently the Parent of the Group) was included in the consolidation scope.

- **Contribution of the La Puebla project:** on June 12, 2018 Hear Home Spain, S.L. (Sole Shareholder Company) and its subsidiaries were included in the consolidation scope (Note 6.10).

- **Contribution of the Pinos project:** on June 12, 2018 Solar Europe Andalucía Pinos Dieciséis, S.L; Solar Europe Andalucía Pinos Diecisiete, S.L.; Solar Europe Andalucía Pinos Dieciocho S.L.; Solar Europe Andalucía Pinos Diecinueve, S.L.; Solar Europe Andalucía Pinos Veinte, S.L.; Solar Europe Andalucía Pinos Veintitrés, S.L.; Solar Europe Andalucía Pinos Veinticuatro, S.L.; and Solar Europe Andalucía Pinos Veintiocho, S.L. were included in the consolidation scope.

- **Contribution of the Elices project:** on June 12, 2018 Elices Renovables, S.L. was included in the consolidation scope.

- **Contribution of the Pozohondo project:** on June 12, 2018 Alten Pozohondo, S.L. was included in the consolidation scope (Note 6.9).

- **Contribution of the Los Hinojosos project:** on June 12, 2018 Alten Los Hinojosos, S.L. was included in the consolidation scope (Note 6.8).

- **Contribution of the Alange project:** on June 12, 2018 Alten Alange, S.L. was included in the consolidation scope (Note 6.1).

- **Contribution of the Olmeda project:** on December 11, 2018 Vela Energy SPV XVI, S.L. was included in the consolidation scope (Note 6.7).

The inclusion of entities in the consolidation scope during 2017 is broken down as follows:

- **Acquisition of Global Benengeli:** on June 16, 2017 Sonnedix España, S.L.U. acquired Global Benengeli, S.L.U. (former Parent of the Group).

- **Acquisition of Global Ciconia:** on June 16, 2017 Global Ciconia, S.L. was included in the consolidation scope.

- **Acquisition of Global Catón:** on June 16, 2017 Global Catón, S.L. was included in the consolidation scope (Note 6.5).

- **Acquisition of the Madrigal project:** on June 29, 2017 the group of companies comprising the Madrigal project was included in the consolidation scope. This operation generated goodwill on consolidation (Note 6.2).

- **Acquisition of Global Colguida:** on October 17, 2017 Global Colquida, S.L. was included in the consolidation scope.

- **Acquisition of the Olivenza project:** on October 17, 2017 the group of companies comprising the Olivenza project was included in the consolidation scope (Note 6.3).

- **Acquisition of the Puig Gros project:** on October 20, 2017 Pirenaica Patrimonial, S.L. was included in the consolidation scope. This operation generated goodwill on consolidation (Note 6.4).

- **Acquisition of the Ollería project:** on November 7, 2017 Ollería Solar 2007, S.L. was included in the consolidation scope. This operation generated goodwill on consolidation (Note 6.5).

- **Acquisition of the Hinojosa del Valle project:** on December 14, 2017 Alten Hinojosa del Valle, S.L. was included in the consolidation scope. This operation generated goodwill on consolidation (Note 6.6).

5.2. Mergers between Group companies

During 2018 the following subsidiaries of the Sonnedix España Finance 2 Group were merged with their respective branches:

- On November 29, 2017 the Sole Partner of Global Colquida, S.L. (Global Benengeli, S.L.U.) approved the merger operation by virtue of which Global Colquida, S.L.U. absorbed its 10 branches comprising the Olivenza project: Parque Solar San Francisco Uno, S.L.U.; Parque Solar San Francisco Dos, S.L.U.; Parque Solar San Francisco Tres, S.L.U.; Parque Solar San Francisco Cuatro, S.L.U.; Parque Solar San Francisco Cinco, S.L.U.; Parque Solar San Francisco Seis, S.L.U.; Parque Solar San Francisco Siete, S.L.U.; Parque Solar San Francisco Ocho, S.L.U.; Parque Solar San Francisco Nueve, S.L.U.; and Parque Solar San Francisco Diez, S.L.U.

  Said merger was filed at the Mercantile Registry on February 13, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on January 1, 2018.

- On January 3, 208 the Sole Partner of Global Catón, S.L. (Global Benengeli, S.L.U.) approved the merger transaction by virtue of which said Group company absorbed its branch Ollería Solar 2007, S.L.U.

  Said merger was filed at the Mercantile Registry on March 5, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on January 1, 2018.

- On August 28, 2018, Sonnedix España, S.L.U., in its capacity as Sole Partner of Global Benengeli, S.L. and, by extension, indirect Sole Shareholder of Sonnedix España Finance 2, S.A., approved a reverse merger between Sonnedix España Finance 2, S.A ("the Absorbing company") and Global Benengeli, S.L. ("the Absorbed company"). Thus, the former parent of the Group (Global Benengeli, S.L.U.) was dissolved without liquidation and all its equity was transferred en bloc to Sonnedix España Finance 2, S.A. (current Parent).

  The reverse merger was filed at the Mercantile Registry on November 21, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. For accounting purposes the merger took effect from the date on which Global Benengeli, S.L.U. acquired Sonnedix España Finance 2, S.A., that is, March 14, 2018.

During 2017 the following subsidiaries of the Group were merged with their respective branches:

- On November 24, 2017 the merger operation between Global Ciconia, S.L. (parent of the 13 companies comprising the Madrigal project) and its subsidiaries was ratified by public deed.

- On December 1, 2017 the merger operation between Vela Energy SPV XVI, S.L. (parent of the 63 companies comprising the Olmeda project) and its subsidiaries was ratified by public deed.

6. BUSINESS COMBINATIONS

The most relevant business combinations which arose in the Group during 2018 and 2017 are disclosed below.

During 2018 the following business combinations were carried out:

6.1. Contribution of the Alange project

Transaction overview

On December 14, 2017 V-Energy SX SPV 1, S.L. (directly and entirely owned by Sonnedix España, S.L.U.) signed a purchase-sale contract for all participation units of Alten Alange, S.L., with Alten Energías Renovables, S.L. and Agrícola El Casar, S.L. as the sellers.

On January 26, 2018 the suspensive clauses established in said contract were fulfilled, so that at said date V-Energy SX SPV1, S.L. acquired control over Alten Alange, S.L., a company dedicated to the operation of a photovoltaic solar farm made up of 13 photovoltaic installations, 12 of which have a capacity of 600 KW and one a capacity of 200 KW, thus achieving a total aggregate capacity of 8 MW (Note 1). This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On June 12, 2018 Sonnedix España, S.L.U. (Sole Partner of the Parent) contributed all the participation units of the acquired company to the Group (Note 12.b).

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 1,071 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	5,098
Property, plant, and equipment	39,003
Deferred tax assets	11,918
Trade and other receivables	1,590
Other current assets	59
Cash and cash equivalents	2,429
Assets acquired	**60,097**
Non-current liabilities	63,843
Current liabilities	1,229
Liabilities assumed	**65,072**
Total value of net assets acquired	**(4,975)**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	1,071
Less- Value of net assets acquired	(4,975)
Difference	**6,046**
Assigned to operating rights	**8,061**
Deferred tax liabilities	**2,015**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2018 were as follows:

	Thousands of euros
Revenue	5,957
Profit for the year	(2,129)

If the aforementioned business combination had been carried out at the beginning of 2018, the amount for income and results at December 31, 2018 would have been as follows:

	Thousands of euros
Revenue	6,444
Estimated profit for the year	(8,653)

The main business combinations carried out during 2017 were as follows:

6.2. Acquisition of the Madrigal project

Transaction overview

On June 29, 2017, Global Ciconia, S.L. (directly and entirely owned by Global Benengeli, S.L.U. at said date) signed a purchase-sale contract with the sellers Grupo Ionsolar, Alternativas Energéticas Renovables, S.L., and Socuellamos Solar Quince, S.L., by virtue of which the Group acquired control over the 13 companies which comprise the Madrigal project via acquisition of all their participation units (Note 1).

The 13 acquired companies, dedicated to the business of operating photovoltaic solar farms, are listed below: Madrigal I Grupo Ionsolar, S.L.; Madrigal II Grupo Ionsolar, S.L.; Madrigal III Grupo Ionsolar, S.L.; Madrigal IV Grupo Ionsolar, S.L.; Madrigal V Grupo Ionsolar, S.L.; Madrigal VI Grupo Ionsolar, S.L.; Madrigal VII Grupo Ionsolar, S.L.; Madrigal VIII Grupo Ionsolar, S.L.; Madrigal IX Grupo Ionsolar, S.L.; Madrigal X Grupo Ionsolar, S.L.; Madrigal XI Grupo Ionsolar, S.L.; Madrigal XII Grupo Ionsolar, S.L.; and Madrigal XIII Grupo Ionsolar, S.L.

This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On October 18, 2017, Global Benengeli, S.L.U. (Sole Partner of Global Ciconia, S.L.U.) approved the merger by virtue of which Global Ciconia, S.LU. absorbed the 13 aforementioned companies.

Said merger was filed at the Mercantile Registry on December 1, 2017 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on June 29, 2017.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 2,759 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	6,668
Deferred tax assets	148
Trade and other receivables	307
Other current assets	13
Cash and cash equivalents	234
Assets acquired	**7,370**
Non-current liabilities	5,534
Current liabilities	313
Liabilities assumed	**5,847**
Total value of net assets acquired	**1,523**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	2,759
Less- Value of net assets acquired	1,523
Difference	**1,236**
Assigned to operating rights	**1,648**
Deferred tax liabilities	**412**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	564
Profit for the year	(683)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	1,128
Estimated profit for the year	(1,366)

6.3. Acquisition of the Olivenza project

Transaction overview

On October 17, 2017, Global Colquida, S.L. (directly and entirely owned by Global Benengeli, S.L.U. at said date) acquired control over the 10 companies comprising the Olivenza project from the seller Promociones León Badajoz, S.L., via acquisition of all its participation units (Note 1). The acquired companies dedicate themselves to the operation of photovoltaic solar farms in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On November 29, 2017 the Sole Partner of Global Colquida, S.L. (Global Benengeli, S.L.U.) approved the merger project by virtue of which Global Colquida, S.L.U. absorbed its aforementioned 10 branches:

Said merger was filed at the Mercantile Registry on February 13, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on January 1, 2018.

Consideration transferred

The fair value of the consideration transferred in this business combination amounted to 3,249 thousand euros. This amount is broken down as follows:

	Thousands of euros
Cash	3,181
Contingent consideration	68
Total consideration transferred	3,249

In addition, contingent consideration amounting to 68 thousand euros was also defined.

Given that the Sole Director of the Parent considers the payment of this amount as likely, said consideration was taken into account in the acquisition price.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	4,580
Deferred tax assets	44
Trade and other receivables	483
Other current assets	15
Cash and cash equivalents	176
Assets acquired	**5,298**
Non-current liabilities	1,848
Current liabilities	201
Liabilities assumed	**2,049**
Total value of net assets acquired	**3,249**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	111
Profit for the year	(28)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	706
Estimated profit for the year	(144)

6.4. Acquisition of the Puig Gros project

Transaction overview

On October 20, 2017 Global Benengeli, S.L. signed a purchase-sale contract with the sellers Genera Avante, S.L. and Dynameo Energías y Recursos, S.L. by virtue of which it acquired control over Artemisia Pirenaica Patrimonial, S.L., a company dedicated to the business of operating photovoltaic solar farms, via acquisition of all its participation units (Note 1). This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 2,786 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	4,774
Deferred tax assets	117
Trade and other receivables	274
Other current assets	19
Cash and cash equivalents	765
Assets acquired	**5,949**
Non-current liabilities	5,664
Current liabilities	69
Liabilities assumed	**5,733**
Total value of net assets acquired	**216**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	2,786
Less- Value of net assets acquired	216
Difference	**2,570**
Assigned to operating rights	**3,427**
Deferred tax liabilities	**857**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	165
Profit for the year	(131)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	1,030
Estimated profit for the year	(154)

6.5. Acquisition of the Ollería project

Transaction overview

On June 30, 2017 Global Catón, S.L. (entirely and directly owned by Global Benengeli, S.L.U.) signed a purchase-sale contract for all participation units of Ollería Solar 2007, S.L.U. with the seller Estudios de Investigación, Servicio, S.L. ("EDISA").

