

Alcantarilla Fotovoltaica, S.L.
(Single-member Company)

Abridged Financial Statements
for the year ended
December 31st 2017
with the Auditor's Report

**FINANCIAL STATEMENTS AUDIT REPORT ISSUED BY AN
INDEPENDENT AUDITOR**

To the Sole Shareholder of ALCANTARILLA FOTOVOLTAICA, S.L. (Sole Shareholder Entity)

Opinion

We have audited the attached Financial Statements of the Company ALCANTARILLA FOTOVOLTAICA, S.L.U. that include the balance sheet as of December 31, 2017, the profit and loss account, the statement of changes in equity, and the Notes to the Financials for the year then ended.

In our opinion, the attached Financial Statements express, in all material respects, a true and fair value of the Company's equity and financial position as of December 31, 2017, as well as its results and cash flows for the year then ended, in accordance with the regulatory framework for financial information that results from application (which is identified in Note 2.1 of the Notes) and, in particular, with the accounting principles and criteria contained therein.

Basis of opinion

We have carried out our audit in accordance with the Spanish standard audit regulations. Our responsibilities in accordance with these standards are described in the *Auditor's Responsibility regarding to the audit of the Financial Statements* caption of this report.

We are independent of the Company in accordance with the requirements of ethics, including those of independence, which are applicable to our audit of the Financial Statements in Spain as required by the regulations governing the activity of auditing. In this sense, we have not provided services other than those of the audit of financial statements nor have concurred situations or circumstances that, in accordance with the provisions of the aforementioned regulatory regulations, have affected the necessary independence so that it has been compromised.

We consider that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Emphasis of matters

Without modifying our audit opinion, we draw attention to what is mentioned in Note 2.4 of the attached Notes, which mentions that the Board of Directors has prepared the accompanying financial statements for the year ended December 31, 2017 following the principle of going concern they consider that the measures and actions detailed in the Business Plan approved by the Directors enable the Company to continue its normal development and to meet its obligations, also reaching results and positive cash flows in the next years to recover the assets, in particular the deferred tax assets activated.

The Company ALCANTARILLA FOTOVOLTAICA, S.L. (Sole Shareholder Company) belongs to "Elsamex" Group and, depending on the policy of the Group cash-pooling, the Company receives financial support from the parent company of the group from the extent and period necessary. At December 31, 2017 the balance presented in respect of credit lines received is presented in the caption denominated "Current liabilities with Group Companies and Associated".



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Key audit matters

The key audit matters are those that, according to our professional judgment, have been considered as the most significant material misstatement risks in our audit of the Financial Statements of the current period. These risks have been addressed in the context of our audit of the Financial Statements as a whole, and in the formation of our opinion on them, and we do not express a separate opinion on those risks. We have determined that there are no significant risks considered in the audit that should be reported.

Responsibility of the Board of Directors in relation to the Financial Statements

The Board of Directors of the Company is responsible for preparing the accompanying Financial Statements, so as to give a true and fair value of the assets, financial position and results of the Company, in accordance with the regulatory framework of financial information applicable to the entity in Spain, and the internal control that they consider necessary to allow the preparation of the Financial Statements free of material misstatement, due to fraud or error.

In the preparation of the Financial Statements, the Company's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, revealing, as appropriate, the issues related to the company in operation and using the accounting principle of operating company except the Board of Directors intends to liquidate the company or cease its operations, or there is no other realistic alternative.

Auditor's responsibility regarding to the audit of the Financial Statements

Our objectives are to obtain reasonable assurance that the Financial Statements taken as a whole are free of material misstatement, due to fraud or error, and to issue an audit report that contains our opinion. Reasonable assurance is a high degree of security, but does not guarantee that an audit carried out in accordance with current auditing regulations in Spain will always detect a material error when it exists. The misstatements may be due to fraud or error and are considered material if, individually or in an aggregate way, it can reasonably be expected to influence the economic decisions that users make based on the Financial Statements.

As part of an audit in accordance with the regulatory rules for auditing accounts in Spain, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. As well:

- We identify and address the risks of material misstatement in the 2017 Financial Statements, due to fraud or error, design and apply audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.
- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate according to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We value if the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the management.



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- We conclude on whether the use, by the Board of Directors, of the accounting principle of the operating company is adequate and, based on the audit evidence obtained, we conclude on whether there is a material uncertainty related to events or conditions that may generate significant doubts about the Company's ability to continue as a going concern basis. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the corresponding information disclosed in the Financial Statements or, if such disclosures are not adequate, that we express an amended opinion. Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Company to cease on a going concern basis.
- We evaluate the overall presentation, structure and content of the 2017 Financial Statements, including the disclosed information, and whether the 2017 Financial Statements represent the underlying transactions and events in a way that manages to express the fair value.
- We obtain sufficient and adequate evidence in relation to the financial information of the entities or business activities within the Company to express an opinion about the Financial Statements. We are responsible for the direction, supervision and performance of the Company's audit. We are solely responsible for our audit opinion.

We communicate with the Company's Management regarding, among other matters, the scope and timing of the audit and the significant findings of the audit, as well as any significant internal control deficiencies that we identified during the course of the audit.

Among the significant risks that have been reported to the Board of Directors of the entity, we determine those that have the greatest significance in the audit of the Financial Statements of the current period and that are, consequently, the risks considered most significant.

We describe these risks in our audit report unless legal or regulatory layouts banned publicly disclosing the issue.

