Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Saeta Yield, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Saeta Yield, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of investments in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of unlisted Group companies and associates, and had granted short-term and long-term loans to them totalling EUR 707 million at 31 December 2017, as detailed in Note 7 to the accompanying financial statements. The assessment of the recoverable amount of these ownership interests and loans requires the use of significant judgements and estimates by management in choosing the assessment method, in determining the way to discount future cash flows and in considering the key operating assumptions to use. It should be noted in this connection that, given the exposure of the Company's investees (which engage in the generation of electricity using renewable sources) to the applicable regulatory frameworks in the countries in which they operate, any changes that occur in these frameworks could affect their activities and economic results and, consequently, the recoverable amount of the aforementioned ownership interests. In view of the significance of the investments held and the high level of judgements and estimates used, we identified this matter as key in our audit.	Our audit procedures included, among others, the performance of tests on the design, implementation and operating effectiveness of the relevant controls that mitigate the risks associated with the determination of the recoverable amount of the investments in Group companies and associates. Also, we conducted substantive tests on the impairment tests prepared by management, verifying the clerical accuracy of the calculations and assessing the reasonableness of the main assumptions considered therein; basically those relating to the projected free cash flows for shareholders and the discount rate. In this regard, we involved our internal valuation experts to assist us in evaluating the methodology and assumptions used by management in preparing the impairment tests, particularly those permitting the calculation of the discount rates. We also analysed the reasonableness of the projected operating assumptions, the reasonableness of the future cash flow projections and their consistency with the actual data of the investees. Lastly, we focused our work on reviewing the disclosures made by the Company in relation to these investments. Notes 4.4 and 7 to the accompanying financial statements contain the disclosures relating to the impairment tests performed and, in particular, the detail of the main assumptions used in these tests.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraphs, we have checked that the specific information described in section a) above has been provided and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the audit regulations in force 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix 1 to this auditor's report. This description, which is on page 5, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 21 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of three years and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Raquel Martínez

Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

27 February 2018

Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

Saeta Yield, S.A.

Financial Statements for the year ended 31 December 2017 and Directors' Report

Translation of a report and of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

SAETA YIELD, S.A.

BALANCE SHEET AT 31 DECEMBER 2017

ASSETS	Notes	2017 (Euros)	2016 (Euros)
A) NON-CURRENT ASSETS	**Notes**	**557,985,754**	**600,199,865**
I. Intangible assets	**5**	**81,381**	**91,160**
1. Patents, licences, trademarks and other		3,785	4,313
2. Computer software		77,596	86,847
II. Property, plant and equipment	**6**	**179,553**	**203,540**
1. Plant and other items of property, plant and equipment		179,553	203,540
III. Non-current investments in Group companies and associates	**7**	**557,309,275**	**599,626,533**
1. Equity instruments		335,261,667	286,417,554
2. Loans to companies		222,047,608	313,208,979
IV. Non-current financial investments		**19,030**	**19,030**
1. Other financial assets		19,030	19,030
V. Deferred tax assets	**15.4**	**396,514**	**259,602**
B) CURRENT ASSETS		**238,900,622**	**146,013,738**
I. Trade and other receivables		**10,423,160**	**5,616,660**
1. Receivable from other related parties	**17.2**	30,489	89,843
2. Receivable from Group companies and associates	**17.2**	576,202	424,916
3. Current tax assets	**15.1**	9,352,367	4,649,055
4. Other accounts receivable from public authorities	**15.1**	464,102	452,846
II. Current investments in Group companies and related parties	**7**	**150,096,471**	**80,498,938**
1. Loans to companies		145,983,840	79,810,382
2. Other financial assets		4,112,632	688,556
III. Current prepayments and accrued income		**41,060**	**-**
1. Prepaid expenses		41,060	-
IV. Cash and cash equivalents	**9**	**78,339,930**	**59,898,140**
TOTAL ASSETS		**796,886,376**	**746,213,603**

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 31 December 2017.

SAETA YIELD, S.A.

BALANCE SHEET AT 31 DECEMBER 2017

EQUITY AND LIABILITIES		Euros 2017	2016
EQUITY	**Notes**	**665,319,556**	**725,518,773**
I. Shareholders' equity	**10**	**665,319,556**	**725,518,773**
1. Share capital	**10.1**	**81,576,928**	**81,576,928**
2. Share premium	**10.3**	**575,427,244**	**637,057,276**
3. Reserves		**6,860,253**	**9,664,210**
4. Treasury shares	**10.4**	**(629,345)**	**-**
5. Profit for the year		**2,084,476**	**(2,779,641)**
B) NON-CURRENT LIABILITIES		**42,686,012**	**14,960,826**
II. Non-current payables to Group companies and related parties	**12 and 17.2**	**42,686,012**	**14,960,826**
C) CURRENT LIABILITIES		**88,880,808**	**5,734,004**
I. Current payables	**11**	**70,864,583**	**-**
1. Bank borrowings		70,864,583	-
II. Current payables to Group companies and related parties	**12 and 17.2**	**16,087,284**	**4,490,103**
III. Trade and other payables	**13**	**1,928,940**	**1,243,901**
1. Sundry accounts payable		999,899	625,744
2. Remuneration payable		808,550	451,644
4. Other accounts payable to public authorities	**15.1**	120,491	166,513
TOTAL EQUITY AND LIABILITIES		**796,886,376**	**746,213,603**

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 31 December 2017.

SAETA YIELD, S.A.

INCOME STATEMENT FOR 2017

		Euros	
		2017	**2016**
CONTINUING OPERATIONS	**Notes**		
Revenue	**18.1**	**13,557,166**	**13,681,349**
Sales		13,557,166	13,681,349
Other operating income	**18.1**	**4,127,019**	**3,775,687**
Non-core and other current operating income		4,127,019	3,775,687
Staff costs	**18.3**	**(3,338,177)**	**(2,364,904)**
Wages, salaries and similar expenses		(2,776,054)	(2,052,301)
Employee benefit costs		(562,123)	(312,603)
Other operating expenses	**18.2**	**(3,679,925)**	**(2,818,692)**
Depreciation and amortisation charge	**5 and 6**	**(60,738)**	**(41,859)**
PROFIT FROM OPERATIONS		**10,605,346**	**12,231,581**
Finance income		**9,789**	**52,118**
From marketable securities and other financial instruments		9,789	52,118
Finance costs		**(3,608,735)**	**(1,042,664)**
On debts to Group companies and associates	**17.1**	(1,265,915)	(176,556)
On debts to third parties	**9 and 11**	(2,342,820)	(866,108)
Changes in fair value of financial instruments	**7.1**	**(2,509,040)**	**(11,209,693)**
Exchange differences	**7.1 and 9**	**(1,622,224)**	**(886)**
FINANCIAL LOSS		**(7,730,210)**	**(12,201,125)**
PROFIT BEFORE TAX		**2,875,136**	**30,456**
Income tax	**15.3**	(790,660)	(2,810,097)
PROFIT/(LOSS) FOR THE YEAR		**2,084,476**	**(2,779,641)**

The accompanying Notes 1 to 20 are an integral part of the income statement for 2017.

SAETA YIELD, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2017

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE (in euros)

	2017	2016
PROFIT/(LOSS) PER INCOME STATEMENT	**2,084,476**	**(2,779,641)**
Income and expense recognised directly in equity		
Cash flow hedges	-	-
Tax effect	-	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	**-**	**-**
Transfers to profit or loss		
Cash flow hedges	-	-
Tax effect	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS	**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE	**2,084,476**	**(2,779,641)**

The accompanying Notes 1 to 20 are an integral part of the statement of recognised income and expense for 2017.

B) STATEMENT OF CHANGES IN TOTAL EQUITY (in euros)

	Registered share capital	Share premium	Reserves	(Treasury shares)	Profit for the year	**Total**
Balance at 31 December 2015	**81,576,928**	**696,388,175**	**2,076,632**	**-**	**7,587,578**	**787,629,313**
I. Total recognised income and expense	**-**	**-**	**-**	**-**	**(2,779,641)**	**(2,779,641)**
II. Transactions with shareholders or owners	**-**	**(59,330,899)**	**-**	**-**	**-**	**(59,330,899)**
1. Distribution of dividends	-	(59,330,899)	-	-	-	(59,330,899)
III. Distribution of 2015 profit	**-**	**-**	**7,587,578**	**-**	**(7,587,578)**	**-**
Balance at end of 2016	**81,576,928**	**637,057,276**	**9,664,210**	**-**	**(2,779,641)**	**725,518,773**
I. Total recognised income and expense	**-**	**-**	**-**	**-**	**2,084,476**	**2,084,476**
II. Transactions with shareholders or owners	**-**	**(61,630,032)**	**(24,316)**	**(629,345)**	**-**	**(62,283,693)**
1. Distribution of dividends	-	(61,630,032)	-	-	-	(61,630,032)
2. Treasury share transactions (Note 10.4)	-	-	(24,316)	(629,345)	-	(653,661)
III. Allocation of 2016 loss	**-**	**-**	**(2,779,641)**		**2,779,641**	**-**
Balance at end of 2017	**81,576,928**	**575,427,244**	**6,860,253**	**(629,345)**	**2,084,476**	**665,319,556**

The accompanying Notes 1 to 20 are an integral part of the statement of changes in total equity for 2017.

SAETA YIELD, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 (in Euros)

	2017	2016
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	**2,875,136**	**30,456**
2. Adjustments for:	**7,790,948**	**12,242,984**
a) Depreciation and amortisation charge (+)	60,738	41,859
b) Finance income (-)	(9,789)	(52,118)
c) Finance costs (+)	3,608,735	1,042,664
d) Exchange differences (+/-)	1,622,224	886
e) Changes in fair value of financial instruments (+/-)	2,509,040	11,209,693
3. Changes in working capital	**(11,442,699)**	**(13,051,764)**
a) Trade and other receivables (+/-)	(91,933)	877,815
b) Other current assets (+/-)	(12,081,827)	(13,479,568)
c) Trade and other payables (+/-)	731,061	(440,836)
d) Other non-current assets and liabilities (+/-)	-	(9,175)
4. Other cash flows from operating activities:	**21,496,786**	**42,180,918**
a) Interest paid (-) (Note 10)	(1,978,237)	(866,108)
b) Interest received (+) (Notes 7.1 and 8)	30,494,812	47,537,582
c) Income tax recovered/(paid) (Note 15.1)	(7,019,789)	(4,490,556)
d) Other amounts received/paid	-	-
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	**20,720,171**	**41,402,594**
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-):	**(183,675,979)**	**(117,884,049)**
a) Group companies and associates (Note 7.1)	(183,649,007)	(117,740,433)
b) Intangible assets (Note 5)	(15,473)	(65,486)
c) Property, plant and equipment (Note 6)	(11,499)	(78,130)
d) Financial investments	-	-
7. Proceeds from disposals (+):	**136,801,348**	**144,696,621**
a) Financial investments		
b) Empresas del grupo y asociadas (Note 7.1)	136,801,348	143,696,621
c) Other financial assets	-	1,000,000
8. Cash flows from investing activities (7-6)	**(46,874,631)**	**26,812,572**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds from issuance of equity instruments	**(629,345)**	**-**
10. Proceeds and payments relating to financial liabilities:	**106,855,627**	**14,960,826**
a) Issue	106,855,627	14,960,826
1. Payable to Group companies (+) (Note 11)	70,500,000	-
2. Payable to Group companies and associates (+) (Note 17.2 and 15.2)	36,355,627	14,960,826
b) Repayment and redemption of	-	-
1. Bank borrowings (-)	-	-
2. Payable to Group companies and associates (+)	-	-
c) Dividends paid	(61,630,032)	(59,330,889)
11. Cash flows from financing activities (+/-9+/-10+/-11)	**44,596,250**	**(44,370,073)**
D) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)	**18,441,790**	**23,845,093**
Cash and cash equivalents at beginning of year	59,898,140	36,053,047
Cash and cash equivalents at end of year	78,339,930	59,898,140

The accompanying Notes 1 to 20 are an integral part of the statement of cash flows for 2017.

SAETA YIELD, S.A.

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

1. Company activities

Saeta Yield, S.A. ("Saeta" or "the Company") was incorporated as El Recuenco Eólica, Sociedad Limitada on 19 May 2009 and registered in the Mercantile Registry of Madrid in volume 26,842, page 14, sheet M-483.710. It became a public limited liability company on 28 October 2014, and adopted its current name by means of a resolution of the General Shareholders' Meeting on 28 November 2014, which was formalised in a public deed on 2 December 2014, and registered in the Mercantile Registry on 24 December 2014 under entry no. 13.

The Company's registered office is at Avenida de Burgos, nº 16D – 3º izquierda, Madrid.

The Company's corporate purpose, per its Articles of Association, includes the following activities:

a) Promotion, management, design, construction, operation and maintenance of facilities engaged in the production of alternative and renewable energies.

b) Production, sale and/or operation of the energy generated by the facilities described in section a) and, where appropriate, to avail itself of current and/or future legislation to promote the production of alternative and renewable energies.

c) Performance of studies, consultancy work, projects, and research, management and development services related to the aforementioned activities.

d) Administration, management and control of its investees.

The company object may be wholly or partially carried on by the Company indirectly through the ownership of shares or other equity interests in other companies with an identical or similar company object.

The aforementioned list of activities does not necessarily presuppose or imply that they are all carried on simultaneously.

The Company acts as a holding company for investments, in order to incorporate or invest, as a shareholder, in other companies of any type and with any corporate purpose, including associations and civil law partnerships, by subscribing or purchasing and holding shares, without encroaching on any of the activities inherent to collective investment undertakings, securities brokers, broker-dealers, or other entities governed by special laws, and to establish its objectives, strategies and priorities, coordinate the activities of its subsidiaries, define financial objectives, control behaviours and financial efficiency and, in general, carry out the control and management thereof.

The Company's functional currency and that in which it expresses its financial statements is the euro. The figures included in these financial statements are expressed in euros.

On 30 January 2015, the CNMV approved the prospectus for the takeover bid and admission to listing of the Company's shares. The shares started trading on the Spanish Stock Exchanges on 16 February 2015 at an initial price of EUR 10.45 per share. The initial placement plus the Greenshoe placement offer represented a final placement of 51.78% of the Company's shares.

On 21 January 2015, the ACS Group and Global Infrastructure Partners (GIP) reached two agreements under which: (1) GIP would hold a 24% interest in Saeta Yield, S.A. (once the result of the Greenshoe option exercised is reported); and (2) the ACS Group would sell GIP a 49% interest in a new asset development company (Bow Power, S.L.) owned by ACS, which includes certain renewable energy assets on which Saeta Yield, S.A. holds a right of first offer. These transactions were approved by the antitrust authorities in April 2015.

In accordance with the foregoing, and once the necessary conditions were met (change of control authorisations, approval for the transactions by antitrust authorities and the Company's successful admission to listing), on 23 April 2015 GIP purchased the shares representing 24.01% of the share capital of Saeta Yield, S.A. from the ACS Group, and the aforementioned agreements therefore entered into force.

In addition, on 29 January 2015, Saeta Yield, S.A. and ACS Servicios Comunicaciones y Energía, S.L. (ACS SI) signed an agreement for the right of first offer (ROFO) and call option under which ACS SI granted Saeta Yield, S.A.: (a) a right of first offer on the ownership interest that the ACS SI Group has in energy assets in commercial operation that ACS SI intends to sell in the future; and (b) a call option on three solar thermal generation assets in commercial operation, which then became jointly controlled by ACS, S.L. and Saeta Yield, S.A. in 2015. This agreement entered into force in 2015 once all the established conditions were met, and as of 21 April 2015 it was also subrogated by Bow Power, S.L.

This agreement was novated on 28 December 2017. The main amendments of this novation ROFO are as follows:

- Include for all purposes the 90% interest in the share capital of Vientos de Pastorale, S.A., the owner of a wind farm located in Uruguay with a capacity of 52.8 MW.

- ACS SI and/or Bow Power undertake to offer Saeta Yield all the assets included in the agreement prior to 30 June 2019.

- However, ACS SI and/or Bow Power must offer Saeta Yield at least four of the assets in 2018 and at least two in the first half of 2019.

The right of first offer means that Saeta has the right to make an initial offer to acquire, if successful, certain assets established in the agreement before 30 June 2019. This right is not a firm purchase commitment but only an offer for the parties, given that an agreement may not be reached regarding the terms and conditions, in which case ACS is free to sell to third parties at a higher price than the one offered to Saeta. Regarding the financial information of Saeta, given that this agreement is merely a right of first offer and does not involve firm commitments, it will not take effect until the assets are effectively transferred.

With regard to the call option granted by ACS SI to Saeta on its shareholding and subordinated debt of three thermal solar assets, on 22 March 2016 Saeta Yield, S.A. acquired two of the aforementioned assets with a call option. The period of the call option for the third asset ended without the option having been exercised.

The consolidated financial statements for 2017 were prepared by the Company's Board of Directors, together with these separate financial statements, and were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), the consolidated aggregates of which are as follows:

	Thousands of euros
Total assets	2,504,630
Equity:	
Of the Parent	546,962
Of non-controlling interests	-
Revenue	332,569
Parent's profit of the year	36,490

2. Basis of presentation of the financial statements

2.1) Regulatory financial reporting framework applicable to the Company

These financial statements were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate law.
b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
d) All other applicable Spanish accounting legislation.

2.2) Fair presentation

The accompanying financial statements well prepared based on the Company's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position and results of operations for 2017.

The financial statements at 31 December 2017, which were formally prepared by the Company's Board of Directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2016 were formally prepared by the Company's Board of Directors on 28 February 2017 and approved by the shareholders at the Annual General Meeting 21 June 2017 and filed with the Mercantile Registry of Madrid.

2.3) Accounting principles applied

The financial statements were prepared in accordance with the generally accepted accounting principles and measurement bases described in Note 4. All obligatory accounting principles with a significant effect on the financial statements were applied.

2.4) Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying 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 relate basically to the following:

- The useful life of the intangible assets and property, plant and equipment (see Notes 4.1 and 4.2)
- The fair value of certain financial instruments (see Note 4.4)
- The amount of certain provisions and the probability of occurrence (see Note 4.8)
- The recoverability of deferred tax assets (see Note 4.6)
- Risk management (see Note 8)

Although these estimates were made on the basis of the best information available at the date of preparation of these financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the financial statements.

2.5) Comparative information

The information relating to 2017 included in these notes to the financial statements is presented for comparison purposes with that relating to 2016.

2.6) Grouping of items

Certain items in the balance sheet, income statement and statement of changes in equity are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7) Items included under several line items

There are no assets and liabilities included under several line items in 2017.

2.8) Changes in accounting policies

In 2017 there were no significant changes in accounting policies with respect to those applied in 2016.

2.9) Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2016.

3. Distribution of profit

a) Distribution of the Company's profit

The distribution of profit for 2017 that the Company's Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Euros
Profit for 2017	**2,084,476**
Distribution of profit:	
Legal reserve	208,448
Voluntary reserves	1,876,028

4. Accounting policies

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2017, in accordance with that established in the applicable regulatory financial reporting framework, were as follows:

4.1) Intangible assets

As a general rule, intangible assets are recognised initially at acquisition cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

This heading includes the Company's trademarks and logos, as well as licenses for management software.

These assets are amortised on a straight-line basis over the period in which it is estimated that they will contribute to the obtainment of profit by the Group, in accordance with the following:

	Years of estimated useful life
Patents and trademarks	10
Computer software	4

4.2) Property, plant and equipment

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

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

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

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, labour and general manufacturing costs calculated using absorption rates similar to those used for the measurement of inventories).

The Company depreciates its property, plant and equipment by the straight-line method, based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Leasehold reforms	5
Office furniture	10
Computer hardware	5

Impairment of intangible assets and property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets might have suffered an impairment loss. 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 itself cash flows that are independent from other assets, the Company estimates the recoverable amount of the smallest identifiable cash-generating unit to which the asset belongs.

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 recognised as an expense immediately.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4.3) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating leases: Company as lessee

Expenses arising from operating leases are charged to income in the year in which they are incurred.

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

4.4) Financial instruments

4.4.1) Financial assets

The financial assets held by the Company are classified in the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets that, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

c) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and that the Company has the positive intention and ability to hold to the date of maturity.

Initial recognition

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

In the case of equity investments in Group companies affording control over the subsidiary, the fees paid to legal advisors or other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans, receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investments. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

At least at each reporting date 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 this occurs, the impairment loss is recognised in the income statement.

In particular, the Company calculates valuation adjustments relating to trade and other receivables, by taking into account the date on which the receivables are due to be settled and the solvency of the debtors.

The Company derecognises financial assets when the rights to the cash flows from the related financial asset expire or were transferred, and when substantially all the risks and rewards of ownership of the financial asset are transferred.

4.4.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those that, not having commercial substance, cannot be classed 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.

4.4.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5) Share-based payments

The Company recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

The share-based payments of Saeta Yield relate to certain Company executives (Note 14) and, as they are expected to be settled in cash, the corresponding liability was recognised (Note 13).

4.6) Income tax

As of 1 January 2015, the Company, as the Parent of Consolidated Tax Group 485/15, regulated by Title II, Chapter VI of the Spanish Corporate Tax Act (*TRLIS*), files consolidated tax returns. The Company's subsidiaries at 31 December 2017 are as follows:

- Al - Andalus Wind Power, S.L.U.
- La Caldera Energía Burgos, S.L.U.
- Parque Eólico Santa Catalina, S.L.U.
- Eólica del Guadiana, S.L.U.
- Parque Eólico Valcaire, S.L.U.
- Parque Eólico Sierra de las Carbas, S.L.U.
- Parque Eólico Tesosanto, S.L.U.
- Manchasol 2, Central Termosolar Dos, S.L.U.
- Extresol 1, S.L.U.
- Extresol 2, S.L.U.
- Extresol 3, S.L.U.
- Serrezuela Solar II, S.L.U.

Extresol 2, S.L.U. and Extresol 3, S.L.U. became part of the aforementioned Consolidated Tax Group effective as of 1 January 2017, filing individual tax returns in 2016, since they were acquired subsequent to the beginning of the financial year.

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

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and 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, and tax loss and tax credit carryforwards. 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 (loss) nor taxable profit (tax loss).

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

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

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

4.7) Income and expenses

Revenue and expenses are recognised in profit or loss for the year 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.

The interest and dividends arising from holding financial instruments in subsidiaries are recognised under "Revenue", as it is considered a holding company for investments, in accordance with the Spanish Accounting and Audit Institute (ICAC) in ruling 2 of the Official ICAC Gazette no. 79 "on the classification for accounting purposes in separate financial statements of income and expenses of holding companies that apply the Spanish National Chart of Accounts, approved by Royal Decree 1514/2007, and on the calculation of the company's revenue".

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

Revenue from the rendering of management and administrative services to investees is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

The Company recognises realised income at the end of the year in which it is realised, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known.

4.8) Provisions and contingencies

When preparing the financial statements, the Company's Board of Directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but that are uncertain as to their amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events and 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.

The 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 recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

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

4.9) Environmental assets and liabilities

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

Because of its nature as a holding company, the Company's business activities do not have a significant environmental impact.

4.10) Termination benefits

Under current employment legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

The Company's Board of Directors does not expect any significant dismissals or terminations to arise and, accordingly, no provision was recognised in this connection in the accompanying balance sheet at 31 December 2017.

4.11) Related party transactions

The Company performs all its transactions with related parties on an arm's-length basis. Also, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

All the transaction were carried out in the ordinary course of business and related to ordinary Group company transactions.

4.12) Foreign currency transactions and balances

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

The detail of the most significant foreign currency balances, translated to euros at the year-end exchange rate, at 31 December 2007 is as follows (in Euros):

	31/12/2017
Non-current loans to Group companies (Note 7.3)	6,145,155
Current loans to Group companies (Note 7.3)	21,609,518
Cash and cash equivalents (Note 9)	49,170

There were no balances in foreign currency at the end of the period.

4.13) Classification of balances as current and non-current

Balances are classified as non-current and current in the balance sheet. Current balances include balances that the Company expects to sell, consume, pay or realise during its normal operating cycle. The remaining balances are classified as non-current.

4.14) Statement of cash flows

The following terms are used in the statement of cash flows, which were prepared using the indirect method, with the meanings specified:

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

- Operating activities: the Company's principal revenue-producing activities and other activities that are not investing or financing activities (as they are of scant significance), tax payments and collections and interest payments and collections.

- Investing activities: the acquisition and disposal of short-term assets and other investments not included in cash and cash equivalents (asset acquisitions). This also includes changes in loans granted and investments made in Group companies, and payments made for the acquisition of new equity instruments (see Note 7).

- Financing activities: activities that result in changes in equity or financial liabilities. They mainly include dividend payments for 2017 (see Note 10), as well as amortisation payments and provisions for financing agreements (see Note 11), as well as loans received from Group companies (see note 12).

5. Intangible assets

The changes in 2017 and 2016 in "Intangible assets" were as follows:

2017

	Euros		
	Balance at 31/12/2016	Additions	Balance at 31/12/2017
Cost:			
Logos and trademarks	5,280	-	5,280
Computer software	101,891	15,473	117,364
Total cost	**107,171**	**15,473**	**122,644**
Accumulated amortisation:			
Logos and trademarks	(967)	(528)	(1,495)
Computer software	(15,044)	(24,724)	(39,768)
Total accumulated amortisation	**(16,011)**	**(25,252)**	**(41,263)**
Total intangible assets, net	**91,160**	**(9,779)**	**81,381**

2016

	Euros		
	Balance at 31/12/2015	Additions	Balance at 31/12/2016
Cost:			
Logos and trademarks	5,280	-	5,280
Computer software	36,405	65,486	101,891
Total cost	**41,685**	**65,486**	**107,171**
Accumulated amortisation:			
Logos and trademarks	(439)	(528)	(967)
Computer software	(4,047)	(10,997)	(15,044)
Total accumulated amortisation	**(4,486)**	**(11,525)**	**(16,011)**
Total intangible assets, net	**37,199**	**53,961**	**91,160**

The Company did not have any fully depreciated items of property, plant and equipment at 31 December 2017 or 2016.

The additions to intangible assets recognised correspond mainly to software licenses for managing the Company.

There are no intangible assets subject to guarantees nor have any grants been received for the acquisition of the assets recognised.

6. Property, plant and equipment

The changes in 2017 and 2016 in "Property plant and equipment" were as follows:

2017

	Euros		
	Balance at 31/12/2016	Additions	Balance at 31/12/2017
Cost:			
Other plant	27,661	-	27,661
Furniture	108,547	-	108,547
Computer hardware	115,197	11,499	126,696
Total cost	**251,405**	**11,499**	**262,904**
Accumulated depreciation:			
Other plant	(7,240)	(5,529)	(12,769)
Furniture	(13,432)	(10,874)	(24,306)
Computer hardware	(27,193)	(19,083)	(46,276)
Total accumulated depreciation	**(47,865)**	**(35,486)**	**(83,351)**
Total property, plant and equipment, net	**203,540**	**(23,987)**	**179,553**

2016

	Euros		
	Balance at 31/12/2015	Additions	Balance at 31/12/2016
Cost:			
Other plant	16,654	11,007	27,661
Furniture	57,192	51,355	108,547
Computer hardware	99,429	15,768	115,197
Total cost	**173,275**	**78,130**	**251,405**
Accumulated depreciation:			
Other plant	(2,380)	(4,860)	(7,240)
Furniture	(4,495)	(8,937)	(13,432)
Computer hardware	(10,656)	(16,537)	(27,193)
Total accumulated depreciation	**(17,531)**	**(30,334)**	**(47,865)**
Total property, plant and equipment, net	**155,744**	**47,796**	**203,540**

The additions to property, plant and equipment recognised in 2017 relate to improvements made to expand the Company's offices, specifically new computer hardware.

The Company did not have any fully depreciated items of property, plant and equipment at 31 December 2017.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2017 and 2016 year-end these risks were adequately covered.

At 31 December 2017, there was no indication of any impairment of the Company's property, plant and equipment.

Operating leases

At the end of 2017 and 2016 the Company had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions (in euros):

Minimum operating lease payments	**Nominal amount**	**Nominal amount**
	2017	**2016**
Within one year	161,091	150,820
Between one and five years	187,940	109,883
More than five years	-	-
Total	**349,031**	**260,703**

The operating lease payments recognised as an expense in 2017 and 2016 amounted to EUR 165,135 thousand and EUR 143,608 thousand, respectively (Note 18.2).