On November 7, 2017 the suspensive clauses established in said contract were fulfilled, with Global Catón, S.L. thus acquiring control over Ollería Solar 2007, S.L.U., a company dedicated to operating photovoltaic solar farms, via acquisition of all its participation units (Note 1). This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On January 3, 208 the Sole Partner of Global Catón, S.L. (Global Benengeli, S.L.U.) approved the merger transaction by virtue of which said Group company absorbed its branch Ollería Solar 2007, S.L.U.

Said merger was filed at the Mercantile Registry on Monday, March 05, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on January 1, 2018.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 3,673 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	8,264
Deferred tax assets	1,966
Trade and other receivables	367
Cash and cash equivalents	477
Assets acquired	**11,074**
Non-current liabilities	7,396
Current liabilities	171
Liabilities assumed	**7,567**
Total value of net assets acquired	**3,507**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	3,673
Less- Value of net assets acquired	3,507
Difference	**166**
Assigned to operating rights	**221**
Deferred tax liabilities	**55**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	103
Profit for the year	(74)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	1,288
Estimated profit for the year	(858)

6.6. Acquisition of the Hinojosa del Valle project

Transaction overview

On December 14, 2017 Global Benengeli, S.L. signed a purchase-sale contract with the seller Alten 2010 Energías Renovables, S.A. by virtue of which it acquired control over Alten Hinojosa del Valle, S.L.U., a company dedicated to the business of operating photovoltaic solar farms, via acquisition of all its participation units (Note 1).

This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 3,924 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	5,368
Deferred tax assets	653
Trade and other receivables	473
Cash and cash equivalents	417
Assets acquired	**6,911**
Non-current liabilities	8,548
Current liabilities	363
Liabilities assumed	**8,911**
Total value of net assets acquired	**(2,000)**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	3,924
Less- Value of net assets acquired	(2,000)
Difference	**5,924**
Assigned to operating rights	**7,899**
Deferred tax liabilities	**1,975**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	-
Profit for the year	-

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	1,490
Estimated profit for the year	(9)

6.7. Contribution of the Olmeda project

Transaction overview

On December 31, 2016 Sonnedix España, S.L.U. signed a purchase-sale contract for acquisition of all the participation units of Vela Energy SPV XVI, S.L., with Admiralty Investments Holdco 4, S.L. as the seller.

On March 28, 2017 the suspensive clauses established in said contract were fulfilled, with Sonnedix España, S.L.U. thus acquiring control over Vela Energy SPV XVI, S.L. via acquisition of all its participation units (Note 1). Said company is the parent of a group of 64 companies dedicated to the business of operating photovoltaic solar farms.

The agreement included both the purchase of all participation units of Vela Energy SPV XVI, S.L.U. by Sonnedix España, S.L.U. as well as the transfer to Sonnedix B.V. of the loans which the branches of the Group had been granted by Sunflower Sustainable Investments Ltd. and Shikum & Binui Renewable Energy Ltd., amounting to 2,848 thousand euros.

On August 23, 2017 Sonnedix España, S.L.U. approved the merger transaction by virtue of which Vela Energy SPV XVI, S.L. absorbed the 64 companies: Olmeda Sonnig 1, S.L.U.; Olmeda Sonnig 2, S.L.U.; Olmeda Sonnig 3, S.L.U.; Olmeda Sonnig 4, S.L.U.; Olmeda Sonnig 5, S.L.U.; Olmeda Sonnig 6, S.L.U.; Olmeda Sonnig 7, S.L.U.; Olmeda Sonnig 8, S.L.U.; Olmeda Sonnig 9, S.L.U.; Olmeda Sonnig 10, S.L.U.; Olmeda Sonnig 11, S.L.U.; Olmeda Sonnig 12, S.L.U.; Olmeda Sonnig 13, S.L.U.; Olmeda Sonnig 14, S.L.U.; Olmeda Sonnig 15, S.L.U.; Olmeda Sonnig 16, S.L.U.; Olmeda Sonnig 17, S.L.U.; Olmeda Sonnig 18, S.L.U.; Olmeda Sonnig 19, S.L.U.; Olmeda Sonnig 20, S.L.U.; Olmeda Sonnig 21, S.L.U.; Olmeda Sonnig 21, S.L.U.; Olmeda Sonnig 22, S.L.U.; Olmeda Sonnig 23, S.L.U.; Olmeda Sonnig 24, S.L.U.; Olmeda Sonnig 25, S.L.U.; Olmeda Sonnig 26, S.L.U.; Olmeda Sonnig 27, S.L.U.; Olmeda Sonnig 28, S.L.U.; Olmeda Sonnig 29, S.L.U.; Olmeda Sonnig 30, S.L.U.; Olmeda Sonnig 31, S.L.U.; Olmeda Sonnig 32, S.L.U.; Olmeda Sonnig 33, S.L.U.; Olmeda Sonnig 34, S.L.U.; Olmeda Sonnig 35, S.L.U.; Olmeda Sonnig 36, S.L.U.; Olmeda Sonnig 37, S.L.U.; Olmeda Sonnig 38, S.L.U.; Olmeda Sonnig 39, S.L.U.; Olmeda Sonnig 40, S.L.U.; Olmeda Sonnig 41, S.L.U.; Olmeda Sonnig 42, S.L.U.; Olmeda Sonnig 43, S.L.U.; Olmeda Sonnig 44, S.L.U.; Olmeda Sonnig 45, S.L.U.; Olmeda Sonnig 46, S.L.U.; Olmeda Sonnig 47, S.L.U.; Olmeda Sonnig 48, S.L.U.; Olmeda Sonnig 49, S.L.U.; Olmeda Sonnig 50, S.L.U.; Olmeda Sonnig 51, S.L.U.; Llano Soleil 19, S.L.U.; Llano Soleil 20, S.L.U.; Llano Soleil 21, S.L.U.; Llano Soleil 22, S.L.U.; Llano Soleil 23, S.L.U.; Llano Soleil 24, S.L.U.; Llano Soleil 25, S.L.U.; Llano Soleil 26, S.L.U.; Llano Soleil 27, S.L.U.; Llano Soleil 28, S.L.U.; Llano Soleil 29, S.L.U.; Llano Soleil 30, S.L.U.; and Alcarria Conquense Solar, S.L.U. These companies are in turn titleholders of all capital of Parque Solar Olmeda de la Cuesta, A.I.E.

Said merger was filed at the Mercantile Registry on December 18, 2017 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. The merger took effect for accounting purposes on March 31, 2017.

On December 11, 2018 Sonnedix España, S.L.U. (Sole Partner of the Parent) contributed all the participation units of Vela Energy SPV XVI, S.L. to Sonnedix España Finance 2, S.A. (Note 12.b).

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 1,516 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	482
Property, plant, and equipment	25,386
Deferred tax assets	4,782
Trade and other receivables	1,151
Other current assets	21
Cash and cash equivalents	560
Assets acquired	**32,382**
Non-current liabilities	27,150
Current liabilities	3,716
Liabilities assumed	**30,866**
Total value of net assets acquired	**1,516**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	3,029
Profit for the year	(584)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	4,039
Estimated profit for the year	(780)

6.8. Contribution of the Hinojosos project

Transaction overview

On December 21, 2017, V-Energy SX SPV I, S.L. (entirely owned by Sonnedix España, S.L.U) signed a purchase-sale contract with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L., the sellers, by virtue of which it acquired all participation units of Alten Los Hinojosos, S.L. This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On June 12, 2018, V-Energy SX SPV 1, S.L. went on to sell said shares to Sonnedix España, S.L.U. Subsequently, though on the same date, Sonnedix España, S.L.U. contributed the participation units of the acquired company to the Group.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 916 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	7,610
Deferred tax assets	2,555
Trade and other receivables	327
Other current assets	389
Cash and cash equivalents	223
Assets acquired	**11,104**
Non-current liabilities	11,243
Current liabilities	734
Liabilities assumed	**11,977**
Total value of net assets acquired	**(873)**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	916
Less- Value of net assets acquired	(873)
Difference	**1,789**
Assigned to operating rights	**2,386**
Deferred tax liabilities	**597**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	-
Profit for the year	-

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	1,285
Estimated profit for the year	(399)

6.9. Contribution of the Pozohondo project

Transaction overview

On December 21, 2017, V-Energy SX SPV I, S.L. (entirely owned by Sonnedix España, S.L.U) signed a purchase-sale contract with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L., the sellers, by virtue of which it acquired all participation units of Alten Pozohondo, S.L. This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On June 12, 2018, V-Energy SX SPV 1, S.L. went on to sell said participation units to Sonnedix España, S.L.U. Subsequently, though on the same date, Sonnedix España, S.L.U. contributed the participation units of the acquired company to the Group.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 2,569 thousand euros, settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	2,942
Property, plant, and equipment	14,416
Other non-current assets	685
Deferred tax assets	3,515
Trade and other receivables	565
Other current assets	670
Cash and cash equivalents	621
Assets acquired	**23,414**
Non-current liabilities	20,393
Current liabilities	1,724
Liabilities assumed	**22,117**
Total value of net assets acquired	**1,297**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	2,569
Less- Value of net assets acquired	1,297
Difference	**1,272**
Assigned to operating rights	**1,696**
Deferred tax liabilities	**424**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	-
Profit for the year	-

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	2,293
Estimated profit for the year	(871)

6.10. Contribution of the La Puebla project

Transaction overview

On May 26, 2017 Sonnedix España, S.L.U. and Tourgeville Holding, B.V. signed a purchase-sale contract for all the participation units of Hear Home Spain, S.L.U.

On June 26, 2017 the suspensive clauses established in said contract were fulfilled, with Sonnedix España, S.L.U. thus acquiring control over said company via acquisition of all its participation units.

The acquired company acts as the head of a group of 21 companies dedicated to the business of operating the photovoltaic solar farms known as the La Puebla project (Note 1). This transaction was carried out in the framework of the Group's expected expansion process in accordance with the guidelines established in its strategic plan.

On June 12, 2018 Sonnedix España, S.L.U. ratified by public deed the contribution of all participation units of Hear Home Spain, S.L. to the Group.