April 27th 2018

CABALLERO AUDITORES, S.L.
R.O.A.C. n° S-2265

Angel Caballero
Partner (R.O.A.C. N° 17601)



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ALCANTARILLA FOTOVOLTAICA S.L.U

ABRIDGED BALANCE SHEET AS AT DECEMBER, 31ST 2017

(Euros)

| ASSETS | Notes | Year | | EQUITY & LIABILITIES | Notes | Year | |
|-----------------------------|---------|------------------|------------------|---|----------------|------------------|------------------|
| | | 2017 | 2016 | | | 2017 | 2016 |
| NON-CURRENT ASSETS | | | | NET EQUITY | | | |
| Intangible assets | Note 5 | 4,390,600 | 4,521,003 | STOCKHOLDERS' EQUITY | Note 8 | 405,028 | 446,292 |
| Concessions | | 4,357,220 | 4,484,151 | Capital | | 405,028 | 446,292 |
| Deferred tax assets | Note 10 | 4,357,220 | 4,484,151 | Registered capital | | 42,700 | 42,700 |
| | | 33,380 | 36,852 | Share premium | | 158,820 | 158,820 |
| | | | | Reserves | | 20,361 | 8,173 |
| | | | | Other reserves | | 20,361 | 8,173 |
| | | | | Prior periods losses | | (275,588) | (275,588) |
| | | | | Prior periods losses | | (275,588) | (275,588) |
| | | | | Contributions from equity holders or owners | | 500,000 | 500,000 |
| | | | | Profit/(loss) for the year | | (41,265) | 12,188 |
| | | | | NON-CURRENT LIABILITIES | | 1,541,449 | 1,780,711 |
| | | | | Non current provisions | | 33,000 | 33,000 |
| CURRENT ASSETS | | | | Non-current payables | Note 9 | 1,397,195 | 1,624,039 |
| Trade and other receivables | Note 6 | 93,247 | 68,032 | Debt with financial institutions | | 1,397,195 | 1,624,039 |
| Trade receivables | | 93,247 | 68,000 | Long-term accruals | | 111,254 | 123,672 |
| Current tax assets | Note 10 | - | 32 | CURRENT LIABILITIES | Note 9 | 2,542,603 | 2,364,961 |
| Current investments | Note 6 | 142 | 100 | Current payables | | 226,844 | 211,938 |
| Other financial assets | | 142 | 100 | Debt with financial institutions | | 226,844 | 211,938 |
| Prepayment | | 3,114 | 2,027 | Group companies and associates, current | Notes 9 y 13.1 | 2,193,782 | 2,068,187 |
| Cash and cash equivalents | | 1,977 | 802 | Trade and other payables | Note 9 | 115,768 | 84,835 |
| Cash | | 1,977 | 802 | Suppliers | | 115,768 | 84,824 |
| | | | | Debts with the Public Authorities | | - | 10.37 |
| | | | | Current accruals | | 6,209.00 | - |
| TOTAL ASSETS | | 4,489,080 | 4,591,964 | TOTAL PATRIMONIO NETO Y PASIVO | | 4,489,080 | 4,591,964 |

Notes 1 to 15 of the attached Report form an integral part of the balance sheet as at 31 December 2017



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ALCANTARILLA FOTOVOLTACIA S.L.U.

ABRIDGED INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31ST 2017

(Euros)

| | Notes | Year 2017 | Year 2016 |
|--|-------------------|------------------|------------------|
| CONTINUING OPERATIONS | | | |
| Revenue | Note 11 a) | 511,308 | 485,763 |
| Services rendered | | 511,308 | 485,763 |
| Supplies | Note 11 b) | (72,257) | (75,456) |
| Subcontracted works | | (72,257) | (75,456) |
| Employee cost | | (4,147) | - |
| Social payments | | (4,147) | - |
| Other operating expenses | Note 11 c) | (137,309) | (59,920) |
| External services | | (97,907) | (28,507) |
| Taxes | | (39,402) | (31,413) |
| Amortisation and depreciation | Note 5 | (194,596) | (193,902) |
| RESULTS FROM OPERATING ACTIVITIES | | 102,999 | 156,484 |
| Finance expenses | | (157,201) | (131,007) |
| Group companies and associates | Note 13 | (106,263) | (95,724) |
| Other | Note 9 | (50,938) | (35,283) |
| Finance expenses arising from provision adjustments | | - | - |
| NET FINANCE INCOME/(EXPENSE) | | (157,201) | (131,007) |
| PROFIT/(LOSS) BEFORE INCOME TAX | | (54,202) | 25,477 |
| Income tax expenses | Note 10 | 12,937 | (13,289) |
| PROFIT/(LOSS) FROM CONTINUING OPERATIONS | | (41,265) | 12,188 |
| PROFIT/(LOSS) FOR THE PERIOD | | (41,265) | 12,188 |

Notes 1 to 15 of the attached Report form an integral part of the profit and loss account as at 31 December 2017



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ALCANTARILLA FOTOVOLTAICA S.L.U

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31ST, 2017

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED DECEMBER 31ST, 2017 (Euros)

| | Notes | Year 2017 | Year 2016 |
|---|-------|-----------------|---------------|
| PROFIT AND LOSS FOR THE PERIOD (I) | | (41,265) | 12,188 |
| TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III) | | (41,265) | 12,188 |

Notes 1 to 15 of the attached Report form an integral part of the assigned income and expenditure in relation to accounting period 2017



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ALCANTARILLA FOTOVOLTAICA S.L.U