7. Investments in Group companies and associates

The breakdown of "Non-current investments in Group companies and associates" at year-end 2017 and 2016 is as follows (in euros):

Classes / Categories	Loans, derivatives and other		Investments in equity		TOTAL	
	2017	2016	2017	2016	2017	2016
Equity instruments	-	-	335,261,667	286,417,554	335,261,667	286,417,554
Loans and receivables	222,047,608	313,208,979	-	-	222,047,608	313,208,979
Total	**222,047,608**	**313,208,979**	**335,261,667**	**286,417,554**	**557,309,275**	**599,626,533**

The breakdown of "Current investments in Group companies and associates" at year-end 2017 and 2016 is as follows (in euros):

Classes Categories	Loans, derivatives and other		TOTAL	
	2017	2016	2017	2016
Loans and receivables	150,096,471	80,498,938	150,096,471	80,498,938
Total	**150,096,471**	**80,498,938**	**150,096,471**	**80,498,938**

7.1) Changes in financial investments in Group companies and associates

The changes recognised in 2017 and 2016 were as follows (in euros):

2017

	Balance at 31/12/2016	Additions	Disposals / Charge for the year	Traspasos	Diferencias de cambio	Balance at 31/12/2017
Equity instruments	**286,417,554**	**51,353,153**	**(2,509,040)**	**-**	**-**	**335,261,667**
Long-term investments in Group companies	297,627,247	51,353,153	-	**-**	**-**	348,980,400
Deterioro partcipaciones empresas del grupo	(11,209,693)	-	(2,509,040)	-	-	(13,718,733)
Loans to Group companies	**393,019,361**	**143,631,422**	**(167,296,159)**	**-**	**(1,323,177)**	**368,031,448**
Loans to Group companies:	357,828,784	132,295,852	(136,801,348)	448,507	(1,318,809)	352,492,987
Interest on loans to Group companies:	35,190,577	11,335,570	(30,494,811)	(488,507)	(4,368)	15,538,460
Current accounts with Group companies (Note 17.2)	**688,276**	**10,645,500**	**(7,221,966)**	**-**	**-**	**4,111,810**
Other financial assets (Note 17.2)	**280**	**542**	**-**	**-**	**-**	**822**
Total financial assets	**680,125,471**	**205,630,618**	**(177,027,166)**	**-**	**(1,323,177)**	**707,405,747**

2016

	Balance at 31/12/2015	Additions	Disposals / Charge for the year	Balance at 31/12/2016
Equity instruments	**272,551,059**	**25,076,188**	**(11,209,693)**	**286,417,554**
Long-term investments in Group companies	272,551,059	25,076,188	(11,209,693)	286,417,554
Loans to Group companies	**477,836,604**	**106,345,594**	**(191,162,837)**	**393,019,361**
Loans to Group companies	439,055,397	62,470,012	(143,696,625)	357,828,784
Interest on loans to Group companies	38,781,207	43,875,582	(47,466,212)	35,190,577
Current accounts with Group companies (Note 17.2)	**6,326,977**	**4,511,766**	**(10,150,467)**	**688,276**
Other financial assets (Note 17.2)	**30,152**	**280**	**(30,152)**	**280**
Total financial assets	**756,744,792**	**135,933,828**	**(212,553,149)**	**680,125,471**

In 2017 the following changes were made to the Company's equity instruments:

- In January 2017 Saeta Yield entered into two sale and purchase agreements by virtue of which it acquired all ownership interest in Viensos, S.A. from Abatare Spain, S.L. and all ownership interest in Eskonel Company, S.A. from Constructora San José, S.A. Both companies are located in Uruguay. The takeover was carried out on 25 May 2017, the date on which the conditions precedent of the sale and purchase agreements were met.

  The acquired companies jointly hold all ownership interest in Fingano, S.A. and Vengano, S.A., the owners of two wind farms in operation (Carapé I and Carapé II) and, therefore, Saeta Yield now indirectly owns all ownership interest in these operating companies. The acquisition amounted to a total of EUR 57,724 thousand (EUR 51,300 thousand in investments and EUR 6,426 thousand in the acquisition of loans and interest).

  At the date of authorisation for issue of these financial statements the purchase price had yet to be adjusted, in accordance with the change in the working capital of the companies, but is not expected to be significant.

- In addition, on 15 February 2017 the Saeta Yield Group acquired the Uruguayan company Derisia, S.A. for EUR 3 thousand, which is equal to this company's equity. This company will carry out the operation and maintenance activities for the wind farms acquired in Uruguay.

- On 27 September 2017, Saeta Yield incorporated a company in Portugal under the name Pantenergía, S.A., with a share capital of EUR 50 thousand (fully subscribed by Saeta Yield), through which a sale and purchase agreement was executed on 29 September 2017, by virtue of which all ownership interest was acquired from the ACS Group in the Portuguese company Lestenergia - Exploração de Parques Eólicos, S.A. ("Lestenergia"), a company that is part of the ROFO agreement and the owner of a portfolio of wind farms in operation, whereby Saeta Yield now indirectly owns all ownership interest in this company. The subsidiary Pantenergía, S.A. was granted a loan of EUR 103,675,000 to carry out this acquisition.

  At the date of authorisation for issue of these financial statements the purchase price had yet to be adjusted, the impact of which is not significant.

The changes under "Loans to Group companies" correspond to:

- The issue of new collection rights to Viensos, Eskonel, Pantenergía and Derisia in the amount of EUR 132,295,853, the terms and conditions of which are included in Note 7.3. These loans include:
  - EUR 103,675,000 granted to Pantenergía to purchase Lestenergía, of which a total of EUR 59,054,891 had been repaid in 2017.
  - EUR 7,051,498 granted to Viensos and Eskonel to settle certain accounts payable that they had at the time of purchase and EUR 16,523,215 allocated to repay the debt of their investees (Fingano and Vengano) in order to improve their future cash flows.

- Early repayment of the subordinated debt loans in the amount of EUR 136,801,348.

The additions recognised under "Interest on loans to Group companies" relate to the interest accrued in 2017 on the loans granted to Group companies amounting to EUR 11,335,570.

The decreases recognised under "Interest on loans to Group companies" correspond to interest payments made by investees in the amount of EUR 30,494,812.

7.2) Equity instruments

The most significant information relating to Group companies and associates at 2017 and 2016 year-end is as follows:

2017

Subgroup	Registered office	Thousands of euros					
		% of direct ownership	Share capital	Profit/(Loss)		Other equity	Carrying amount
				Operations	Net		
Extresol 1, S.L.U. (1)	Madrid, Spain	100%	8,918,931	14,613,941	5,160,009	39,247,165	95,992,847
Extresol 2, S.L.U. (1)	Madrid, Spain	100%	22,289,351	16,066,193	2,211,389	(24,031,153)	13,800,620
Extresol 3, S.L.U. (1)	Madrid, Spain	100%	21,252,105	17,432,682	1,131,301	(9,252,171)	11,275,567
Manchasol 2 Central Termosolar Dos, S.L.U. (1)	Madrid, Spain	100%	18,671,340	16,595,383	(1,237,189)	15,174,524	64,164,385
Serrezuela Solar II, S.L.U. (1)	Madrid, Spain	100%	3,006	17,890,480	8,679,513	27,211,131	992
Al-Andalus Wind Power, S.L.U. (1) (1)	Madrid, Spain	100%	17,155,410	17,378,563	5,450,679	(9,858,326)	50,850,869
Parque Eólico Santa Catalina, S.L.U. (1)	Madrid, Spain	100%	9,604,910	5,689,987	894,332	(17,236,257)	14,076,363
Eólica del Guadiana, S.L.U. (1)	Madrid, Spain	100%	14,280,000	3,447,059	151,407	(12,511,472)	8,859,205
Parque Eólico Sierra de las Carbas, S.L.U. (1)	Madrid, Spain	100%	1,655,801	3,440,482	1,044,451	(5,358,611)	13,475,914
Parque Eólico Tesosanto, S.L.U. (1)	Madrid, Spain	100%	2,078,104	4,161,766	1,646,258	(3,220,964)	9,848,491
La Caldera Energía Burgos, S.L.U. (1)	Madrid, Spain	100%	1,008,000	1,597,025	454,307	(5,080,494)	4,066,200
Parque Eólico Valcaire, S.L.U. (1)	Madrid, Spain	100%	305,000	1,330,467	779,254	(18,048)	6,100
Pantenergía, S.A. (1)	Lisbon, Portugal	100%	50,000	283,589	1,138,219	-	50,000
Viensos, S.A.	Montevideo, Uruguay	100%	31,942,645	(1,751)	3,178,935	(8,378,461)	47,929,069
Eskonel Company, S.A.	Montevideo, Uruguay	100%	2,840,382	45,207	37,804	(2,071,133)	861,593
Derisia, S.A.	Montevideo, Uruguay	100%	651	(10,913)	(17,341)	396	3,452
						TOTAL	**335,261,667**

(1) Companies audited by Deloitte
(2) Companies audited by KPMG
(3) Companies audited by PwC

Companies with indirect ownership interest:

Subgroup	Registered office	Thousands of euros					
		% of indirect ownership	Share capital	Profit/(Loss)		Other equity	Carrying amount
				Operations	Net		
Extresol Almacenamiento GNL AIE	Madrid, Spain	100%	10,253	(581)	(581)	46,902	-
Sistemas de Evacuación Albuera SET Olivenza-Vaguadas	Madrid, Spain	59.97%	10,000	566	-	19,476,683	-
Sistema Eléctrico de Conexión Valcaire, S.L. (2)	Madrid, Spain	25%	175,200	184,143	42,013	17,333	-
Lestenergía, S.A. (1)	Lisbon, Portugal	100%	5,000,000	5,211,138	(1,095,683)	12,013,413	-
Fingano, S.A. (3)	Montevideo, Uruguay	100%	34,703,046	6,237,990	2,898,039	(6,268,782)	-
Vengano, S.A. (3)	Montevideo, Uruguay	100%	21,428,069	3,361,404	1,285,609	(2,867,851)	-

(1) Companies audited by Deloitte
(2) Companies audited by KPMG
(3) Companies audited by PwC

2016

Subgroup	Registered office	Thousands of euros					
		% of direct ownership	Share capital	Profit/(Loss)		Other equity	Carrying amount
				Operations	Net		
Extresol 1, S.L.U.	Madrid, Spain	100%	8,918,931	13,762,922	3,826,513	30,705,134	95,992,847
Extresol 2, S.L.U.	Madrid, Spain	100%	22,289,351	14,939,540	(1,100,894)	(27,240,465)	13,800,620
Extresol 3, S.L.U.	Madrid, Spain	100%	21,252,105	15,894,587	(983,395)	(13,651,330)	11,275,567
Manchasol 2 Central Termosolar Dos, S.L.U.	Madrid, Spain	100%	18,671,340	15,318,290	378,990	6,581,888	64,164,385
Serrezuela Solar II, S.L.U.	Madrid, Spain	100%	3,006	16,831,725	5,934,245	20,202,917	992
Al-Andalus Wind Power, S.L.U.	Madrid, Spain	100%	17,155,410	14,379,899	2,258,423	(18,307,790)	50,850,869
Parque Eólico Santa Catalina, S.L.U.	Madrid, Spain	100%	9,604,910	3,658,808	(1,034,889)	(18,669,760)	14,076,363
Eólica del Guadiana, S.L.U.	Madrid, Spain	100%	14,280,000	3,341,637	(161,799)	(13,428,368)	8,859,205
Parque Eólico Sierra de las Carbas, S.L.U.	Madrid, Spain	100%	1,655,801	2,897,065	465,454	(7,228,517)	13,475,915
Parque Eólico Tesosanto, S.L.U.	Madrid, Spain	100%	2,078,104	3,351,334	1,080,729	(4,786,145)	9,848,491
La Caldera Energía Burgos, S.L.U.	Madrid, Spain	100%	1,008,000	1,356,079	216,501	(5,921,934)	4,066,200
Parque Eólico Valcaire, S.L.U.	Madrid, Spain	100%	305,000	1,184,049	597,996	1,049,433	6,100
Extresol Almacenamiento GNL AIE	Madrid, Spain	0%	10,253	(2,443)	(2,443)	49,345	-
Sistema Eléctrico de Conexión Valcaire, S.L.	Madrid, Spain	0%	175,200	232,046	73,396	(16,754)	-
Evacuación Valdecaballeros, S.L.	Madrid, Spain	0%	10,969	(492,404)	(510,761)	18,922,938	-
						TOTAL	**286,417,554**

Companies with indirect ownership interest:

Subgroup	Registered office	Thousands of euros					
		% of indirect ownership	Share capital	Profit/(Loss)		Other equity	Carrying amount
				Operations	Net		
Sistemas de Evacuación Albuera SET Olivenza-Vaguadas	Madrid, Spain	59.97%	10,000	273	-	20,513,410	-

All companies engage in electricity production activities, with the exception of:

- Sistema Eléctrico de Conexión Valcaire, S.L., Sistema de Evacuación Albuera SET Olivenza-Vaguadas and Extresol Almacenamiento GNL, AIE, which engage in the operation of electricity facilities and other assets
- Viensos, S.A., Eskonel, S.A. and Pantenergía, S.A., which engage in the holding of investments
- Derisia, S.A., which engages in the provision of services

None of the investees was listed on any stock market in 2017 or 2016.

In 2017 Tesosanto and Valcaire distributed dividends recognised as revenue (see Notes 17.1 and 18.1).

The Company has not provided any guarantees to its investees in addition to those indicated in Note 16. The project finance granted by credit institutions to investees is without recourse to Saeta Yield, S.A. Project finance is a financing structure that is applied to projects capable in their own right of providing sufficient guarantees to the participating banks with regard to the repayment of the funds borrowed to finance them. Each project is performed through specific companies in which the project's assets are financed, on the one hand, through a contribution of funds by the share holders, which is limited to a given amount, and on the other, through borrowed funds in the form of long-term debt. The debt servicing of these credit facilities or loans is supported by the cash flows generated by the project and by security interests in the project's assets. Certain Group companies definitively assigned to the lenders all collection and other rights and the guarantees arising from the plant construction, operation, maintenance and refurbishment agreements, management and administration services, land use and energy sale and purchase agreements, indemnities for the insurance policies taken out and guarantees pledged on all share capital of certain dependent companies.

At 31 December 2017, the Company analysed the recoverability of the equity investments in Group companies and the loans associated thereto in order to verify whether or not the recoverable amount of these investments is greater than the value recognised in the Company's accounting records.

In order to calculate the recoverable amount of the Group companies, the related impairment tests were carried out in accordance with the method for discounting the shareholder's free cash flows discounted at market rates, based on future projections of subordinated debt repayments and accrued interest, and the distribution of dividends of subsidiaries, taking into consideration, among other factors, any potential restrictions on the annual distribution of cash of the subsidiaries in accordance with the financing agreements of the investees (see Note 4.4.1). The projections include both known data (based on the project agreements) as well as basic assumptions supported by studies performed (on production, envisaged trend in market prices, etc.). In particular, the final remuneration parameters approved in Order ETU/130/2017, of 17 February, were used to determine the revenue of the plants in Spain. For the plants in Uruguay, the provisions of the private agreements in force were used, and prevailing Portuguese legislation was used for the plants in Portugal. Likewise, macroeconomic data projections are made: inflation, interest rate, etc., using the data provided by independent specialised sources (e.g. Bloomberg, Reuters). The average shareholder discount used was calculated based on an average risk-free rate for 10-year Spanish bonds, a market risk premium for the sector –which includes, among others, the regulatory risk premium as the exposure of regulated income is considered adequate by virtue of the various regulations of the countries in which it operates–, an unleveraged beta equal to other similar companies and a debt-to-equity gearing ratio.

At 31 December 2017, the Company had impairment losses on the value of the direct investments in Group companies and the loans associated therewith indicated in Note 7.1.

7.3) Loans and receivables

The breakdown of loans and receivables from Group companies and associates (see Note 17.2) is as follows (in euros):

Classes / Categories	Loans and receivables					
	Non-current		Current		Total	
	2017	2016	2017	2016	2017	2016
Loans to companies	222,047,608	313,208,979	130,445,379	44,619,805	352,492,987	357,828,784
Interest	-	-	15,538,460	35,190,577	15,538,460	35,190,577
Current accounts with Group companies	-	-	4,111,810	688,276	4,111,810	688,276
Other financial assets	-	-	822	280	822	280
Total	**222,047,608**	**313,208,979**	**150,096,471**	**80,498,938**	**372,144,079**	**393,707,917**

The classification by maturity of the breakdown of the long-term loans granted at 2017 and 2016 year-end is as follows (in euros):

Data at 31/12/2017	2019	2020	2021	2022 and subsequent years	Total
Loans to companies	-	-	-	222,047,608	**222,047,608**
Total	**-**	**-**	**-**	**222,047,608**	**222,047,608**

Data at 31/12/2016	2018	2019	2020	2021 and subsequent years	Total
Loans to companies	64,215,861	-	-	248,993,118	**313,208,979**
Total	**64,215,861**	**-**	**-**	**248,993,118**	**313,208,979**

The characteristics of the long- and short-term loans granted by the Company to its investees at 31 December 2017 and 2016 are detailed as follows (in euros):

Company	Type of loan	Start date	Maturity date	2017	2016	Interest rate
Extresol 1, S.L.U.	Subordinated	30/07/2007	30/08/2029	3,796,660	5,426,603	Syndicated debt interest rate + 2%
Extresol 1, S.L.U.	Participating	19/06/2014	31/07/2018	6,500,000	6,500,000	Syndicated debt interest rate + 2%, if profit before tax < 0 Syndicated debt interest rate + 3%, if profit before tax > 0
Extresol 2, S.L.U.	Subordinated	17/12/2009	30/01/2032	25,367,699	25,367,699	Syndicated debt interest rate + 2%
Extresol 2, S.L.U.	Participating	30/03/2015	31/07/2018	651,120	651,120	Syndicated debt interest rate + 2%, if profit before tax < 0 Syndicated debt interest rate + 3%, if profit before tax > 0
Extresol 2, S.L.U.	Participating	23/11/2015	31/07/2018	300,000	300,000	Syndicated debt interest rate + 2%, if profit before tax < 0 Syndicated debt interest rate + 3%, if profit before tax > 0
Extresol 2, S.L.U.	Participating	31/12/2015	31/07/2018	3,200,000	3,200,000	Syndicated debt interest rate + 2%, if profit before tax < 0 Syndicated debt interest rate + 3%, if profit before tax > 0
Extresol 3, S.L.U.	Subordinated	15/04/2011	30/01/2034	11,351,193	11,351,193	Syndicated debt interest rate + 2%
Extresol 3, S.L.U.	Subordinated	23/11/2015	30/01/2034	21,600,000	21,600,000	Syndicated debt interest rate + 2%

Manchasol 2 Central Termosolar II, S.L.U.	Subordinated	03/04/2009	29/04/2029	1,018,294	3,742,509	Syndicated debt interest rate + 2%
Manchasol 2 Central Termosolar II, S.L.U.	Participating	19/06/2014	31/12/2018	24,500,000	24,500,000	Syndicated debt interest rate + 2%, if profit before tax < 0 Syndicated debt interest rate + 3%, if profit before tax > 0
Serrezuela Solar II, S.L.U.	Subordinated	08/04/2014	30/06/2032	-	67,404,517	12M EURIBOR + 3.5%
Serrezuela Solar II, S.L.U.	Participating	from 29/06/2012 to 22/04/2013	30/06/2032	61,274,345	61,274,345	12M EURIBOR + 3.5%, if profit before tax < 0 euros 12M EURIBOR + 4.5%, if profit before tax > 0 euros
Al Andalus Wind Power, S.L.U.	Subordinated	06/04/2006	13/08/2027	4,970,835	10,958,617	Syndicated debt interest rate + 2%
Al Andalus Wind Power, S.L.U.	Participating	23/12/2010	13/07/2027	20,173,547	20,173,547	Syndicated debt interest rate + 2%, if profit before tax < 0 euros Syndicated debt interest rate + 3%, if profit before tax > 0 euros
La Caldera Energía Burgos, S.L.U.	Subordinated	22/06/2008	31/03/2028	124,644	124,644	Syndicated debt interest rate + 2%
La Caldera Energía Burgos, S.L.U.	Subordinated	22/06/2008	31/03/2028	77,078	77,078	Syndicated debt interest rate + 2%
La Caldera Energía Burgos, S.L.U.	Participating	23/12/2010	31/03/2028	1,738,125	1,738,125	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
La Caldera Energía Burgos, S.L.U.	Participating	23/12/2010	31/03/2028	1,074,078	1,074,078	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
P.E. Sierra de las Carbas, S.L.U.	Participating	21/12/2012	31/03/2028	3,067,868	3,067,868	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
P.E. Sierra de las Carbas, S.L.U.	Participating	21/12/2012	31/03/2028	1,914,288	1,914,288	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
P.E. Tesosanto, S.L.U.	Participating	21/12/2012	31/03/2028	5,375,014	5,375,014	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
P.E. Tesosanto, S.L.U.	Participating	21/12/2012	31/03/2028	3,322,993	3,322,993	Syndicated debt interest rate + 1%, if profit before tax < 0 euros Syndicated debt interest rate + 2%, if profit before tax > 0 euros
P.E. Santa Catalina, S.L.U.	Participating	19/06/2014	30/06/2018	24,382,903	24,382,903	If EBIT less the finance cost of the main loan less taxes > [(Project finance rate + 2%)*outstanding balance of the participative loan], then the interest rate applicable to the participating loan is Project finance rate + 2% If EBIT less the finance cost of the main loan less taxes < [(Project finance rate + 2%)*outstanding balance of the participative loan], then the interest rate applicable to the participating loan is 0%
P.E. Santa Catalina, S.L.U.	Participating	01/04/2014	30/06/2018	17,431,902	17,431,902	If EBIT less the finance cost of the main loan less taxes > [(Project finance rate + 2%)*outstanding balance of the participative loan], then the interest rate applicable to the participating loan is Project finance rate + 2% If EBIT less the finance cost of the main loan less taxes < [(Project finance rate + 2%)*outstanding balance of the participative loan], then the interest rate applicable to the participating loan is 0%

P.E. Santa Catalina, S.L.U.	Subordinated	15/04/2008	30/01/2029	4,999,805	4,999,805	Syndicated debt interest rate + 2%
Eólica del Guadiana, S.L.U.	Participating	08/07/2013	30/06/2018	13,620,000	13,620,000	Syndicated debt interest rate, if profit before tax < 0 Syndicated debt interest rate + 1%, if profit before tax > 0
P.E. Valcaire, S.L.U.	Participating	29/05/2013	29/05/2018	18,249,936	18,249,936	6M EURIBOR + 2%, if EBIT < EUR 500 thousand 6M EURIBOR + 2% + 1% over profit after tax, if EBIT > EUR 500 thousand
VIENSOS S.A.	Loan in US dollars	25/05/2017	31/12/2024	3,848,139	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
VIENSOS S.A.	Loan in US dollars	30/05/2017	30/05/2018	537,045	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
VIENSOS S.A.	Loan in US dollars	06/07/2017	30/05/2018	14,380,481	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
VIENSOS S.A.	Loan in US dollars	06/07/2017	31/12/2018	4,778,617	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
ESKONEL COMPANY, S.L.	Loan in US dollars	25/05/2017	31/12/2024	2,297,015	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
ESKONEL COMPANY, S.L.	Loan in US dollars	30/05/2017	30/05/2018	59,672	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
ESKONEL COMPANY, S.L.	Loan in US dollars	06/07/2017	30/05/2018	1,597,833	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
PANTENERGÍA, S.A.	Subordinated	29/09/2017	31/12/2022	44,655,988	-	6M EURIBOR + 3.5% Interest is capitalised on a quarterly basis
DERISIA, S.A	Loan in US dollars	19/05/2017	31/12/2018	255,870	-	Annual USA Libor + 2% Interest is capitalised on a quarterly basis
TOTAL				**352,492,987**	**357,828,784**	

In 2017 and 2016 the interest accrued in relation to the aforementioned loans amounted to EUR 11,335,570 and EUR 13,681,349, respectively, in accordance with the breakdown by company indicated in Note 17.1.

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

As a result of carrying out its activities, the Company is exposed to various financial market risks that it manages by applying risk identification, measurement, concentration limitation and supervision systems.

The Company's Risk Management Policy establishes a framework for action for comprehensive risk management, for both financial and non-financial risks.

The main functions in risk management are as follows:

- Those responsible for the risks will be users or areas closest to the material risk in the company's business area. Accordingly, each business area has the duty to identify the risks associated with the development of its functions and to inform the Compliance Unit of the risks identified and the needs detected, in order to take them into account in the overall risk management framework of the company.

- The Compliance Unit will carry out risk management independently. In addition, along with each of the business areas, it is responsible for identifying all risks affecting the business development of the Saeta Group.

- Internal Audit is responsible for supervising the entire risk management process independently.

- The Audit Committee will oversee the Company's financial risk management model.

- The Appointments and Remuneration Committee will oversee the Company's non-financial risk management model.

The main financial risks to which the Company is exposed include mainly interest rate risk, liquidity risk and credit risk.

a) Market risk: Saeta Yield, as the head of its group of companies, is exposed to all risks to which its investees are exposed, since any risk that may arise at a subsidiary will have an effect thereon through the valuation of investments and the remuneration of dividends thereof. In particular, the activities of the Group companies in Spain and Portugal are carried out in a regulated environment and also depend on whether conditions (wind resources and irradiation, and changes in the price of electricity on the wholesale market). This risk is monitored by the Group, which continuously takes into account the alternatives available on the market to manage this risk.

   Wind farms in Uruguay are under a PPA contract (long term power purchase agreement) thanks to which the farms receive a fixed price per MWh produced, linked to the US economy indices, which mitigates its risks.

b) Interest rate risk: this risk arises from changes in cash flows relating to borrowings bearing floating interest as a result of fluctuations in market interest rates. Although the Company is currently subject to interest rate risk, all credit facilities and loans granted are with Group companies (see Note 7). Management considers that the impact of this risk is not material and, therefore, it was not hedged.

c) Liquidity risk: this risk arises from the timing gaps between the funds required to meet business investment commitments, debt maturities, working capital requirements, dividend payments, etc. and the funds arising from cash generated in the course of the Company's ordinary business activities, different forms of bank financing, capital market transactions and divestments. The Group's sensitivity to liquidity risk is scantly material.

   The objective is to maintain a balance between the funds drawn down and the obligations assumed with shareholders and credit institutions.

   As indicated in Note 9, at 31 December 2017 the Company had a total of EUR 133,839,930 in undrawn credit facilities, which is sufficient to cover its current liquidity needs.

d) Credit risk: in general, the Company holds its cash and cash equivalents at banks with high credit ratings. The main risk associated with customers is due to the concentration of customers with Group companies given the Company's activities.

   With regard to the risk of default on loans granted to Group companies, the Company assesses their recoverability based on an impairment test performed at least once a year (see Note 7.2).

e) Foreign currency risk: the Company is exposed to the euro-US dollar exchange rate, since the companies acquired in Uruguay are remunerated in this currency. In addition, the majority of the expenses and payments (including finance costs) for these projects are also denominated in US dollars, as the US dollar is its functional currency. Accordingly, intragroup loans granted to these companies are therefore denominated in US dollars (see Note 7.3).

   It should be noted that the projects are located in a country with low risk and whose functional currency (US dollar) is a strong currency and, therefore, the Company has not considered it necessary to arrange foreign currency hedges. However, it will analyse the suitability of arranging such hedges in the future. Due to the Company's growth strategy, there is a natural hedging mechanism given that Saeta Yield expects to acquire assets in the future in US dollars.

9. Cash and cash equivalents

The breakdown of this heading at 31 December 2017 and 2016 is as follows (in euros):

	2017	2016
Cash	78,339,930	59,898,140
Cash equivalents	-	-
Total	**78,339,930**	**59,898,140**

At 31 December 2017, the Company had a bank account denominated in US dollars amounting to EUR 49,170 (see Note 4.12).

On 27 March 2015, the Company entered into a Revolving Credit Facility Agreement for a maximum of EUR 80,000,000 with five Spanish and international financial institutions, that has not yet been drawn down. The maturity date of the agreement is 27 March 2018 and interest is accrued biannually at Euribor + 2.75%. In addition, a commitment fee is paid on a quarterly basis. This loan agreement was terminated early on 29 September 2017.