Consideration transferred

The fair value of the consideration paid in the business combination amounted to 2,727 thousand euros, entirely settled via the delivery of cash at the acquisition date.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant, and equipment	12,858
Deferred tax assets	272
Trade and other receivables	557
Cash and cash equivalents	1,610
Assets acquired	**15,297**
Non-current liabilities	11,058
Current liabilities	1,658
Liabilities assumed	**12,716**
Total value of net assets acquired	**2,581**

Goodwill (negative difference) arising from the business combination

The following goodwill arose in this business combination:

	Thousands of euros
Consideration transferred	2,727
Less- Value of net assets acquired	2,581
Difference	**146**
Assigned to operating rights	**195**
Deferred tax liabilities	**49**

Impact of the business combination on the Group's earnings

Income and results attributable to the business combination from the acquisition date until December 31, 2017 were as follows:

	Thousands of euros
Revenue	5,621
Profit for the year	(698)

If the aforementioned business combination had been carried out at the beginning of 2017, the amount for income and results at December 31, 2017 would have been as follows:

	Thousands of euros
Revenue	7,495
Estimated profit for the year	(930)

7. INTANGIBLE ASSETS

The breakdown for this heading in the consolidated balance sheet, as well as a summary of transactions carried out during 2018 and 2017, follows:

2018

	Thousands of euros				
	Beginning Balance	Changes in consolidation scope	Additions	Disposals	Closing balance
Cost:					
Right of use	14,175	21,933	-	-	36,108
Total cost:	**14,175**	**21,933**	**-**	**-**	**36,108**
Accumulated amortization:					
Right of use	(348)	(280)	(3,960)	-	(4,588)
Total accumulated amortization	**(348)**	**(280)**	**(3,960)**	**-**	**(4,588)**
Impairment losses	-	-	-	-	**-**
Total net intangible assets	**13,827**	**21,653**	**(3,960)**	**-**	**31,520**

2017 (*)

	Thousands of euros				
	Beginning Balance	Changes in consolidation scope	Additions	Disposals	Closing balance
Cost:					
Right of use	-	13,195	980	-	14,175
Total cost:	**-**	**13,195**	**980**	**-**	**14,175**
Accumulated amortization:					
Right of use	-	-	(348)	-	(348)
Total accumulated amortization	**-**	**-**	**(348)**	**-**	**(348)**
Impairment losses	-	-	-	-	**-**
Total net intangible assets	**-**	**13,195**	**632**	**-**	**13,827**

(*) Unaudited consolidated balances

a) Additions due to changes in the consolidation scope, additions, and derecognitions of assets

As described in Note 1 to the accompanying consolidated financial statements, acquisitions of assets were carried out during 2018 and 2017 by either acquiring companies or associated photovoltaic installations.

The breakdown of the acquired operating rights recognized by the Group during 2018 due to changes in the consolidation scope is disclosed in Note 6 to the accompanying consolidated financial statements. Specifically, the net cost of intangible assets attributed to operating rights for photovoltaic plants amounted to 21,933 thousand euros as a result of contributions received in 2018 from Sonnedix España, S.L.U. of all the participation units of the subsidiaries making up the Alange, Pozohondo, Elices, and Pinos, Olmeda, La Puebla, and Los Hinojosos projects (almost entirely acquired by the Sonnedix España Group during 2018 and 2017 (Notes 5 and 6)).

During 2017 the Group recongized intangible assets attirbuted to operating rights for the photovoltaic solar farms in the amount of 13,195 thousand euros as a consequence of the business combinations which took place during said year, described in Notes 5 and 6 to the accompanying consolidated financial statements.

In addition, during said year additions in the amount of 980 thousand euros were also recognized in connection with the right to use acquired together with the photovoltaic assets of the Portichuelo project by the subsidiary Global Catón, S.L.

b) Amortization and impairment losses

The amortization allowance recognized by the Group in the consolidated income statement at December 31, 2018 and 2017 amounted to 3,960 thousand and 348 thousand euros, respectively (Note 16.f).

The estimated useful life of the technical installations and consequently the useful life of the operating rights is set at 18 years counting from the date on which each of the installations are started up.

At December 31, 2018 the Group assessed the presence of indications, both external as well as internal, which make it necessary to perform an impairment test on its intangible assets. Subsequent to this analysis, the Sole Director of the Parent considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of intangible assets or perform any related impairment tests at December 31, 2018.

The results of the same analysis performed during the prior year were identical, concluding that no intangible assets were impaired.

At 2018 year end, the Group had not fully amortized any of its significant intangible assets.

c) Other information

At December 31, 2018 and 2017, the Group does not have intangible assets in progress.

All of the Group's intangible assets are directly associated with operations at December 31, 2018 and 2017.

Furthermore, at December 31, 2018 and 2017 there were no intangible assets encumbered by guarantees, and neither had the Group received any subsidies for acquisition of the assets recognized.

At 2018 and 2017 year end the Group had no investment commitments with respect to intangible assets.

8. PROPERTY, PLANT, AND EQUIPMENT

The breakdown for this heading in the consolidated balance sheet, as well as a summary of transactions carried out during 2018 and 2017, follows:

2018

	Thousands of euros				
	Beginning Balance	Changes in consolidation scope	Additions	Disposals	Closing balance
Cost:					
Land and buildings	290	76	-	-	366
Technical installations	42,755	106,332	-	-	149,087
Total cost:	**43,045**	**106,408**	**-**	**-**	**149,453**
Accumulated depreciation:					
Technical installations	(667)	(4,443)	(16,611)	-	(21,721)
Total accumulated depreciation	**(667)**	**(4,443)**	**(16,611)**	**-**	**(21,721)**
Impairment losses	-	-	-	-	-
Total net PP&E	**42,378**	**101,965**	**(16,611)**	**-**	**127,732**

2017 (*)

	Thousands of euros				
	Beginning Balance	Changes in consolidation scope	Additions	Disposals	Closing balance
Cost:					
Land and buildings	-	-	290	-	290
Technical installations	-	29,654	13,101	-	42,755
Total cost:	**-**	**29,654**	**13,391**	**-**	**43,045**
Accumulated depreciation:					
Technical installations	-	-	(667)	-	(667)
Total accumulated depreciation	**-**	**-**	**(667)**	**-**	**(667)**
Impairment losses	-	-	-	-	-
Total net PP&E	**-**	**29,654**	**12,724**	**-**	**42,378**

(*) Unaudited consolidated balances

The heading for technical installations in the accompanying consolidated balance sheet at December 31, 2018 and 2017 reflects the cost of the photovoltaic solar farms disclosed in Note 1 to the accompanying consolidated financial statements.

In addition, "Land and buildings" includes the cost of the plots of land acquired by Group companies on which some of the photovoltaic plants acquired via acquisitions of companies during 2018 are located.

a) Additions due to changes in the consolidation scope, additions, and derecognitions of assets

During 2018 the Group recognized PP&E items at an aggregate amount of 106,408 thousand euros in its consolidated balance sheet (106,332 thousand euros corresponding to photovoltaic installations and 76 thousand euros corresponding to the land on which some of the installations are located). This movement in the Group's PP&E took place as a result of the contributions received during the year from Sonnedix España, S.L.U. corresponding to all the participation units of the subsidiaries making up the Pinos, Elices, Pozohondo, Los Hinojosos, Alange, La Puebla, and Olmeda photovoltaic projects (almost entirely acquired by the Sonnedix España Group during 2018 and 2017 (Notes 5 and 6)).

During 2017 the Group acquired PP&E items via purchases of companies in business combinations which took place during said year (Notes 5 and 6). The net cost of PP&E arising from these acquisitions via purchases of companies amounted to 29,654 thousand euros.

In addition, on November 7, 2017, the subsidiary Global Catón, S.L. signed a purchase-sale contract for photovoltaic assets with Estudios de Investigación, Servicio, S.L. ("EDISA") by virtue of which the Group acquired the Portichuelo project assets, comprised of 29 photovoltaic solar installations with a capacity of 100 KW each, an energy delivery and auxiliary transformation station (100 Kv and 0,40/20 Kv), and a mixed overhead-underground line of 20 Kv and 1,620 meters located in Losa del Obispo y Chulilla (Valencia), as well as the land on which said installations are located. The cost of the technical installations and the Portichuelo land amounted to 13,101 and 290 thousand euros, respectively.

b) Depreciation and impairment losses

The depreciation allowance for PP&E items recognized by the Group in the consolidated income statement at December 31, 2018 and 2017 amounted to 16,611 thousand and 667 thousand euros, respectively (Note 16.f).

Recognition of the depreciation allowance corresponding to "Technical installations" is carried out over a period of 18 years counting from the start-up of each installation.

At December 31, 2018 the Group assessed the presence of indications, both external as well as internal, which make it necessary to perform an impairment test on its PP&E. Subsequent to this analysis, the Sole Director of the Parent considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of PP&E items or perform any related impairment tests at December 31, 2018. The results of the same analysis performed during the prior year were identical, concluding that no PP&E items were impaired.

At December 31, 2018 and 2017, the Group had not fully depreciated any of its significant PP&E items.

c) Other information

At December 31, 2018 and 2017 the Group did not recognize any amounts for PP&E in progress. All of the Group's PP&E items are located in Spain and are directly associated with operations at December 31, 2018.

At 2018 and 2017 year end the Group had no significant investment commitments with respect to PP&E.

It is the Group's policy to subscribe insurance policies to cover potential risks to which its PP&E items are exposed. At year end the potential risks were fully covered by the insurance.

9. FINANCIAL ASSETS

The breakdown of financial assets at December 31, 2018 and 2017 is as follows:

	Thousands of euros			
	2018		2017 (*)	
	Non-current financial instruments	Current financial instruments	Non-current financial instruments	Current financial instruments
Financial investments	23,638	7,381	2	1,572
Trade and other receivables	-	9,229	-	2,863
	23,638	**16,610**	**2**	**4,435**

(*) Unaudited consolidated balances

9.1. Non-current financial investments

On June 12, 2018 the Parent granted a loan to its Sole Shareholder, Sonnedix España, S.L.U. amounting to 22,963 thousand euros. In addition, on December 21, 2018 Sonnedix España Finance 2, S.A. granted a new loan to Sonnedix España, S.L.U. amounting to 266 thousand euros. The maturity dates for said loans were established as June 12 and December 21, 2037, respectively. They are payable at maturity, accruing nominal annual interest at 3.228% and 3.216%, respectively.

At 2018 year end, the Parent of the Group recognized non-current accrued interest pending collection at that date in the amount of 408 thousand euros given that, as established in the financing contracts, said interest is payable at maturity.

At December 31, 2017 the Sonnedix España Finance 2 Group recognized 2 thousand euros under this heading, corresponding to long-term deposits and guarantees established by some of the Group companies.

9.2. Current financial investments

At December 31, 2018, the Group recognized an amount of 7,012 thousand euros under "Current assets - Financial investments" in the consolidated balance sheet, mainly corresponding to the balances held with financial entities that constitute a "Debt Service Reserve Fund" and a "Maintenance Reserve Fund." Said funds represent the balances of a restricted nature which will be maintained by the subsidiaries in accordance with the requirements established in the framework contract for the secured bond issues (Note 13.1).

In addition, during 2018 the Group companies went on to fully amortize the Project Finance funding through which the Group's photovoltaic projects were financed. Said early amortization resulted in the restricted cash balance at 2017 year end being released in the amount of 1,567 thousand euros (Note 13.2).

Further, at December 31, 2018 the Parent recognized an amount of 335 thousand euros corresponding to the balances held with financial entities as "guarantees" arising from the terms agreed upon in the purchase of the subsidiary Alten Alange, S.L. with its sellers. Said balances must remain restricted until one year has elapsed from the purchase-sale transaction date, that is, until January 26, 2019 (Note 6.1).

9.3. Trade and other receivables

"Trade and other receivables" in the consolidated balance sheet mainly records the amount owed as a consequence of the sale of electric energy produced by the solar farms, amounting to 8,564 thousand euros at December 31, 2018 (2,254 thousand euros at December 31, 2017).

Of the aforementioned amount, 2,680 thousand euros correspond to balances with customers accrued in connection with the Portichuelo project, for which, given that the related installations were acquired at 2017 year end, a change in title was being processed with the CNMC. Thus, the entity receiving the collections for energy sold was the previous owner (Estudios de Investigación, Servicio, S.L. - "EDISA"), thereby generating a collection right for the Group with respect to the selling party. At the date of preparation of these consolidated financial statements, the change in title had been successfully carried out (Note 13.5 and 22).

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

10. FINANCIAL RISK MANAGEMENT POLICY

To manage its financial risk, the Sonnedix España Finance 2 Group uses economic forecasts to review its business plans and the correlation between its risk exposure and the present value of the cash flows deriving from a given investment, as well as taking an accounting approach to assess the various risk situations dynamically and statically.

The Sole Director of the Parent has established the necessary control mechanisms with respect to its exposure to interest rate changes as well as credit and liquidity risk.