STATEMENT OF CHANGE IN THE NET WORTH OF THE YEAR ENDED DECEMBER 31ST, 2017

B) STATEMENT OF CHANGES IN TOTAL NET WORTH

(Euros)

| | Notes | Capital | Issue premium | Reserves | Prior periods losses | Contributions from equity holders or owners | Profit/(loss) for the period | TOTAL |
|---|----------|---------|---------------|----------|----------------------|---|------------------------------|----------|
| CLOSING BALANCE FOR PERIOD 2015 | | 42,700 | 158,820 | 8,173 | (243,325) | 500,000 | (32,263) | 434,105 |
| Adjustments for errors and prior periods | | - | - | - | - | - | - | - |
| ADJUSTED BALANCE AT THE BEGINNING OF PERIOD 2016 | Nota 2.7 | 42,700 | 158,820 | 8,173 | (243,325) | 500,000 | (32,263) | 434,105 |
| Implementation of the result 2015 | | - | - | - | (32,263) | - | 32,263 | - |
| Total recognise income and expense | | - | - | - | - | - | 12,188 | 12,188 |
| Contributions from equity holders or owners | | - | - | - | - | 500,000 | - | - |
| CLOSING BALANCE FOR PERIOD 2016 | | 42,700 | 158,820 | 8,173 | (275,588) | 1,000,000 | 12,188 | 446,293 |
| Implementation of the result 2016 | | - | - | - | 12,188 | - | (12,188) | - |
| Total recognise income and expense | | - | - | - | - | - | (41,265) | (41,265) |
| CLOSING BALANCE FOR PERIOD 2017 | | 42,700 | 158,820 | 8,173 | (263,400) | 1,000,000 | (41,265) | 405,028 |

Notes 1 to 15 of the attached Report form an integral part of the statement changes in total net worth relating to period 2017



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Alcantarilla Fotovoltaica S.L.U

Abridged Report for
year ending
31 December 2017

1. Incorporation and activity

Incorporation

Alcantarilla Fotovoltaica S.L.U. (hereinafter the Company) was incorporated on December 17, 2010, as a single-member limited liability company for an indefinite period of time. Its corporate address is in calle San Severo 18, 28042 - Madrid.

Corporate Purpose

The purpose of the company is the management and development of the Concession Agreement for exclusive use in the public domain for the installation, maintenance and operation of systems of power production of photovoltaic technology on municipal covers of the Municipality of Alcantarilla.

All activities for which special requirements are required by Law and not fulfilled by the Company shall be excluded. If required by Law, any activity subject to the holding of some sort of professional title shall be carried out by a person holding said required title.

The activities included in the expressed corporate purpose may be totally or partially developed indirectly through the holding of shares or stakes in other companies engaging in identical or analogous activities.

The Company is part of Elsamex Group, whose parent company is Elsamex, S.A., with corporate address in San Severo, 18, Madrid; this is the company that prepares the consolidated financial statements. The consolidated financial statements of Elsamex Group for period 2017 have been prepared by the Directors in the meeting of the Board of Directors held on 31 March 2018. The consolidated financial statements for period 2016 were approved at the General Shareholders' Meeting of Elsamex, S.A., held on 30 June 2017, and they were deposited in the Business Registry of Madrid. In turn, Elsamex Group is controlled by an international group whose controlling company is "Infrastructure Leasing & Financial Services Limited (IL&FS)", with business address in Bombay [Mumbai] (India) Bandra – Kurla Complex.

2. Presentation principles for the abridged financial statements

2.1 Financial Information Framework applicable to the Company

The abridged financial statements have been prepared by the Directors in accordance with the financial information framework applicable to the Company, established in:

- a) Code of Commerce and other additional mercantile legislation.
- b) General Accounting Plan, approved by Royal Decree 1514/2007 and sector adaptations, and in particular, Sector Adaptation of the General Accounting Plan for public infrastructure concessionaire companies, approved by Order EHA/3362/2010 of 23 December.
- c) Mandatory regulations approved by the Institute of Accounting and Accounts Auditing in the development of the General Accounting Plan and complementary rules.
- d) Other applicable Spanish accounting regulations.



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2.2 True and fair view

The attached abridged annual accounts have been obtained from the Company's accounts registers and are presented in accordance with the applicable financial information framework, and in particular the principles and criteria therein contained, so as to show a true view of the assets, the financial situation, the Company Balance Sheet and the cash flows during the corresponding period. These abridged financial statements, which have been prepared by the Company Directors, will be submitted for the approval of the Sole Shareholder, and are expected to be approved without any amendment.

In compliance with article 257 of the Corporations Law, approved by Royal Legislative Decree 1/2010, of 2nd July, in effect since 1st September 2010, the Company prepares abridged financial statements.

According to corporate legislation in force, the Company has no obligation to submit their abridged financial statements for auditing; however, and for the sole purposes of improving transparency in financial reporting, the Administrative Body has deemed appropriate to bring these abridged financial statements for year 2017 for verification of an external auditor. They will be subsequently submitted for approval of the Sole Shareholder, and expected to be approved without modification.

2.3 Non-obligatory accounting principles applied

Non-obligatory accounting principles have not been applied. In addition, the Directors have prepared these financial statements taking into consideration the totality of obligatory applicable accounting principles and standards which have a significant effect on said abridged financial statements. There is not any obligatory accounting principle that has not been applied.