On 29 September 2017, this agreement was replaced by a revolving credit facility (RCF) taken out on 27 July 2017 with a bank syndicate formed by six Spanish and international financial institutions. This line of credit has a limit of EUR 120 million, matures in 3 years on 29 September 2020, and may be extended for an additional 2 years. This line of credit was entered into in the form of a bullet loan, without repayments until its maturity. The loan accrues interest at a floating rate, tied to the EURIBOR, and the line of credit includes commitment fees.

On 29 September 2017, EUR 70 million were drawn down on the line of credit to partially finance the acquisition of Lestenergia by Pantenergía (see Note 7.1).

In 2017 the Company also entered into two lines of credit, one with Liberbank on 2 August 2017 and another with Bankia on 20 November 2017, each of which amounted to EUR 3 million. The loan accrues interest at a floating rate, tied to the EURIBOR. At 31 December 2017, EUR 500,000 had been drawn down on the line of credit granted by Liberbank.

These loan agreements, together with the cash and deposits recognised, meant that at 31 December 2017 the Company had a total of EUR 133,839,930 in undrawn credit facilities (EUR 139,898,140 at 31 December 2016).

10. Equity and shareholders' equity

10.1) Share capital

On 31 December 2017 the Company's share capital amounted to EUR 81,576,928 and was represented by 81,576,928 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and series. All shares of Saeta Yield, S.A. have been admitted to listing on the Spanish Stock Exchanges since 16 February 2015 and are traded on the electronic trading platform.

The breakdown of share capital at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Shares	**% Share capital**	**Shares**	**% Share capital**
Cobra Concesiones, S.L. (*)	19,750,212	24.21%	19,750,212	24.21%
GIP II Helios, S.à.r.l	19,587,058	24.01%	19,587,058	24.01%
Morgan Stanley Investment Management INC	4,138,247	5.07%	4,138,247	5.07%
Saeta Yield treasury shares (Note 10.4)	65,081	0.08%	-	0.00%
Arrowgrass Capital Partners LLP	-	0.00%	2,485,503	3.05%
Chedraoui, Tony	-	0.00%	2,403,253	2.95%
Other shareholders	38,036,330	46.63%	33,212,655	40.71%
Total shares	**81,576,928**	**100%**	**81,576,928**	**100%**

(*) This company is wholly owned by the ACS Group

Each share confers the holder the right to cast one vote and all shares grant the same dividend and voting rights.

10.2) Legal reserve

Under the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the Company must allocate 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2017, the legal reserve had reached 1.20%, amounting to EUR 977,883.

10.3) Share premium

The share premium at 31 December 2017 amounted to EUR 575,427,244 (EUR 637,057,276 at 31 December 2016). The share premium amount arose as a result of the two share capital increases carried out on 31 October 2014 for EUR 143,239 thousand and EUR 408,216 thousand, and the other capital increase carried out on 12 February 2015 for EUR 180,125 thousand, both of which are fully subscribed and paid.

On 21 June 2016, the shareholders at the General Shareholders' Meeting approved the distribution of dividends with a charge to the share premium for up to a total of EUR 100 million, giving the Board of Directors the authority to determine the distribution date and amount until the second quarter of 2017.

On 21 June 2017, the shareholders at the General Shareholders' Meeting approved the distribution of dividends with a charge to the share premium for up to a total of EUR 100 million, giving the Board of Directors the authority to determine the distribution date and amount until the second quarter of 2018.

In 2017 the following dividend payments were made with a charge to the share premium, since the Revised Text of the Spanish Corporate Enterprises Act does not establish any specific restrictions as to the availability of this balance.

- On 07 March 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 28 February 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 22 June 2016.

- On 31 May 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 9 May 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 22 June 2016.

- On 30 August 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1890 per share (equal to a total of EUR 15,413 thousand), approved by the Board of Directors on 13 July 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

- On 29 November 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1903 per share (equal to a total of EUR 15,511 thousand), approved by the Board of Directors on 7 November 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

Therefore, the total amount of dividends paid in 2017, with the charge to the share premium, amounted to EUR 61,630,032, equal to EUR 0.7557 per share, which is in line with the Company's shareholder remuneration policy, updated and reported to the market through a significant event published on 29 May 2017.

10.4) Treasury shares

By resolution of the shareholders at the General Meeting of 27 January 2015, they agreed to authorise the Board of Directors of Saeta Yield, S.A. as well as the boards of its subsidiaries to acquire, during a period of five (5) years from the date of the meeting, at any given time, as many times as deemed appropriate and through any of the means permitted by law, with a charge to profit for the year and/or unrestricted reserves, the shares of Saeta Yield, S.A., the par value of which, added to those already held by the Company and by its subsidiaries, does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable to any given time.

On 26 July 2017, the Company therefore entered into a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial intermediary") for the sole purpose of providing liquidity and regularity to the Company's share price, within the limits established by the Company's shareholders at the Annual General Meeting and by current legislation applicable, in particular that of CNMV Circular 1/2017, of 26 April, on liquidity agreements.

The agreement has a term of 12 months starting from 1 August 2017. However, it's been suspended in February 2017, after TERP Spanish Holdco S.L's announcement of its takeover attempt for 100% of Saeta Yield's shares.

Following the prior purchase period, the Company deposited 51,250 of the Company's shares in the account open with the financial intermediary. The balance of the cash account at 1 August 2017 was EUR 497,125.

The changes in "Treasury shares" following the prior purchase period were as follows:

	2017	
	Number of shares	**Euros**
At beginning of period (1 August 2017)	**51,250**	**495,952**
Purchases	362,090	3,588,593
Sales	(348,259)	(3,454,884)
At end of year	**65,081**	**629,345**

The transactions carried out involved losses in the amount of EUR 25 thousand taken to equity.

11. Current bank borrowings

The balance of "Current bank borrowings" at 31 December 2017 and 2016 is as follows (in euros):

Euros	Current	
	2017	**2016**
Credit facility	70,500,000	-
Debt arrangement expenses	-	-
Accrued interest	364,583	-
Total	**70,864,583**	**-**

As indicated in Note 9, on 29 September 2017 the Company replaced the previous loan agreement with a revolving credit facility (RCF). This line of credit has a limit of EUR 120 million.

On 29 September 2017, EUR 70 million were drawn down on the line of credit to grant a loan to Pantenergía for the purpose of acquiring Lestenergia (see Note 7.1), of which EUR 65 million had been repaid in January 2018 and the remaining amount is expected to be settled in the short term.

In 2017 the Company also entered into two lines of credit, one with Liberbank on 2 August 2017 and another with Bankia on 20 November 2017, each of which amounted to EUR 3 million. At 31 December 2017, EUR 500,000 had been drawn down on the line of credit granted by Liberbank (repaid as of the date of authorisation for each of these financial statements) that was recognised under "Current bank borrowings". This heading also includes the interest accrued as a result of these lines of credit amounting to EUR 361,667 and the fees associated with the financing amounting to EUR 2,916.

By virtue of these loan agreements, in 2017 and 2016 finance costs in the amount of EUR 2,342,820 and EUR 866,108, respectively, were incurred.

12. Non-current and current payables to Group companies and related parties

The detail of non-current and current payables to Group companies and related parties at 2017 and 2016 year-end is as follows (in euros):

Classes / Categories	Accounts payable					
	Non-current		Current		Total	
	2017	2016	2017	2016	2017	2016
Payable to Group companies (Note 17.2)	42,686,012	14,960,826	-	-	42,686,012	14,960,826
Interest on loans with Group companies (Note 17.2)	-	-	-	176,556	-	176,556
Current accounts with Group companies (Note 17.2)	-	-	16,031,227	4,257,490	16,031,227	4,257,490
Other financial liabilities (Note 17.2)	-	-	56,057	56,057	56,057	56,057
Total	**42,686,012**	**14,960,826**	**16,087,284**	**4,490,103**	**58,773,296**	**19,450,929**

At 31 December 2017, EUR 42,686,012 corresponding mainly to loans granted by subsidiaries was included under "Non-current payables to Group companies and related parties". This breakdown by investee is included in Note 17.2.

At 31 December 2017, "Current payables to Group companies and related parties" included EUR 16,087,284, of which EUR 11,189,441 correspond to income tax balances payable, since the Company is the head of the Tax Group (EUR 4,193,624 at 31 December 2016). This heading also includes current accounts with Group companies and other financial liabilities with related companies in the amount of EUR 119,226. This breakdown by company is included in Note 17.2.

13. Trade and other payables

The detail of this heading at 2017 and 2016 year-end is as follows (in euros):

	2017	2016
Accounts payable	999,899	625,744
Remuneration payable	808,550	451,644
Accounts payable to public authorities (Note 15.1)	120,491	166,513
Total	**1,928,940**	**1,243,901**

The balance of accounts payable is comprised mainly of professional services rendered and yet to be invoiced.

The balance of remuneration payable includes mainly the provisions for incentives relating to 2017 and 2016, and the valuation of the share option plan (see Note 14).

13.1) Information on the average period of payment to suppliers

Below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions in Spain.

	Payments made and outstanding at the balance sheet date	
	2017	**2016**
	Days	Days
Average period of payment to suppliers	27	28
Ratio of payments made	27	28
Ratio of payments pending	21	24
	Amount (euros)	**Amount (euros)**
Total payments made	4,806,965	3,204,874
Total payments pending	253,254	6,011

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, accounts payable are considered trade payables for debts with suppliers of goods and services, included under “Trade and other payables” under current liabilities in the balance sheet, including the balances payable to Group companies and without taking into account the provisions recognised.

“Average period of payment to suppliers” is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.
The maximum payment period applicable to the Company in 2017 in accordance with Law 3/2014, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, unless there is an agreement between the parties that establishes the maximum of 60 days.

14. Share-based payment

On 27 July 2016, the Board of Directors approved the 2016 Share Option Plan for executives and the Chief Executive Officer of Saeta, a remuneration scheme that was authorised by the shareholders at the Annual General Meeting held on 22 June 2016. The terms and conditions of this share option plan are as follows:

a) The number of shares subject to the option plan is a maximum of 470,000 shares, of EUR 1 par value each.
b) The exercise price will be EUR 9.31 per share. If the value of the shares are diluted or concentrated, the price will be modified accordingly.
c) Except in certain cases where the employment relationship is terminated early, the options will be exercised in two equal parts, cumulative if the beneficiary so wishes, once two years have elapsed from 1 May 2016 and for a period of two years (up until 30 April 2020).
d) Tax withholdings and taxes to be paid as a result of exercising the share option will be borne exclusively by the beneficiary.

In 2017 no options relating to this share option plan had been exercised. No other plan has been approved and the terms and conditions of the current plan have not been altered.

The Group recognises, on the one hand, the services received as an expense at the date on which they were obtained and, on the other hand, the related liability, since the plan can be settled with equity instruments or in cash. To calculate the cost of the share option plan, the Company used the Black and Scholes formula. At 31 December 2017, a total of EUR 264,057 were accrued (Note 18.3). The market price of Saeta Yield, S.A. shares at 31 December 2017 was and EUR 9.81 per share.

15. Tax matters

15.1) Current tax receivables and tax payables

The detail of current tax receivables and payables in the balance sheets at 31 December 2017 and 2016 is as follows:

ASSETS	2017	2016
Other tax receivables	452,846	452,846
VAT payable	11,256	-
Income tax refundable	9,352,367	4,649,055
Total	**9,816,469**	**5,101,901**

LIABILITIES	2017	2016
VAT payable	-	54,030
Personal income tax withholdings payable	69,657	65,690
Social security taxes payable	50,834	45,693
Other taxes	-	1,100
Total	**120,491**	**166,513**

In 2017 Saeta Yield, S.A. paid EUR 7,019,789 in relation to corporate income tax (EUR 4,649,055 in 2016). As mentioned in Note 4.6, Saeta Yield, S.A. acts as the Parent of the Tax Group and, therefore, the prepayments made in 2017 and 2016 relate to the amount payable by the Tax Group.

At 31 December 2017, the balance of “Income tax refundable” (EUR 9,352,367) relates to the Tax Group’s income tax refundable for 2016 (EUR 2,332,578) received in January 2018 and to the prepayments made in accordance with RDL 2/2016 (EUR 7,019,789).

15.2) Reconciliation of the accounting profit, taxable profit and receivables or payables

The reconciliation of the accounting profit for 2017 and 2016 to the corresponding taxable profit is as follows:

Euros	2017	2016
Accounting profit for the year before tax	2,875,136	30,456
Permanent differences	287,504	11,209,693
Non-deductible net finance costs	585,720	204,171
Taxable profit	**3,748,360**	**11,444,320**
Tax charge at 25%	(937,090)	(2,861,080)
Withholdings	-	16,372
Prepayments	7,019,789	4,649,055
Income tax refundable (Tax Group)	**6,082,699**	**1,804,347**

The Company was appointed as the representative of new tax group 485/15 as of 1 January 2015. The net consolidated tax payable for 2017, which amounted to 0 euros, minus the prepayments made was therefore recognised as a balance receivable from the tax authorities in the amount of EUR 7,019,789.

In addition, the balances receivable from and payable to the companies of the Tax Group, for a net amount payable of EUR 7,423,661, are recognised under "Current investments in Group companies and associates" or "Current payables to Group companies" (see Note 17.2), whereby EUR 6,176,464 correspond to the balance payable for 2017, since throughout the year the companies of the Tax Group paid Saeta a total of EUR 5,239,374 corresponding to income tax 2017.

15.3) Reconciliation of accounting profit to the income tax expense

Income tax is calculated on the basis of the accounting profit determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit.

The reconciliation of the accounting profit for 2017 and 2016 to the income tax expense is as follows:

	2017	2016
Accounting profit before tax	2,875,136	30,456
Permanent differences	287,504	11,209,693
Tax charge at 25%	(790,660)	(2,810,037)
Tax rate adjustments	-	(60)
Total income tax expense recognised in profit or loss	**(790,660)**	**(2,810,097)**

15.4) Deferred tax assets recognised

The detail of this heading at the close of 2017 and 2016 is as follows:

	Balance at 31/12/2016	Income tax adjustment for 2016	Additions	Balance at 31/12/2017
Temporary differences (deferred tax assets)				
Non-deductible net finance costs	259,602	(9,518)	146,430	396,514
Total deferred tax assets	**259,602**	**(9,518)**	**146,430**	**396,514**

	Balance at 31/12/2015	Income tax adjustment for 2015	Additions	Tax rate adjustment	Balance at 31/12/2016
Temporary differences (deferred tax assets)					
Non-deductible net finance costs	208,055	564	51,043	(60)	259,602
Total deferred tax assets	**208,055**	**564**	**51,043**	**(60)**	**259,602**

The amount of the temporary differences relates to the tax effect of following items:

- The non-deductible net finance costs for the year based on Royal Decree-Law 12/2012, of 30 March, limiting the deduction of net finance costs, in general, to a maximum of 30% of operating profit for the year. For these purposes, the law considers “net finance costs” to be the excess finance costs with respect to the income arising from the transfer to third parties of own capital accrued in the tax period. In any case, up to EUR 1 million, calculated for the tax group, in net finance costs for the tax period may be deducted without any limit imposed. The net finance costs that have not been deducted may be deducted in subsequent tax periods. These net finance costs are adjusted in accordance with the maximum deductible tax charge of the Tax Group.

The deferred tax assets indicated above were recognised on the balance sheet because the Company’s Board of Directors considered that, based on its best estimate of the Company’s future earnings, in accordance with the Company’s economic and financial model and the expected cash flows, it is likely that these assets will be recovered within a maximum period of ten years as required by the applicable regulatory framework.

15.5) Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitely settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitation period has expired. At 31 December 2017, the Company has the last four years open for review for all the taxes applicable to it, except for income tax, for which it has all years since 2012 open for review. The Company’s directors consider that the tax returns for the various taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements for the year ended 31 December 2017 and, thus, no provision was recognised in this connection.

Also, Law 34/2015, of 21 September, on General Taxation partially amending Law 58/2003, of 17 December, establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the day on which the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

16. Guarantee commitments to third parties

At 31 December 2017 and 2016, the Company had provided EUR 600,905 in guarantees to third parties relating to the lease agreements of one of the plants of Al-Andalus Wind Power, S.L.U. in the amount of EUR 525,110 and to the leases for the company’s offices in the amount of EUR 75,795.

17. Transactions and balances with related parties

The following information relating to transactions with related parties is disclosed in accordance with the Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and applied through the Spanish National Securities Market Commission.

Following are the transactions performed by the Company in 2017 and 2016 with its related parties, differentiating between the Company’s significant shareholders, members of the Board of Directors, managers, and other related parties.

17.1) Related party transactions

2017

Expenses	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Expenses:				
Staff costs	-	**(1,389,483)**	-	-
Finance costs:	**-**	**-**	**(1,265,915)**	**-**
- Extresol 1	-	-	(246,601)	-
- PE Tesosanto	-	-	(43,826)	-
- PE Sierra Las Carbas	-	-	(116,534)	-
- La Caldera Energía Burgos	-	-	(39,685)	-
- Eólica del Guadiana	-	-	(9,484)	-
- PE Santa Catalina	-	-	(181)	-
- Serrezuela Solar II	-	-	(809,603)	-
Total expenses	**-**	**(1,389,483)**	**(1,265,915)**	**-**

Income	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Income:				
Interest on loans	**-**	**-**	**11,335,570**	**-**
- Extresol 1	-	-	387,782	-
- Extresol 2	-	-	1,430,236	-
- Extresol 3	-	-	1,596,540	-
- Manchasol 2	-	-	1,392,031	-
- Serrezuela Solar II	-	-	2,935,190	-
- Al Andalus Wind Power	-	-	939,067	-
- PE Santa Catalina	-	-	156,072	-
- Eólica del Guadiana	-	-	418,239	-
- PE Tesosanto	-	-	227,511	-
- PE Sierra Las Carbas	-	-	130,317	-
- La Caldera Energía Burgos	-	-	78,834	-
- PE Valcaire	-	-	333,065	-
- Pantenergía	-	-	853,691	-
- Derisia	-	-	5,849	-
- Viensos	-	-	367,570	-
- Eskonel	-	-	83,577	-
Dividends	-	-	**2,221,596**	-
- PE Tesosanto	-	-	635,168	-
- PE Valcaire	-	-	1,586,428	-
Management or collaboration agreements	**-**	**-**	**3,602,082**	**301,752**
- Extresol 1	-	-	301,752	-
- Extresol 2	-	-	301,752	-
- Extresol 3	-	-	301,752	-
- Manchasol 2	-	-	301,752	-
- Serrezuela Solar II	-	-	301,752	-
- Al Andalus Wind Power	-	-	966,436	-
- PE Santa Catalina	-	-	357,784	-
- Eólica del Guadiana	-	-	198,846	-
- PE Tesosanto	-	-	222,364	-
- PE Sierra Las Carbas	-	-	179,941	-
- La Caldera Energía Burgos	-	-	95,354	-
- PE Valcaire	-	-	72,597	-
- Manchasol 1	-	-	-	301,752
Other income	**-**	**-**	**197,778**	**-**
- Extresol 1	-	-	16,659	-
- Extresol 2	-	-	16,659	-
- Extresol 3	-	-	16,659	-
- Manchasol 2	-	-	36,059	-
- Serrezuela Solar II	-	-	40,502	-
- Al Andalus Wind Power	-	-	15,961	-
- PE Santa Catalina	-	-	6,885	-
- Eólica del Guadiana	-	-	11,287	-
- PE Tesosanto	-	-	9,428	-
- PE Sierra Las Carbas	-	-	8,788	-
- La Caldera Energía Burgos	-	-	9,654	-
- PE Valcaire	-	-	9,237	
Total income	**-**	**-**	**17,357,026**	**301,752**

Other transactions	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Net repayment or cancellation of loans (Note 7.1)	-	-	136,801,348	-
Net contribution of loans (Note 7.1)	-	-	(132,295,853)	-
Loan interest payments (Note 7.1)	-	-	30,494,812	-
Proceeds relating to financial liabilities (Note 17.2)			26,282,714	
Impairment on investments (Note 7.1)	-	-	(2,509,040)	-
Dividends and other profit distributed	(29,718,663)	(32,455)	-	-

2016

Expenses	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Expenses:				
Staff costs (Note 17.3)	-	(1,265,288)	-	-
Finance costs:	**-**	**-**	**(176,556)**	**-**
- Extresol 1	-	-	(93,030)	-
- PE Tesosanto	-	-	(15,852)	-
- PE Sierra Las Carbas	-	-	(50,480)	-
- La Caldera Energía Burgos	-	-	(17,194)	-
Total expenses	**-**	**(1,265,288)**	**(176,556)**	**-**

Income	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Income:				
Revenue	**-**	**-**	**13,681,349**	**-**
- Extresol 1	-	-	636,729	-
- Extresol 2	-	-	1,140,305	-
- Extresol 3	-	-	1,272,896	-
- Manchasol 2	-	-	1,660,613	-
- Serrezuela Solar II	-	-	6,089,293	-
- Al Andalus Wind Power	-	-	1,424,876	-
- PE Santa Catalina	-	-	163,499	-
- Eólica del Guadiana	-	-	475,406	-
- PE Tesosanto	-	-	239,904	-
- PE Sierra Las Carbas	-	-	137,415	-
- La Caldera Energía Burgos	-	-	82,820	-
- PE Valcaire	-	-	357,593	-
Management or collaboration agreements	**-**	**-**	**3,343,394**	**429,532**
- Extresol 1	-	-	297,000	-
- Extresol 2	-	-	230,734	66,266
- Extresol 3	-	-	230,734	66,266
- Manchasol 2	-	-	297,000	-
- Serrezuela Solar II	-	-	297,000	-
- Al Andalus Wind Power	-	-	922,097	-
- PE Santa Catalina	-	-	367,348	-
- Eólica del Guadiana	-	-	189,351	-
- PE Tesosanto	-	-	196,626	-
- PE Sierra Las Carbas	-	-	162,239	-
- La Caldera Energía Burgos	-	-	88,667	-
- PE Valcaire	-	-	64,598	-
- Manchasol 1	-	-	-	297,000
Other income	**-**	**-**	**2,760**	**-**
- Extresol 1	-	-	552	-
- Extresol 2	-	-	552	-
- Extresol 3	-	-	552	-
- Manchasol 2	-	-	552	-
- Serrezuela Solar II	-	-	552	-
Total income	**-**	**-**	**17,027,503**	**429,532**

Other transactions	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Net repayment or cancellation of loans (Note 7.1)	-	-	143,696,625	-
Loan interest payments (Note 7.1)	-	-	47,466,212	-
Net contribution of loans (Note 7.1)	-	-	(30,194,233)	-
Proceeds relating to financial liabilities (Note 17.2)	-	-	14,960,826	-
Dividends and other profit distributed	(28,609,996)	(29,764)	-	-
Financial asset purchases (shares and subordinated debt)	-	-	-	(117,740,433)

In 2017 the interest on loans to Group companies amounting to EUR 11,335,570 (EUR 13,681,349 in 2016) was recognised under "Revenue" in the accompanying income statement (Note 4.7). Dividends were also received in the amount of EUR 2,221,596.

In addition, trade balances in relation to the agreements for managing assets of investees were recognised in the amount of EUR 3,602,082 (EUR 3,343,394 in 2016) and trade balances in relation to the agreements for managing assets of related companies were recognised in the amount of EUR 301,752 (EUR 429,532 in 2016).

The finance costs arising from Group companies relate to the interest accrued on the restricted loans granted by Group companies to Saeta in the amount of EUR 1,265,915 (see Notes 12 and 17.2).

17.2) Related party balances

2017

2017	Euros - Balance receivable						
	Long-term loans (Note 7.3)	**Short-term loans (Note 7.3)**	**Interest Db (Note 7.3)**	**Income tax Db (Notes 7.1 and 7.3)**	**Current account Db (Notes 7.1 and 7.3)**	**Trade receivables**	**Other financial assets (Notes 7.1 and 7.3)**
Extresol 1, S.L.U.	3,796,660	6,500,000	387,782	557,887	1,776	35,235	-
Extresol 2, S.L.	25,367,699	4,151,120	7,635,182	-	2,532	35,235	-
Extresol 3, S.L.	32,951,193	-	4,049,378	-	2,457	35,235	-
Manchasol 2, Central Termosolar Dos, S.L.U.	1,018,294	24,500,000	-	539,827	1,316	30,427	-
Serrezuela Solar II, S.L.U.	61,274,345	-	1,244,832	900,603	1,295	30,427	-
Al Andalus Wind Power, S.L.U.	25,144,382	-	851,725	1,343,422	1,171	155,597	-
La Caldera Energía Burgos, S.L.U.	3,013,925	-	104,133	80,769	1,457	25,272	-
Parque Eólico Sierra de las Carbas, S.L.U.	4,982,156	-	130,317	209,924	1,578	38,285	-
Parque Eólico Tesosanto, S.L.U.	8,698,007	-	227,511	-	1,279	48,011	-
Parque Eólico Santa Catalina, S.L.U.	4,999,805	41,814,805	156,266	-	-	83,285	-
Eólica del Guadiana, S.L.U.	-	13,620,000	418,269	-	-	37,413	-
Parque Eólico Valcaire, S.L.U.	-	18,249,936	333,065	133,349	1,341	21,781	-
Extresol Almacenamiento GNL	-	-	-	-	-	-	218
Extresol Zonas comunes, A.I.E.	-	-	-	-	-	-	386
Viensos, S.A.	3,848,139	19,696,144	-	-	-	-	-
Eskonel Company, S.A.	2,297,015	1,657,505	-	-	-	-	-
Derisia, S.A.	-	255,870	-	-	12,198	-	218
Pantenergía, S.A.	44,655,988	-	-	-	-	-	-
Lestenergía Exploração de Parques Eolicos, S.A.	-	-	-	-	317,630	-	-
Manchasol 1, S.L.	-	-	-	-	-	30,490	-
Total	**222,047,608**	**130,445,379**	**15,538,460**	**3,765,780**	**346,030**	**606,692**	**822**

2017	Euros - Balance payable				
	Non-current payables	**Current payables**	**Other financial liabilities**	**Current account Cr**	**Income tax Cr**
	(Note 12)	**(Note 12)**	**(Note 12)**	**(Note 12)**	**(Note 12)**
Cobra Instalaciones y Servicios, S.A.	-	-	(1,260)	-	-
Cobra Concesiones, S.L.	-	-	(54,649)	-	-
Evacuacion Valdecaballeros	-	-	(148)	-	-
La Caldera Energía Burgos, S.L.U.	(1,556,879)	-	-	-	-
Parque Eólico Santa Catalina, S.L.U.	(12,192)	-	-	(3,523)	(4,539,451)
Eólica del Guadiana, S.L.U.	(380,302)	-	-	(59,632)	(3,766,658)
Parque Eólico Sierra de las Carbas, S.L.U.	(4,583,105)	-	-	-	-
Parque Eólico Tesosanto, S.L.U.	(2,015,274)	-	-		(1,184,104)
Manchasol 2, Central Termosolar Dos, S.L.U.	-	-	-	(15)	-
Extresol 3, S.L.U.	-	-	-	-	(748,258)
Extresol 2, S.L.U.	-	-	-	-	(950,970)
Extresol 1, S.L.U.	(9,901,468)	-	-	-	-
Serrezuela Solar II, S.L.U.	(24,236,792)	-	-	-	-
Eskonel Company, S.A.	-	(4,778,617)	-	-	-
Total	**(42,686,012)**	**(4,778,617)**	**(56,057)**	**(63,169)**	**(11,189,441)**

Non-current payables relate to loans entered into between Saeta and the companies indicated above. These loans accrue interest at the same rate as that applied to the syndicated loan of the subsidiary during the same period, plus a spread of 2%, and that matures on 30 June 2029 (for Extresol 1) and on 21 December 2027 for all other companies.

In 2017 these loans were increased by EUR 26,282,715 and EUR 1,442,471 in interest were capitalised.