The general exposure to adverse situations in which negative deviations may arise for the results or financial performance of the Group, consequently generating risks which must be managed to mitigate their possible effects, is as follows:

- *Interest-rate risk*
- *Liquidity risk*
- *Credit risk*
- *Other market risks: price risk*

The monitoring and control of these risks is performed periodically as described below:

a) Interest rate risk

Interest rate fluctuations affect the fair value of fixed-rate assets and liabilities and the future cash flows from floating-rate assets and liabilities.

The objective of interest rate risk management is to create a balanced debt structure that minimizes finance costs over a multi-year period while also reducing volatility in the consolidated income statement.

Based on the estimates made by the Parent of the Group and debt structure targets, hedges are put in place using derivatives that mitigate these risks.

At December 31, 2017 the financial debt of some of the Group companies is referenced to a variable interest rate, the Euribor, plus a spread. These subsidiaries of the Group have contracted interest rate swaps (IRSs) as a hedge for interest rates. This instrument corresponds to a derivative financial product based on which the Group covers itself against interest rate increases affecting the senior loans it was granted (Note 13).

At 2018 year end the Group had already finalized its debt restructuring process in which it had issued the Limero I and II Bonds, which bear a fixed interest rate (Note 13.1). Said process involved early amortization and cancellation of the floating-rate senior loans it had contracted with credit entities and the associated hedging contracts. Thus, at December 31, 2018 the Group was no longer exposed to this financial risk.

b) Liquidity risk

Liquidity risk is defined as the risk that a company will not be able to service its commitments as a result of adverse conditions in the debt/equity markets that prevent or hinder its capital raising efforts.

The Group manages liquidity risk by maintaining sufficient cash balances to enable it to negotiate upcoming refinancing agreements on the best possible terms and to cover its short-term cash outlays, thereby avoiding the need to raise funds on disadvantageous terms. Liquidity risk coverage is considered adequate when the Group can avail itself of a minimum amount of available financing equivalent to six months of debt servicing.

c) Credit risk

Within the area of financial transactions, credit risk arises as a result of the counterparty failing to meet the contractually established obligations. When contracted operations can generate counterparty risk for certain subsidiaries, the Group's policy is to contract said operations with counterparties who enjoy a credit rating equal to or better than that of the Group.

The Group mainly held accounts receivable from highly solvent companies during 2018 and 2017, such as:

- Energy produced in Spain: electricity distribution companies which purchase the electricity produced, though it is invoiced to and collected from the CNMC and the market agents.

  As of January 1, 2014, all participants in the settlement system must bear the temporary imbalances between revenue and electricity system costs. Thus, the CNMC may not pay 100% of the monthly settlements, so that the Group companies, as recipients of system costs, become the parties financing these temporary imbalances.

  At December 31, 2018, the CNMC settled 87.33% (88.04% at December 31, 2017) of the specific regulated remuneration for investment and operation accrued until the month of October.

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

At year end, there were no significant financial assets in arrears for which no impairment losses had been recognized.

d) Other market risks: price risk

In addition to the financial risks described in the previous section, there are operational risks which are mainly related to the risk of changes in the sales prices of electric energy generated.

As established in Note 3 to the accompanying consolidated financial statements, the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenues with specific regulated remuneration, thereby allowing these technologies to compete on an equal footing with the other technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying consolidated balance sheet at December 31, 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017 (*)
Cash and cash equivalents	6,387	3,520
	6,387	**3,520**

(*) Unaudited consolidated balances

This consolidated balance sheet heading includes cash in hand, demand deposits, and other highly liquid short-term investments with a maturity of less than three months that can be readily converted into cash, are not subject to a risk of changes in value, and are part of the Group's standard cash management policy.

As a general rule, the cash balances accumulated bear interest at market rates. There are no significant restrictions for use of cash and cash equivalents except for the cash recognized for the projects that are already operational (Note 9.2).

Likewise, neither are there any significant differences between the carrying amounts and market values of the cash and cash equivalents held.

12. EQUITY

a) Share capital

On April 19, 2017, the former Parent of the Group, Global Benengeli, S.L.U., was incorporated with share capital of 3.6 thousand euros represented by 3,600 participation units at a nominal value of 1 euro each, with Latorre & Asociados Consultoría, S.L. as Sole Partner. On June 16, 2017, Sonnedix España, S.L.U. became the Sole Partner of Global Benengeli, S.L.U. subsequent to acquiring all its participation units.

The new Parent of the Group, Sonnedix España Finance 2, S.A. (previously called Cantilan Directorship, S.A.) was incorporated on November 8, 2017 with subscribed share capital of 60 thousand euros, 25% of which had been paid in (that is, an amount of 15 thousand euros). The share capital is divided into 60,000 indivisible shares at a nominal value of one euro each. The shareholders who incorporated the new Parent were Legal Management Advisory, S.L. (59,996 shares) and Directorship Cibeles, S.L. (4 shares).

On March 14, 2018, Global Benengeli, S.L.U. (entirely owned by Sonnedix España, S.L.U. at that date) signed a purchase-sale contract for all the shares of Sonnedix España Finance 2, S.A.

On March 7, 2018 the Sole Shareholder of Sonnedix España Finance 2, S.A. paid in the remaining 75% of share capital, until reaching the figure of 60 thousand euros.

On November 21, 2018, a reverse merger took place between Global Benengeli, S.L. and Sonnedix España Finance 2, S.A., with the latter absorbing the former. Global Benengeli, S.L., the absorbed company, was dissolved without liquidation and its assets and liabilities were transferred *en bloc* to Sonnedix España Finance 2, S.A., the absorbing company.

At 2018 year end Sonnedix España, S.L.U. owns all of the shares issued by the new Parent, with Sonnedix España Finance 2, S.A. as the Sole Director. The natural person representing the Sole Director is Mr. Miguel Ángel García Mascuñán.

b) Other owner contributions

On June 12, 2018 Sonnedix España, S.L.U. carried out the following non-monetary contributions in favor of Global Benengeli, S.L.U. in the context of the corporate restructuring implemented with a view to issuing the Limero Bond:

- Contribution of all participation units of Alten Pozohondo S.L. (in the amount of 2,570 thousand euros) and assumption of the creditor position of Sonnedix España, S.L.U. with respect the contributed company amounting to 690 thousand euros.

- Contribution of all participation units of Alten Los Hinojosos, S.L. for an amount of 916 thousand euros.

- Contribution of all participation units of Hear Home Spain, S.L. for an amount of 2,727 thousand euros.

- Contributions of 100% of the participation units of the companies Solar Pinos 16-28, S.L. for an amount of 618 thousand euros.

- Contribution of all participation units of Elices Renovables, S.L. for an amount of 455 thousand euros.

- Contribution of all participation units of Alten Alange, S.L. for an amount of 1,403 thousand euros.

In addition, on December 11, 2018, Sonnedix España, S.L.U. carried out a non-monetary contribution of all participation units of Vela Energy SPV XVI, S.L. (Olmeda project) to Sonnedix España Finance 2, S.A. for an amount of 1,916 thousand euros. Said contribution was made in the context of the corporate restructuring process for issuing the Limero II Bond.

During 2017 Global Benengeli, S.L.U. received the following contributions from its Sole Partner, Sonnedix España, S.L.U.:

- Non-monetary contribution of all participation units of Global Catón, S.L and Global Ciconia, S.L. for an amount of 4 thousand and 4 thousand euros, respectively.

- Non-monetary contribution for acquisition of the Madrigal project for an amount of 998 thousand euros.

- Non-monetary contribution for acquisition of the Olivenza project for an amount of 1,903 thousand euros.

- Non-monetary contribution for acquisition of the Ollería project for an amount of 2,896 thousand euros.

- Monetary contributions of 6,914 thousand euros for acquisition of the projects described in Note 1 during 2017, of which 1,050 thousand euros were reimbursed.

c) Legal reserve of the Parent Company

In accordance with the revised text of the Spanish Corporate Enterprises Act, 10% of profit must be transferred to the legal reserve each year until it represents at least 20% of share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to compensate losses, if there are no other reserves available. Given that Sonnedix España Finance 2, S.A. has not obtained any profits since its incorporation, the legal reserve has not been set aside.

d) Consolidation reserves

During 2018, the configuration of the Group was carried out within the framework for reorganization of companies under joint control (Notes 1 and 2) as a result of which Sonnedix España Finance 2, S.A. (Sole Shareholder Company) acquired control over the participation units described above in Note 1. Given that the consolidation process was prepared using the consolidated values of subsidiaries existing prior to January 1, the restatement of the participation units acquired by Sonnedix España Finance 2, S.A. (Sole Shareholder Company) had a negative impact of 513 thousand euros, recognized in the reserves of consolidated Group companies.

In addition, all of the Group's consolidated results for the prior year were distributed with a charge against reserves in consolidated companies in an amount of 2,490 thousand euros.

e) Unrealized gains (losses) reserve

The breakdown of items under this heading at 2018 and 2017 year end is as follows:

	Thousands of euros	
	2018	2017 (*)
Hedging transactions (Note 13.4)	-	(70)

(*) Unaudited consolidated balances

As a consequence of the Group's financial restructuring with the issue of the Limero I and Limero II Bonds, during 2018 the companies of the Sonnedix España Finance 2, S.A. Group canceled the derivative financial instruments contracted for hedging purposes which had been recognized at 2017 year end, with the corresponding impact on the consolidated income statement (Note 13.4).

13. FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at December 31, 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017 (*)
Non-current financial liabilities:		
Debts and payables:		
Bonds and other marketable securities (Note 13.1)	152,946	-
Bonds and other marketable securities (principal)	*154,549*	-
Arrangement fees	*(1,603)*	-
Bank borrowings (Note 13.2)	-	27,660
Borrowings from group companies and associates (Notes 13.3 and 15)	35,148	20,574
Hedging derivatives:		
Derivatives (Note 13.4)	-	93
	188,094	**48,327**
Current financial liabilities:		
Debts and payables:		
Bonds and other marketable securities (Note 13.1)	8,801	-
Bank borrowings (Note 13.2)	57	2,376
Borrowings from group companies and associates (Notes 13.3 and 15)	2,754	299
Other payables (Note 13.5)	2,338	1,830
	13,950	**4,509**

(*) Unaudited consolidated balances

13.1. Bonds and other marketable securities

On June 12, 2018, Sonnedix España Finance 2, S.A. (Sole Shareholder Company) agreed to issue secured bonds, primarily used to refinance the existing debt of the subsidiaries that form part of the Limero Project ("Limero I"). In addition, on December 11, 2018 Sonnedix España Finance 2, S.A. agreed upon a new issue of secured bonds ("Limero II") to refinance the existing debt of the subsidiary Vela Energy SPV XVI, S.L. (Olmeda project).

At 2018 year end Vela Energy SPV XVI, S.L. was entirely owned by the Parent subsequent to the contribution received from its Sole Shareholder of the Limero II issue at the same date, comprising all its participation units (Note 12.b).

The face value of the Limero I Bond was 140,012 thousand euros, maturing on June 30, 2037 with repayments every six months. The bond bears interest at an annual nominal rate of 3.228%, payable on a six-monthly basis. The first principal and interest payments were settled on December 31, 2018. Subsequent payments fall due on June 30 and December 31 of each year.

The face value of the Limero II Bond was 28,161 thousand euros, maturing on June 30, 2037 with repayments every six months. The bond bears interest at an annual nominal rate of 3.216%, payable on a six-monthly basis. The first principal and interest payments were settled on December 31, 2018. Subsequent payments fall due on June 30 and December 31 of each year.

The bonds were classified as non-current and current in the amounts of 154,549 and 8,801 thousand euros, respectively, at year-end 2018. In addition, at 2018 year end an amount of 1,603 thousand euros was recognized for debt arrangement expenses, calculated by netting the nominal amounts of non-current bonds and other marketable securities. The total amount corresponding to said debt arrangement expenses for the issue of the Limero I and II Bonds amounted to 1,400 thousand and 282 thousand euros, respectively.