2.4 Critical aspects of valuation and estimation of uncertainty

In preparing the accompanying abridged financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates basically refer to the impairment of clients' invoices and the calculation of the provisions for creditors' invoices pending, as well as the estimate of the lifespan of the Fixed Assets, the dismantling provision and the services provided but pending invoice.

Although these estimates were made on the basis of the best information available at 2017 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

The Company has incurred losses which meant a reduction in shareholders' equity, and there is a negative working capital. These reasons question the capacity of the Company to settle its assets and liabilities for the amounts and according to the classification found on the attached abridged balance sheet, which was prepared assuming that such activity will continue. There are several reasons which contribute to reduce or eliminate any doubts about the capacity of the Company to continue as going concern. These reasons are the financial support of the Sole Shareholder, as well as the possibility of reducing expenses without decreasing the operating capacity of the Company, as it can be inferred from the budget for year 2018 and the business plan approved by the Company's Directors. Said business plan is based on certain hypothesis and market trends and it includes reducing financial costs after the contribution of the credits of the Sole Shareholder of the Company as a participating loan, which amortisation interest shall be subject to obtaining future profits. In this sense, the business plan includes enough revenues to reach a positive result in future financial years, as well as generating positive cash flows allowing to recover the value of the investment made in the photovoltaic plant.

At 2017 and 2016 year-end, the Company has a negative working capital. This negative working capital is structural, as it arises due to the financing of the construction of concession by the parent company, Elsamex, S.A. (see Note 13.1). According to the directors, it does not involve a lesser capacity of the Company to settle its assets and liabilities for the amounts and according to the classification found on the attached abridged balance sheet, nor should this question the capacity of the Company to continue as an operative company. Likewise, the Company has a business plan which proves that it expects to generate enough cash flows to recover the total value of the investment made in the photovoltaic facilities.



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2.5 Comparative information

The information contained in this abridged report referring to financial year 2017 is presented alongside the information for financial year 2016 only for comparative purposes.

2.6 Grouping of entries

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are significant, the information is broken down in the related notes to the financial statements. There are not any equity items entered in two or more entries.

2.7 Change in accounting policies

During the accounting period 2017 no changes in accounting principles have arisen with regards to the principles applied in the accounting period 2016.

2.8 Correction of errors

In the preparation of the attached financial statements no significant error has been detected that might involve the recalculation of the amounts included in the financial statements of the accounting period 2016.

3. Distribution of profits

The proposal for the application of results of the period prepared by the Company's Directors, to be submitted for the approval of the Sole Shareholder, is the following:

| | Euros |
|---|-----------------|
| Distribution basis: | |
| Profit and loss (Loss) | (41.2659) |
| | (41.265) |
| Distribution: | |
| To negative results from previous periods | (41.265) |
| | (41.265) |

4. Accounting standards and measurement bases

The main accounting standards and measurement bases used by the Company in the preparation of their abridged financial statements, in accordance with those set out by the General Accounting Plan, were the following:

4.1 Intangible assets

The assets grouped under this heading are valued by their acquisition price or cost of production and subsequently reduced by the corresponding accrued amortization and losses through impairment, should there be any.

If there are indications of loss of value, the Company estimates by means of the "Impairment test" the possible losses of value that reduce the redeemable value of said assets to an amount below their book value.



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Concessions:

Regulated assets

Sector Plan for public infrastructure concessionaire companies (in force since 1 January 2011) regulates agreements concerning service concession contracts; it establishes that by these contracts the grantor commissions to a concessionaire company the construction, including improvement and operation, or only operation of infrastructures for provision of public services of economic nature during the period of time established in the agreement, obtaining in exchange the right to a compensation.

Every concession agreement should comply with the following requirements:

The grantor controls or regulates the public services to be provided by the concessionaire company with the infrastructure, to whom these services will be provided and at which price; the grantor company controls any significant residual sharing in the infrastructure at the end of the term of the agreement.

In these concession agreements, the concessionaire acts as service supplier, specifically for construction services or infrastructure improvement services, and for operation and maintenance services during the term of the agreement. In exchange for the construction services or infrastructure improvement services, the concessionaire company receives a consideration equivalent to the fair value of said service, as intangible assets in those cases in which the right to charge a price to users for using the public service is received, and this right is not unconditional but conditional to the actual use of the service by the users.

The consideration for the construction or improvement works is entered as intangible asset in the section "Concession", in the heading "Intangible fixed assets" applying the model of the intangible, in which the demand risk is assumed by the concessionaire.

The company calculates the amortisation of the concession-based assets based on their best estimates, considering the useful life of the solar panels and the concession period. In this regard, during financial year 2015 the concession period has been extended to a total of 35 years.

a) Concession agreement, financial capitalization

When the compensation for construction or improvement services consists of an intangible asset, the financial expenses financing the infrastructure which are generated from the moment the infrastructure is ready to be operated are capitalized provided there is reasonable evidence of their recovery with future revenues. As for the future income, the percentage that operation income represents in each period compared to the total will be determined. That percentage will be applied to the total expected financial expenses during the concession period in order to determine the amount to be attributed to each economic period as financial expense of the period. If the amount of income in a period is higher than expected, the percentage mentioned will be determined in that period by the relation between real income and total expected income, which generally will produce an adjustment in the attribution of the last period. For each accounting year, the positive difference between the expected financial expense and the amount resulting from the previous number will be reflected in an entry of the asset whose amount will be attributed to the profit and loss account as financial expense of the period, starting from the period in which said difference is negative, and for the amount that results.