2016

2016	Euros - Balance receivable						
	Long-term loans	Short-term loans	Interest Db	Income tax Db	Current account Db	Trade receivables	Other financial assets
	(Note 7.3)	(Note 7.3)	(Note 7.3)	(Note 7.3)	(Note 7.3)		(Note 7.3)
Extresol Almacenamiento GNL	-	-	-	-	-	-	217
Extresol 2, S.L.	29,518,819	-	12,568,518	-	1,900	29,948	-
Extresol 3, S.L.	32,951,194	-	2,452,838	-	2,021	(29,948)	-
Manchasol 1, S.L.	-	-	-	-	-	89,843	63
Al Andalus Wind Power, S.L.U.	31,132,164	-	1,424,875	127,506	902	141,466	-
La Caldera Energía Burgos, S.L.U.	3,013,925	-	268,319	4,423	1,124	21,941	-
Parque Eólico Santa Catalina, S.L.U.	46,814,805	(195)	1,645,084	-	-	109,869	-
Eólica del Guadiana, S.L.U.	-	13,620,000	436,056	-	-	48,485	-
Parque Eólico Valcaire, S.L.U.	18,249,936	-	-	26,720	1,242	9,443	-
Parque Eólico Sierra de las Carbas, S.L.U.	4,982,155	-	137,416	14,468	1,204	42,078	-
Parque Eólico Tesosanto, S.L.U.	8,698,007	-	239,905	-	981	51,636	-
Manchasol 2, Central Termosolar Dos, S.L.U.	3,742,509	24,500,000	8,665,255	-	912	-	-
Extresol 1, S.L.U.	5,426,603	6,500,000	636,729	107,621	1,514	(2)	-
Serrezuela Solar II, S.L.U.	128,678,862	-	6,715,582	394,616	1,122	-	-
Total	**313,208,979**	**44,619,805**	**35,190,577**	**675,354**	**12,922**	**514,759**	**280**

2016	Euros - Balance payable				
	Non-current payables	Interest Cr	Other financial liabilities	Current account Cr	Income tax Cr
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)
Cobra Instalaciones y Servicios, S.A.	-	-	(1,260)	-	-
Cobra Concesiones, S.L.	-	-	(54,649)	-	-
Evacuacion Valdecaballeros	-	-	(148)	-	-
La Caldera Energía Burgos, S.L.U.	(1,500,000)	(17,194)	-	-	-
Parque Eólico Santa Catalina, S.L.U.	-	-	-	(3,800)	(1,274,142)
Eólica del Guadiana, S.L.U.	-	-	-	(60,066)	(1,192,033)
Parque Eólico Sierra de las Carbas, S.L.U.	(4,393,486)	(50,480)	-	-	-
Parque Eólico Tesosanto, S.L.U.	(1,364,879)	(15,852)	-	-	(1,325,224)
Manchasol 2, Central Termosolar Dos, S.L.U.	-	-	-	-	(402,225)
Extresol 1, S.L.U.	(7,702,461)	(93,030)	-	-	-
Total	**(14,960,826)**	**(176,556)**	**(56,057)**	**(63,866)**	**(4,193,624)**

17.3) Remuneration of directors and senior executives

The Board of Directors was comprised of 8 directors (7 men and 1 woman) at 31 December 2017, and 9 directors in 2016 (8 men and 1 woman). The members of the Board of Directors, as the Company's managing body, were appointed at the General Shareholders' Meeting of 20 January 2015.

In 2017 the Board members of Saeta Yield, S.A. and senior executives received the following remuneration:

	Salaries	Bylaw-stipulated emoluments	Other items	Pension plans	Insurance premiums	TOTAL
Directors	761,196	48,777	59,757	-	1,000	870,730
Senior executives	426,283	0	91,229	-	1,241	518,753
Total	**1,187,479**	**48,777**	**150,986**	-	**2,241**	**1,389,483**

In 2016 the remuneration received by directors and senior executives was as follows:

	Salaries	Articles of Association-stipulated emoluments	Other items	Pension plans	Insurance premiums	TOTAL
Directors	638,260	32,760	64,750	-	1,000	736,770
Senior executives	421,793	0	105,544	-	1,181	528,518
Total	**1,060,054**	**32,760**	**170,294**	-	**2,181**	**1,265,288**

Furthermore, the Company has not granted any loans or advances to the directors and there are no pension or life insurance obligations to them, except for the Chief Executive Officer, in his role as executive director, with whom the Parent has assumed life insurance obligations, the premium of which amounted to EUR 1,000 at 31 December 2017.

There were no pension or life insurance obligations to the former or current members of the Board of Directors, except for that mentioned above.

Information relating to the share option plan for executives and the Chief Executive Officer is detailed in Note 14.

18. Revenue and expenses

18.1) Revenue and other operating income

The Company carries out its activities in Spain.

The breakdown, by activity, of the revenue for 2017 and 2016 is as follows:

Description	Euros	
	2017	2016
Interest on loans granted (Note 17.1)	11,335,570	13,681,349
Management or collaboration agreements (Note 17.1)	3,602,082	3,343,394
Rebillings (Note 17.1)	197,778	2,761
Services to third parties (Note 17.1)	301,752	429,532
Dividends (Note 17.1)	2,221,596	-
Other income	25,407	-
Total	**17,684,185**	**17,457,036**

18.2) Other operating expenses

The detail of “Other operating expenses” in the accompanying income statements for 2017 and 2016 is as follows:

Description	Euros	
	2017	**2016**
Leases and royalties	232,181	213,605
Independent professional services	2,764,169	2,137,255
Insurance premiums	282,620	237,736
Banking services	31,735	7,925
Entertainment expenses	-	1,551
Utilities and supplies	30,616	33,633
Other services	335,867	185,854
Taxes other than income tax	2,737	1,133
Total	**3,679,925**	**2,818,692**

The increase in expenditure for “Independent professional services” corresponds mainly to the expenses incurred by the Company for various consulting services provided, mostly due to the acquisition of new assets.

18.3) Staff costs

The following items are recognised under “Staff costs”:

Description	Euros	
	2017	**2016**
Wages and salaries	2,776,054	2,052,301
Employee benefit costs	562,123	312,603
TOTAL	**3,338,177**	**2,364,904**

The number of employees in 2017 and 2016, by professional category, was as follows:

	Number of employees at 31/12/2017			Number of employees at 31/12/2016		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Senior executives	3	2	**5**	3	2	**5**
Line personnel and middle management	21	5	**26**	19	5	**24**
Clerical staff	6	12	**18**	6	9	**15**
Manual workers	-	-	**-**	-	-	**-**
Total	**30**	**19**	**49**	**28**	**16**	**44**

The average number of employees at the Company at 31 December 2017 and 2016, by category and gender, is as follows:

	Average number of employees at 31/12/2017			Average number of employees at 31/12/2016		
	Men	Women	Total	Men	Women	Total
Senior executives	3	2	**5**	3	2	**5**
Line personnel and middle management	16	5	**21**	18	5	**23**
Clerical staff	5	10	**15**	5	8	**13**
Manual workers	-	-	**-**	-	-	**-**
Total	**24**	**17**	**41**	**26**	**15**	**41**

The Company did not have any employees with a disability greater than 33% in 2017. The Company did not have any employees with a disability greater than or equal to 33% in 2016.

19. Other information

19.1) Detail of investments in companies engaging in similar activities and of the activities carried on by members of the Board of Directors as independent professionals or as employees

Article 229 of the Spanish Corporate Enterprises Act, amended by Law 31/2014, of 3 December 2014, stipulates that any conflicts of interest involving the directors must be disclosed in the notes to the financial statements.

At the end of 2017 and 2016, neither the members of the Board of Directors of Saeta Yield, S.A. nor any persons related thereto, as defined in the Spanish Corporate Enterprises Act, reported to the other members of the Board of Directors any direct or indirect conflict of interest with the Company's interests.

At the end of 2017 and 2016 the members of the Board of Directors of the Company did not hold any investments in the share capital of non-Group companies engaging in an activity that is identical, similar or complementary to the activity constituting the Company's corporate purpose.

The positions held or duties carried out by the directors at companies of significant shareholders and/or entities of their group at 31 December 2017 are as follows:

Director	Company	Position
José Luis Martínez Dalmau	Escal UGS, S.L.	Director
José Barreiro	SVP Global	Director
	Fundación Microfinanzas BBVA	Trustee
Cristina Aldámiz-Echevarría González de Durana	ACS, Actividades de Construcción y Servicios, S.A.	Director of Finance and Corporate Development
	Masmovil Telecom 3.0, S.A.	Director
	Bow Power, S.L.	Director

Director	Company	Position
Juan Cristóbal González Wiedmaier	ACS Servicios Comunicaciones y Energía, S.A.	Finance director
	Hydro Management, S.L.	Member
	Kincardine Offshore Windfarm Limited	Director
	Iberoamericana de Hidrocarburos, S.A. de C.V.	Proprietary director
	Monclova Pirineos Gas, S.A. de C.V.	Proprietary director
	Consorcio Especializado en Medio Ambiente, S.A. de C.V.	Proprietary director
	Cobra Gestión de Infraestructuras, S.A.U.	Finance director
Antoine Kerrenneur	Global Infrastructure Partners	Director
Paul Jeffery	UK Power Networks	Director
	Southern Gas Networks	Director
	Scotland Gas Networks	Director
Deepak Agrawal	Global Infrastructure Partners	Shareholder
	Bow Power, S.L.	Director
	Manchasol 1 central termosolar uno, S.L.	Director
	Equis Energy	Director

19.2) Auditor's fees

The fees for audit services provided to Saeta Yield, S.A. amounted to:

2017	Euros			
	Financial audit services	Other attest services	Tax counselling	Other services
Deloitte, S.L.	134,501	-	-	137,500
Total	**134,501**	**-**	**-**	**137,500**

2016	Euros			
	Financial audit services	Other attest services	Tax counselling	Other services
Deloitte, S.L.	123,700	-	-	-
Total	**123,700**	**-**	**-**	**-**

20. Events after the reporting date

In January 2018, Saeta Yield repaid EUR 65 million towards the revolving credit facility (RCF), whereby the balance sheet drawn down after this repayment totalled EUR 5 million. The Company also repaid the EUR 500 thousand drawn down on its bilateral lines of credit.

On 19 January 2018, the Board of Directors of Saeta Yield approved the payment for the fourth quarter of 2017, which entailed a credit against the share premium of EUR 0.1967 per share (a total of approximately EUR 16.04 thousand). This payment will be made on 28 February 2018.

On 7 February 2018, TERP Spanish Holdco S.L. announced its intent to launch a takeover bid for 100% of the shares of Saeta Yield, S.A. at a price of EUR 12.20 per share. For further information, please see the significant event published with the CNMV under registration number 261371.

On 7 February 2017, and in accordance with Spanish National Securities Market Commission Circular 1/2017, of 26 April, on liquidity agreements, Saeta Yield, S.A. suspended the transactions of its liquidity agreement.

DIRECTORS' REPORT

Business performance and situation of the Company

Since October 2014, the Company has performed its activities as the Parent of the Saeta Group, through investments in the share capital of the companies constituting the Group, and provides management services to the same companies and other related parties.

In the year ended 31 December 2017, the Company recognised EUR 13,557,166 in revenue and made a profit of EUR 2,084,476.

In 2018 the Company is expected to post moderate growth in revenue and net operating profit, in like-for-like terms, since the price of electricity on the wholesale market, which has an impact on operating income, is expected to increase and operating costs are likely to remain the same. It is also estimated that the Company's interest income from loans will remain the same, since high volatility in the EURIBOR is not expected.

Main business risks

As a result of carrying out its activities, the Company is exposed to various financial market risks that it manages by applying risk identification, measurement, concentration limitation and supervision systems.

The Company's Risk Management Policy establishes a framework for action for comprehensive risk management, for both financial and non-financial risks.

The main functions in risk management are as follows:

- Those responsible for the risks will be users or areas closest to the material risk in the company's business area. Accordingly, each business area has the duty to identify the risks associated with the development of its functions and to inform the Monitoring Committee of the risks identified and the needs detected, in order to take them into account in the overall risk management framework of the company.

- The Monitoring Unit will carry out risk management independently. In addition, along with each of the business areas, it is responsible for identifying all risks affecting the business development of the Saeta Group.

- Internal Audit is responsible for supervising the entire risk management process independently.

- The Audit Committee will oversee the company's financial risk management model.

- The Appointments and Remuneration Committee will oversee the company's non-financial risk management model.

The main financial risks to which the Company is exposed include mainly market risk, interest rate risk, liquidity risk and credit risk.

a) Market risk: Saeta Yield, as the head of its group of companies, is exposed to all risks to which its investees are exposed, since any risk that may arise at a subsidiary will have an effect thereon through the valuation of investments and the remuneration of dividends thereof. In particular, the activities of the Group companies in Spain and Portugal are carried out in a regulated environment and also depend on whether conditions (wind resources and irradiation, and changes in the price of electricity on the wholesale market). This risk is monitored by the Group, which continuously takes into account the alternatives available on the market to manage this risk.

   However, it's been suspended in February 2017, after TERP Spanish Holdco S.L's announcement of its takeover attempt for 100% of Saeta Yield's shares.

b) Interest rate risk: this risk arises from changes in cash flows relating to borrowings bearing floating interest as a result of fluctuations in market interest rates. Although the Company is subject to interest rate risk, all credit facilities and loans granted are with Group companies (see Note 7). Management considers that the impact of this risk is not material and, therefore, it was not hedged.

c) Liquidity risk: this risk arises from the timing gaps between the funds required to meet business investment commitments, debt maturities, working capital requirements, etc. and the funds arising from cash generated in the course of the Group's ordinary business activities, different forms of bank financing, capital market transactions and divestments. The Group's sensitivity to liquidity risk is scantly material.

   The objective is to maintain a balance between the funds drawn down and the obligations assumed with shareholders and credit institutions.

   In February 2015 and at the same time as the Saeta Yield, S.A. public offering (see Note 11), the ACS Group increased share capital by EUR 200 million, a portion of which was allocated to increase the level of cash of Saeta Yield, S.A.

d) Credit risk: in general, the Company holds its cash and cash equivalents at banks with high credit ratings. The main risk associated with customers is due to the concentration of customers with Group companies given the Company's activities.

   With regard to the risk of default on loans granted to Group companies, the Company assesses their recoverability based on an impairment test performed at least once a year (see Note 7.2).

e) Foreign currency risk: the Company is exposed to the euro-US dollar exchange rate, since the companies acquired in Uruguay are remunerated in this currency. In addition, the majority of the expenses and payments (including finance costs) for these projects are also denominated in US dollars, as the US dollar is its functional currency. Accordingly, intragroup loans granted to these companies are therefore denominated in US dollars (see Note 7.3).

   It should be noted that the projects are located in a country with low risk and whose functional currency (US dollar) is a strong currency and, therefore, the Company has not considered it necessary to arrange foreign currency hedges. However, it will analyse the suitability of arranging such hedges in the future. Due to the Company's growth strategy, there is a natural hedging mechanism given that Saeta Yield expects to acquire assets in the future in US dollars.

Research and development activities

The Company did not allocate any of its funds to activities of this nature during the year.

Acquisition of treasury shares

In 2017 the Company entered into a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial intermediary") for the sole purpose of providing liquidity and regularity to the Company's share price, within the limits established by the Company's shareholders at the Annual General Meeting and by current legislation applicable, in particular that of CNMV Circular 1/2017, of 26 April, on liquidity agreements.

The agreement has a term of 12 months starting from 1 August 2017. However, the agreement was suspended in February 2017 after TERP Spanish Holdco, S.L. announced its intent to launch a takeover bid for all the shares of Saeta Yield, S.A.

Following the prior purchase period, the Company deposited 51,250 of the Company's shares in the account open with the financial intermediary. The balance of the cash account at 1 August 2017 was EUR 497,125.

The changes in "Treasury shares" following the prior purchase period were as follows:

	2017	
	Number of shares	**Euros**
At beginning of period (1 August 2017)	**51,250**	**495,952**
Purchases	362,090	3,588,593
Sales	(348,259)	(3,454,884)
At end of year	**65,081**	**629,345**

The transactions carried out involved losses in the amount of EUR 25 thousand taken to equity.

Information on the environment

At 31 December 2017, there were no material assets used for protecting and improving the environment, nor were any expenses of this nature incurred in 2016.

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results.

Share capital structure, restrictions on the transferability of securities and significant shareholdings

On 31 December 2017 the Company's share capital amounted to EUR 81,576,928 and was represented by 81,576,928 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and series. All shares of Saeta Yield, S.A. have been admitted to listing on the Spanish Stock Exchanges since 16 February 2015 and are traded on the electronic trading platform.

The breakdown of share capital at 31 December 2017 is as follows:

	2017		2016	
	Shares	**% Share capital**	**Shares**	**% Share capital**
Cobra Concesiones, S.L. (*)	19,750,212	24.21%	19,750,212	24.21%
GIP II Helios, S.à.r.l	19,587,058	24.01%	19,587,058	24.01%
Morgan Stanley Investment Management INC	4,138,247	5.07%	4,138,247	5.07%
Saeta Yield treasury shares (Note 10.4)	65,081	0.08%	-	0.00%
Arrowgrass Capital Partners LLP	-	0.00%	2,485,503	3.05%
Chedraoui, Tony	-	0.00%	2,403,253	2.95%
Other shareholders	38,036,330	46.63%	33,212,655	40.71%
Total shares	**81,576,928**	**100%**	**81,576,928**	**100%**

(*) This company is wholly owned by the ACS Group.

The last change in share capital was on 27 January 2015.

There are no restrictions on the transferability of the Company's shares.

Distribution of profit

The proposed distribution of 2017 profit drawn up by the Company's Board of Directors and pending approval by the shareholders is as follows:

	Euros
Profit for 2017	**2,084,476**
Distribution of profit:	
Legal reserve	208,448
Voluntary reserves	1,876,028

Information on the average period of payment to suppliers

Below are the disclosures required by additional provision three of Law 15/2010, of 5 July (amended by final provision two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

In accordance with that permitted in the sole additional provision of the aforementioned Resolution, as this is the first year it is applicable, no comparative information is presented.

	Payments made and outstanding at the balance sheet date	
	2017	**2016**
	Days	Days
Average period of payment to suppliers	27	28
Ratio of payments made	27	28
Ratio of payments pending	21	24
	Amount (euros)	**Amount (euros)**
Total payments made	4,806,965	3,204,874
Total payments pending	253,254	6,011

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, accounts payable are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the balance sheet, including the balances payable to Group companies and without taking into account the provisions recognised.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum payment period applicable to the Company in 2017 in accordance with Law 3/2014, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, unless there is an agreement between the parties that establishes the maximum of 60 days.

Events after the reporting date

In January 2018, Saeta Yield repaid EUR 65 million towards the revolving credit facility (RCF), whereby the balance sheet drawn down after this repayment totalled EUR 5 million. The Company also repaid the EUR 500 thousand drawn down on its bilateral lines of credit.

On 19 January 2018, the Board of Directors of Saeta Yield approved the payment for the fourth quarter of 2017, which entailed a credit against the share premium of EUR 0.1967 per share (a total of approximately EUR 16.04 thousand). This payment will be made on 28 February 2018.

The 7th of February, 2018 TERP Spanish Holdco S.L. announced its intention to launch a public offer to acquire 100% of the shares of Saeta Yield S.A. in accordance with the following characteristics:

- Will seek the approval from the CNMV not before one month after the announcement of the offer
- For a price of 12.20 euros per share in cash, and not adjusted by the recurrent quarterly dividends.
- The offer is voluntary. TERP assumes the commitment to not buy or sell shares of Saeta Yield in the following 6 months after the completion of the offer.
- TERP has announced that has reached an irrevocable agreement to buy 50.34% of the total shares of Saeta Yield with significant shareholders, including Cobra Concesiones S.L and GIP II Helios S.a.r.l., the two main shareholders of Saeta Yield. In accordance with this agreement, TERP commits to present the offer as described in the announcement performed, and the selling shareholders to irrevocably accept the offer (if the offer is approved by the CNMV before the 31st of July, 2018), to not sell or transfer the shares and to vote against all agreements interfering or blocking the offer.
- The offer is conditioned to the acceptance of the two main shareholders and to the authorization from the European Commission.
- TERP has announced its intention to terminate the Right of First Offer agreement if the offer is successful.

On 7 February 2017, and in accordance with Spanish National Securities Market Commission Circular 1/2017, of 26 April, on liquidity agreements, Saeta Yield, S.A. suspended the transactions of its liquidity agreement.

Corporate governance report

In accordance with that established in commercial law, the Annual Corporate Governance Report, which forms an integral part of the 2017 directors' report, is attached by reference and is available on the CNMV's website.

In compliance with the provisions of Article 253 of the Spanish Corporate Enterprises Act and Article 37 of the Commercial Code, on 27 February 2018 the Board of Directors of Saeta Yield, S.A. authorised for issue the separate financial statements and directors' report for the year ended 31 December 2017, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors state that, to the best of their knowledge, the separate financial statements of SAETA YIELD, S.A. for the year ended 31 December 2017, authorised for issue by the Board of Directors at its meeting on 27 February 2018, and prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of operations of SAETA YIELD, S.A. and that the directors' report, supplementing the consolidated financial statements, includes a fair analysis of the development and performance of the business and the position of SAETA YIELD, S.A., as well as a description of the main risks and uncertainties facing the Company.

Madrid, 27 February 2018

The Board of Directors,

José Luis Martínez Dalmau Chief Executive Officer	Deepak Agrawal Director
José Andrés Barreiro Hernández Director	Daniel B. More Director
Paul Jeffery Director	Cristobal González Wiedmaler Director
Cristina Aldámiz-Echevarría Glez. de Durana Director	Antoine Kerrenneur Director

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Saeta Yield, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saeta Yield, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force 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 pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Recoverability of non-current assets in projects

Description	Procedures applied in the audit
The accompanying consolidated statement of financial position presents assets in projects under "Intangible Assets" and "Property, Plant and Equipment in Projects" amounting to approximately EUR 201 million and EUR 1,850 million, respectively, in relation to the investments made in electricity production facilities using renewable energy sources in various countries (mainly Spain), which is a regulated activity. Notes 1 and 16 to the accompanying consolidated financial statements include a summary of the main regulatory aspects that affect the Group's activity, as well as disclosures relating to the Group's exposure to regulatory risk and legislative changes. The assessment of the recoverable amount of these assets is a complex process that requires making a high number of estimates, including significant judgements and assumptions by management in preparing the impairment tests, relating principally to the methodology used, discount rates and operating cash flow forecasts (load factor of the facilities, their useful life, expected changes in market prices and, where applicable, in the applicable public remuneration rates or supplements, pursuant to the current regulatory frameworks). In this connection, it should be noted that, given the Group's exposure to the applicable regulatory frameworks in the countries in which it operates, any changes that occur in these frameworks could affect its activities and economic results and, consequently, the recoverable amount of the assets and the financing obligations. The matters indicated above, and the significance of the investments in these assets, led us to determine the situation described to be a key matter in our audit.	Our audit procedures included, among others, the performance of tests on the design, implementation and operating effectiveness of the relevant controls that mitigate the risks associated with the determination of the recoverable amount of non-current assets in projects. Also, we conducted substantive tests on the impairment tests prepared by management, verifying the clerical accuracy of the calculations and assessing the reasonableness of the main assumptions considered therein; basically those relating to future cash flow forecasts and discount rates. In this regard, we involved our internal experts in the process of evaluating the methodology and assumptions used by the Group in preparing the impairment tests, particularly those permitting the calculation of the discount rates. We also analysed the reasonableness of the projected operating assumptions, assessing the consistency of the future cash flow forecasts with external evidence, where applicable, as well as with actual data from the projects. In addition, we reviewed the sensitivity analyses of the key assumptions, i.e. those with the greatest effect on the determination of the recoverable amount, performed by Company management, taking into account the impacts of possible changes in those key assumptions. Also, we focused our work on reviewing the disclosures made by the Group in relation to these assets. Notes 5-c.1 and 9 to the accompanying consolidated financial statements contain the disclosures relating to the impairment tests performed on these assets and, in particular, the detail of the main assumptions used, as well as the sensitivity analysis of changes in the key assumptions used in the tests performed.

Business combinations	
Description	**Procedures applied in the audit**
The Group performed various acquisitions for material amounts in 2017. Note 6 to the accompanying consolidated financial statements contains the disclosures relating to the acquisition of certain companies that operate renewable energy assets in Uruguay and Portugal. We identified this matter as key in our audit, since they are complex transactions the recognition of which in the consolidated financial statements requires Group management to make significant judgements and estimates relating mainly to the measurement of the assets and liabilities acquired in the transactions.	Our audit procedures included for each acquisition, among others, the analysis of the contractual documentation with special emphasis on the transfer of the risks associated with the businesses in order to determine the timing of recognition and price of the acquisitions. We obtained and analysed the information available in order to assess the reasonableness of the estimates made by Group management in relation to the determination of the fair value of the assets and liabilities acquired, as well as to the determination of the purchase price allocation relating to the businesses, paying particular attention to the measurement of non-current assets in projects, including the review of the appropriateness of the valuation methodology used, based on discounting the projected cash flows, and the assumptions on which the forecasts were based, mainly revenue estimates based on the regulatory framework in place in each country, output, prices, costs, the useful life of the assets and the discount rates used. Also, we focused our work on reviewing the disclosures made by the Group in relation to these transactions. Note 6 to the accompanying consolidated financial statements contains disclosures relating to the aforementioned acquisitions, and in particular to the allocation of the purchase price to the fair value of the assets and liabilities acquired.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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 the audit regulations in force 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.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix 1 to this auditor's report. This description, which is on page 6, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 27 February 2018.

Engagement Period

The Annual General Meeting held on 21 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of three years and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Raquel Martínez

Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

27 February 2018

Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

Saeta Yield, S.A.
and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Directors' Report, together with Independent Auditors' Report

Translation of a report and of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

ASSETS	Notes	Thousands of euros 31/12/2017	Thousands of euros 31/12/2016
NON-CURRENT ASSETS		**2,166,976**	**1,905,621**
Intangible assets	7	200,587	240
Property, plant and equipment	8	19,236	19,196
Property, plant and equipment in projects	9	1,850,198	1,771,753
Long-term loans to Group and related companies	22.b	1,128	1,128
Other non-current financial assets	11	9,669	14,206
- Available-for-sale financial assets		2,106	2,106
- Other loans		7,563	12,100
Investments accounted for using the equity method	11.c	11,823	13,031
Deferred tax assets	21.d	74,335	86,067
CURRENT ASSETS		**337,565**	**343,176**
Inventories		-	298
Trade and other receivables	12	73,941	69,520
Current tax assets	21	9,353	4,649
Other accounts receivable from public authorities	21	1,052	454
Other current financial assets with Group and related companies	22.b	733	356
Other current financial assets	11	84,628	72,983
Current prepayments and accrued income		606	-
Cash and cash equivalents	13	167,252	194,916
TOTAL ASSETS		**2,504,541**	**2,248,797**

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated statement of financial position sheet at 31 December 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

EQUITY AND LIABILITIES		Thousands of euros 31/12/2017	Thousands of euros 31/12/2016
EQUITY	**14**	**546,962**	**551,547**
Share capital	14.a	81,577	81,577
Share premium	14.c	575,427	637,057
Other reserves		(81,832)	(111,800)
Treasury shares	14.d	(629)	-
Profit for the period attributable to the Parent	14.f	36,490	29,963
Valuation adjustments		(64,071)	(85,250)
- Hedging transactions	*14.e*	(59,267)	*(85,250)*
- Translation differences	*2.f*	(4,804)	-
EQUITY ATTRIBUTABLE TO THE PARENT		**546,962**	**551,547**
NON-CURRENT LIABILITIES		**1,688,165**	**1,525,845**
Non-current provisions	7	3,766	-
Long-term project financing	15	1,488,679	1,341,757
Other financial liabilities with Group and related companies	22.b	9,389	-
Other financial liabilities	7	5,174	-
Financial instrument payables	18	82,816	120,350
Deferred tax liabilities	21.d	98,341	63,738
CURRENT LIABILITIES		**269,414**	**171,405**
Short-term project financing	15	186,345	96,905
Financial instrument payables	18	34,259	35,461
Other current financial liabilities	7	780	-
Trade and other payables	19	29,753	25,438
Other financial liabilities with Group and related companies	22.b	1,405	174
Current tax liabilities	21	3,469	-
Other accounts payable to public authorities	21	13,403	13,427
TOTAL EQUITY AND LIABILITIES		**2,504,541**	**2,248,797**

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated statement of financial position sheet at 31 December 2017.