In 2018, the Company repaid principal and settled interest in the amounts of 4,823 and 2,547 thousand euros, respectively.

The participation units of the subsidiaries that are guarantors on the bonds have been pledged such that they are liable for the obligations arising from the bond issue in respect of the full amount of their equity. The guarantor subsidiaries are listed below:

Guarantors	
Hear Home Spain, S.L.U.	Puebla del Prior Renovables Diecinueve, S.L.U.
Puebla del Prior Innovación, S.L.U.	Puebla del Prior Renovables Veinte, S.L.U.
Puebla del Prior Renovables Uno, S.L.U.	Solar Europe Andalucía Pinos Diecisiete, S.L.U.
Puebla del Prior Renovables Dos, S.L.U.	Solar Europe Andalucía Pinos Dieciocho, S.L.U.
Puebla del Prior Renovables Tres, S.L.U.	Solar Europe Andalucía Pinos Diecinueve, S.L.U.
Puebla del Prior Renovables Cuatro, S.L.U.	Solar Europe Andalucía Pinos Veinte, S.L.U.
Puebla del Prior Renovables Cinco, S.L.U.	Solar Europe Andalucía Pinos Veintitrés, S.L.U.
Puebla del Prior Renovables Seis, S.L.U.	Solar Europe Andalucía Pinos Veinticuatro, S.L.U.
Puebla del Prior Renovables Siete, S.L.U.	Solar Europe Andalucía Pinos Veintiocho, S.L.U.
Puebla del Prior Renovables Ocho, S.L.U.	Alten Hinojosa del Valle, S.L.U.
Puebla del Prior Renovables Nueve, S.L.U.	Alten Los Hinojosos, S.L.U.
Puebla del Prior Renovables Diez, S.L.U.	Alten Alange, S.L.U.
Puebla del Prior Renovables Once, S.L.U.	Alten Pozohondo, S.L.U.
Puebla del Prior Renovables Doce, S.L.U.	Artemisia Pirenaica Patrimonial, S.L.U.
Puebla del Prior Renovables Trece, S.L.U.	Elices Renovables, S.L.U.
Puebla del Prior Renovables Catorce, S.L.U.	Global Catón, S.L.U.
Puebla del Prior Renovables Dieciséis, S.L.U.	Global Ciconia, S.L.U.
Puebla del Prior Renovables Diecisiete, S.L.U.	Global Colquida, S.L.U.
Puebla del Prior Renovables Dieciocho, S.L.U.	Vela Energy SPV XVI, S.L.

The bond issue deed stipulates that any breach of payment will constitute grounds for early maturity, unless the breach is attributable to administrative problems and the payment is made within three business days following the due date. It also stipulates a debt service coverage ratio for the group of companies financed by the bonds as a whole of under 1.05 times and maintenance of the original financial model for preparing the calculations and projections in accordance with the signed contract, barring prior consent otherwise. In 2018, the Group companies being financed with the proceeds from the bond issue complied with the minimum financial ratios specified in the issue contract.

The maturity schedules for financial borrowings at December 31 was as follows:

	Thousands of euros						
	2019	2020	2021	2022	2023	2024 and beyond	Total
Bonds and other	8,801	7,247	7,515	7,800	8,072	123,915	163,350
Interest on bonds and other	-	-	-	-	-	-	-
	8,801	**7,247**	**7,515**	**7,800**	**8,072**	**123,915**	**163,350**

13.2. Bank borrowings

During 2017 the Group companies financed themselves with third parties, mainly via Project Finance contracts granted by financial entities.

On June 12 and December 11, 2018, and as a result of the issue of the Limero I and II Bonds (Note 13.1), the Group companies amortized these borrowings early, so that at 2018 year end the Group owed no financial debt to credit entities.

The breakdown of non-current financial borrowings from credit entities at December 31, 2017 is as follows:

Financial liabilities	**Group company**	**Thousands of euros**		
		Non-current balances		
		12/31/2017 (***)		
		Balance	**Maturity**	**Interest rate**
Senior loan	Global Ciconia, S.L.	5,928	12/31/2032	Euribor + 2.25%
Arrangement fee (*)	Global Ciconia, S.L.	(133)	-	-
Senior loan	Global Catón, S.L.	14,363	12/31/2032	Euribor + 2.25%
Arrangement fee (*)	Global Catón, S.L.	(320)	-	-
Senior loan	Ollería Solar 2007, S.L. (**)	2,778	12/31/2032	Euribor + 2.25%
Arrangement fee (*)	Ollería Solar 2007, S.L. (**)	(62)	-	-
Senior loan	Artemisia Pirenaica Patrimonial, S.L.	5,223	12/31/2032	Euribor + 2.25%
Arrangement fee (*)	Artemisia Pirenaica Patrimonial, S.L.	(117)	-	-
		27,660		

(*) Corresponds to the arrangement fees for the senior loans
(**) The subsidiary Ollería Solar 2007, S.L. was merged during 2018 with its parent, Global Catón, S.L. (Note 5).
(***) Unaudited consolidated balances

The breakdown of current bank borrowings as well as unpaid accrued interest with credit entities at December 31, 2017 is as follows:

Financial liabilities	Group company	Thousands of euros	
		Current balances	
		2017 (**)	
		Balance	Interest rate
Senior loan	Global Ciconia, S.L.	478	Euribor + 2.25%
Interest	Global Ciconia, S.L.	1	-
Senior loan	Global Catón, S.L.	1,161	Euribor + 2.25%
Interest	Global Catón, S.L.	45	-
Senior loan	Ollería Solar 2007, S.L. (*)	224	Euribor + 2.25%
Interest	Ollería Solar 2007, S.L. (*)	27	-
Senior loan	Artemisia Pirenaica Patrimonial, S.L.	421	Euribor + 2.25%
Interest	Artemisia Pirenaica Patrimonial, S.L.	19	-
		2,376	

(*) The subsidiary Ollería Solar 2007, S.L. was merged during 2018 with its parent, Global Catón, S.L. (Note 5).
(**) Unaudited consolidated balances

The interest accrued by the Group companies from January 1, 2018 until the early cancellation of the debts, as well as additional expenses incurred in connection with the early cancellation and accrued debt arrangement fees amounted to 8,943 thousand euros (Note 16.g).

Thus, the breakdown of bank borrowings at December 31, 2018 and 2017 is as follows:

	2018		2017 (*)	
	Non-current financial instruments	Current financial instruments	Non-current financial instruments	Current financial instruments
Senior loans	-	-	27,660	2,284
Unpaid accrued interest	-	-	-	92
	-	**-**	**27,660**	**2,376**

(*) Unaudited consolidated balances

13.3. Non-current and current borrowings from group companies and associates

The Group companies additionally finance themselves with subordinated loans granted by Sonnedix, B.V. (Sole Partner of Sonnedix España, S.L.U.), a related party.

In addition, on January 26, 2018 Sonnedix España, S.L.U., Sole Shareholder of the Parent, granted a loan to the subsidiary Alten Alange, S.L.U. in the amount of 40,603 thousand euros at a nominal annual interest rate of 1.2%. On May 14, 2018 Alten Alange, S.L. amortized a part of the loan early in the amount of 2,500 thousand euros. Subsequently, on June 12, 2018, in connection with the Limero I Bond issue, the outstanding principal on said debt, amounting to 38,103 thousand euros at said date, was entirely amortized.

The interest accrued by the Group with related parties during 2018 amounted to 2,799 thousand euros (227 thousand euros during 2017) (Note 16.g).

The breakdown of current and non-current borrowings from Group companies and associates at December 31, 2018 and 2017 is as follows:

	2018		2017 (*)	
	Non-current financial instruments	Current financial instruments	Non-current financial instruments	Current financial instruments
Borrowings from Sonnedix, B.V.	35,148	2,754	20,574	299
	35,148	**2,754**	**20,574**	**299**

(*) Unaudited consolidated balances

13.4. Derivative financial instruments and hedging transactions

Some Group companies contract derivative financial instruments to hedge against interest rate risk, normally referenced to Euribor plus a spread, due to the significant amounts of financing granted by financial entities necessary for the acquisition of certain photovoltaic solar farms.

The Group fulfilled the requirements described in Note 4.d) on recognition and measurement standards in order to classify these financial derivatives as cash flow hedges for interest rates.

The breakdown of the hedge contracts arranged by the Group and active at December 31, 2017 is as follows:

Derivative financial instruments at December 31, 2017 (*)						
Group company	Financial entity	Hedging currency	Type	Thousands of euros	Maturity	Thousands of euros
				Notional amount		Value
Global Ciconia, S.L.U.	CaixaBank	Euro	IRS	4,948	12/31/2028	93

(*) Unaudited consolidated balances

On January 26, 2018 the subsidiaries Artemisia Pirenaica Patrimonial, S.L. and Global Catón, S.L. contracted a series of derivative financial instruments with Caixabank.

Subsequently, on June 12, 2018, and as a consequence of the Limero Bond I issue and early cancellation of the senior loans described in Notes 13.1 and 13.2, the derivative financial instruments contracted by the different Group companies were derecognized.

During 2018 the Group recognized the interest accrued on the derivative financial instruments under "Finance costs - borrowings from credit entities" in the consolidated income statement, amounting to 412 thousand euros (31 thousand euros during 2017) and an amount of 5,686 thousand euros for early cancellation expenses in connection with said instruments (Note 16.g).

13.5. Other accounts payable

Other payables

"Trade and other payables" in the accompanying consolidated balance sheet at December 31, 2018 mainly includes the amount associated with the withheld payment agreed upon with the sellers in the purchase-sale contract for the Portichuelo project, totaling 1,282 thousand euros. This amount will be released as soon as Global Catón, S.L. (the subsidiary acting as buyer of the project) starts receiving revenue from the sale of energy as the ownership title of the Portichuelo installations was transferred to the buyer.

At the date of authorizing the accompanying consolidated financial statements, the change in ownership title had been successfully processed, and the amounts pending collection (Note 9.3) or payment (Note 22) had been settled.

13.6. Information on average payment periods for suppliers

On February 04, 2016, ICAC ("Institute of Accounting and Auditors of Accounts" - "Instituto de Contabilidad y Auditoría de Cuentas" in Spanish) published its Resolution of January 29 on information to be included in the consolidated financial statements in connection with the average supplier payment periods in commercial transactions, the objective of which is to comply with the expressly stated obligations in Law 31/2014, of December 3, which repealed the previously applicable legislation in this matter, ICAC Resolution of December 29, 2010, on the information to be disclosed in the financial statements with respect to the deferred payments to suppliers in commercial transactions, which was previously dealt with in the additional third provision of Law 15/2010, of July 5, modifying Law 3/2004, of December 29.

The Group's average supplier payment periods during 2018 and 2017 were as follows:

	2018	**2017 (*)**
	Days	
Average supplier payment period	29	30
Ratio of transactions paid	26	30
Ratio of transactions pending payment	163	90
	Amount (Thousands of euros)	
Total payments made	14,430	4,679

Total payments outstanding	344	110

(*) Unaudited consolidated balances

The information provided in the above table on supplier payments relates to those payments which by their nature represent trade payables to suppliers of goods and services, and thus includes data related to the heading for "Trade and other payables" under current liabilities in the consolidated balance sheet.

"Average supplier payment period" is the period from delivery of the goods or provision of the services by the supplier and effective payment for the transaction. The balance to be recognized under this heading is the result of the fraction whose numerator is calculated as the sum of multiplying the transactions paid ratio by total payments made and adding the transactions pending payment ratio multiplied by the total amount of pending payments, and whose denominator is calculated by adding the total amount of payments made to the amount of pending payments.

The ratio of transactions paid is calculated as the sum of all the multiplications of the amounts paid by the number of days to payment (the number of natural days that have elapsed counting from the date on which the amounts became payable to the day they were settled), divided by the total amount of payments made.