The amount activated as "Financial Assets" in Section "Concessions" of the Intangible Fixed Assets of the abridged balance sheet attached has amounted to EUR 608,447. During financial year 2016 EUR 97,247 have been activated (See Note 9); EUR 108,669 in 2015.



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4.2 Financial Instruments

4.2.1 Financial assets

Classification –

Financial assets of the Company are classified into loans and items receivable; they correspond to financial assets generated in the sale of goods or in the provision of services through the Company's trading operations, or those which do not have a commercial origin, are not equity instruments or derivatives and whose collections are a fixed or specific amount, not negotiated in an active market.

Initial recognition-

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

Subsequent measurement –

Loans, items receivable and investments maintained until maturity are valued by their amortized cost.

At least at the close of each period the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When it occurs, this impairment is entered in the profit and loss account.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

4.2.2 Financial liabilities

Financial liabilities are those debits and items payable that the Company has and which originate in the purchase of goods and services through the Company's trading operations, and also those which do not have a commercial origin and cannot be considered as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.2.3 Equity instruments

An equity instrument represents a residual sharing in the Company Equity once all liabilities have been deducted.

Capital instruments issued by the Company are entered in the net equity for the amount received, net of issuing costs.

4.3 Corporate tax

Tax expense (tax on profits) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).



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The current tax expense is the amount payable by the Company as a result of tax on profits settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, as well as tax loss carryforwards from prior years effectively offset in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as the negative tax bases pending compensation and the credits for tax credit not fiscally applied. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit, and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which it will be possible to recover them.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised directly in net equity.

4.4 Environment

Assets of environmental nature are those used long-term in the Company's activity. Their main purpose is the minimization of environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

Due to its nature, the Company's activity does not have a significant environmental impact.

4.5 Revenue and expense

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

In order to adjust revenues in the period in which they are accrued, the Company adopts the principle of provisioning those projects in progress at the close of the period, in accordance with their level of advancement, notwithstanding the date of issue of the invoice.

4.6 Principles used in transactions between related parties

One party is considered linked to another when one of them or a group acting together exercises or has the power to exercise, directly or indirectly or in accordance with agreements between shareholders or participants, control over another or has significant influence over the other in the making of financial or operational decisions.

In any case, related parties are:

a) Companies which are considered to be a company of the group, associate or multi-group, in accordance with article 42 of the Commercial Code.



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b) Natural persons who, directly or indirectly, hold participation in the voting rights of the Company, or in its dominant entity, to enable them to exercise a significant influence over one or another. Close relatives of these natural persons are also included.

c) The key staff of the Company or of its dominant entity, understood as the natural persons with authority and responsibility over the planning, management and control of the Company's activities, either directly or indirectly, including the directors and executive managers. Close relatives of these natural persons are also included.

d) Companies over which any of the persons mentioned in b) and c) above can exercise a significant influence.

e) Companies that share any director or manager with the Company; except in case this person does not have any significant influence in the financial and management policies of the Company.

f) Persons who are considered as close relatives of the Company administration's agent, if this person is a legal person.

g) The pension plans for the employees of the Company or of any other which is a party linked to this.

For the purposes of this rule, close relatives are understood to be those who could exercise influence in, or be influenced by, this person in his/her decisions relating to the Company. These include:

a) The spouse or person with an analogous relationship;

b) The ascendants, descendants and siblings and the respective spouses or persons with an analogous relationship;

c) The ascendants, descendants and siblings of the spouse or persons with an analogous relationship;

d) Persons for whom the spouse or person with an analogous relationship is responsible for or persons with an analogous relationship;

The Company carries out all its operations with entities linked to market values. In addition, transfer prices are adequately supported so that the Company Directors consider that there are not any significant risks related to this aspect from which liabilities for future consideration could be derived.

4.7 Provisions and contingencies

In preparing the abridged financial statements, the Company Directors differentiate between:

- a) Provisions: credit balances covering present obligations arising from past events, whose cancellation will probably cause an outflow of resources, although they are uncertain in their amount and/or timing of cancellation.
- b) Contingent liabilities: possible obligations arising as a consequence of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events, not wholly within the Company's control and which are not reasonably calculable.

The abridged financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not included in the abridged financial statements, but the information about them can be found in the abridged report notes, provided they are not considered as remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences; adjustments made to provisions are recognised as a financial cost on an accrual basis.



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The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

5. Intangible assets

Movements occurring under this heading of the abridged balance sheet during accounting periods 2017 and 2016 are as follows:

Year 2017

| | Euros | | | |
|----------------------------------|------------------|-----------------------------|----------------------------------|--------------------|
| | 31/12/2016 | Additions/ (Allocations) | Additions (see Note 4.1 b) | 31/12/2017 |
| Cost: | | | | |
| Concessions- Regulated assets | 4,803,212 | - | - | 4,803,212 |
| Financial capitalization | 608,447 | - | 67,665 | 676,112 |
| | 5,411,659 | - | 67,665 | 5,479,324 |
| Accumulated Amortization: | | | | |
| Concessions, Regulated assets | (927,508) | (194,596) | - | (1,122,104) |
| | (927,508) | (194,596) | - | (1,122,104) |
| Net value | 4,484,151 | (194,596) | 67,665 | 4,357,220 |