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2017

		Thousands of euros	Thousands of euros
	Notes	31/12/2017	31/12/2016
Revenue	24.a	324,226	277,178
Other operating income	24.b	8,343	2,322
Cost of materials used and other external expenses		(308)	(255)
Staff costs	24.e	(3,439)	(2,365)
Other operating expenses	24.c	(86,496)	(77,850)
Depreciation and amortisation charge	7, 8 and 9	(112,390)	(97,948)
Impairment and gains or losses on disposal of non-current assets	9	(947)	-
PROFIT FROM OPERATIONS		**128,989**	**101,082**
Finance income	24.d	682	147
Finance costs	24.d	(77,367)	(60,070)
Change in fair value of financial instruments	11.c	-	(699)
Exchange differences		(1,569)	-
FINANCIAL LOSS		**(78,254)**	**(60,622)**
Result of companies accounted for using the equity method	11.c	11	18
PROFIT BEFORE TAX		**50,746**	**40,478**
Income tax	21.a	(14,256)	(10,515)
PROFIT ATTRIBUTABLE TO THE PARENT		**36,490**	**29,963**
Earnings per share	**3.c**		
From continuing operations €/share			
Basic		0.45	0.37
Diluted		0.45	0.37

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated income statement for 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2017

	Thousands of euros 31/12/2017	Thousands of euros 31/12/2016
A) CASH FLOWS FROM OPERATING ACTIVITIES	**170,504**	**122,802**
1. Profit before tax	**50,746**	**40,478**
2. Adjustments for:	**191,580**	**158,566**
a) Depreciation and amortisation charge	112,390	97,948
b) Impairment losses	947	14
c) Finance income	(682)	(147)
d) Finance costs	77,367	60,070
e) Exchange differences	1,569	
f) Results of companies accounted for using the equity method	(11)	(18)
g) Change in fair value of financial instruments	-	699
3. Changes in working capital	**9,720**	**(6,022)**
a) Inventories	298	156
b) Trade and other receivables	3,995	6,608
c) Trade and other payables	3,871	(951)
d) Other current assets and liabilities	(4,178)	335
e) Other non-current assets and liabilities	5,734	(12,170)
4. Other cash flows from operating activities	**(81,542)**	**(70,220)**
a) Interest paid	(74,522)	(65,795)
b) Income tax recovered/paid	(7,020)	(4,425)
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(150,596)**	**(99,008)**
5. Payments due to investments	**(152,176)**	**(90,887)**
a) Non-current assets in projects	(1,306)	(443)
b) Financial investments (Note 6)	(150,870)	(90,444)
6. Payments and proceeds from disposals	**1,580**	**(8,121)**
a) Non-current assets in projects	-	-
b) Financial investments	1,580	(8,121)
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(47,572)**	**32,707**
8. Proceeds from issuance of equity instruments	**(629)**	**-**
a) Issue	(629)	-
9. Proceeds from issuance of financial liability instruments	**214,670**	**182,226**
a) Credit institutions (Note 15)	214,670	182,226
10. Payments relating to repayment of financial liability instruments	**(199,983)**	**(90,188)**
a) Credit institutions (Note 15)	(199,983)	(90,188)
12. Dividends paid and returns on other equity instruments	**(61,630)**	**(59,331)**
a) Dividends (Notes 3.b and 14.c)	(61,630)	(59,331)
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(27,664)**	**56,501**
Cash and cash equivalents at beginning of year	**194,916**	**138,415**
Cash and cash equivalents at end of year	**167,252**	**194,916**

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated statement of cash flows for 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2017

	31/12/2017	31/12/2016
	Thousands of euros	Thousands of euros
	Total	Total
CONSOLIDATED PROFIT FOR THE PERIOD (I)	**36,490**	**29,963**
Income and expense recognised directly in equity		
- Arising from translation differences	(4,804)	-
- Arising from cash flow hedges	(3,165)	(17,414)
- Tax effect	791	4,353
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	**(7,178)**	**(13,061)**
Income and expense recognised directly in profit or loss		
- Arising from cash flow hedges (Note 24.c)	37,809	31,255
- Tax effect	(9,452)	(7,814)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN PROFIT OR LOSS (III)	**28,357**	**23,441**
TOTAL COMPREHENSIVE INCOME (I)+(II)+(III)	**57,669**	**40,343**

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for 2017.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY AT 31 DECEMBER 2017

	Thousands of euros						
	Share capital	Share premium	Reserves	Treasury shares	Profit attributable to the Parent	Valuation adjustments	Total
Balance at 31 December 2015	**81,577**	**696,388**	**(127,884)**	**-**	**16,055**	**(95,630)**	**570,506**
Recognised income and expense	-	-	-	-	29,963	10,380	40,343
Capital increase	-	-	-	-	-	-	-
Distribution of dividends	-	(59,331)	-	-	-	-	(59,331)
Distribution of 2015 profit	-	-	16,055	-	(16,055)	-	-
Other changes in equity	-	-	29	-	-	-	29
Balance at 31 December 2016	**81,577**	**637,057**	**(111,800)**	**-**	**29,963**	**(85,250)**	**551,547**
Recognised income and expense	-	-	-	-	36,490	21,179	57,669
Treasury share transactions (Note 14.d)	-	-	(24)	(629)	-	-	(653)
Dividends paid (Note 14.c)	-	(61,630)	-	-	-	-	(61,630)
Distribution of 2016 profit	-	-	29,963	-	(29,963)	-	-
Other changes in equity	-	-	29	-	-	-	29
Balance at 31 December 2017	**81,577**	**575,427**	**(81,832)**	**(629)**	**36,490**	**(64,071)**	**546,962**

The accompanying explanatory Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for 2017.

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

1. Group activity

Saeta Yield, S.A. ("the Parent") was incorporated as El Recuenco Eólica, Sociedad Limitada on 19 May 2009 and registered in the Mercantile Registry of Madrid in volume 26,842, page 14, sheet M-483.710. It became a public limited liability company on 28 October 2014, and adopted its current name by means of a resolution of the General Shareholders' Meeting on 28 November 2014, which was formalised in a public deed on 2 December 2014, and registered in the Mercantile Registry on 24 December 2014 under entry no. 13.

The Company's registered office is at Avenida de Burgos, nº 16D – 3º izquierda, Madrid.

Saeta Yield, S.A. is the head of a group of companies ("the Saeta Group" or "the Group") that at 31 December 2017 was comprised the following companies:

Company	Registered office	% of Ownership	Business activity
Saeta Yield, S.A.	Madrid, Spain	100%	Securities holding
Extresol 1, S.L.U.	Madrid, Spain	100%	Power production
Extresol 2, S.L.U.	Madrid, Spain	100%	Power production
Extresol 3, S.L.U.	Madrid, Spain	100%	Power production
Manchasol 2, Central Termosolar Dos, S.L.U.	Madrid, Spain	100%	Power production
Serrezuela Solar II, S.L.U.	Madrid, Spain	100%	Power production
Al-Andalus Wind Power, S.L.U.	Madrid, Spain	100%	Power production
Parque Eólico Santa Catalina, S.L.U.	Madrid, Spain	100%	Power production
Eólica del Guadiana, S.L.U.	Madrid, Spain	100%	Power production
Parque Eólico Sierra de las Carbas, S.L.U.	Madrid, Spain	100%	Power production
Parque Eólico Tesosanto, S.L.U.	Madrid, Spain	100%	Power production
La Caldera Energía Burgos, S.L.U.	Madrid, Spain	100%	Power production
Parque Eólico Valcaire, S.L.U.	Madrid, Spain	100%	Power production
Derisia, S.A.	Montevideo, Uruguay	100%	Services provided
Viensos, S.A.	Montevideo, Uruguay	100%	Securities holding
Eskonel, S.A.	Montevideo, Uruguay	100%	Securities holding
Fingano, S.A.	Maldonado, Uruguay	100%	Power production
Vengano, S.A.	Maldonado, Uruguay	100%	Power production
Pantenergía, S.A.	Lisbon, Portugal	100%	Securities holding
Lestenergía, S.A.	Penamacor, Portugal	100%	Power production
Extresol Almacenamiento GNL, AIE	Madrid, Spain	100%	Asset management
Sistema de Evacuación Albuera-SET Olivenza Vaguadas	Madrid, Spain	59.97%	Operation of electricity facilities
Sistema Eléctrico de Conexión Valcaire, S.L.	Madrid, Spain	25%	Operation of electricity facilities

The activities carried out by the Parent and its subsidiaries are classified into the following categories:

1. Operation of renewable energy generating assets, and energy distribution and transmission assets. The main activity is currently the operation of renewable energy generating assets in operation located in Spain, Uruguay and Portugal.

2. Performance of studies, consultancy work, projects, and research and development services related to the aforementioned activities.

3. Administration, management and control of its investees.

The aforementioned activities may be wholly or partially carried on by Group companies indirectly through the ownership of public or limited liability company shares (*acciones* and *participaciones* respectively) in other companies with an identical or similar corporate purpose.

On 30 January 2015, the CNMV approved the prospectus for the takeover bid and admission to listing of the Parent's shares. The shares started trading on the Spanish Stock Exchanges on 16 February 2015 at an initial price of EUR 10.45 per share. The initial placement plus the Greenshoe placement offer represented a final placement of 51.78% of the Company's shares.

On 21 January 2015, the ACS Group and Global Infrastructure Partners (GIP) reached two agreements (subject to the successful admission to listing) under which: (1) GIP would hold a 24% interest in Saeta Yield, S.A. (once the result of the Greenshoe option exercised is reported); and (2) the ACS Group would sell GIP a 49% interest in a new asset development company owned by ACS, Bow Power, S.L., which includes certain renewable energy assets on which Saeta Yield, S.A. will hold a right of first offer and call option. These transactions were approved by the antitrust authorities in April 2015.

In accordance with the foregoing, and once the necessary conditions were met (change of control authorisations, approval for the transactions by antitrust authorities and the Company's successful admission to listing), on 23 April 2015 GIP purchased the shares representing 24.01% of the share capital of Saeta Yield, S.A. from the ACS Group, and the aforementioned agreements therefore entered into force.

In addition, on 29 January 2015, Saeta Yield, S.A. and ACS Servicios Comunicaciones y Energía, S.L. (ACS SI) signed an agreement for the right of first offer (ROFO) and call option under which ACS SI granted Saeta Yield, S.A.: (a) a right of first offer on the ownership interest that the ACS SI Group has in energy assets in commercial operation that ACS SI intends to sell in the future; and (b) a call option on three solar thermal generation assets in commercial operation, which then became jointly controlled by ACS, S.L. and Saeta Yield, S.A. in 2015. This agreement entered into force in 2015 once all the established conditions were met, and as of 21 April 2015 it was also subrogated by Bow Power, S.L.

This agreement was novated on 28 December 2017. The main amendments of this novation ROFO are as follows:

- Include for all purposes the 90% interest in the share capital of Vientos de Pastorale, S.A., the owner of a wind farm located in Uruguay with a capacity of 52.8 MW.

- ACS SI and/or Bow Power undertake to offer Saeta Yield all the assets included in the agreement prior to 30 June 2019.

- However, ACS SI and/or Bow Power must offer Saeta Yield at least four of the assets in 2018 and at least two in the first half of 2019.

The right of first offer means that Saeta has the right to make an initial offer to acquire, if successful, certain assets established in the agreement before 30 June 2019. This right is not a firm purchase commitment but only an offer for the parties, given that an agreement may not be reached regarding the terms and conditions, in which case ACS is free to sell to third parties at a higher price than the one offered to Saeta. Regarding the financial information of Saeta, given that this agreement is merely a right of first offer and does not involve firm commitments, it will not take effect until the assets are effectively transferred.

With regard to the call option granted by ACS SI to Saeta on its shareholding and subordinated debt of three thermal solar assets, on 22 March 2016 Saeta Yield, S.A. acquired two of the aforementioned assets with a call option (see Note 6). The period for the call option on the third asset ended without any of the outstanding call options having been exercised at 31 December 2017.

a) Regulatory framework in Spain

Regulations applicable to energy production from renewable sources for facilities located in Spain are contained mainly in the following laws (by rank):

- Law 24/2013, of 26 December, on the Electricity Sector. This law includes the bases, among others, for the remuneration framework, specifying the criteria and form of reviewing the remuneration parameters for facilities producing electricity from renewable energy sources, high-efficiency cogeneration and waste under the feed-in tariff scheme.

- Royal Decree Law 9/2013, of 12 July, adopting urgent measures to guarantee the financial stability and sustainability of the electricity system that affect the remuneration regime for facilities that produce electricity from renewable energy sources, cogeneration and waste.

- Royal Decree 413/2014, of 6 June, which regulates the production of electricity from renewable energy sources, cogeneration and waste.

- Ministerial Order IET/1045/2014, of 16 June, approving the standard facility remuneration parameters applicable to certain facilities generating electricity from renewable energy sources, cogeneration and waste for 2013-2016.

- Ministerial Order ETU/130/2017, of 17 February, approving the standard facility remuneration parameters applicable to certain facilities generating electricity from renewable energy sources, cogeneration and waste, in order to be applied to the regulatory half-period that began on 1 January 2017, for 2017-2019.

This regulatory framework replaces the previous framework, which was comprised Law 54/1997 and Royal Decree 661/2007 as the main regulations, and introduces substantial changes to various aspects, in particular with regard to the production of energy from renewable sources.

The main aspects of current legislation are as follows:

- The remuneration of facilities that produce electricity under the special regime will be determined by: i) the sale of energy generated valued at market price and ii) a specific remuneration consisting of a term per unit of installed capacity that covers, if necessary, the investment costs of a standard facility that cannot be recovered in the market through the sale of energy and an operating term that covers, if necessary, the difference between operating costs and the revenue from the aforementioned standard facility's participation in the market.
- In order to calculate the specific remuneration for a standard facility over the course of its regulatory useful life, and based on the activity of an efficient and well-managed company, the following will be taken into account: i) the revenue from the sale of energy valued at the market price expected by the regulator based on standard production and peak performance, ii) the average standard operating costs necessary to carry out the activity and iii) the standard value of the initial investment.
- The remuneration regime established for each standard facility will not exceed the minimum level necessary to cover the costs that allow these facilities to compete on an equal basis in the electricity market and to be able to obtain "reasonable profitability" with regard to each standard facility. This reasonable profitability, before tax, will be based on the average performance in the secondary market of government bonds for the previous ten years, plus a spread that may be revised every six years. The reasonable profitability for the first regulatory period was set at 7.4% before tax.
- In order to calculate the specific remuneration for a standard facility, under no circumstances will the costs or investments determined by law or administrative acts that are not applicable throughout Spain be taken into account. Furthermore, only the costs and investments that respond exclusively to electricity production will be taken into account.
- Regulatory periods of six years are established. In addition, these periods are divided into half-periods of three years. At the end of each period or half-period, certain values affecting the calculation of the remuneration parameters may be revised. If the revision is not carried out, they will be considered to be extended for the following regulatory period.

The main change introduced by these rules, which make up the new regulatory framework, focuses on how to pay for all renewable technologies. While compensation under the previous regulatory framework was paid on the electricity production of the facilities, known as the "Feed-in Tariff" per MWh generated, the new regulation establishes a new compensation system based on the investment made, and rewards based mainly on the installed capacity of the facility.

In 2016 the first regulatory half-period was completed and, therefore, Ministerial Order ETU/130/2017, of 17 February, was published at the beginning of 2017, which updated the remuneration parameters for 2017-2019. Specifically, the following were reviewed:

- Trend of actual prices compared to estimated prices for the first half-period already elapsed (2014-2016). A collection right for variances in the price included in the regulation of 2014 and 2016 that will be offset over the remaining useful life of the assets.

- Update in the price trend for the second half-period (2017-2019). Given that market prices are lower than that estimated in 2014, it represents an increase in remuneration parameters.

- Update the technological peak coefficients with data from the last three years.

There were no additional regulatory changes in the renewable energy sector in Spain in 2017.

The first regulatory period of six years ends in 2019 and, in accordance with current regulations, the remuneration parameters (Rinv and Ro), as well as the reasonable return for the second period, which begins in 2020, may be revised.

The remuneration parameters that were revised are those that affect the calculation of Rinv and Ro, except for initial investment and regulatory useful life, i.e., the market prices for the following period and the adjustments of half-period ending in 2019; the alignment of the various technologies; O&M costs; etc.

b) Regulatory framework in Uruguay

The plants in Uruguay operate under the framework of a power purchase agreement (PPA) and, therefore, receive a fixed price of MWh produced, whose evolution is referenced to American market indexes.

The PPA was entered into in both cases with Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE). The amount of power under the PPA framework is all that generated by the plants.

The PPAs have a term of 20 years on average.

c) Regulatory framework in Portugal

The wind farms and their related extensions in Portugal are operated under the remuneration scheme of Decree Law 339-C/2001, as well as the amendments to Decree Law 51/2010 and Decree Law 35/2013.

The remuneration scheme consists of a feed in tariff, which includes various allotments of remuneration (fixed allotment, variable allotment and environmental allotment). Remuneration also depends on a “z” coefficient, which varies depending on the facility’s annual production. This remuneration is also updated according to monthly fluctuations in inflation.

The remuneration scheme of the wind farms is maintained the first 15 years at a fixed price, in addition to an extension of their regulatory useful life for an additional 7 years with a cap-and-floor system (Decree Law 35/2013).

2. <u>Basis of presentation and basis of consolidation</u>

a) Basis of presentation

These consolidated financial statements for 2017 were prepared by the Parent’s directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all the mandatory accounting policies and rules and measurement bases, so that they present fairly the Saeta Group’s consolidated equity and financial position at 31 December 2017, and the results of its operations, the changes in consolidated equity, the consolidated cash flows and the changes in the consolidated statement of recognised income and expense in the year ended 31 December 2017.

The Saeta Group’s consolidated financial statements for 2017, which were authorised for issue on 27 February 2018 and will be submitted for approval by the shareholders at the Annual General Meeting, were prepared from the accounting records of Saeta Yield, S.A. and the other Group companies, whose respective separate financial statements are presented in accordance with local accounting regulations. Accordingly, since the accounting policies and measurement bases used in preparing the consolidated financial statements (IFRSs as adopted by the European Union) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with the International Financial Reporting Standards adopted in the European Union.

The consolidated financial statements for 2016 were authorised for issue by the directors at the Board meeting held on 28 February 2017, approved by the shareholders at the Annual General Meeting held on 21 June 2017 and subsequently filed at the Mercantile Registry of Madrid.

These consolidated financial statements are presented in euros (unless expressly stated otherwise) because the euro is the Group’s functional currency.

b) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Board of Directors of the Parent.

In the Group’s consolidated financial statements estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The useful life of the property, plant and equipment and intangible assets, as well as non-current assets in projects (Notes 5.b, 5.c and 5.d)
- The recoverable amount of intangible assets and property, plant and equipment in projects (Notes 5.b and 5.d)
- The future cost of obligations associated with non-current assets (Notes 7 and 9)
- The amount of certain provisions and the probability of occurrence of and the amount of liabilities that are uncertain as to their amount and contingent liabilities (Note 5.m)
- The fair value of certain financial instruments (Note 5.e)
- The recovery of deferred tax assets recognised (Note 5.j)
- The assets and liabilities acquired in the business combinations, which are detailed in Note 6 relating to changes in the scope of consolidation, were measured based on the best information available at the date of preparation of these consolidated financial statements on the events analysed. Given that 12 months have not yet elapsed since the date of acquisition, as indicated in IFRS 3, any additional or more detailed information obtained on these assets and liabilities may give rise to new valuations that might make it necessary to subsequently change (upwards or downwards) the valuations described in these consolidated financial statements.
- Risk management (Note 16)
- The assumptions used in the calculation of liabilities and obligations to employees (Note 5.h).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements, as established in IAS 8.

In 2017 there were no significant changes in the estimates made at 2016 year-end.

c) Changes in the scope of consolidation

The changes in the Saeta Group’s scope of consolidation in 2017 were as follows:

- On 25 May 2017, the acquisition of Group companies in Uruguay was carried out, as described in Note 6.

- On 27 September 2017, Pantenergía, S.A. was incorporated with a subscribed and paid share capital of EUR 50 thousand. This company, whose registered office is located in Portugal, is wholly owned by Saeta Yield, S.A. and was incorporated in order to acquire all shares of Lestenergía, S.A. on 29 September 2017, a company that is part of the ROFO agreement. The assets and liabilities of this company are fully consolidated. This business combination is described in Note 6.

d) Basis of consolidation

d.1) Balances and transactions with Group companies and associates

The balances, transactions and profit or loss between Group companies were eliminated in the consolidation process.

d.2) Uniformity of timing and valuation

Except in the case of Fingano S.A., Vengano, S.A., Viensos, S.A. and Derisia, S.A., all of which are located in Uruguay and were acquired in the first half of 2017 (see Note 6), the financial year of which ends 30 November, the reporting period for the rest of the companies included in the scope of consolidation of the Saeta Group ends on 31 December, whereby for the purpose of the consolidation process, the respective financial statements for the year prepared under IFRS principles for used In accordance with current legislation, these companies present financial statements in accordance with the legislation applicable in their country of origin.

In the case of those companies whose financial year-ends on 30 November, the appropriate timing uniformity adjustments were made and, for the purpose of the consolidation process, the respective financial statements prepared under IFRS principles for a year ended 31 December, adjusted by the effective date on which control was obtained, were used.

The measurement bases applied by the Group companies are largely consistent. However, where necessary, the appropriate adjustments were made to unify the measurement bases to ensure that the accounting policies of the companies included in the scope of consolidation were uniform with the policies adopted by the Group.

d.3) Subsidiaries and associates

The consolidated financial statements include the financial statements of the Parent, Saeta Yield, S.A., and its subsidiaries and associates at 31 December 2017.

Subsidiaries

“Subsidiaries” are defined as companies over which the Group has the capacity to exercise effective control; control, in accordance with IFRS 10, is understood as power over the investee, exposure to variable returns, and the ability to use this power to affect the amount of the investor’s returns.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

The following companies over which it has effective control have been fully consolidated: Extresol 1, S.L.U., Extresol 2, S.L.U., Extresol 3, S.L.U., Extresol Almacenamiento GNL, AIE, Manchasol 2 Central Termosolar Dos, S.L.U., Serrezuela Solar II, S.L.U., Al-Andalus Wind Power, S.L.U., Parque Eólico Santa Catalina, S.L.U., Eólica del Guadiana, S.L.U., Parque Eólico Sierra de las Carbas, S.L.U., Parque Eólico Tesosanto, S.L.U., La Caldera Energía Burgos, S.L.U., Parque Eólico Valcaire, S.L.U., Derisia, S.A., Viensos, S.A., Eskonel, S.A., Fingano, S.A., Vengano, S.A., Pantenergía, S.A., Gadgetadvantages Unipessoal, Lda and Lestenergía, S.A.

Associates and joint ventures

Associates are companies over which the Group is in a position to exercise significant influence and that are not subsidiaries or interests in joint ventures.

Joint ventures are companies over which the Group has a right to the net assets thereof based on a joint contractual agreement.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, i.e., at the Group’s share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

The value of these investments in the consolidated statement of financial position implicitly includes, where applicable, the goodwill arising on the acquisition thereof.

When the Group’s investment in associates is reduced to zero, the additional implicit obligations, where applicable, in the subsidiaries that are accounted for using the equity method are recognised under “Non-current provisions” in the consolidated statement of financial position.

In those cases in which the Group acquires control over companies previously considered to be joint ventures, the fair value of the previous investment in the entity's equity at the date of acquisition is once again estimated, and the related gain or loss is recognised in the consolidated income statement for the period.

The profit or loss, net of tax, of the associates is included in the Group's consolidated income statement under "Result of companies accounted for using the equity method", in proportion to the percentage of ownership. Prior to this, the appropriate adjustments are made to take into account the depreciation of the depreciable assets based on their fair value at the date of acquisition.

Sistema Eléctrico de Conexión Valcaire, S.L and Sistema de Evacuación Albuera-SET Olivenza were accounted for using the equity method, given that the Group maintains significant influence in the decision making of the same.

The ownership interest in Sistema Eléctrico de Conexión Valcaire (EUR 44 thousand) has become fully impaired, and its aggregates are not material.

The main aggregates of these wholly-owned companies in 2017 and 2016 are as follows (in thousands of euros):

	SEC Valcaire		Albuera-SET Olivenza	
	2017	2016	2017	2016
Total assets	4,269	5,288	19,822	20,885
Total equity	235	231	19,487	20,523
Profit for the year	42	73	-	-

d.4) Translation of financial statements presented in currency other than the functional currency

The financial statements of companies included in the scope of consolidation are denominated in euros, with the exception of Derisia, S.A., Viensos, S.A., Eskonel, S.A., Fingano, S.A. and Vengano S.A., whose functional currency is the US dollar.

The financial statements of foreign companies, none of which operate in a hyperinflationary economy, denominated in a functional currency (that of the main economic environment in which the company operates) other than the presentation currency of the consolidated financial statements (the euro), are translated to euros by applying the year-end exchange rate method, in accordance with which:

- Equity is translated at the historical exchange rate.
- The line items of the consolidated income statement are translated by applying the average exchange rate for the year, as an approximation of the exchange rate at the transaction date.
- The rest of the line items of the consolidated statement of financial position are translated at the year-end exchange rate.

As a result of applying the aforementioned method, the exchange differences generated are included under "Valuation adjustments - Translation differences" in equity of the consolidated statement of financial position.

e) Correction of errors

No errors needed to be corrected in the consolidated financial statements for 2017.

f) Functional currency

The consolidated financial statements for the year ended 31 December 2017 are presented in euros, since this is the functional currency in the area in which the Group operates.

The US dollar-euro exchange rates in 2017 were as follows:

Currency	Average exchange rate applicable in 2017	Closing exchange rate at 31 December 2017
US dollar	1.1666	1.1993

The effect on the main headings of the Saeta Group's consolidated financial statements of translating the net assets of the companies that are fully consolidated and whose functional currency is the US dollar is as follows:

Heading	Consolidated total	Contribution of companies whose functional currency is the euro	Contribution of companies whose functional currency is the dollar
Non-current assets	2,070,021	1,886,293	183,728
Non-current financial assets	22,620	22,620	-
Deferred tax assets	74,335	74,326	9
Trade receivables	73,941	70,827	3,115
Current financial assets	96,372	84,057	12,315
Cash and cash equivalents	167,252	156,178	11,074
Non-current liabilities	1,688,165	1,561,675	126,490
Current financial liabilities	239,661	231,273	8,388
Trade and other payables	29,753	28,281	1,472

g) Comparative information

The information relating to 2016 included in these notes to the consolidated financial statements is presented solely for comparison purposes with that relating to 2017.

h) Contingent assets and liabilities

There were no contingent assets or liabilities at year-end 2016 or 2017.

3. Distribution of the Parent's profit and Earnings per share

a) Distribution of the Parent's profit

The distribution of profit for 2017 that the Parent's Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Distribution basis:	
Profit of the Parent	2,084
Distribution:	
Legal reserve	208
Voluntary reserves	1,876

b) Dividends paid by the Parent

The following approvals and dividend payments took place in 2017 with a charge to the share premium:

- On 7 March 2017, a dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 28 February 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 23 June 2016.

- On 31 May 2017, a dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 9 May 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 23 June 2016.

- On 30 August 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1890 per share (equal to a total of EUR 15,413 thousand), approved by the Board of Directors on 13 July 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

- On 29 November 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1903 per share (equal to a total of EUR 15,511 thousand), approved by the Board of Directors on 7 November 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

Therefore, the total amount of dividends paid in 2017 amounted to EUR 61,630 thousand, equal to EUR 0.7557 per share, in accordance with the Company's shareholder remuneration policy, updated and reported to the market through a significant event published on 29 May 2017.

c) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group in the period from 1 January to 31 December by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	31/12/2017	31/12/2016
Net profit attributable to the Parent (thousands of euros)	36,490	29,963
Weighted average number of shares outstanding	81,236,772	81,576,928
Basic earnings per share (euros)	0.45	0.37
Basic earnings per share from continuing operations (euros)	0.45	0.37

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company.

At 31 December 2017 and 2016, the diluted earnings per share were the same as the basic earnings per share, since there were no debentures or shares that could potentially be converted into ordinary shares.