Likewise, the ratio of transactions pending payment is the result of the fraction whose numerator is calculated as the sum of all multiplications of amounts pending payment by the number of days for which payments were outstanding (the number of natural days that have elapsed counting from the date on which the amounts became payable to the last day of the period to which the financial statements refer), and whose denominator corresponds to the total amount of pending payments.

The maximum legal period applicable to the Group companies in 2018 and 2017 in accordance with Law 3/2004 of December 29, establishing measures on combating late payment in commercial transactions, is 30 natural days unless otherwise agreed upon by the involved parties, who can also choose to increase said period up to a maximum of 60 natural days.

14. TAXES

At December 31, 2018 and 2017 all Sonnedix España Finance 2 Group companies filed and settled their corporate income tax returns individually.

Balances with public administrations

The breakdown of balances with public administrations at December 31, 2018 and 2017, is as follows:

Receivables from public administrations

2018

	Thousands of euros	
	Non-current	Current
	2018	2018
Deferred tax assets	28,432	-
Withholdings receivable from the Treasury	-	553
Other receivables from public administrations	-	17
	28,432	**570**

2017

	Thousands of euros	
	Non-current	Current
	2017 (*)	2017 (*)
Deferred tax assets	3,485	-
VAT receivable from the Treasury	-	533
Corporate income tax receivable	-	46
	3,485	**579**

(*) Unaudited consolidated balances

The deferred tax assets recognized in the consolidated balance sheet mainly correspond to the following:

- The tax credit for tax loss carryfowards generated and applied by the Group for an amount of 22,330 thousand euros at December 31, 2018 (3,415 thousand euros at December 31, 2017).

- The tax credit for non-deductible finance expenses amounting to 5,892 thousand euros at December 31, 2018

- The tax credit for non-deductible amortization/depreciation for the years 2013-2014 amounting to 155 thousand euros at December 31, 2018 (47 thousand euros at December 31, 2017).

- The tax credit for deductions of an environmental nature relating to Group activities and amounting to 55 thousand euros at December 31, 2018.

In addition, the balance recognized at 2018 year end under "Withholdings receivable from the Treasury" in the consolidated balance sheet mainly corresponds to an amount of 496 thousand euros relating to withholdings carried out by Sonnedix España Finance 2, S.A. at a 19% rate for finance income recognized by the Parent and arising from mirror loans relating to the Limero I and II Bonds granted to subsidiaries, which are eliminated upon consolidation.

Payables to public administrations

2018

	Thousands of euros	
	Non-current	Current
	2018	2018
Deferred tax liabilities	25,362	-
VAT payable	-	781
Payable to Treasury for corporate income tax and other withholdings	-	857
Other payables to public administrations	-	2
	25,362	**1,640**

2017

	Thousands of euros	
	Non-current	Current
	2017 (*)	2017 (*)
Deferred tax liabilities	5,286	-
VAT payable	-	203
Other payables to public administrations	-	50
	5,286	**253**

(*) Unaudited consolidated balances

The heading for deferred tax liabilities in the consolidated balance sheet reflects the following:

- The amounts recognized as a consequence of the applicability of accelerated tax depreciation/amortization for some of the Group subsidiaries for an amount of 17,850 thousand euros at December 31, 2018 (2,042 thousand euros at December 31, 2017).

- Deferred tax recognized as a consequence of assigning the difference between the amount paid for the acquisitions performed and the net assets acquired, recognized as a greater amount for intangible assets with a defined useful life (operating rights, Notes 6 and 7). The reversal of these deferred tax liabilities will be carried out during the useful life of the assets associated with said rights. At December 31, 2018, the amount recognized for this item in the consolidated balance sheet amounts to 7,512 thousand euros (3,244 thousand euros at December 31, 2017).

In addition, the balance recognized under "Payable to Treasury for corporate income tax and other withholdings" mainly corresponds to an amount of 496 thousand euros relating to withholdings carried out by the Group's subsidiaries at a 19% rate for finance expenses recognized by the subsidiaries arising from Limero I and II Bond mirror loans granted by the Parent, which are eliminated upon consolidation.

Calculation of the Group's tax result

The reconciliation of the Group's consolidated pre-tax book results with taxable income is as follows:

2018

	Miles de euros		
	Aumentos	Disminuciones	Total
Resultado consolidado del Grupo antes de impuestos	-	(19.619)	**(19.619)**
Diferencias permanentes y ajustes de consolidación:	3	(2.618)	(2.615)
Diferencias temporarias:			
Aplicación amortización no deducible 2013-2014	-	(28)	(28)
Amortización no deducible derechos de explotación	3.800	-	3.800
Amortización acelerada	9.712	-	9.712
Gastos financieros no deducibles	8.333	-	8.333
Compensación de base imponibles registradas en ejercicios anteriores	-	(2.288)	(2.288)
Base imponible fiscal	**21.848**	**(24.553)**	**(2.705)**

2017 (*)

	Miles de euros		
	Aumentos	Disminuciones	Total
Resultado consolidado del grupo antes de impuestos	**-**	(3.298)	**(3.298)**
Diferencias permanentes y ajustes de consolidación:	-	-	-
Diferencias temporarias:			
Aplicación amortización no deducible 2013-2014	-	(72)	(72)
Compensación de bases imponibles negativas registradas en ejercicios anteriores	-	(960)	(960)
Amortización no deducible derechos de explotación	220	-	220
Base imponible fiscal	**220**	**(4.330)**	**(4.110)**

(*) Unaudited consolidated balances

The permanent differences recognized in 2018 mainly due to:

- Negative permanent differences amounting to 2,618 thousand euros, corresponding to consolidation adjustments relating to the tax effect of canceling derivative financial instruments contracted by some Group subsidiaries for hedging purposes.

- Positive permanent differences amounting to 3 thousand euros, corresponding to non-deductible expenses arising from penalties.

The temporary differences recognized mainly correspond to the following:

- The deductibility of amortization/depreciation arising from approval on December 27, 2012 of Royal Decree Law 16/2012, introducing a temporary measure, which limits tax deductible amortization/depreciation for the 2013 and 2014 tax periods, for those entities which, during said tax periods, do not fulfill the requirements established in sections 1, 2 or 3 of article 108 of the revised text of the Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of March 5. In accordance with said regulation, up to 70% of the amortization/depreciation will be deducted from the tax base that would have been tax deductible had that percentage not applied, in accordance with sections 1 and 4 of article 11 of said law. Accounting depreciation and amortization that is not deductible by virtue of the provisions established in said article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset, from the first tax period commencing in 2015. The negative temporary difference recognized by the Group in 2018, amounting to 28 thousand euros (72 thousand euros at December 31, 2017).

- Non-deductible amortization of goodwill assigned to intangible assets with a defined useful life (operating rights) which generated a positive temporary difference amounting to 3,800 thousand euros in 2018 (220 thousand euros at December 31, 2017).

- The accelerated tax amortization/depreciation which some the Group's subsidiaries availed themselves of by virtue of the stipulations of Law 4/2008 of December 23. The Group companies recognized a positive adjustment to taxable income as a result of the above item in 2018, amounting to 9,712 thousand euros.

- The limitations to deductibility of finance expenses included in Royal Decree Law 12/2012, of March 30, subsequently modified by Royal Decree Law 20/2012, which established a limit to deductible finance expenses amounting to 30% of operational profit (defined in the aforementioned Royal Decree Law: basically the operating profit increased by the recognized amortization/depreciation) or one million euros. At any rate, the first million euros will always be tax deductible. The Group recognized a positive adjustment to taxable income as a result of the above item in 2018, amounting to 8,333 thousand euros.

- The offsetting of tax losses generated in prior years by the Group subsidiaries Alten Alange, S.L., Alten Pozohondo, S.L., and Vela Energy SPV XVI, S.L. During 2018, the Group recognized a negative adjustment to the tax base corresponding to this item and amounting to 2,288 thousand euros (960 thousand euros at December 31, 2017).

Reconciliation of tax results and corporate income tax expense

The reconciliation of tax results and corporate income tax expense is as follows:

	Thousands of euros	Thousands of euros
	2018	2017 (*)
Consolidated profit for the Group before tax	**(19,619)**	**(3,298)**
Permanent differences and consolidation adjustments	**(2,615)**	**-**
Temporary differences	**19,529**	**(812)**
Tax result	**(2,705)**	**(4,110)**
Theoretical tax rate calculated at 25%	**676**	**1,027**
Application of deductions recorded	**45**	**-**
Tax payable (current corporate income tax expense of the Group)	**721**	**1,027**
Impact of temporary differences:		
Application of non-deductible amortization/depreciation 2013-2014	(7)	(18)
Non-deductible amortization of operating rights	950	55
Accelerated amortization/depreciation	2,428	-
Non-deductible finance expenses	2,083	-
Application of tax loss carryforwards recognized in prior years	(572)	(240)
Application of environmental deductions recognized and other	(6)	-
Tax assets activated in individual companies	-	72
Regularization of tax credits from prior years	-	(88)
Total corporate income tax expense (income)	**5,597**	**808**

(*) Unaudited figures

The corporate income tax rate applied for calculation of tax payable in 2018 was 25%.

12.5 Recognized deferred tax assets and liabilities

The breakdown of this heading at year-end:

Deferred tax assets

	Thousands of euros	
	2018	2017 (*)
Tax loss carryforwards pending application	22,330	3,415
Non-deductible amortization/depreciation	155	47
Derivatives	-	23
Non-deductible finance expenses	5,892	-
Deductions for environmental expenditure	55	-
Total deferred tax assets	**28,432**	**3,485**

(*) Unaudited consolidated balances

The aforementioned deferred tax assets were recognized in the consolidated balance sheet as the Sole Director of the Parent, based on the best estimate of future profits and certain tax planning initiatives, believes that these tax assets will probably be recovered.

Changes in deferred tax assets in 2018 and 2017 are as follows:

2018

	Thousands of euros				
	2017	Additions from business combinations	Additions	Derecognitions	2018
Non-deductible amortization/depreciation	47	115	-	(7)	155
Tax loss carryforwards pending application	3,415	20,821	862	(2,768)	22,330
Derivatives	23	750	-	(773)	-
Non-deductible finance expenses	-	1,613	4,279	-	5,892
Deductions for environmental expenditure	-	55	45	(45)	55
Total deferred tax assets	**3,485**	**23,354**	**5,186**	**(3,593)**	**28,432**

2017 (*)

	Thousands of euros				
	2016	Additions from business combinations	Additions	Derecognitions	2017
Non-deductible amortization/depreciation	-	65	-	(18)	47
Tax loss carryforwards pending application	-	2,775	880	(240)	3,415
Derivatives	-	-	23	-	23
Deductions for environmental expenditure	-	88	-	(88)	-
Total deferred tax assets	**-**	**2,928**	**903**	**(346)**	**3,485**

(*) Unaudited consolidated balances

Deferred tax liabilities

	Thousands of euros	
	2018	2017 (*)
Accelerated amortization/depreciation	17,850	2,042
Temporary differences (operating rights)	7,512	3,244
Total deferred tax liabilities	**25,362**	**5,286**

(*) Unaudited consolidated balances

The movements in deferred tax liabilities during 2018 and 2017 are as follows:

2018

	Thousands of euros				
	2017	Changes in consolidation scope	Additions	Derecognitions	2018
Accelerated amortization/depreciation	2,042	18,236	-	(2,428)	17,850
Temporary differences (operating rights)	3,244	5,218	-	(950)	7,512
Total deferred tax liabilities	**5,286**	**23,454**	**-**	**(3,378)**	**25,362**

2017 (*)

	Thousands of euros				
	2017	Changes in consolidation scope	Additions	Derecognitions	2018
Accelerated amortization/depreciation	-	2,042	-	-	2,042
Temporary differences (operating rights)	-	3,299	-	(55)	3,244
Total deferred tax liabilities	**-**	**5,341**	**-**	**(55)**	**5,286**

Years open to tax verification and inspections

In accordance with prevailing legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. The Sole Director of the Parent considers that all aforementioned applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing legislation regarding the tax treatment of operations, any liabilities that may arise would not significantly affect the accompanying consolidated balance sheet.