Year 2016

| | Euros | | | |
|----------------------------------|------------------|-----------------------------|-----------------------------------|------------------|
| | 31/12/2015 | Additions/ (Allocations) | Additions (see Note 4,1 b)) | 31/12/2016 |
| Cost: | | | | |
| Concessions- Regulated assets | 4,803,212 | - | - | 4,803,212 |
| Financial capitalization | 511,200 | - | 97,246 | 608,447 |
| | 5,314,412 | - | 97,246 | 5,411,659 |
| Accumulated Amortization: | | | | |
| Concessions, Regulated assets | (733,605) | (193,902) | - | (927,508) |
| | (733,605) | (193,902) | - | (927,508) |
| Net value | 4,580,807 | (193,902) | 97,246 | 4,484,151 |

Regulated assets:

On 11th November 2010 a concession contract was signed between Elsamex S,A and the Municipality of Alcantarilla, which was afterwards assigned to concessionaire company Área de Servicio Alcantarilla Fotovoltaica S,L,U,



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The purpose of the company is the administrative concession for exclusive use in the public domain for the installation, maintenance and operation of systems of power production of photovoltaic technology on municipal covers of the Municipality of Alcantarilla,

The concession of this contract is granted for a period of twenty-five years, starting from the date of starting-up of the first of the facilities of the concession, However, during financial year 2015 an extension of the concession period has been requested to reach a total of 35 years,

Upon termination of the contract, the concessionaire company shall transfer to the Municipality the ownership of the photovoltaic technology electric power production facility, for its subsequent use and operation, In case the Municipality is not interested in acquiring the facilities, the concessionaire shall leave, at their own expense, the location of the concession in the same conditions as before the systems were installed, within three weeks after the termination of the contract,

Financial capitalization:

Additions in the periods 2017 and 2016 in heading "Concessions-Financial capitalization" correspond to the capitalization of the excess in financial expenses incurred in the period, compared with the expense accrued according to section 3 of second rule of the Sector Adaptation of the General Accounting Plan to public infrastructure concessionaire companies, approved by Order EHA/3362/2010 of 23 December (see Note 4,1,b),

6. Financial assets (long and short-term)

The breakdown of the Company's financial assets is the following as of 31 December 2017 and 2016:

| | Euros | |
|---|---------------|---------------|
| | 2017 | 2016 |
| Customers for sales and provisions of services: | 93,247 | 68,000 |
| Other financial assets | 142 | 100 |
| Total Short-term financial assets | 93,389 | 68,100 |

7. Information on the nature and level of risk of financial instruments

The management of the financial risks of the Company is centralized in Financial Management, which has established the necessary mechanisms to control exposure to variations in the interest rates, as well as to the credit and liquidity risks, The main financial risks that impact on the Company are mentioned below:

a) Credit risk:

In general, the Company holds its treasury and equivalent liquid assets in financial bodies with a high credit level,

Additionally, it should be noted that, although the company maintains a single customer, its solvency is guaranteed, so there is no high risk of credit with third parties,

b) Liquidity risk:

In order to guarantee the liquidity and to meet all payment commitments resulting from its activity, the Company relies on the Treasury shown in the balance, as well as on short-term and long-term financial investments which are detailed in Note 6,c) Market risk:

Both the Treasury and the financial debt of the Company are exposed to the interest rate risk, which could have an adverse effect on the financial results and on the cash flow, Therefore, the Company has a policy of investing in financial assets which are almost not exposed to interest rate risks, On the other hand, the financial instruments used have been chosen for the solidity of their financial worth and the issuing institutions,



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8. Own funds

8,1 Share capital

At the close of period 2017 the Company's share capital amounted to 42,700 Euros, represented by 4,270 not listed shares of 10 Euros nominal value each, all of the same class, fully subscribed and paid in accordance with the following detail:

| | % Participation |
|---------------|--------------------|
| Elsamex, S,A, | 100% |
| | 100% |

8,2 Legal reserve

In accordance with the Corporations Act, an amount equal to 10% of the period's profit must be allocated to the legal reserve until this reaches, at least, 20% of the share capital, Such reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount, Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for that purpose.

At the end of 2017, the legal reserve is not fully constituted because in the last exercises the company has not registered enough positive results.

9. Financial liabilities

Debit and items payable

The breakdown of the Company's financial liabilities is the following as of 31 December 2017 and 2016:

| | Euros | |
|---|------------------|------------------|
| | 2017 | 2016 |
| Long-term debts with credit institutions | 1,397,195 | 1,624,039 |
| Total long-term financial liabilities | 1,397,195 | 1,624,039 |
| Short-term debts with credit institutions | 226,844 | 211,938 |
| Debts with group companies and partners (See Note 13) | 2,193,782 | 2,068,187 |
| Trade creditors and other accounts payable | 115,768 | 84,824 |
| Total Short-term financial liabilities | 2,536,394 | 2,364,949 |

Long and short-term debts with credit institutions

These sections only include the loan signed in 2011 with bank entity Banco Popular to finance the construction works of the concession, This loan expires in December 2023, and it is repaid by means of monthly repayments, Interests accrued by this loan amount to EUR 118,603 in financial year 2017, of which EUR 67,665 have been capitalised (see Note 4,1,b), The difference has been registered as a financial expense for the financial year in the abridged profit and loss account attached, The detail for the due dates of the long-term debt is the following:



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| | Euros | | | | | | Total |
|---------------|---------|---------|---------|---------|---------|-----------------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 and beyond | |
| Banco Popular | 228,065 | 243,687 | 260,765 | 278,835 | 298,157 | 318,818 | 1,628,507 |

The difference with the balance is due to the accounting differences in the loan at amortised cost which result in a difference amounting to a lower balance debt difference of EUR 3,248 in the long-term, and EUR 1,221 in the short-term,