4. Accounting standards and interpretations

a) Standards, amendments and interpretations effective this year

The following new mandatory standards and interpretations, already adopted in the European Union, came into force in 2017 and were used by the Group in these preparation of the consolidated financial statements:

New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2017:

Approved for use in the European Union		Mandatory application in the years beginning on or after:
Amendments to IAS 7: Disclosure initiative	It introduces additional disclosure requirements in relation to the reconciliation of changes in financial liabilities with cash flows from financing activities.	1 January 2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	Clarification of the principles established regarding the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.	1 January 2017

The application of the aforementioned amendments did not have a significant impact on the consolidated financial statements at 31 December 2017, either because they did not imply significant changes or because they refer to events that do not affect the Saeta Group.

b)Standards, amendments and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

		Mandatory application in the years beginning on or after:
Approved for use in the European Union		
New standards		
IFRS 9, Financial instruments	Replaces the rules for the classification, measurement, recognition and derecognition of financial assets and liabilities and for hedge accounting and impairment established in IAS 39.	1 January 2018
IFRS 15, Revenue from contracts with customers	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	1 January 2018
IFRIC 16, Leases (published in January 2016)	Replaces IAS 17 and the associated interpretations. The main development involves the new standard proposing a single lessee accounting model, which will include all leases on the balance sheet (with specific exceptions) with an impact similar to that of current financial leases (right-of-use assets will be depreciated and a finance cost will be recognised for the depreciated cost of the liability).	1 January 2019
Improvements to IFRSs, 2014-2016 cycle	Minor amendments to a series of standards	1 January 2018
Amendments to IFRS 4: Insurance contracts	Provides entities with the option of applying the overlay approach (IFRS 9) or the deferral approach, within the scope of IFRS 4	1 January 2018
Not yet approved for use in the European Union		
Amendments and/or interpretations		
Amendments to IFRS 2: Classification and measurement of share-based payments	These are limited amendments that clarify specific matters such as the accounting for the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and certain aspects of the modifications to the type of share-based payment.	1 January 2018
Amendments to IFRS 40: Reclassification of investment property	The amendment clarifies that a reclassification of an investment as investment property shall only be permitted when it can be demonstrated that there has been a change in use.	1 January 2018
IFRIC 22, Foreign currency transactions and advance consideration	This establishes the transaction date in order to establish the exchange rate applicable to transactions with advance considerations in foreign currency.	1 January 2018
IFRIC 23, Uncertainty over income tax treatment	It clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether a certain tax treatment used by the entity will be accepted by the tax authorities.	1 January 2019
Amendments to IFRS 9: Prepayment features with negative compensation	It allows certain financial instruments with prepayment features to be measured at amortised cost, allowing the payment of an amount less than the unpaid amounts of principal and interest.	1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures	It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
IFRS 17, Insurance contracts	It will replace IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant and reliable information that allows users of the information to determine the effect that the contracts have on the financial statements.	1 January 2021

Amendments to IAS 19: Plan amendment, curtailment or settlement	In accordance with the amendments proposed, where there is a change to a defined-benefit plan (due to an amendment, curtailment or settlement), the entity will use updated assumptions in determining the cost of these services or the net interest for the period after the change in the plan.	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	Clarification regarding the results of these transactions if they are businesses or assets	Date undetermined

None of the aforementioned standards were applied early in the preparation of these consolidated financial statements.

As at today's date, the Group has analysed the impacts of the application of IFRS 15 and IFRS 9 and continues to assess the impacts of the future application of IFRS 16 "Leases", standards that have already been approved by the European Union. The main aspects analysed and the estimated impacts are as follows:

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a new model for recognising revenue from contracts with customers. The new model is based on a control approach, unlike the current model of IAS 18, which is based on a risks and rewards approach.

This standard will be applicable for years beginning on or after 1 January 2018 and will replace the following standards and interpretations currently in force: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction and real estate, IFRIC 18 Transfers of customers and SIC-31 Revenue - Barter Transactions involving advertising services.

In accordance with the new requirements established in IFRS 15, revenue must be recognised such that the transfer of goods or services to customers is shown for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is structured in a five-step model framework:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In relation to this standard, the application of the criteria included in IFRS 15 in the Saeta Group's business (electricity production) will not foreseeably entail significant differences in the recognition of income that differ from the model currently applied.

It should also be noted that the Group did not apply this standard early in 2017.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 for years beginning on or after 1 January 2018 and affects both financial assets and financial liabilities.

The amendments to IFRS 9 can be broken down into three areas:

- Classification and measurement of financial instruments
- Impairment
- Hedge accounting

There are very significant differences with respect to the current standard on the recognition and measurement of financial instruments, the most significant being as follows:

- Investments in financial assets whose contractual cash flows consist solely of payments of principal and interest, and whose management model is, in turn, to hold them to obtain contractual cash flows, are measured in general at amortised cost. For these same assets, when the business model is to obtain contractual cash flows and sell the assets, they will be measured at fair value through other comprehensive income. All other financial assets that do not consist solely of payments of principal and interest, and whose management model is the sale of these assets, will be measured at fair value through profit or loss. However, the Group may irrevocably opt to recognise subsequent changes in fair value of certain investments in equity instruments under "Other comprehensive income" and, in general, in this case dividends will only be recognised subsequently in profit or loss.

- With regard to the measurement of financial liabilities that may optionally be designated as measured at fair value through profit or loss, the amount of the change in the fair value of the financial liability that is attributable to changes in the liability's credit risk must be recognised under "Other comprehensive income", unless it creates or enlarges an accounting mismatch in profit or loss, and it will not be subsequently reclassified to the income statement.
- In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on expected loss, rather than the model based on incurred loss as per IAS 39. Under this model the Group will recognise the expected loss and the changes therein at each reporting date in order to reflect the changes in credit risk since the date of initial recognition. In other words, it is no longer necessary for an impairment event to take place before recognising a credit loss.
- IFRS 9 has provided a greater degree of flexibility with regard to the types of transactions that are eligible for the application of hedge accounting, expanding the types of instruments that comply with the criteria for consideration as hedging instruments, and with regard to the types of risk components of non-financial items that are eligible for hedge accounting. The effectiveness test was revised, which was replaced by the principle of "economic relationship". The retrospective assessment of the effectiveness of the hedge is no longer necessary.

The Group intends to apply IFRS 9 to January 1, 2018 without restating the comparative figures, in other words, the difference between the previous carrying amounts and the new amounts at the date on which the standard is initially applied will be recognised as an adjustment in reserves. Following the analysis of the Group's financial assets and liabilities at 31 December 2017, Group management carried out an assessment of the impact of IFRS 9 on the consolidated financial statements, as indicated below:

(i) Classification and measurement of financial instruments

The new approach for classifying assets is based on the contractual cash flow characteristics of the assets and the entity's business model. Accordingly, all assets will be classified into three categories: (i) amortised cost, (ii) fair value through other comprehensive income (equity), and (iii) fair value through profit or loss.

With regard to the classification and measurement of financial assets, there are no significant differences with regard to that carried out by the Group under IAS 39 and, therefore, it is not expected to have a significant impact on the consolidated financial statements for 2018, as the majority of the assets are measured at fair value through profit or loss under the new IFRS 9.

The Group has renegotiated its financial liabilities (loans) that, in accordance with IAS 39, were not considered material and, therefore, did not need to be derecognised in the financial liability accounts. The accounting treatment envisaged in IFRS 9 requires recalculating the carrying amount of the amortised cost of these financial liabilities at the date of the renegotiation and recognising a gain or loss for the change in profit or loss for the period or when the new standard is applied. The estimated impact at 1 January 2018 of the decrease in the carrying amount of the financial liabilities, thus increasing the amount of opening reserves, is EUR 25 million.

(ii) Impairment

The financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables, contract assets with customers or loan commitments and financial guarantee contracts will be subject to IFRS 9 with regard to impairment losses.

The incurred loss models established in IAS 39 are replaced by the expected loss model in the new standard. This model requires financial assets to be recognised on the date of initial recognition, along with the amounts receivable from customers for the expected loss that results from a default event over the next 12 months or over the life of the contract.

The main impact on the Saeta Yield Group affects the amounts receivable from customers. At 31 December 2017, the Group had not recognised any provisions for trade receivables. Pursuant to IFRS 9, by virtue of the analysis performed up until now of the expected loss model, and taking into account that the average collection period is very short (within one year), the Group does not expect this standard to have a significant impact.

(iii) Hedge accounting

IFRS 9 seeks to bring hedge accounting into line with the risk management activities of companies. In this regard, the requirements for designating hedges and hedging instruments have been expanded and made more flexible, and the assessment of the effectiveness of the hedge is now established based on economic principles, thus eliminating application thresholds and only being evaluated prospectively.

The new requirements for hedge accounting included in IFRS 9 are more in line with the Group's risk management policies. Therefore, the assessment of the current hedging relationships in the Saeta Group indicates that the conditions have been met to continue the hedging relationships under IFRS 9.

IFRS 16 Leases

The Saeta Group is carrying out an analysis, which has not yet been completed, of the effects of the future application of this standard. Balance sheet figures will increase as a result of recognising right-of-use assets and financial liabilities for future payment obligations, relating to the leases that have been classified to date as operating leases. The final date of application is 1 January 2019, following approval of the standard for use in the European Union.

5. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Business combinations

Business combinations are accounted for using the acquisition method, to which end the acquisition date and cost of the business combination are determined, whereby the identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

Goodwill or the loss on the combination is the difference between the fair values of the assets acquired and liabilities assumed that meet the pertinent recognition criteria and the cost of the business combination all at the aforementioned acquisition date.

The cost of the business combination is the sum of:

- The acquisition-date fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued.
- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain pre-defined conditions.

The cost of the business combination does not include expenses relating to the issuance of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

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

Goodwill is not amortised and is subsequently measured at cost less any impairment losses. Impairment losses recognised for goodwill must not be reversed in a subsequent period.

In the exceptional case in which a loss arises on the combination, it is recognised as income in the consolidated income statement.

If at the end of the year in which a combination occurs it has not been possible to complete the valuation work needed to apply the acquisition method outlined above, the combination is accounted for provisionally. These provisional amounts can be adjusted during the period necessary to obtain the required information, which in no case may exceed one year. The effects of any adjustments made during this period are accounted for retroactively, and the comparative information is modified if necessary.

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

b) Intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any reductions required to reflect accumulated impairment losses. The Group recognises any impairment loss on the carrying amount of these assets with a charge to "Impairment and gains or losses on disposal of non-current assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, any subsequent recovery thereof in accordance with the criteria indicated in Note 5.d.1.

Concession agreements and Licensing agreements

This heading includes the cost of rights and identifiable intangible assets acquired that allow projects to be developed for production facilities and that are amortised on a straight-line basis over the estimated useful life of these facilities from their entry into service.

This heading includes the investments made in infrastructure (plans producing energy using renewable wind power) by the companies that own the projects within the scope of IFRIC 12, the remuneration of which consists of the right to collect the related tariffs based on the degree of use of the public service.

In accordance with the terms established in the agreements entered into between the companies managing the wind farms in Uruguay (Fingano and Vengano) and the entity that will be supplied with the electricity (UTE - Administración Nacional de Usinas y Trasmisiones Eléctricas), both companies recognise their investment in the wind farms in accordance with that established in IFRIC 12 Service Concession Arrangements, taking into consideration the following:

- The concession grantor controls or regulates the service offered by the concession operator and the conditions under which it must be provided.
- The infrastructure is operated by the concession operator as established in the concession tender specifications for an established concession term. At the end of this period, the assets are returned to the concession grantor, and the concession operator has no right whatsoever over these assets.
- The risk of recovering the investment is assumed by the operator; given that demand risk is assumed by the operator, it is classified as an intangible asset model.

All initial investments relating to the infrastructure that is subsequently returned to the grantor, including compulsory purchase costs and borrowing costs capitalised during construction, are amortised on a straight-line basis over the term of the concession. The investments contractually agreed on at the start of the concession on a final and irrevocable basis to be made at a later date during the term of the concession, and provided they are not investments made to upgrade infrastructure, are considered to be initial investments.

For investments of this nature, an asset and an initial provision are recognised for the present value of the future investment. The asset is amortised over the term of the concession and the provision is discounted.

If a payment needs to be made to the authorities in order to acquire the right to operate the concession, this payment is also amortised over the term of the concession.

In the case of replacement investments, a systematic provision is recognised during the period in which the obligations are assumed, and the provision must be recognised in full when the replacement becomes operational. This provision is recognised during the period in which the obligation is assumed and is applied on a time proportion basis.

Investments in improvements to the infrastructure are those that represent an increase in the infrastructure's capacity to generate income or a reduction in the cost thereof. For those investments that are recovered during the concession period, as they represent an increase in the infrastructure's capacity, they are treated as an extension of the right granted and, therefore, are recognised in the statement of financial position when they enter into operation. They are amortised as of the date of entry into operation. However, if, in view of the conditions of the agreement, these investments are not going to be rewarded for the possibility of obtaining greater income from the date on which they are made, a provision is recognised for the best estimate of the present value of the expenditure necessary to cancel the obligation associated with the actions that are not rewarded for the possibility of obtaining greater income from the date on which they are carried out. The balancing entry is an increase in the acquisition price of the intangible asset.

With regard to the portion of the improvement or increase in capacity that is expected to be recovered by generating greater income in the future, the general accounting treatment will be followed for investments that are recovered during the concession period.

At least at each reporting date, the companies determine whether there is any indication that an item or group of items of non-current assets in projects is impaired in order to determine the recoverable amount thereof, as indicated in Note 5.d.

<u>Other intangible assets</u>

This heading includes the electricity easements to the connection with the electricity distributor. These assets are amortised over their useful life, which amounts to 25 years.

This heading also includes the Group's trademarks and logos that are amortised over their useful life, which amounts to 10 years.

<u>Computer software</u>

The Group's computer software is amortised over its useful life, which amounts to 4 years.

c) Property, plant and equipment

Property, plant and equipment acquired for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at the lower of acquisition or production cost (less any accumulated depreciation) and their recoverable amounts.

Upkeep and maintenance costs incurred during the year are charged to the consolidated income statement.

The property, plant and equipment acquired are measured at cost. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Work performed by the Group on its own property, plant and equipment is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, and the transformation costs allocated using hourly absorption rates similar to those used for the valuation of work performed for third parties).

The companies depreciate their property, plant and equipment by the straight-line method at annual rates based on the following years of estimated useful life:

	Years of estimated useful life
Transport equipment	6
Furniture	10
Computer hardware	4
Other fixtures	5

The Group recognises any impairment loss on the carrying amount of these assets as indicated in Note 5.d.1 below.

d) Property, plant and equipment in projects

This heading includes the amount of investments (property, plant and equipment) in power generation infrastructure.

These assets are valued at the costs directly allocable to construction incurred through their entry into operation (studies and designs, compulsory purchases, reinstatement of services, project execution, project management and administration expenses, installations and facilities and similar items) and the related portion of other indirectly allocable costs, to the extent that they relate to the construction period.

Also included under this heading are the borrowing costs incurred prior to the entry into operation of the assets arising from the external financing thereof and recognised as a reduction in financial profit.

Upkeep and maintenance expenses that do not lead to a lengthening of the useful life of the assets or an increase in their production capacity are expensed currently.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The balances of assets retired as a result of modernisation or for any other reason are derecognised from the related cost and accumulated depreciation accounts.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated. The Group depreciates its non-current assets in projects by distributing the cost of the asset over its estimated useful life, which is about 25 years for solar thermal plants, 20 years for wind farms in Spain and 25 years for wind farms in Portugal.

The residual value, useful life and depreciation method applied to the companies' assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the economic benefits arising from operating the non-current assets in projects are consumed.

At least at each reporting date, the companies determine whether there is any indication that an item or group of items of non-current assets in projects is impaired in order to determine the recoverable amount thereof, as indicated in Note 5.d.

d.1. Impairment of property, plant and equipment, concession agrrements, non-current assets in projects and intangible assets (licensing agreements under IFRIC 12).

At each reporting date, the Group reviews the carrying amounts of its non-current assets in projects and intangible assets in projects (concession agreements) to determine whether there is any indication that those assets might have suffered an impairment loss. 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).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing recoverable amount, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment associated with projects and intangible assets - concession agreements

These headings include all projects with a limited duration which are classified based on their contractual structure that allows the project costs to be determined with certain clarity (both in the initial investment phase and the operational phase), and to reasonably forecast the income during their entire life.

In order to calculate the recoverable amount of this type of asset, a projection is made of the expected cash flows until the end of the asset's useful life. Therefore, no terminal value is considered. The projections include both known data (based on the project agreements) as well as basic assumptions supported by specific studies carried out by experts (demand, production, future value of the electricity market price etc.). In particular, the final remuneration parameters approved in Order ETU/130/2017, of 17 February, were used to determine the revenue of the plants in Spain. The revenue from plants located abroad was determined based on prevailing regulations in that country and on that indicated in the private power purchase agreements of the plants. Likewise, macroeconomic data projections are made: inflation, interest rate, etc., using the data provided by independent specialised sources (e.g. Bloomberg, Reuters).

Since they are assets with a specific financing, the discounted cash flows are those of the project itself. The project's operating cash flows are discounted at a dynamic WACC rate taking into account the characteristics of the financial structure of the projects, the gearing ratio and financial structure of which vary significantly throughout their useful lives, and including the risks and uncertainties that affect the Group's activities and industry, and the countries in which it operates (Note 16). The discount rates used to discount these cash flows in each of the projects are in the average range of 6.5% for projects located abroad and an average range of 6.8% for national projects, considering the dynamic average weighted cost of capital (WACC), by year, for each of the assets (see Notes 7 and 9).

e) Financial instruments

e.1) Financial assets

Except in the case of financial assets at fair value through profit or loss, financial assets are initially recognised at the fair value of the consideration given, plus directly attributable transaction costs. The Group classifies its non-current and current financial assets, excluding investments in associates and those held for sale, in three categories.

In the consolidated statement of financial position, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months as non-current assets.

e.1.1) Loans and receivables

Financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, that are not derivatives, have fixed or determinable payments and are not traded in an active market. After their initial recognition, they are measured at amortised cost using the effective interest method.

The amortised cost is understood to be the initial acquisition cost of a financial asset or liability minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. In the case of financial assets, amortised cost includes any reductions for impairment.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

Deposits and guarantees given are recognised at the amount delivered to meet contractual commitments, relating to water and gas contracts, leases, etc.

Period charges for impairment and reversals of impairment losses on financial assets are recognised in the consolidated income statement for the difference between their carrying amount and the present value of the recoverable cash flows.

e.1.2) Available-for-sale investments

These are non-derivative financial assets designated as available for sale or not specifically classified within any of the previous categories. They relate mainly to investments in the share capital of companies not included in the scope of consolidation.

After their initial recognition, they are measured at fair value, except for investments not traded in an active market whose fair value cannot be estimated reliably, which are measured at cost or a lower amount if there is evidence of impairment.

e.1.3) Cash and cash equivalents

This heading includes cash on hand, current bank accounts and deposits and reverse repurchase agreements that meet all the following requirements:

- They can be converted into cash.
- They mature within three months from the acquisition date.
- They are not subject to a significant risk of change in value.
- They form part of the Group's normal cash management policy.

When there are restrictions on the availability of the deposits made or current accounts held, the Group's financial assets are classified as "Other current financial assets" in the consolidated statement of financial position.

e.2) Financial liabilities

Financial liabilities include accounts payable by the Group that have arisen from the purchase of goods or services in the normal course of the Group's business and those that, not having commercial substance, cannot be classed 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.

e.2.1) Bank borrowings, debt and other securities

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

In subsequent periods, these obligations are measured at amortised cost using the effective interest method.

e.2.2) Financial derivatives

The Group's activities are exposed to financial risks, mainly of changes in interest rates. The Group uses interest rate swap (IRS) contracts to hedge this exposure.

The Group does not use derivative financial instruments for speculative purposes. Derivatives are recognised at fair value (see "Procedures for measuring derivatives and the credit risk adjustment") at the date of the consolidated statement of financial position. If the value is positive they are recognised under "Financial instrument receivables" and under the "Financial instrument payables" if it is negative. Changes in fair value are recognised in the consolidated income statement, unless the derivative has been designated as a hedge that is highly effective, in which case it is recognised as follows:

- Cash flow hedges: these hedges are arranged to reduce the risk of potential changes in the cash flows due to interest rate fluctuations associated with non-current floating-rate financial liabilities. Changes in the fair value of the derivatives are recognised, in respect of the effective portion of the hedges, in equity under "Valuation adjustments" in the accompanying consolidated statement of financial position. Hedges giving results of between 80% and 125% in the effectiveness test are considered to be effective. The cumulative gain or loss recognised is transferred to the consolidated income statement to the extent that the underlying has an impact on this account in relation to the hedged risk, and the related effect is deducted from the same heading in the consolidated income statement.

At 31 December 2017 and 2016, the Group had arranged derivative financial instruments within its cash flow coverage strategy associated to project financing.

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

Group policy on hedging

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge. Hedges are only recognised when it is expected, prospectively, to be highly effective from inception of the hedge and in subsequent years to manage to offset the changes in the fair value or cash flows of the hedged risk during the life of the hedge and, retrospectively, that the actual effectiveness of the hedge, that can be reliably calculated, is within a range of 80 - 125% of the results of the hedged item.

The Group does not hedge forecast financing transactions, but rather only firm financing commitments. If the cash flows of forecast transactions were hedged, the Group would assess whether such transactions are highly probable and whether they are exposed to changes in cash flows that might ultimately affect profit for the year.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Procedures for measuring derivatives and the credit risk adjustment

The fair value of the various derivative financial instruments is calculated using techniques widely used in financial markets, i.e., by discounting all of the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year. The fair value includes the measurement of the credit risk of the counterparty in the case of the assets or the Group itself in the case of liabilities, in accordance with IFRS 13.

The Group measures derivatives not traded on an organised market (OTC) by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year. The fair value of interest rate swaps is measured by discounting future settlements between fixed and floating interest rates to their present value, in line with implicit market rates, obtained from long-term interest rate swap curves.

At 31 December 2017, in order to determine the credit risk adjustment, as indicated in IFRS 13, in measuring derivatives, a technique was used based on calculation through simulations of the total expected exposure (which includes both current exposure and potential exposure), adjusted by the probability of default over time and by the loss given default (or potential loss) assigned to the Company and to each of the counterparties.

The total expected exposure of the derivatives is obtained using observable market inputs, such as interest rate curves according to market conditions on the measurement date.

The inputs applied to obtain internal and counterparty credit risk (determination of the probability of default) are based mainly on applying the Company's own credit spreads or those of comparable companies currently traded on the market (CDS curves).

In accordance with IFRS 13, for financial reporting purposes, fair value measurements are classified into level 1, 2 or 3 depending on the extent to which inputs used are observable and the importance of those inputs for measuring fair value in its entirety, as described below:

- Level 1: The inputs are based on quoted prices (unadjusted) for identical instruments traded on active markets.
- Level 2: The inputs are based on quoted prices for similar instruments in active markets (not included in level 1), quoted prices for identical or similar instruments in markets that are not active, or techniques based on valuation models for which all significant inputs are observable in the market or may be verified using observable market data.
- Level 3: The inputs are not generally observable and do not generally reflect the estimates of the market events to determine the price of the asset or liability. The non-observable data used in the valuation models is significant in the fair values of the assets and liabilities.

The Group has determined that the majority of the inputs used to measure the derivatives fall within level 2 of the fair value hierarchy, given that the inputs used to calculate the credit risk adjustments, which fall within level 3 (such as credit estimates based on the credit rating or comparable companies to assess the probability of the company or the counterparty going bankrupt), are not particularly relevant for calculating the fair value of the derivative instruments.

At 31 December 2017 and 2016, the fair value measurements performed on the various derivative financial instruments were included in level 2 of the fair value hierarchy.

e.2.3) Trade payables

Trade payables are not interest bearing and are stated at their nominal value, which does not differ substantially from their fair value.

e.2.4) Current/Non-current classification

In the accompanying consolidated statement of financial position, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months are classified as non-current items.

e.3) Equity instruments

An equity instrument represents a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments acquired by the Parent are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Parent during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated income statement.

f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases. All of the Group's leases are operating leases.

<u>Operating leases:</u>

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the lessor, which recognises the assets at their acquisition cost.

These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items for own use and lease income is recognised in the income statement on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised as an expense on a straight-line basis. Income received and receivable in relation to incentives to arrange an operating lease is also allocated to profit or loss on a straight-line basis over the term of the lease.

g) Termination benefits

Under current employment legislation, the companies are required to pay termination benefits to employees terminated under certain conditions. There are no situations of this nature in these consolidated financial statements.

h) Share-based payment

The Group recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

The share-based payments of Saeta Yield, S.A. relate to certain Company executives (Note 20) and, as they are expected to be settled in cash, the corresponding liability was recognised (Note 19).

i) Income tax

The current income tax expense is calculated by aggregating the current tax expense arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities 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, and tax loss and tax credit carryforwards. 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, unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

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

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed regarding the period and recoverable amounts.

It should also be noted that effective as of 1 January 2015, Saeta Yield, S.A. is the Parent of the new Consolidated Tax Group 485/15, and the subsidiaries of the current tax group are as follows:

- Al - Andalus Wind Power, S.L.U.
- La Caldera Energía Burgos, S.L.U.
- Parque Eólico Santa Catalina, S.L.U.
- Eólica del Guadiana, S.L.U.
- Parque Eólico Valcaire, S.L.U.
- Parque Eólico Sierra de las Carbas, S.L.U.
- Parque Eólico Tesosanto, S.L.U.
- Manchasol 2, Central Termosolar Dos, S.L.U.
- Extresol 1, S.L.U.
- Extresol 2, S.L.U.
- Extresol 3, S.L.U.
- Serrezuela Solar II, S.L.U.

Extresol 2, S.L.U. and Extresol 3, S.L.U. became part of the aforementioned Consolidated Tax Group effective as of 1 January 2017, filing individual tax returns in 2016, since they were acquired in 2016 subsequent to the beginning of the financial year.

j) Revenue and expenses

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.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company neither continues to manage the goods nor retains effective control over them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

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

k) Current/Non-current classification of receivables and payables

In the accompanying consolidated statement of financial position, balances receivable and payable were classified on the basis of their residual maturity from the statement of financial position date. Balances due to be settled within 12 months are deemed to be current items and those due to be settled within more than 12 months are classified as non-current items.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements the Group's directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but that are uncertain as to their amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The Group's consolidated financial statements include all the material 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 recognised in the financial statements, but rather are disclosed, as required by IAS 37.

Provisions are measured at present value based on the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year. Where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis. Provisions are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced and are applied if any risk arises.

At 31 December 2017, certain litigation and claims were in process against the consolidated Group companies arising from the ordinary course of their operations; the risk of these proceedings giving rise to liabilities is considered to be remote and, therefore, no provisions were recognised in this connection. The main legal and/or administrative proceedings in process are as follows:

- Administrative proceedings filed by the Municipal Council of Alcázar de San Juan City Hall against Manchasol 2 Central Termosolar Dos, S.L.U. for an amount of EUR 3.8 million in relation to reviewing the fulfilment of certain agreements that the Company entered into after obtaining a grant during the construction period. These proceedings are not expected to give rise to liabilities since the company considers it has fulfilled all requirements and, therefore, no possible or likely future payments are expected to arise.

The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

m) Interest expense

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings not yet used to acquire qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the year in which they are incurred.

n) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method, with the meanings specified:

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

- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities, tax payments and collections and interest payments and collections.

- Investing activities: the acquisition and disposal of short-term assets and other investments not included in cash and cash equivalents, relating mainly to:

    - Deposits made in the corresponding banks for the debt service reserve fund, required by the financing agreements entered into.

    - Payments for the acquisition of Viensos, S.A., Eskonel, S.A. and Lestenergía, S.A. (Note 6), less the cash of both companies at the time of acquisition.

    - Acquisitions of property, plant and equipment and intangible assets.

- Financing activities: activities that result in changes in equity and borrowings. They mainly include dividend payments (see Note 14), as well as amortisation payments and provisions for financing agreements (see Note 15).

o) Risk management policy

As a result of carrying out its activities, the Group is exposed to various financial market risks that it manages by applying risk identification, measurement, concentration limitation and supervision systems.

The Group's Risk Management Policy establishes a framework for action for comprehensive risk management, for both financial and non-financial risks.

The main functions in risk management are as follows:

- Those responsible for the risks and for implementing the controls will be users or areas closest to the material risk in the company's business area. Accordingly, each business area has the duty to identify the risks associated with the development of its functions and to report both the risks identified and the needs detected, in order to take them into account in the overall risk management framework of the company.
- The Monitoring Committee will carry out risk management independently. In addition, along with each of the business areas, it is responsible for identifying all risks affecting the business development of the Saeta Group.
- Internal Audit is responsible for supervising the entire risk management process independently.
- The Audit Committee will oversee the Group's financial risk management model.
- The Appointments and Remuneration Committee will oversee the Group's non-financial risk management model.