15. TRANSACTIONS WITH RELATED PARTIES

Related-party transactions

During 2018 transactions between the Sonnedix España Finance 2 Group and Sonnedix B.V. were carried out in the amount of 2,620 thousand euros (227 thousand euros during 2017), corresponding to the interest accrued on financing received (Note 16.g).

The breakdown by Group company of finance expenses accrued during 2018 and 2017 in connection with the subordinated loans granted by Sonnedix B.V. is as follows:

	Thousands of euros	
Finance expenses - Group companies	2018	2017 (*)
Global Ciconia, S.L.	164	48
Global Catón, S.L.	484	78
Global Colquida, S.L.	124	66
Artemisia Pirenaica Patrimonial, S.L.	109	35
Alten Hinojosa del Valle, S.L.	529	-
Alten Alange, S.L.	597	-
Alten Los Hinojosos, S.L.	62	-
Alten Pozohondo, S.L.	142	-
Elices Renovables, S.L.	32	-
Solar Europe Andalucia Pinos (16-28), S.L.	31	-
Vela Energy SPV XVI, S.L.	346	-
	2,620	**227**

(*) Unaudited consolidated balances

In addition, during 2018 transactions also took place between the subsidiary Alten Alange, S.L. and Sonnedix España, S.L.U. (Sole Shareholder of the Parent) for an amount of 179 thousand euros, corresponding to interest accrued on the financing received by the subsidiary (Notes 13.3 and 16.g).

Further, the heading "Other operating expenses" in the accompanying consolidated income statement includes the expense recognized by the Group relating to services received from Vela Energy, S.L., itemized as amounts corresponding to project's technical and financial operator as well as other expenses invoiced by the related party Sonnedix España Management, S.L. for issuing the Limero I and II Bonds.

The breakdown by Group company of expenses for services received is as follows:

2018:

Other operating expenses - Group companies	Thousands of euros			
	Management fee	O&M and Asset Management	Other expenses	Total
Global Ciconia, S.L.	-	55	40	95
Global Catón, S.L.	-	208	108	316
Global Colquida, S.L.	-	42	23	65
Artemisa Pirenaica Patrimonial, S.L.	-	59	36	95
Alten Hinojosa del Valle, S.L.	-	104	49	153
Alten Alange, S.L.	15	302	232	549
Alten Los Hinojosos, S.L.	25	58	45	128
Alten Pozohondo, S.L.	23	125	81	229
Puebla del Prior, S.L. and subsidiaries	-	46	60	106
Elices Renovables, S.L.	-	23	15	38
Solar Europe Andalucia Pinos (16-28), S.L.	-	19	11	30
Vela Energy SPV XVI, S.L.	267	115	-	382
	330	**1,156**	**700**	**2,186**

2017 (*):

Other operating expenses - Group companies	Thousands of euros			
	Management fee	O&M y Asset Management	Other expenses	Total
Global Ciconia, S.L.	-	32	211	243
Global Catón, S.L.	-	30	564	594
Global Colquida, S.L.	-	9	-	9
Artemisa Pirenaica Patrimonial, S.L.	-	10	59	69
	-	**81**	**834**	**915**

(*) Unaudited consolidated balances

Related-party balances

The breakdown of the balances with related parties recognized in the consolidated balance sheet at December 31, 2018 and 2017 is as follows:

	2018	2017 (*)
Trade receivables from group companies	22	3

(*) Unaudited consolidated balances

	2018		
	Non-current borrowings from related parties	Payables to group companies	Current borrowings from related parties
Borrowings from group companies and associates	35,148	-	2,754

	2017 (*)		
	Non-current borrowings from related parties	Payables to Group companies	Current borrowings from related parties
Borrowings from group companies and associates	20,574	4	299

(*) Unaudited consolidated balances

15.1. *Non-current borrowings from group companies and associates*

The breakdown of subordinated debt with Group companies and associates at December 31, 2018 and 2017, corresponding to the debt held with Sonnedix B.V. is as follows:

Non-current borrowings from group companies and associates	2018	2017 (*)	Maturity	Interest rate
Global Catón, S.L.	5,382	5,382	12/31/2032	9%
Global Ciconia, S.L.	1,853	1,853	12/31/2032	9%
Global Colquida, S.L.	1,205	3,534	12/31/2025	9%
Artemisia Pirenaica Patrimonial, S.L.	1,219	1,219	12/31/2032	9%
Alten Hinojosa del Valle, S.L.	3,594	8,586	12/31/2038	9%
Alten Alange, S.L.	12,003	-	3/16/2028	9%
Alten Los Hinojosos, S.L.	1,259	-	7/30/2030	9%
Alten Pozohondo, S.L.	2,856	-	2/4/2028	9%
Elices Renovables, S.L.	978	-	12/1/2030	9%
Solar Europe Andalucia Pinos (16-28), S.L.	949	-	8/13/2030	9%
Vela Energy SPV XVI, S.L.	3,850	-	12/31/2038	9%
	35,148	**20,574**		

(*) Unaudited consolidated balances

During 2018 Sonnedix B.V. acquired subordinated loans to the subsidiary Alten Alange, S.L. (previously granted by the former shareholders) for an amount of 12,003 thousand euros. In addition, and as a consequence of the changes in the Group's consolidation scope during 2018, additions were recognized for non-current borrowings from Sonnedix B.V. in the amount of 9,892 thousand euros.

Likewise, during 2018 the Group partially amortized the principal on said loans from Sonnedix B.V., repaying 7,321 thousand euros.

15.2. *Current payables to group companies and associates*

At December 31, 2018 the Group recognized an amount of 2,754 thousand euros corresponding to unpaid accrued interest owed to Sonnedix B.V. in connection with the subordinated loans granted by said company (Note 15.1). At December 31, 2017 unpaid accrued interest owed to Sonnedix B.V. amounted to 299 thousand euros.

The breakdown of unpaid accrued interest for group companies and associates owed to Sonnedix B.V. is as follows:

Payables to group companies and associates	2018	2017 (*)
Global Catón, S.L.	563	78
Global Ciconia, S.L.	205	48
Global Colquida, S.L.	60	101
Artemisia Pirenaica Patrimonial, S.L.	177	36
Alten Hinojosa del Valle, S.L.	251	36
Alten Alange, S.L.	598	-
Alten Los Hinojosos, S.L.	213	-
Alten Pozohondo, S.L.	142	-
Elices Renovables, S.L.	31	-
Solar Europe Andalucia Pinos (16-28), S.L.	31	-
Vela Energy SPV XVI, S.L.	483	-
	2,754	**299**

(*) Unaudited consolidated balances

During 2018 the Group accrued interest with respect to Group companies and associates for an aggregate amount of 2,799 thousand euros (Note 16.g).

16. INCOME AND EXPENSE

a) *Revenue*

Revenue for 2018 amounted to 23,711 thousand euros (2017: 1,244 thousand euros), mainly corresponding to the sale of energy produced at the different photovoltaic solar energy farms being operated.

The Group does not present segemented information by business line given that it only has a single business line, the production of energy at its photovoltaic farms in Spain.

b) Breakdown of expenses and services by origin

The Group did not make any purchases outside Spain during 2018 and 2017.

c) Cost of sales

This heading presents a balance of 1,490 thousand euros for 2018 (172 thousand euros during 2017), mainly corresponding to work performed by Vela Asset Management, S.L., a Group company, for operating and maintaining the Group's photovoltaic installations. The cost of said services corresponds to a fixed annual price for each Group company.

d) Employee benefits expense

None of the Group companies had any personnel under contract during 2018 and 2017.

e) Other operating expenses

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

	Thousands of euros	
	2018	2017 (*)
External services:		
Rent	352	24
Independent professional services	4,330	1,835
Banking services	26	44
Other services	1,082	834
Taxes	1,423	126
	7,213	**2,863**

(*) Unaudited consolidated balances

The Group recognizes the lease installments payable for the land where the photovoltaic installations are located for those Group companies which do not own said land under "Rent." The cost of these lease agreements during 2018 amounted to 352 thousand euros (24 thousand euros during 2017).

In 2018 "Independent professional services" includes 4,330 thousand euros, mainly corresponding to the cost of advisory services for the acquisition of new photovoltaic projects as well as the advisory and consulting services contracted for the issue of the Limero I and II Bonds. In addition, in 2017, this heading mainly included the cost of advisory services for the acquisition of photovoltaic projects, as well as those arising from the issuance of the financing contracts signed during that year.

"Other services" mainly records the services received by the Group's related parties, corresponding to the services rendered for the daily management of the Group companies. These services were mainly provided by Vela Energy, S.L. and Sonnedix España Management, S.L. during 2018 and 2017.

Finally, "Other taxes" mainly includes the "Tax on the value of electric energy production" established in Law 15/2012, of December 27, on tax measures for energy system sustainability.

f) Depreciation and amortization allowances

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

	Thousands of euros	
	2018	2017 (*)
Amortization allowance for intangible assets (Note 7)	3,960	348
Depreciation allowance for PP&E (Note 8)	16,611	667
	20,571	**1,015**

(*) Unaudited consolidated balances

g) *Finance income and expenses*

Finance income

Finance income from Group companies and associates recognized by the Group during 2018 entirely corresponds to interest accrued on the financing granted by Sonnedix España Finance 2, S.A. to its Sole Shareholder (Sonnedix España, S.L.U.), amounting to 408 thousand euros (Notes 9 and 15).

Finance costs for bonds and other marketable securities

Finance expenses for bonds and other marketable securities correspond to the interest accrued on the financing in connection with the issue of the Limero I and Limero II secured bonds in the amount of 2,547 thousand euros in 2018. This heading also includes the finance cost arising from accrued arrangement fees for the secured bonds, amounting to 79 thousand euros in 2018 (Note 13.1).

Finance costs from bank borrowings

Finance expenses from bank borrowings accrued during 2018 amounted to 8,493 thousand euros (261 thousand euros during 2017). Said expenses correspond to the interest accrued on the financing contracts and derivative financial instruments contracted by the Group companies with financial entities until the issue of the Limero I and II secured bonds on June 12 and December 11, 2018, respectively (Note 13). This heading in the consolidated income statement also includes expenses incurred during 2018 in connection with the early cancellation and amortization of the aforementioned financial instruments.

Thus, during 2018 the Group carried out an early amortization of all financing contracts held by Group companies, accruing cancellation expenses in the amount of 1,560 thousand euros. Until the cancellation date interest accrued on said credit facilities amounted to 1,285 thousand euros.

Likewise, during 2018 the Group also canceled the hedging contracts relating to said credit facilities, accruing interest up to the early cancellation date in the amount of 412 thousand euros (31 thousand euros during 2017) and cancellation fees in the amount of 5,686 thousand euros.

Finance costs with Group companies and associates

Finance expenses with Group companies and associates recognized in 2018 and 2017 amounted to 2,799 thousand and 227 thousand euros, respectively, corresponding to the financing received from Sonnedix B.V. and Sonnedix España, S.L.U. (Note 15).

Other finance costs

The amounts recognized under "Other finance costs" in the consolidated income statement include 120 thousand euros in 2018 (4 thousand euros during 2017) relating to the finance expenses accrued during the year in connection with the restatement of dismantling provisions for some of the Group's photovoltaic solar farms (Note 20).