10. Public Administrations and fiscal situation

The breakdown of these balances at 31st December 2017 and 2016 is as follows:

| | Euros | |
|--|----------------|---------------|
| | Debit balances | |
| | 2017 | 2016 |
| Deferred tax assets | 33,380 | 36,852 |
| Long-term balances with Public Administrations | 33,380 | 36,852 |
| Public Treasury, debtor for retentions | - | 32 |
| Short-term balances with Public Administrations | - | 32 |

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At close of period 2016 the Company has not any ongoing inspection, The Directors consider that the above-mentioned tax obligations have been adequately settled, Therefore, in the event of a fiscal inspection and considering there were any disagreements in the usual prevailing interpretation because of the fiscal treatment granted to operations, future resulting liabilities, if any, would not significantly affect these abridged financial statements,

Value Added Taxes

By decision of the Sole Shareholder on 26th December 2011, it was chosen to tax in the Value Added Tax through the tax consolidation regime in accordance with Chapter IX of Title IX of the Value Added Tax Act since 1st January 2008; the parent Company, Elsamex S.A., is responsible for filing and paying the Value Added Tax of the tax group, For this reason, at the end of the period the payable or receivable balances for the Value Added Tax are included classified in current accounts with group companies,

Tax on Profits

By decision of the Sole Shareholder on 26th December 2011, it was chosen to tax in the Corporate Tax through the tax consolidation regime in accordance with Chapter VII of Title VII of the Corporate Tax Act since 1st October 2007; the parent Company, Elsamex, S.A., is responsible for filing and paying the Corporate Tax of the tax group, For this reason, at the end of the financial year the payable or receivable balances for the Corporate Tax are included classified in current accounts with group companies,

Accounting reconciliation and taxable base result

The reconciliation between accounting result and taxable base of the Corporations Tax for periods 2017 and 2016 is as follows:



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Financial Year 2017:

| | Euros | |
|--|-----------------|--------------------|
| | Taxable base | Accounting expense |
| Accounting result before Taxes (Losses) | (54,202) | 13,550 |
| Permanent differences: previous years | 72 | (18) |
| Temporary differences | 11,507 | (2,877) |
| Total tax/ Expense for the period (25%) | (42,623) | 13,532 |
| Adjustments for corrections in corporation tax | | (595) |
| Expenses/income of the year | | 12,937 |
| Withholding | | 32 |
| Amount to be returned by the Group | | 12,969 |

The positive permanent differences correspond to differences between the provision of the calculation of the corporation tax of the previous year and the final amount declared which are not tribute this year.

The corrections of the corporation tax are due to the corrections of deferred tax assets with 25% of tax.

Deferred tax assets

The movements of the deferred tax assets at 31 December of 2017 are the following:

| | 2016 | | 2017 |
|--------------------------------|---------------|----------------|---------------|
| Differences of amortization | 31,299 | (2,877) | 28,422 |
| Credits of loses to compensate | 5,553 | (595) | 4,958 |
| Total | 36,852 | (3,472) | 33,380 |

The temporal differences of amortization born due to the article 7 of the law 16/2012 of 27 December which it were established for some groups of entities a deduction limit of 70% of the amortization of the material assets of the years 2013 and 2014, which is reverted linearly since 2015.

At 31 December of 2017 the society has the next tax bases remaining to compensate related to future benefits:

| Generation year | Amount |
|-----------------|---------------|
| 2010 | 474 |
| 2011 | 19,358 |
| Total | 19,832 |

The society has not remaining deductions to apply due to the corporation tax at the end of the year.



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11. Revenue and expenditure

a) Net turnover amount

The net amount of the turnover entered by the Company corresponds to the revenues obtained through the activity considered in their Corporate purpose,

The breakdown of this section of the abridged profit and loss account for the accounting periods 2017 and 2016 is as follows:

| Division | Euros | |
|-----------------------|----------------|----------------|
| | 2017 | 2016 |
| Electrical production | 511,308 | 485,763 |
| | 511,308 | 485,763 |

All services rendered have been in national territory,

b) Supplies

The breakdown of this section of the abridged profit and loss account for the accounting periods 2017 and 2016 is as follows:

| | Euros | |
|--------------------------------------|---------------|---------------|
| | 2017 | 2016 |
| Works carried out by other companies | 72,257 | 75,456 |
| | 72,257 | 75,456 |

All the purchases to suppliers have been in national territory.

c) Employees cost

The breakdown of this section of the abridged profit and loss account for the accounting periods 2017 and 2016 is as follows:

| | Euros | |
|-----------------|--------------|----------|
| | 2017 | 2016 |
| Social payments | 4,147 | - |
| | 4,147 | - |

The personnel expense registered in 2017 corresponds to services by personal of group companies of the entitie (see note 13.1).

d) Other operating expenses

The detail for this section of the attached abridged profit and loss account for accounting periods 2017 and 2016 is as follows:



| | Euros | |
|-----------------------------------|----------------|---------------|
| | 2017 | 2016 |
| Leasing | 85,867 | 18,671 |
| Independent professional services | 1,689 | 1,916 |
| Insurance premiums | 5,141 | 4,053 |
| Bank services and other similar | 598 | 726 |
| Supplies | 2,321 | 3,141 |
| Other services | 2,291 | (57,399) |
| Taxes | 39,402 | 31,413 |
| | 137,309 | 59,920 |

d) Auditing Fees

During 2016 and 2015, the fees for account auditing services provided by the auditor of the Company have been as follows (in Euro):

| Description | 2017 | 2016 |
|--|--------------|--------------|
| Auditing Services | 1,200 | 1,200 |
| Other verification services | 60 | 150 |
| Total auditing and related services | 1,260 | 1,350 |

12. Environmental aspects

In view of the main business activities carried out by the Company, it does not have any significant responsibilities, expenses, assets or provisions or contingencies of an environmental nature in relation to the equity, financial situation and results. For this reason, they are not included in the specific breakdowns in this report.