The Group's risk management is of a preventative nature and is aimed at the medium and long term, taking into account the most probable scenarios with respect to the future changes in the variables affecting each risk.

Notes 16 and 17 detail the risk management and capital management carried out.

p) Related party transactions

The Group companies perform all of their transactions with related parties on an arm's length basis. Also, the Group's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

All the transaction were carried out in the ordinary course of business and related to ordinary Group company transactions.

q) Business activities that impact the environment

Environmental activities are those the main purpose of which is to prevent, reduce or redress damage to the environment. Investments made in connection with environmental activities are measured at acquisition cost and are capitalised to non-current assets in the year in which the related expenses are incurred.

The expenses arising from the business activities aimed at protecting and improving the environment are accounted for as an expense of the year in which they are incurred. Expenses incurred on items of property, plant and equipment aimed at minimizing their environmental impact or protecting or improving the environment are recognised as additions to property, plant and equipment.

r) Financial instrument disclosures

The qualitative and quantitative disclosures relating to financial instruments, risk management and capital management are detailed in the following notes to the consolidated financial statements:

- Financial asset and liability categories, including derivative financial instruments and accounting policies are detailed in Note 5.e.
- Classification of the fair value measurements of financial assets in Note 11, and for derivative financial instruments consistent with the hierarchy of fair value established in IFRS 7 in Note 18.
- (Qualitative and quantitative) capital disclosure requirements are detailed in Note 17.
- Quantitative and qualitative accounting and risk management policies are detailed in Note 16.
- Derivative financial instruments and hedge accounting are detailed in Note 18.
- Transfers from equity to profit for the year of settlements of hedging derivative financial instrument transactions are detailed in Note 14.e.

6. Changes in the scope of consolidation

Two business combinations were carried out in 2017:

a) Business combination in Uruguay

In January 2017 Saeta Yield entered into two sale and purchase agreements by virtue of which it acquired all ownership interest in Viensos, S.A. from Abatare Spain, S.L. and all ownership interest in Eskonel Company, S.A. from Constructora San José, S.A. Both companies are located in Uruguay. The takeover was carried out on 25 May 2017, the date on which the conditions precedent of the sale and purchase agreements were met and the agreements were executed.

The acquired companies hold all ownership interest in Fingano, S.A. and Vengano, S.A., the owners of two wind farms in operation in Uruguay (Carapé I and Carapé II). Since the effective date of the takeover, the Group has fully consolidated the assets and liabilities of these companies, as well as the profit or loss obtained since this date. The wind farms are located in the Department of Maldonado (Uruguay) and made up of a total of 31 generators with a total capacity of 95 MW and a load factor of 44%. Both facilities have been operational for more than a year and sell the energy produced under long-term power purchase agreements with Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE), which is the state-owned company that carries out electricity generation and sale activities, and operates the transmission and distribution networks in Uruguay, without any minimum production commitments. The average remaining term of these electricity sale agreements is 21 years.

The acquisition price amounted to a total of EUR 57,724 thousand, which is broken down as follows:

Data in thousands of euros	Viensos, S.A.	Eskonel Company, S.A.	Fingano, S.A.	Vengano, S.A.	TOTAL
Shares	837	93	32,757	17,611	51,298
Loans + Interest	4,025	2,401	-	-	6,426
TOTAL	**4,862**	**2,494**	**32,757**	**17,611**	**57,724**

The sale and purchase agreements of the companies do not include any remaining contingent considerations.

However, they do include an adjustment to the price, based on the final working capital of the companies, in addition to that mentioned above that was not closed at the date of authorisation for issue of these consolidated financial statements, but its effect is considered insignificant.

The acquisition of all ownership interest in Viensos and Eskonel meant that the Saeta Group took control over the four companies and, as of 26 May 2017, began to consolidate fully the assets, liabilities, income and expenses of these companies once the transaction was carried out, which was not subject to any condition precedent. The purpose of the business combinations carried out was to increase the Saeta Group's asset portfolio and comply with its investment strategy.

At the date of acquisition, the Saeta Group determined the cost of the business combination pursuant to IFRS 3, as well as the fair value of the assets and liabilities acquired in the business combinations in accordance with that established in the measurement guidelines contained in IFRS 3, Fair Value Measurement.

The detail of the business combination is as follows (in thousands of euros):

Acquisition cost	51,298
Percentage acquired	100%
Carrying amount of the companies at 25/05/2017	25,289
Net changes in value of the assets and liabilities (recognised at fair value)	26,009
Goodwill / Negative goodwill on business combinations	-

The balance sheet of the companies acquired at the time of the takeover, as well as the detail of the assets and liabilities at fair value at the date of acquisition, are shown below:

Data in thousands of euros

ASSETS	**VIENSOS, S.A. Carrying amount at 25/05/2017**	**ESKONEL COMPANY, S.A. Carrying amount at 25/05/2017**	**FINGANO, S.A. Carrying amount at 25/05/2017**	**VENGANO ,S.A. Carrying amount at 25/05/2017**	**Net changes in value of the assets and liabilities (recognised at fair value)**	**Fair value at 25/05/2017**
Non-current assets:	**-**	**-**	**101,837**	**65,931**	**34,678**	**202,446**
Intangible assets	-	-	101,837	65,931	34,678	202,446
Long-term investments in Group companies and associates	-	-	-	-	-	-
Current assets:	**5**	**3**	**16,091**	**4,566**	**-**	**20,667**
LIABILITIES						
Non-current liabilities:	**(4,023)**	**(2,402)**	**(91,180)**	**(53,310)**	**(8,670)**	**(159,584)**
Non-current provisions	-	-	(722)	(707)	-	(1,429)
Non-current payables	-	-	(86,358)	(50,118)	-	(136,476)
Other payables	(4,023)	(2,402)	-	-	-	(6,425)
Deferred tax liabilities	-	-	(4,100)	(2,485)	(8,670)	(15,254)
						-
Current liabilities:	**(2)**	**(68)**	**(7,483)**	**(4,678)**	**-**	**(12,230)**
Current bank borrowings	-	(62)	(6,665)	(4,190)	-	(10,918)
Trade and other payables	(2)	(5)	(818)	(488)	-	(1,312)

The Parent's directors initially allocated the cost of the business combination by estimating that the difference between the cost of the business combination and the fair value of the net assets acquired would amount to a net total of EUR 26,009 thousand, which was allocated as an increase in the intangible assets in projects of the businesses acquired.

In order to estimate the fair value of the net assets of the businesses acquired, the Parent used internal measurements of the assets acquired (which are mainly renewable energy producers), taken in accordance with the method for discounting the free cash flows expected from the project by forecasting the cash flows until the end of the concession contract's term, since the assets have a limited life with specific financing, discounted at a dynamic WACC, in accordance with customary practice in the sector for these types of capital-intensive and highly leveraged businesses.

The tax effect estimated by the Parent's directors associated with the recognition of the aforementioned increase in value amounted to EUR 8,670 thousand at the date of the takeover (EUR 7,873 thousand at 31 December 2017) (see Note 21.d), which means increasing the assigned surplus paid described by this amount. As a result of these appraisals, the value of the assets was adjusted by EUR 34,678 thousand (a net amount of EUR 31,493 thousand at 31 December 2017).

In any case, and in accordance with IFRS 3, these initial estimates are merely provisional and the Group has a period of one year to adjust them in accordance with the most relevant and complete information that may be subsequently obtained.

Net cash flow from acquisitions:

Thousands of euros	
Cash paid	57,724
Less: Cash and cash equivalents	(2,399)
Total	55,325

Each note of these consolidated financial statements provides details on the main assets and liabilities contributed by the companies acquired.

In addition, on 15 February 2017 the Saeta Group acquired the Uruguayan company Derisia, S.A. for EUR 3 thousand, that is equal to this company's equity. This company carries out the operation and maintenance activities for the wind farms acquired. Its assets and liabilities included are not significant.

The net profit and income generated by the acquired companies in 2017 and included in the consolidated income statement for the year as of the takeover date amounted to:

	Thousands of euros	
	Net profit/(loss)	Revenue
Viensos, S.A.	(4)	-
Eskonel Company, S.A.	45	-
Fingano, S.A.	2,595	10,336
Vengano, S.A.	998	6,329
Derisia, S.A.	(19)	-
TOTAL	**3,615**	**16,665**

Had the businesses been acquired on 1 January 2017, Group net profit would have decreased by EUR 1,829 thousand and the revenue contributed to the Group would have increased by approximately EUR 10,611 thousand, compared to the figures in these consolidated financial statements.

b) Business combination in Portugal

On 27 September 2017, Saeta Yield incorporated a company in Portugal under the name Pantenergía, S.A., with a share capital of EUR 50 thousand, through which a sale and purchase agreement was executed on 29 September 2017, by virtue of which all ownership interest was acquired in the Portuguese company Lestenergia - Exploração de Parques Eólicos, S.A. ("Lestenergia"), belonging to the ACS Group.

The company acquired is the owner of nine wind farms in operation located in the municipalities of Guarda and Castelo Branco in Portugal. An average of nine years of the operating life of these wind farms have been consumed and their load factor is around 27%.

The wind farms adhere to the Portuguese regulatory and tariff system, which has a feed-in tariff of 15 years and a cap-and-floor system of an additional 7 years. This regulatory framework guarantees predictable and stable long-term income (in euros), in accordance with Saeta Yield's investment criteria. Although SAY estimates its useful life to be longer than its regulated life.

Given the low gearing ratio, at the time of purchase the Lestenergía portfolio was considered to have a high refinancing potential, which was taken into consideration when determining the purchase price. In this regard, the company was refinanced on 27 December 2017, as indicated in Note 15.

The acquisition was financed with liquidity available at the Saeta Group and funds from the Group's new revolving credit facility (see Note 13).

The transaction involved a total expenditure of EUR 103,725 thousand, corresponding to the acquisition of shares and rights associated with the subordinated loans, as detailed below:

Data in euros	Pantenergia	Lestenergia	TOTAL
Shares	50	76,456	76,506
Loans + Interest	-	27,219	27,219
TOTAL	**50**	**103,675**	**103,725**

The sale and purchase agreement did not include any contingent considerations. However, it does include an adjustment to the price, subject to changes in working capital, in addition to that mentioned above that was not settled at the date of authorisation for issue of these consolidated financial statements, the impact of which is considered insignificant.

The Saeta Group took control over the two companies and, as of 29 September 2017, began to consolidate fully the assets, liabilities, income and expenses of these companies once the transaction was carried out, which was not subject to any condition precedent. The purpose of the business combinations carried out was to increase the Saeta Group's asset portfolio and comply with its investment strategy.

At the date of acquisition, the Saeta Group determined the cost of the business combination pursuant to IFRS 3, as well as the fair value of the assets and liabilities acquired in the business combinations in accordance with that established in the measurement guidelines contained in IFRS 3, Fair Value Measurement.

The detail of the business combination is as follows (in thousands of euros):

Acquisition cost	76,506
Percentage acquired	100%
Carrying amount of the Company at 29/09/2017	29,419
Net changes in value of the assets and liabilities (recognised at fair value)	47,087
Goodwill / Negative goodwill on business combinations	-

The balance sheet of the companies acquired at the time of the takeover, as well as the detail of the assets and liabilities at fair value at the date of acquisition, are shown below:

Data in thousands of euros

ASSETS	**Lestenergía Carrying amount at 29/09/2017**	**Net changes in value of the assets and liabilities (recognised at fair value)**	**Fair value at 29/09/2017**
Non-current assets:	**141,426**	**59,684**	**201,110**
Intangible assets	16,394	-	16,394
Property, plant and equipment in projects	124,717	59,684	184,401
Deferred tax assets	315	-	315
Current assets:	**11,608**	**-**	**11,658**
LIABILITIES			
Non-current liabilities:	**(104,251)**	**(14,921)**	**(119,172)**
Non-current provisions	(2,297)	-	(2,297)
Non-current bank borrowings	(66,183)	-	(66,183)
Other non-current payables	(8,552)	-	(8,552)
Non-current payables to Group companies	(27,219)	-	(27,219)
Deferred tax liabilities	-	(14,921)	(14,921)
			-
Current liabilities:	**(19,415)**	**-**	**(19,415)**
Current bank borrowings	(15,213)	-	(15,213)
Financial instrument payables	(1,314)	-	(1,314)
Other current payables	(195)	-	(195)
Trade and other payables	(2,693)	-	(2,693)

The Parent's directors initially allocated the cost of the business combination by estimating that the difference between the cost of the business combination and the fair value of the net assets acquired correspond to a higher value in the intangible assets in projects of the businesses acquired.

In order to estimate the fair value of the net assets of the businesses acquired, the Parent used internal measurements of the assets acquired (which are mainly renewable energy producers), taken in accordance with the method for discounting the free cash flows expected from the project by forecasting the cash flows until the end of the concession contract's term, since the assets have a limited life with specific financing, discounted at a dynamic WACC, in accordance with customary practice in the sector for these types of capital-intensive and highly leveraged businesses.

The tax effect estimated by the Parent's directors associated with the recognition of the aforementioned increase in value amounted to EUR 14,921 thousand at the date of the takeover (EUR 14,705 thousand at 31 December 2017) (see Note 21.d), which means increasing the assigned surplus paid described by this amount. As a result of these appraisals, the value of the assets was adjusted by EUR 59,684 thousand (a net amount of EUR 58,819 thousand at 31 December 2017).

In any case, and in accordance with IFRS 3, these initial estimates are merely provisional and the Group has a period of one year to adjust them in accordance with the most relevant and complete information that may be subsequently obtained.

Net cash flow from acquisitions:

Thousands of euros	
Cash paid	103,725
Less: Cash and cash equivalents	(8,634)
Total	95,091

Each note of these consolidated financial statements provides details on the main assets and liabilities contributed by the company acquired.

The net profit and income generated by the acquired companies in 2017 and included in the consolidated income statement for the period as of the takeover amounted to:

	Thousands of euros	
	Net profit/(loss)	Revenue
Pantenergía, S.A.	(333)	-
Lestenergia, S.A.	(800)	9,192
TOTAL	**(1,133)**	**9,192**

The net loss of Lestenergía includes greater finance costs than the recurring costs arising from the refinancing carried out by the Saeta Group in December 2017 (see Note 15). If the effect of the refinancing is discounted, the Company's net profit would have been approximately EUR 537 thousand.

Had the businesses been acquired on 1 January 2017, net profit would have increased by EUR 9,914 thousand and the revenue contributed to the Group would have increased by approximately EUR 24,874 thousand, compared to the figures in these condensed consolidated interim financial statements.

In 2016 the business combinations were carried out:

On 22 March 2016, Saeta Yield, S.A. and Bow Power, S.L. entered into a sale and purchase agreement, by virtue of which the former acquired from the latter all ownership interest in Extresol 2, S.L. and Extresol 3, S.L., as well as all collection rights that were held by the previous owner, by virtue of the subordinated debt agreements and participating loans executed. These assets were included in the RoFO agreement and Saeta Yield, S.A. held a call option on these assets (Note 1). The acquisition price amounted to EUR 118 million, which is broken down as follows:

- EUR 13,800 thousand correspond to all ownership interest in Extresol 2, S.L. (hereinafter, Extresol 2). Accordingly, Saeta Yield, S.A. subrogated the loans granted to the company by the previous owner for EUR 52,052 thousand (EUR 29,519 thousand in principal and EUR 22,533 in interest).

- EUR 12,365 thousand correspond to all ownership interest in Extresol 3, S.L. (hereinafter, Extresol 3). Accordingly, Saeta Yield, S.A. subrogated the loans granted to the company by the previous owner for EUR 40,612 thousand (EUR 32,951 thousand in principal and EUR 7,661 in interest). Subsequently, on 30 June 2016 the purchase price of the ownership interest was adjusted by EUR 1,089 thousand (according to that indicated in the sale and purchase agreement), whereby the final purchase price of the ownership interest amounted to EUR 11,276 thousand.

The sale and purchase agreements of the companies do not include any type of contingent consideration or adjustment to the price in addition to that indicated above.

The acquisition of all ownership interest meant that the Group took control over both companies and, as of 26 May 2017, began to consolidate fully the assets, liabilities, income and expenses of these companies. The purpose of the business combinations carried out was to increase the Group's asset portfolio and comply with its investment strategy.

At the date of acquisition, the Saeta Group determined the cost of the business combination pursuant to IFRS 3, as well as the fair value of the assets and liabilities acquired in the business combinations in accordance with that established in the measurement guidelines contained in IFRS 3, Fair Value Measurement.

The detail of both business combinations is as follows (in thousands of euros):

Company	Acquisition cost	Percentage acquired	Carrying amount of the company at 22/03/2016	Net changes in value of the assets and liabilities (recognised at fair value)	Goodwill / Negative goodwill on business combinations
Extresol 2, S.L.	13.800	100%	(10.520)	24.320	-
Extresol 3, S.L.	11.276	100%	889	10.387	-
TOTAL	**25.076**		**(9.631)**	**34.707**	**-**

The balance sheet of the companies acquired at the time of the takeover, as well as the detail of the assets and liabilities at fair value at the date of acquisition, are shown below:

Data in thousands of euros

EXTRESOL 2, S.L.			
	Carrying amount at 22/03/2016	**Net changes in value of the assets and liabilities (recognised at fair value)**	**Fair value at 22/03/2016**
Non-current assets:	**261,592**	**32,427**	**294,019**
Intangible assets	-	-	-
Property, plant and equipment	3,524	-	3,524
Property, plant and equipment in projects	238,654	32,427	271,081
Financial investments	4,925	-	4,925
Deferred tax assets	14,489	-	14,489
Current assets:	**39,489**	-	**39,489**
Non-current liabilities:	**(263,616)**	**(8,107)**	**(271,723)**
Non-current bank borrowings	(199,050)	-	(199,050)
Financial instrument payables	(29,093)	-	(29,093)
Non-current payables to Group companies	(29,519)	-	(29,519)
Deferred tax liabilities	(5,954)	(8,107)	(14,061)
Current liabilities:	**(47,985)**	-	**(47,985)**

Data in thousands of euros

EXTRESOL 3, S.L.			
	Carrying amount at 22/03/2016	**Net changes in value of the assets and liabilities (recognised at fair value)**	**Fair value at 22/03/2016**
Non-current assets:	**281,406**	**13,850**	**295,256**
Intangible assets	8	-	8
Property, plant and equipment	5,550	-	5,550
Property, plant and equipment in projects	255,239	13,850	269,089
Financial investments	4,925	-	4,925
Deferred tax assets	15,684	-	15,684
Current assets:	**32,998**	**-**	**32,998**
Non-current liabilities:	**(280,476)**	**(3,463)**	**(283,939)**
Non-current bank borrowings	(219,984)	-	(219,984)
Financial instrument payables	(26,948)	-	(26,948)
Non-current payables to Group companies	(32,951)	-	(32,951)
Deferred tax liabilities	(593)	(3,463)	(4,056)
Current liabilities:	**(33,040)**	**-**	**(33,040)**

The Parent's directors initially measured the cost of the business combination at the fair value of the non-current assets in projects of the businesses acquired, which was not subsequently modified. In order to estimate the fair value of the net assets of the businesses acquired, the Parent used internal measurements of the assets acquired (which are mainly renewable energy producers), taken in accordance with the method for discounting the free cash flows expected from the project by forecasting the cash flows until the end of the asset's life, since the assets have a limited life with specific financing, discounted at a dynamic WACC, in accordance with customary practice in the sector for these types of capital-intensive and highly leveraged businesses. The tax effect estimated by the Parent's directors associated with the recognition of the aforementioned increase in value amounted to EUR 11,570 thousand (see Note 21).

Net cash flow from acquisitions:

	Miles de euros		
	Extresol 2	Extresol 3	Total
Efectivo pagado	(65.852)	(51.888)	(117.740)
Menos: Tesorería y equivalentes	16.063	11.233	27.296
Total	**(49.789)**	**(40.655)**	**(90.444)**

The net profit and income generated by the acquired companies in 2016 and included in the consolidated income statement for the period as of the takeover date amounted to:

	Miles de euros	
	Resultado neto	Importe neto de la cifra de negocios
Extresol 2	4.815	31.079
Extresol 3	6.099	31.732

Had the businesses been acquired on 1 January 2016, the net profit contributed in this year would have decreased by EUR 3,804 thousand and the revenue contributed to the Saeta Group would have increased by approximately EUR 13,813 thousand.

In addition, given that the companies acquired have an ownership interest in Sistemas de Evacuación Albuera SET Olivenza-Vaguadas together with Extresol 1 (previously held as a financial investment), the Saeta Group now holds a 59.97% interest in this entity. However, given that resolutions relating to financial and operating matters must be adopted unanimously, the Saeta Group now has joint control over this company, which is accounted for using the equity method (see Note 11).

The companies acquired also have an ownership interest in Extresol Almacenamiento GNL, AIE together with Extresol 1. In this case, along with the acquisition of Extresol 2 and Extresol 3, the Saeta Group now holds all ownership interest in this company, which is now considered a subsidiary and, therefore, is fully consolidated.

7. Intangible assets

The changes in 2017 and 2016 in “Intangible assets” were as follows (in thousands of euros):

2017

	Beginning balance at 31/12/2016	Increases due to changes in the scope of consolidation (Note 6)	Additions	Foreign exchange rate changes	Ending balance at 31/12/2017
Administrative concessions	6,052	16,394	462	-	22,908
Concession agreements (IFRIC 12)	-	202,445	-	(12,222)	190,223
Computer software	102	1	14	-	117
Other intangible assets	182	-	-	-	182
Total cost	**6,336**	**218,840**	**476**	**(12,222)**	**213,430**
Administrative concessions	-	-	(191)	-	(191)
Concession agreements (IFRIC 12)	-	-	(5,724)	(798)	(6,522)
Computer software	(15)	-	(25)	-	(40)
Other intangible assets	(29)	-	(9)	-	(38)
Total accumulated amortisation	**(44)**	**-**	**(5,949)**	**(798)**	**(6,791)**
Impairment losses on administrative concessions	(6,052)	-	-	-	(6,052)
Total intangible assets, net	**240**	**218,840**	**(5,473)**	**(13,020)**	**200,587**

2016

	Ending balance at 31/12/2015	Additions	Increases due to changes in the scope of consolidation (Note 6)	Ending balance at 31/12/2016
Administrative concessions	6,052	-	-	6,052
Computer software	36	66	-	102
Other intangible assets	174	-	8	182
Total cost	**6,262**	**66**	**8**	**6,336**
Computer software	(4)	(11)	-	(15)
Other intangible assets	(19)	(10)	-	(29)
Total accumulated amortisation	**(23)**	**(21)**	**-**	**(44)**
Impairment losses	(6,052)	-	-	(6,052)
Total intangible assets, net	**187**	**45**	**8**	**240**

“Increases due to changes in the scope of consolidation” includes the effect of fully consolidating the assets of Fingano, Vengano and Lestenergía, as a result of the business combinations described in Note 6.

In accordance with the terms established in the agreements entered into between the companies managing the wind farms in Uruguay (Fingano and Vengano) and the entity that will be supplied with the electricity (UTE), both companies recognise their investment in the wind farms in accordance with that established in IFRIC 12 Service Concession Arrangements, as indicated in Note 5.b.

The intangible assets associated with the concession include those corresponding to the acquisition or construction cost of the wind farms and those associated with the cost of the electrical substation and connection to the transmission network (assets transferred to UTE at the end of the construction period). These intangible assets are recognised at their initial fair value and amortised over the concession period (23 years at Fingano and 20 years at Vengano), at the end of which they will revert back to the concession grantor. These assets are financed under a project financing arrangement (Note 15).

Intangible assets also include those costs relating to firm commitments with regard to upgrades to be carried out at the end of the concession period, which include the discounted value, together with the costs to be incurred in other plants capitalised as non-current assets in projects under “Non-current provisions” in the consolidated statement of financial position in the amount of EUR 3,766 thousand at 31 December 2017.

The intangible assets associated with the concession also include the payment obligation to UTE at Fingano to be delivered in exchange for the 3-year extension of the concession term agreed to in previous years, which is discounted (EUR 3,830 thousand at 31 December 2017) and recognised under “Other non-current financial liabilities” in the consolidated statement of financial position.

Furthermore, “Administrative concessions” includes the capitalisation carried out in 2013 by Lestenergía related to the present value of the compensation payable to the state in 2020, with the corresponding entry under “Other non-current and current financial liabilities” in the consolidated statement of financial position in the amount of EUR 2,124 thousand.

These facilities, altogether with the property rights related to them, act as collateral of the facility contracts, as described in Note 15.

The intangible assets located outside of Spain amount to EUR 200,366 thousand. A total of EUR 183,701 thousand are located in Uruguay and valued in US dollars and, therefore, exchange differences of EUR 13,020 thousand were generated in 2017.

The other administrative concessions correspond to network connection rights, land-use rights, wind studies, licences and administrative authorisations for the start-up of the Group’s wind farms amounting to EUR 17,590 thousand. However, those corresponding to the companies that carry out business activities in Spain in the amount of EUR 6,052 thousand at the date of preparation of these consolidated financial statements have been fully impaired.

There were no fully amortised intangible assets at 31 December 2017.

The Group companies’ policy consists in formalizing insurance policies to hedge all possible risks its fixed assets are exposed to, assuming the former to sufficiently cover the latter.

The impairment analysis is detailed in Note

8. Property, plant and equipment

The changes in 2017 and 2016 in “Property plant and equipment” were as follows (in thousands of euros):

2017

	Beginning balance at 31/12/2016	Additions	Ending balance at 31/12/2017
Land and buildings	18,924	-	18,924
Furniture	177	7	184
Transport equipment	258	11	269
Computer hardware	115	12	127
Other fixtures	28	98	126
Total cost	**19,502**	**128**	**19,630**
Furniture	(52)	(23)	(75)
Transport equipment	(220)	(39)	(259)
Computer hardware	(27)	(19)	(46)
Other fixtures	(7)	(7)	(14)
Total accumulated amortisation	**(306)**	**(88)**	**(394)**
Impairment losses	-	-	-
Total property, plant and equipment, net	**19,196**	**40**	**19,236**

2016

	Beginning balance at 31/12/2015	Additions	Increases due to changes in the scope of consolidation (Note 6)	Ending balance at 31/12/2016
Land and buildings	9,856	29	9,039	18,924
Furniture	107	50	20	177
Transport equipment	243	-	15	258
Computer hardware	99	16	-	115
Other fixtures	17	11	-	28
Total cost	**10,322**	**106**	**9,074**	**19,502**
Furniture	(33)	(19)	-	(52)
Transport equipment	(164)	(56)	-	(220)
Computer hardware	(11)	(16)	-	(27)
Other fixtures	(2)	(5)	-	(7)
Total accumulated amortisation	**(210)**	**(96)**	**-**	**(306)**
Impairment losses	-	-	-	-
Total property, plant and equipment, net	**10,112**	**10**	**9,074**	**19,196**

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

"Land and buildings" includes the land on which the solar thermal plants of Extresol 1, Extresol 2, Extresol 3, Manchasol 2 and Parque Eólico Tesosanto are located, amounting to EUR 18,924 thousand, and the land of the Group's other assets is held under operating leases.

At the end of 2017 and 2016, the Company had fully depreciated items of property, plant and equipment still in use amounting to EUR 143 thousand and EUR 123 thousand, respectively.

At 31 December 2017, the assets located abroad amounted to EUR 29 thousand, corresponding to items of property, plant and equipment of Derisia, S.A.

At 31 December 2017, there was no indication of any impairment of the Group's property, plant and equipment.

9. Property, plant and equipment in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 31 December 2017 and 2016 includes the costs incurred by the fully consolidated companies in the construction of infrastructure, services and power generation centres, the operation of which constitutes the purpose of their respective activities. The aforementioned amounts relate mainly to the property, plant and equipment associated with projects financed through a project finance structure.

The changes in "Non-current assets in projects" in 2017 and 2016 were as follows:

2017

	(Thousands of euros)			
	Investment	Accumulated depreciation	Impairment losses	Carrying amount
Beginning balance at 01/01/2017	**2,415,752**	**(510,582)**	**(133,417)**	**1,771,753**
Additions/Charge for the year	1,380	(106,353)	-	(104,973)
Disposals	(1,539)	557		(982)
Increases due to changes in the scope of consolidation (Note 6)	184,400	-	-	184,400
Ending balance at 31/12/2017	**2,599,993**	**(616,378)**	**(133,417)**	**1,850,198**

2016

	(Thousands of euros)			
	Investment	Accumulated depreciation	Impairment losses	Carrying amount
Beginning balance at 01/01/2016	**1,873,832**	**(412,751)**	**(133,417)**	**1,327,664**
Additions / Reversals	1,750	(97,831)	-	(96,081)
Increases due to changes in the scope of consolidation (Note 6)	540,170	-	-	540,170
Ending balance at 31/12/2016	**2,415,752**	**(510,582)**	**(133,417)**	**1,771,753**

“Increases due to changes in the scope of consolidation” includes the effect of fully consolidating the assets of Lestenergía, as a result of the business combination described in Note 6.b.