The breakdown of these finance costs is as follows:

	Thousands of euros	
	2018	2017 (*)
Finance costs for bonds and other marketable securities	2,626	-
Finance costs from bank borrowings	8,943	261
Finance costs with Group companies and associates	2,799	227
Other finance costs	120	4
	14,488	**492**

(*) Unaudited consolidated balances

17. INFORMATION ON SITUATIONS REPRESENTING A CONFLICT OF INTEREST FOR THE SOLE DIRECTOR OF THE PARENT AND WITH RESPECT TO REMUNERATION FOR SENIOR MANAGEMENT

Disclosures regarding potential conflicts of interest on the part of the Sole Director

The Parent's Sole Director did not report any potential direct or indirect conflict of interest between the Sole Director or related persons, as defined in Spain's Corporate Enterprises Act, and the Group at either 2018 or 2017 year end.

Remuneration and other benefits paid to Senior Management and the Sole Director

The Group companies did not recognize any amounts whatsoever in 2018 or 2017 in respect of wages or salaries paid to the Parent's Sole Director or members of Senior Management. The functions and duties of the Parent's Senior Management during 2018 were assumed by the Sole Director.

Moreover, at 2018 and 2017 year end, the Group companies had not contracted any obligations relating to pensions, life insurance, or civil liability insurance on behalf of the Parent's Sole Director. Nether had they granted any loans, advances, or guarantees of any kind on behalf of the Sole Director.

18. FINANCIAL STRUCTURE

The Group mainly financed its projects via the issue of the Limero I and II secured bonds described in Note 13 to the accompanying consolidated financial statements. In addition to the external financing obtained, some of the projects are financed with subordinated debt granted by the related party Sonnedix B.V. (Note 15).

19. AUDIT FEES

On December 5, 2018, the Parent's Sole Director appointed Ernst & Young, S.L. as the new auditor of the Group's consolidated financial statements for the year ended December 31, 2018.

The fees for audit and non-audit services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L., during 2018, as well as fees for services invoiced by the auditors of the individual financial statements of companies included in the consolidation and by parties related to them due to control, common ownership or management, were as follows:

Description	Thousands of euros	
	Services provided by the main auditor	
	2018	2017(*)
Audit services	86	-
Total audit and related services		**-**
Other services	-	-
Total	**86**	**-**

(*) Unaudited consolidated balances

20. PROVISIONS

At the end of the useful life of some of the photovoltaic solar farms the Group must dismantle them. Upon initial recognition of the fixed assets, the Group estimates the future cost for asset dismantling or retirement obligations and other associated items, such as the cost of restoring the surroundings where they were located. Assumptions and estimates regarding the discount rate and expected dismantling costs were made to determine the amount of the provision.

During 2017 the Group performed an analysis of its dismantling provisions for the photovoltaic solar farms based on a new technical report issued by an independent expert. Said report noted a change in accounting estimates for the cost which the Group would incur for dismantling the installations based on the size and installed capacity of each one, which ranges from 27 thousand to 45 thousand euros for each installed MW.

The provision recognized by the Group for some of the photovoltaic installations in the consolidated balance sheet amounts to 751 thousand euros at December 31, 2018 (176 thousand euros during 2017). This provision does not represent an outflow of cash resources until the useful life of each photovoltaic farm affected finalizes.

At each reporting date the provision is restated at its present value, recognizing the corresponding adjustments as a finance expense as accrued (Note 16.g).

21. SEGMENT INFORMATION

The Group focused its activities during 2018 and 2017 on a single business line: the operation of photovoltaic solar farms in Spain, which includes, amongst other activities, the production and sale of electricity generated by solar energy. Said business segment is the only one utilized by the Group's General Management in its reports to the Sole Director of the Parent and is the only one used for management of the Group.

22. SUBSEQUENT EVENTS

In March 2019, the administrative procedures for transferring title to the installations of the Portichuelo project were successfully completed before the CNMC, so that from that date the recipient of the amounts collected for energy sold will be the subsidiary Global Catón, S.L. Thus, at said date, the final settlement was carried out with respect to the amount payable by the seller to Global Catón, S.L. for the collection rights arising from the sale of energy and the partial deferral of the purchase price for the project.

There are no additional subsequent events after the reporting period that require to be disclosed in the 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 Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

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

Sonnedix España Finance 2, S.A. and Subsidiaries

Consolidated Management Report for the year ended December 31, 2018

1. Business performance and situation of the Group

Loss from operations stood at EUR 5,539 thousand for the year 2018 (loss stood at EUR 2,806 thousand in 2017), reaching a volume of revenues amounted to EUR 23,711 thousand for the year ended 31 December 2018 (EUR 1,244 thousand in the previous year).

Consolidated loss before tax on continue operations for the year 2018 has amounted to EUR 19,619 thousand, while in the last year the consolidated loss before tax on continue operations amounted to EUR 3,298 thousand. In 2018, the Group's consolidated net loss has been EUR 14,022 thousand (consolidated net loss amounted to 2,490 thousand euros for the year 2017).

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

2. Main risks inherent to the business

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

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

3. Business outlook

The main strategic objective for the year 2019 is based on ensuring the utmost efficiency in the ongoing operations of its photovoltaic projects, so as to maximize 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 consolidated financial statements.

5. Research and development activities

No research or development activities were carried during 2018.

6. Acquisition of treasury shares.

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

APPENDIX I Subsidiaries of Sonnedix España Finance 2, S.A. at December 31, 2018

Company	Activity	Address (2)	Percentage of indirect ownership interest and voting rights	Percentage of direct ownership interest and voting rights	Year of acquisition	Equity of the subsidiary (thousands of euros)				
								Profit (loss)		
						Share capital	Reserves	Operating income	Net profit (loss)	Total equity
Global Ciconia, S.L.	(1)	Spain	-	100%	2017	4	312	(133)	(547)	(231)
Global Catón, S.L.	(1)	Spain	-	100%	2017	4	1,611	(536)	(1,681)	(66)
Global Colquida, S.L.	(1)	Spain	-	100%	2017	4	1,800	(166)	(224)	1,580
Artemisia Pirenaica Patrimonial, S.L.	(1)	Spain	-	100%	2017	3	247	161	(250)	-
Alten Hinojosa del Valle, S.L.	(1)	Spain	-	100%	2017	3	(1,896)	411	(168)	(2,061)
Alten Alange, S.L.	(1)	Spain	-	100%	2018	2,571	(689)	(1,781)	(8,653)	(6,771)
Alten Los Hinojosos, S.L.	(1)	Spain	-	100%	2017	1,015	(561)	(274)	(1,902)	(1,448)
Alten Pozohondo, S.L.	(1)	Spain	-	100%	2017	8	2,474	(677)	(2,545)	(63)
Elices Renovables, S.L.	(1)	Spain	-	100%	2017	3	153	155	(16)	140
Solar E. Andalucía Pinos Dieciséis, S.L.U.	(1)	Spain	-	100%	2017	3	12	15	(2)	13
Solar E. Andalucía Pinos Diecisiete, S.L.U.	(1)	Spain	-	100%	2017	3	12	24	(31)	(16)
Solar E. Andalucía Pinos Dieciocho, S.L.U.	(1)	Spain	-	100%	2017	3	14	21	(1)	16
Solar E. Andalucía Pinos Diecinueve, S.L.U.	(1)	Spain	-	100%	2017	3	13	16	(2)	14
Solar E. Andalucía Pinos Veinte, S.L.U.	(1)	Spain	-	100%	2017	3	19	14	(3)	19
Solar E. Andalucía Pinos Veintitrés, S.L.U.	(1)	Spain	-	100%	2017	3	13	14	(3)	13
Solar E. Andalucía Pinos Veinticuatro, S.L.U.	(1)	Spain	-	100%	2017	3	15	14	(3)	15
Solar E. Andalucía Pinos Veintiocho, S.L.U.	(1)	Spain	-	100%	2017	3	15	13	(3)	15
Hear Home Spain, S.L.U. and subsidiaries	(1)	Spain	-	100%	2017	2,371	1,134	59	(346)	3,159
Vela Energy XVI, S.L.	(1)	Spain	-	100%	2017	3	1,052	(93)	(4,361)	(3,306)

(1) None of the companies listed above is listed on a stock exchange. The activities of the companies are focused on the development, promotion, and operation of energy projects and all matters relating to the electric energy market.

(2) Companies with their registered address in Madrid at calle Jenner 3, 4º, 28010 (Madrid).

All the investments shown were consolidated under the full consolidation method.

APPENDIX I Subsidiaries of Sonnedix España Finance 2, S.A. (previously Global Benengeli, S.L.) at December 31, 2017

Company	Activity	Address (2)	Percentage of indirect ownership interest and voting rights	Percentage of direct ownership interest and voting rights	Year of acquisition	Equity of the subsidiary (thousands of euros)				
								Profit (loss)		
						Share capital	Reserves	Operating income	Net profit (loss)	Total equity
Global Ciconia, S.L.	(1)	Spain	-	100%	2017	4	925	(634)	(683)	246
Global Catón, S.L.	(1)	Spain	-	100%	2017	4	2,895	(1,466)	(1,214)	1,685
Ollería Solar 2007, S.L.	(1)	Spain	100%	-	2017	3,006	1,285	22	(858)	3,433
Global Colquida, S.L.	(1)	Spain	-	100%	2017	4	1,900	(230)	(196)	1,708
Parque Solar San Francisco Uno, S.L.	(1)	Spain	100%	-	2017	3	342	(13)	(15)	330
Parque Solar San Francisco Dos, S.L.	(1)	Spain	100%	-	2017	3	344	(10)	(14)	333
Parque Solar San Francisco Tres, S.L.	(1)	Spain	100%	-	2017	3	348	(11)	(14)	337
Parque Solar San Francisco Cuatro, S.L.	(1)	Spain	100%	-	2017	3	345	(11)	(14)	334
Parque Solar San Francisco Cinco, S.L.	(1)	Spain	100%	-	2017	3	347	(11)	(14)	336
Parque Solar San Francisco Seis, S.L.	(1)	Spain	100%	-	2017	3	346	(11)	(14)	335
Parque Solar San Francisco Siete, S.L.	(1)	Spain	100%	-	2017	3	345	(11)	(15)	333
Parque Solar San Francisco Ocho, S.L.	(1)	Spain	100%	-	2017	3	346	(11)	(15)	334
Parque Solar San Francisco Nueve, S.L.	(1)	Spain	100%	-	2017	3	348	(12)	(15)	336
Parque Solar San Francisco Diez, S.L.	(1)	Spain	100%	-	2017	3	348	(11)	(14)	337
Artemisia Pirenaica Patrimonial, S.L.	(1)	Spain	-	100%	2017	3	403	(381)	(156)	250
Alten Hinojosa del Valle, S.L.	(1)	Spain	-	100%	2017	3	(2,003)	-	-	(2,000)
Global Sirveni, S.L.	(1)	Spain	-	100%	2017	4	(1)	(1)	(1)	2
VE Sonnedix SPV I, S.L.	(1)	Spain	-	100%	2017	3	(1)	-	-	2
VE Sonnedix SPV Beta, S.L.	(1)	Spain	-	100%	2017	3	(1)	-	-	2
VE Sonnedix SPV Delta, S.L.	(1)	Spain	-	100%	2017	3	(1)	-	-	2

(3) None of the companies indicated above is listed on the stock exchange. The activities of the companies are focused on the development, promotion, and operation of energy projects and all matters relating to the electric energy market.

(4) Companies with their registered address in Madrid at calle Jenner 3, 4º, 28010 (Madrid).

All the investments shown were consolidated under the full consolidation method.

Sonnedix España Finance 2, S.A. (Sole Shareholder Company) and Subsidiaries

AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 TOGETHER WITH THE MANAGEMENT REPORT

Authorization by the Sole Director of the Parent:

The accompanying consolidated financial statements (comprised of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes thereto) for the annual period ended December 31, 2018, were authorized for issue together with the consolidated management report corresponding to the annual period ended December 31, 2018, by the natural person representing the Sole Director on March 29, 2019. The accompanying consolidated financial statements and consolidated management report are set forth on 66 pages, from page 1 to 66, all of which have been signed by the Sole Director.

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Mr. Miguel Ángel García Mascuñán