The Company's Directors consider that there are not any contingencies related to the protection and improvement of the environment, and do not deem it necessary to enter any allocation to the provision for risks and expenses of an environmental nature as of 31 December 2017.

13. Operations with related parties

13,1 Balances and transactions with group companies

The detail of the balances and transactions made during accounting periods 2017 and 2016 between the Company and Elsamex Group companies is as follows:



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Financial Year 2017:

| | Euros | | | |
|---|---------------------------------------|-------------------|----------------|----------------|
| | Accounts payable | Expenditure | | |
| | Short-term debts with Group companies | Services received | Employees cost | Interests |
| Atenea Seguridad y Medio Ambiente, S,A,U, | 10,832 | - | - | 447 |
| Elsamex, S,A,U, | 2,154,119 | 50,789 | - | 104,662 |
| Grusamar, S,L,U, | 28,722 | 1,408 | 4,147 | 1,150 |
| Elsamex Internacional, S,L,U, | 109 | - | - | 5 |
| TOTAL | 2,193,782 | 52,197 | 4,147 | 106,264 |

Financial Year 2016:

| | Euros | | |
|---|---------------------------------------|-------------------|---------------|
| | Accounts payable | Expenditure | |
| | Short-term debts with Group companies | Services received | Interests |
| Atenea Seguridad y Medio Ambiente, S,A,U, | 10,251 | - | 468 |
| Elsamex, S,A,U, | 2,039,461 | 48,582 | 94,551 |
| Grusamar, S,L,U, | 18,372 | 6,122 | 672 |
| Elsamex Internacional, S,L,U, | 104 | - | 33 |
| TOTAL | 2,068,187 | 54,704 | 95,724 |

Elsamex's services are solar panel maintenance and structure cost pass-through,

The Company does not have its own personnel; the administrative, management and direction tasks are carried out by the parent company and by other group companies, The Company has included in its accounts throughout period 2017 the amount of 11,269 EUR and in 2016 the amount of 13,904 EUR for structure expenses allocated by the parent company,

The Company has a credit facility with the parent company which accrues an annual interest rate of 5% of the amount drawn,

Grusamar's costs are due to the pass-through of the staff cost by Murcia's Delegation due to administration services,

13,2 Remuneration to the Board of Directors and Senior Management

During periods 2017 and 2016, no amount has been incurred for allowances or remunerations of any kind in favour of the Company's Directors, Also, there is not any kind of loan advance, life insurance, pension plan or benefit for any other concept,

There is no senior management in the Company, The managers of the Group, Elsamex, carry out the management of this Company, Elsamex, S,A, invoiced to the Company in period 2017 a total amount of 7,834 Euro for direction and administration services (9,612 Euro in period 2016),



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13,3 Detail of shares in companies with similar activities and performance of the Administrative Body of similar activities on their own or another's behalf

Pursuant to Article 229,2 and 3 of the Spanish Corporate Law, in order to reinforce corporate transparency, it is informed that at the close of accounting periods 2017 and 2016 the members of the Board of Directors of Alcantarilla Fotovoltaica, S,L,U, have not held shares in companies with the same, analogous or complementary type of activity of the corporate purpose of the company, Similarly, no activities have been carried out or are being carried out, on their own or another's behalf, with the same, analogous or complementary type of activity of the Company's corporate purpose, except for those activities which the company may carry out in other Elsamex Group companies,

14, Payments to suppliers

Below, the information required by the Additional Third Disposition of Law 15/2010 of 5 July is detailed,

| | Payments made and pending payment at the closing date of the period, | |
|------------------------|--|------|
| | 2017 | 2016 |
| PMP (days) of payments | 79 | 83 |

Data contained in the chart above on payments to suppliers refer to those which, by nature, are commercial creditors by debts with suppliers of goods and services, so they include data related to the item "Suppliers" of the current liabilities of the balance sheet. In this sense, has not been included in the calculation the amount of the annual Canon paid to the town hall because this amount is paid the next year.

The maximum legal term of payment applicable to the Company for period 2017 according to Law 3/2004 of 29 December, which establishes measures against delinquency in commercial operations, is 60 days,

15, Subsequent Events

After the close of the period, and until the date of preparation of these financial statements, no significant subsequent events have occurred that should be mentioned,



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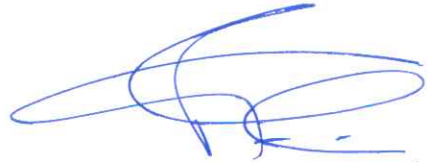
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Procedure for Preparation of Abridged Financial Statements

In compliance with the provisions established in the Corporations Act, the Board of Directors of Alcantarilla fotovoltaica S,L,U, prepared on 31 March 2018 the abridged annual accounts for accounting period 2017, which shall be submitted for the approval of the Sole Shareholder,



Mr, Juan Manuel González Alonso



Mr, José Javier Carrión Romero



Mr. Fernando Jaime Bardisa Jordá