Non-current assets in projects relate to the facilities necessary to use the solar thermal plants and the wind farms operated by the Group companies in Spain and Portugal. The assets located outside of Spain amount to EUR 181,650 thousand.

The additions or disposals recognised in 2017 relate to the replacement of facilities at the Santa Catalina and Abuela Santa Ana (Al-Andalus) wind farms as a result of unfavorable weather conditions in the area of the wind farms in January 2017. The facilities replaced were therefore derecognised and the cost of the new facilities was capitalised.

No interest was capitalised as an increase in the value of non-current assets in projects in 2017.

The Group companies take out insurance policies to cover the possible risks to which their property, plant and equipment are subject. These policies are considered to adequately cover the related risks.

Impairment of non-current assets in projects, Licensing agreements and concession agreements

At each reporting date, the Group reviews the carrying amounts of its non-current assets in projects, licensing agreements and concession agreements to determine whether there is any indication that those assets might have suffered an impairment loss. 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).

The recoverable amount of each asset is the higher of fair value less costs to sell and value in use. In assessing the recoverable amount, the estimated future cash flows are discounted, for each asset, to their present value using an after-tax discount rate (WACC) that reflects current market assessments of the time value of money and the risks specific to the asset that have not already been adjusted in the estimates of future cash flows.

The recoverable amount is assessed in accordance with that indicated in Note 5.c.1 as there were no changes in the impairment losses recognised by the Group at 31 December 2017, which relate to the facilities located in Spain.

In 2017 the Group conducted a sensitivity analysis of the results of the impairment test to changes in the WACC discount rate (considered the most important assumption sensitive to future changes) of 50 basis points, with the following results:

- A 0.5% increase in the WACC of each project would imply an additional provision for impairment of EUR 24 million.
- A 0.5% decrease in the WACC of each project would imply a reversal of the impairment loss in the amount of EUR 25 million.
- A 5% increase in the EBITDA of each project woud imply an additional provision for impairment of EUR 33 million.

To secure compliance with the obligations arising from the financing agreements described in Note 15, Group companies definitively assigned to the lenders all collection and other rights and the guarantees arising from the plant construction, operation, maintenance and refurbishment agreements, management and administration services, land use and energy sale and purchase agreements, indemnities for the insurance policies taken out and guarantees pledged on all share capital of Group companies. In addition, EUR 2,034 million in assets (EUR 1,850 million in non-current assets in projects and EUR 184 million in administrative concessions and concession agreements) are used as collateral for the financing agreements described in Note 15.

10. Leases

With respect to the land on which the Group's solar thermal plants and wind farms are located, except for those mentioned in Note 8, the other companies have entered into operating leases maturing at long term.

At 31 December 2017 and 2016, the future minimum lease payments under the aforementioned non-cancellable operating leases were as follows (in thousands of euros):

	31/12/2017	31/12/2016
Within one year	4,794	3,945
Two to five years	23,267	19,484
More than five years	74,079	68,444
Total	**102,140**	**91,873**

11. Other current and non-current financial assets and Investments accounted for using the equity method

The breakdown of these headings at 31 December 2017 and 2016 is as follows (in thousands of euros):

	Non-current financial assets					
	Available-for-sale financial assets		Other loans		Investments accounted for using the equity method	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equity instruments	**2,184**	**2,106**	**-**	**-**	**-**	**-**
Other non-current financial assets	**-**	**-**	**7,563**	**12,100**	**11,745**	**13,031**
Deposits and guarantees	-	-	96	123	-	-
Investments accounted for using the equity method	-	-	-	-	11,745	13,031
Loans and receivables	-	-	7,467	11,977	-	-
TOTAL	**2,184**	**2,106**	**7,563**	**12,100**	**11,745**	**13,031**

	Current financial assets	
	Held-to-maturity investments	
	31/12/2017	31/12/2016
Other current financial assets	**84,628**	**72,983**
Deposits and guarantees	84,628	72,983
TOTAL	**84,628**	**72,983**

a) Equity instruments

Non-current equity instruments relate mainly to residual investments of the various Group companies in companies in which they hold an interest together with other companies in order to provide ancillary services for their activities and over which they do not have significant influence. The aggregates of these companies were not material. These equity instruments, which are measured at historical cost or the underlying carrying amount as their fair value cannot be reliably estimated, are detailed as follows (in thousands of euros):

	31/12/2017			31/12/2016	
	Serrezuela Solar II, S.L.U.	Al Andalus Wind Power, S.L.	Total	Serrezuela Solar II, S.L.U.	Total
Evacuación Valdecaballeros	2,106	-	2,106	2,106	2,106
SEC Huéneja	-	78	78	-	-
Total	**2,106**	**78**	**2,184**	**2,106**	**2,106**

The additions in the period relate to the acquisition of 5.35% of Sistema Electrico Conexión Huéneja, S.L. by Al Andalus, S.L.U..

b) Short-term deposits and guarantees

Current deposits and guarantees relate mainly to the deposits made in the corresponding banks for the debt service reserve fund, required by the financing agreements entered into (see Note 15), which must be maintained by the Group companies until the related project finance amounting to EUR 83,791 thousand at 31 December 2017 (EUR 72,456 thousand at 31 December 2016) is repaid.

In 2017, the debt service reserve fund was reduced by EUR 600 thousand from the normal operations thereof and was increased by EUR 11,935 thousand as a result of the inclusion of Fingano and Vengano in the scope of consolidation (EUR 1,278 thousand from the date of acquisition of the companies).

c) Investments accounted for using the equity method

The changes in “Investments accounted for using the equity method” at 2017 year-end are as follows:

	Beginning balance	Profit for the year	Other changes	Distribution	Ending balance
Investments accounted for using the equity method	13,031	11	(8)	(1,289)	11,745

The dividends relate to distributions of shareholder contributions of Sistemas de Evacuación Albuera SET Olivenza-Vaguadas, 59.97% of which is owned by Extresol 1, Extresol 2 and Extresol 3. Given that resolutions relating to financial and operating matters must be adopted unanimously, the Saeta Group now has joint control and, therefore, the company is accounted for using the equity method.

The aggregates of these companies, accounted for using the equity method, are not significant.

With regard to the ownership interest in SEC Valcaire, in 2017 it contributed a total of EUR 11 thousand to the Group’s profit, and the ownership interest therein (EUR 44 thousand) is fully impaired.

d) Other non-current receivables

This heading in the consolidated statement of financial position includes the collection right in the amount of EUR 3,467 thousand (EUR 11,977 thousand at year-end 2016) corresponding to the specific remuneration adjustment mechanism established in Royal Decree 413/2014, of 16 June, to take into consideration the adjustments to the future remuneration of the facilities, since the actual market price is outside the limits set in the price ranges defined in Spanish regulation corresponding to the first regulatory half-period and in the current year (Note 12).

The Saeta Group considers that the carrying amount reflects their fair value.

Guarantees in the amount of EUR 96 thousand and EUR 4,000 thousand are also recognised for restricted accounts related to the operation and maintenance contracts described in Note 17.b.

12. Trade and other receivables

The carrying amount of trade and other receivables at 31 December 2017 and 2016 does not defer from their fair value, the detail being as follows (in thousands of euros):

	31/12/2017	31/12/2016
Trade receivables for sales and services	31,245	30,395
Unissued customer invoices	41,403	38,089
Receivable from Group and related companies (Note 22.b)	1,293	1,036
Total	**73,941**	**69,520**

The total amount recognised under "Trade receivables" and "Unissued customer invoices" at 31 December 2016 was collected in 2017. In addition, "Trade receivables" and "Unissued customer invoices" at 31 December 2017 mainly included the following:

- Remuneration earned from the Spanish National Markets and Competition Commission (CNMC) in 2017 for facilities located in Spain. At 31 December 2017, this included:
    - The entire amount receivable of the remuneration earned in November and December 2017 amounting to EUR 39,197 thousand (remuneration of November with VAT), the average collection period of which is 60 days.
    - The difference between the remuneration earned corresponding to the companies from January to October 2017, as accepted by the CNMC, and the amount billed, which, pursuant to Law 24/2013, regarding the participation of electricity market players in financing the temporary imbalances between the income from and costs of the electricity system by delaying the invoicing of a portion of the monthly settlements at 31 December 2017, amounted to 11.96% of the total return on the investment, remuneration for generation and remuneration for operation (the latter of which only applies to solar thermal plants), which amounts to EUR 22,607 thousand.

  As of the date of authorisation for issue of these consolidated financial statements, 90.02% of the remuneration earned from January to December 2017 has been collected.

- Production income earned but not yet received in December, the average collection period of which is 30 days, amounted to EUR 10,157 thousand (EUR 4,393 thousand in the Spanish market, EUR 3,104 thousand from activities in Uruguay and EUR 2,795 thousand from activities in Portugal) 100% of this income had been invoiced and collected as of the date of preparation of these consolidated financial statements.

- The portion of the collection right receivable in the short term in the amount of EUR 687 thousand corresponding to the specific remuneration adjustment mechanism established in Royal Decree 413/2014, of 16 June, to take into consideration adjustments to the market price corresponding to the first regulatory half-period (see Note 11.d).

The Group considers that the carrying amount of the trade receivables reflects their fair value.

13. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits.

The cash recognised at 31 December 2017 corresponds to the amounts deposited in current accounts, amounting to EUR 167,252 thousand (EUR 194,916 thousand in 2016), all of which is fully available. The carrying amount of these assets reflects their fair value.

The unwithdrawn amounts of the Facility contracts, detailed in Note 15, together with the cash and cash equivalents recognised and the outstanding drawdown of the debt of Valcaire (Note 15), meant that at 31 December 2017 the Group had a total of EUR 236,889 in undrawn credit facilities.

14. Equity

The breakdown of the Group's equity at 31 December 2017 and 2016 and the changes therein are detailed in the consolidated statement of changes in equity.

a) Share capital

On 31 December 2017 the Parent's share capital amounted to EUR 81,576,928 and was represented by 81,576,928 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and series. All shares of Saeta Yield, S.A. have been admitted to listing on the Spanish Stock Exchanges since 16 February 2015 and are traded on the electronic trading platform.

The breakdown of share capital at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Shares	% Share capital	Shares	% Share capital
Cobra Concesiones, S.L. (*)	19,750,212	24.21%	19,750,212	24.21%
GIP II Helios, S.à.r.l	19,587,058	24.01%	19,587,058	24.01%
Morgan Stanley Investment Management INC	4,138,247	5.07%	4,138,247	5.07%
Saeta Yield treasury shares	65,081	0.08%	-	0.00%
Arrowgrass Capital Partners LLP	-	0.00%	2,485,503	3.05%
Chedraoui, Tony	-	0.00%	2,403,253	2.95%
Other shareholders	38,036,330	46.63%	33,212,655	40.71%
Total shares	**81,576,928**	**100%**	**81,576,928**	**100%**

(*) This company is wholly owned by the ACS Group.

Each share confers the holder the right to cast one vote and all shares grant the same dividend and voting rights.

b) Legal reserve

Under the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2017, the Parent's legal reserve had reached 1.20%, amounting to EUR 978 thousand.

c) Share premium

The share premium at 31 December 2017 amounted to EUR 575,427 thousand (EUR 637,057 thousand at 31 December 2016). The share premium amount arose as a result of the two capital increases carried out on 31 October 2014 for EUR 143,239 thousand and EUR 408,216 thousand, and the other capital increase carried out on 12 February 2015 for EUR 180,125 thousand, both of which are fully subscribed and paid.

On 21 June 2016, the shareholders at the General Shareholders' Meeting approved the distribution of dividends with a charge to the share premium for up to a total of EUR 100 million, giving the Board of Directors the authority to determine the distribution date and amount until the second quarter of 2017.

On 21 June 2017, the shareholders at the General Shareholders' Meeting approved the distribution of dividends with a charge to the share premium for up to a total of EUR 100 million, giving the Board of Directors the authority to determine the distribution date and amount until the second quarter of 2018.

In 2017 the following dividend payments were made with a charge to the share premium, since the Revised Text of the Spanish Corporate Enterprises Act does not establish any specific restrictions as to the availability of this balance.

- On 6 March 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 28 February 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 22 June 2016.

- On 31 May 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1882 per share (equal to a total of EUR 15,353 thousand), approved by the Board of Directors on 9 May 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 22 June 2016.

- On 30 August 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1890 per share (equal to a total of EUR 15,413 thousand), approved by the Board of Directors on 13 July 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

- On 29 November 2017, a quarterly dividend was distributed with a charge to the share premium in the amount of EUR 0.1903 per share (equal to a total of EUR 15,511 thousand), approved by the Board of Directors on 7 November 2017 after having been delegated the authority to distribute dividends at the General Shareholders' Meeting held on 21 June 2017.

Therefore, the total amount of dividends paid in 2017 amounted to EUR 61,630 thousand, equal to EUR 0.7557 per share, in accordance with the Group's shareholder remuneration policy, updated and reported to the market through a significant event published on 29 May 2017.

d) Treasury shares

By resolution of the shareholders at the General Meeting of 27 January 2015, they agreed to authorise the Board of Directors of Saeta Yield, S.A. as well as the boards of its subsidiaries to acquire, during a period of five (5) years from the date of the meeting, at any given time, as many times as deemed appropriate and through any of the means permitted by law, with a charge to profit for the year and/or unrestricted reserves, the shares of Saeta Yield, S.A., the par value of which, added to those already held by the Company and by its subsidiaries, does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable to any given time.

On 26 July 2017, the Parent therefore entered into a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial intermediary") for the sole purpose of providing liquidity and regularity to the Company's share price, within the limits established by the Company's shareholders at the Annual General Meeting and by current legislation applicable, in particular that of CNMV Circular 1/2017, of 26 April, on liquidity agreements.

The agreement has a term of 12 months starting from 1 August 2017. However, the agreement was suspended in February 2017 after TERP Spanish Holdco, S.L. announced its intent to launch a takeover bid for all the shares of Saeta Yield, S.A.

Following the prior purchase period, the Company deposited 51,250 of the Company's shares in the account open with the financial intermediary. The balance of the cash account at 1 August 2017 was EUR 496 thousand.

The changes in "Treasury shares" following the prior purchase period were as follows:

	2017	
	Number of shares	Thousands of euros
At beginning of period (1 August 2017)	**51,250**	**496**
Purchases	362,090	3,589
Sales	(348,259)	(3,456)
At end of year	**65,081**	**629**

The transactions carried out involved losses in the amount of EUR 24 thousand taken to equity.

e) Hedging transactions

“Hedging transactions” in the accompanying consolidated statement of financial position includes the net amount of changes in the fair value of financial derivatives designated as hedging instruments in cash flow hedges, net of the related tax effect.

The changes in “Hedging transactions” in 2017 and 2016 were as follows:

	2017	2016
Beginning balance	**(85,250)**	**(95,630)**
Income/(expense) recognised in equity	(2,374)	(13,061)
Transfers to profit or loss	28,357	23,441
Ending balance	**(59,267)**	**(85,250)**

The Group has arranged interest rate hedges for a notional amount of EUR 1,114,734 thousand at 31 December 2017 to finance wind farms and solar thermal plants (see Note 18). They consist of interest rate swaps maturing between 2019 and 2030. The value of these financial instruments, net of the tax effect, amounted to a negative EUR 51,265 thousand at 31 December 2017 (a negative value of EUR 72,095 thousand at 31 December 2016).

In addition, at 31 December 2017 the accumulated profit of the derivatives arranged by Al Andalus Wind Power included a net of tax effect of EUR 8,002 thousand (EUR 13,155 thousand at 31 December 2016), whereby hedge accounting was prospectively discontinued in February 2015 as a result of terminating the contracts entered into at that date, without changing the underlying debt, and, therefore, the transaction remains highly probable. This amount is applied to the income statement when the hedged transaction initially takes place. At 31 December 2017, the impact of the prospective discontinuation on the income statement gave rise to finance costs in the amount of EUR 6,871 thousand (EUR 6,871 thousand in 2016) (see Note 24.d).

The transfers to the income statement also include the interest accrued on the hedging agreements and the early termination fees arising from the refinancing of Manchasol 2 and Lestenergía detailed in Note 15, which entailed costs of EUR 6,804 thousand in 2017 (Note 24.d).

f) Net profit attributable to the Parent

The contribution of each consolidated company to profit/(loss) at 31 December 2017 and 2016 was as follows (in thousands of euros):

Company	Total consolidated profit/(loss) 2017	Total consolidated profit/(loss) 2016
Saeta Yield, S.A.	(11,498)	(8,436)
Manchasol 2, Central Termosolar Dos, S.L.U.	1,712	2,338
Extresol 1, S.L.U.	5,620	4,668
Extresol 2, S.L.	6,072	4,815
Extresol 3, S.L.	7,407	6,099
Serrezuela Solar II, S.L.U.	11,147	12,322
Al Andalus Wind Power, S.L.U.	7,372	4,605
Eólica del Guadiana, S.L.U.	800	533
La Caldera Energía Burgos, S.L.U.	555	327
Parque Eólico Santa Catalina, S.L.U.	1,514	(405)
Parque Eólico Sierra de las Carbas, S.L.U.	1,178	646
Parque Eólico Tesosanto, S.L.U.	1,994	1,434
Parque Eólico Valcaire, S.L.U.	1,175	1,001
Extresol Almacenamiento GNL, AIE	(1)	(2)
Sistema Eléctrico de Conexión Valcaire, S.L.	11	18
Derisia, S.A.	(355)	-
Viensos, S.A.	(8)	-
Eskonel, S.A.	44	-
Fingano, S.A.	2,740	-
Vengano, S.A.	1,088	-
Pantenergía, S.A.	(629)	-
Lestenergía Exploração de Parques Eólicos, S.A.	(1,448)	-
Total	**36,490**	**29,963**

15. Bank borrowings

At 31 December 2017 and 2016, the Group had been granted the following loans (in thousands of euros):

	31/12/2017		31/12/2016	
	Current	Non-current	Current	Non-current
Project financing	111,022	1,513,929	95,350	1,361,825
Bank borrowings	70,500	-	-	-
Debt arrangement expenses	-	(25,250)	-	(20,068)
Unmatured interest payable	4,823	-	1,555	-
Total	**186,345**	**1,488,679**	**96,905**	**1,341,757**

The detail, by maturity, of the non-current bank borrowings at 31 December 2017 is as follows:

Maturity	Project finance
2019	117,553
2020	116,379
2021	122,038
2022 and subsequent years	1,157,959
Total	**1,513,929**

On 27 March 2015, the Parent entered into a Revolving Credit Facility Agreement for a maximum of EUR 80,000 thousand with five Spanish and international financial institutions, that has not yet been drawn down. The maturity date of the agreement is 27 March 2018 and interest is accrued biannually at Euribor + 2.75%. In addition, a commitment fee is paid on a quarterly basis. This loan agreement was terminated early on 29 September 2017.

On 29 September 2017, this agreement was replaced by a revolving credit facility (RCF) taken out on 27 July 2017 with a bank syndicate formed by six Spanish and international financial institutions. This line of credit has a limit of EUR 120 million, matures in 3 years on 29 September 2020, and may be extended for an additional 2 years. This line of credit was entered into in the form of a bullet loan, without repayments until its maturity. The loan accrues interest at a floating rate, tied to the EURIBOR, and the line of credit includes commitment fees.
On 29 September 2017, EUR 70 million were drawn down on the line of credit to acquire Lestenergia (see Note 6.b).

At the end of the period, all financial and non-financial covenants under the credit facility are met, and we expect to be in compliance with them during the foreseeable future.

In 2017 the Parent also entered into two lines of credit, one with Liberbank on 2 August 2017 and another with Bankia on 20 November 2017, each of which amounted to EUR 3 million. The loan accrues interest at a floating rate, tied to the EURIBOR. At 31 December 2017, EUR 500,000 had been drawn down on the line of credit granted by Liberbank.

Project finance is the main source of financing for the companies of the Saeta Group for projects involving power facilities (both those included as tangible assets and concessions). These financing structures are applied to projects capable in their own right of providing sufficient guarantees to the participating banks with regard to the repayment of the funds borrowed to finance them. Each project is performed through specific companies in which the project's assets are financed, on the one hand, through a contribution of funds by the developers, which is limited to a given amount, and on the other, generally of a larger amount, through borrowed funds in the form of long-term debt. The debt servicing of these credit facilities or loans is supported mainly by the cash flows to be generated by the project in the future and by security interests in the project's assets.

The main changes made to the financing agreements in 2017 relate to the following:

- The inclusion in the scope of consolidation of Fingano, Vengano and Lestenergía (see Note 6). The bank borrowings at the time of their inclusion in the Saeta Group amounted to EUR 93,023 thousand, EUR 54,308 thousand and EUR 81,396 thousand, respectively.

  Subsequently, the loan held by Fingano and Vengano with Corporación Interamericana de Inversiones (CII) for the principal and the interest accrued (EUR 16,357 thousand and EUR 750 thousand, respectively) was repaid on 12 July 2017.

- On 24 May 2017, Manchasol 2 entered into a non-terminating modifying novation of the Financing Agreement, which was classified as a non-substantial change in accordance with IAS 39, and, therefore, the maximum amount of the loan was increased by EUR 8,957 thousand, which was drawn down on the date the agreement was signed. In addition, the loan is divided into a Commercial Tranche and an Investor Tranche (EUR 40 million), the loan repayment schedule was amended, extending the maturity dates to 30 December 2032 for the Commercial Tranche and 30 June 2034 for the Investor Tranche, and the margin applicable to the loan was changed from 6M EURIBOR + 3.10% to 6M EURIBOR +1.75% for the Commercial Tranche and to a fixed rate of 3.11% for the Investor Tranche.

  This novation gave rise to early termination fees arising from the amounts repaid in the transaction of EUR 5,717 thousand in order to maintain the Group's hedge accounting policy in relation to its exposure to the risk of variable interest rates (Note 18), which were recognised under "Finance costs" in the consolidated income statement (see Note 24.c), since the hedged transaction (replaced by the fixed rate tranche) is not probable.

- On 17 November 2017, Parque Eólico Valcaire entered into a project finance arrangement with Banco Sabadell (the lender) for an amount of EUR 14.350.000. This credit facility accrues interest at a floating rate, calculated by adding a spread of 1.70%, which remains constant throughout the term of the agreement, to the reference interest rate (Euribor), maturing in 2030. A total of EUR 213 thousand were drawn down under this agreement in 2017 in order to pay the debt arrangement expenses. The rest of the principal had yet to be drawn down as of 31 December 2017.

- On 27 December 2017, Lestenergía repaid the financing agreement in force, which entailed a payment of EUR 74,761 thousand for the principal of the outstanding debt and finance costs of EUR 2,453 thousand paid in 2017, which included the early termination fees arising from the amounts repaid of EUR 1,087 thousand (Note 18), recognised as finance costs in the consolidated income statement (Note 24.d), as it involved the substantial repayment of debt.

  On this same date the company entered into a new project finance arrangement with Novo Banco, S.A. (the Agent Bank) and BNP Paribas Fortis, S.A./ N.V, ING Bank N.V, Sucuersal Em Portugal and Banco Santander Totta, S.A. for a total of EUR 144 million, of which EUR 135 million accrue interest at a floating rate, calculated by adding a spread of 2.00%, which increases throughout the term of the agreement, to the reference interest rate (Euribor), maturing in 2028, and the remaining EUR 9 million are a line of credit with Novo Banco, S.A., an amount not yet drawn down that accrues interest at a floating rate, calculated by adding a spread of 0.80%, which increases throughout the term of the agreement, to the reference interest rate (Euribor), maturing in 2028.

  In addition, the first drawn down amounting to EUR 135 million was made.

In 2017 ordinary loan payments were also made in the amount of EUR 104,670 thousand (EUR 87,044 thousand at 31 December 2016, plus an early repayment in the amount of EUR 1,515 thousand for Eólica del Guadiana).

The changes in debt arrangement expenses relate mainly to the inclusion of Fingano and Vengano in the scope of consolidation, the capitalisation of the arrangement expenses corresponding to the novation of Manchasol 2, the financing of Valcaire and the financing of Lestenergía for a total of EUR 10,263 thousand. These changes also include the accrual corresponding to 2017 in the amount of EUR 7,245 thousand (see Note 24.d).

The detail, by maturity and terms, of the Company's gross debt for each financing agreement, at 31 December 2017 is as follows:

Company	Arrangement date	Maturity	Terms	Amount drawn down (in thousands of euros)		
				Current	Non-current	Total
Extresol I	Jul 07	Jun 29	6M EUR + 1.05%*	11,009	156,805	167,814
Extresol II	Sep 09	Dec 31	6M EUR + 3.00%***	11,643	180,851	192,494
Extresol III	Apr 11	Dec 33	6M EUR + 3.00%***	10,911	202,079	212,990
Manchasol II	May 17	Jun 34	6M EUR + 1.75%***** 6M EUR + 3.11% (Investor tranche)	10,477	178,333	188,810
Serrezuela Solar II	Dec 16	Dec 31	6M EUR + 1.75%**** 6M EUR + 1.67% (EIB tranche)	12,767	146,796	159,563
Al-Andalus	Jul 07	Jul 27	6M EUR + 0.80%** 6M EUR + 0.75% (EIB tranche)	16,987	181,683	198,670
P.E. Santa Catalina	Aug 08	Jun 28	6M EUR + 1.30%**	7,857	87,633	95,490
Eólica del Guadiana	Feb 10	Dec 27	6M EUR + 3.00%**	3,051	37,867	40,918
P.E. Sierra de las Carbas	Dec 07	Dec 27	6M EUR + 0.80%**	3,233	36,070	39,303
P.E. Tesosanto	Dec 07	Dec 27	6M EUR + 0.80%**	4,311	46,225	50,536
La Caldera Energía Burgos	Dec 07	Dec 27	6M EUR + 0.80%**	1,870	22,738	24,608
P.E. Valcaire	Nov 17	Dec 30	6M EUR + 1.70%	15	197	212
Fingano	Apr 14	Feb 32	6M LIBOR + 3.3425% (BROU tranche) LIBOR + 3.3825% (BID tranche)	3,351	70,373	73,724
Vengano	Apr 14	Feb 32	6M LIBOR + 3.3425% (BROU tranche) LIBOR + 3.3825% (BID tranche)	2,116	42,703	44,819
Lestenergía	Dec 17	Sep 28	6M EUR + 2%*****	11,425	123,575	135,000
			TOTAL	**111,022**	**1,513,929**	**1,624,951**

** Different spreads will be applied to this financing based on the debt service coverage ratio of the previous year.*
*** Different spreads will be applied to this financing in different periods from the start of operation, except in the case of Eólica del Guadiana, which changes on the sixth and thirteenth year, whereas the other wind farms change on the fifteenth and eighteenth year.*
**** This financing has a fixed margin throughout the entire term of the loan.*
***** This financing includes changes to the margin in 2020 and 2028.*
****** This financing includes changes to the margin in 2021 and 2025.*

At 31 December 2017 and 2016, all bank borrowings were comprised the amount of the financing associated with the projects listed in Note 9 and the concession facilities of Fingano and Vengano described in Note 7, whereby these amounts are increased by the accrued interest payable and reduced by the debt arrangement expenses.

All of the aforementioned debt corresponds to project financing. These financing structures are applied to projects capable in their own right of providing sufficient guarantees to the participating banks with regard to the repayment of the funds borrowed to finance them. The project's assets are financed, on the one hand, through a contribution of funds by the developers, which is limited to a given amount, and on the other, generally of a larger amount, through borrowed funds in the form of long-term debt. The debt servicing of these loans is supported by the cash flows to be generated by the project in the future and by security interests in the project's assets. The payment obligations arising from these financing agreements are without recourse to shareholders.

This project finance accrues interest at market rates. In addition, these financing structures include clauses requiring the fulfilment of certain ratios for a portion of the project being financed.
The Group companies' financing agreements include a series of obligations that must be fulfilled during the term thereof and that are mainly as follows:

- Extresol 1:
  - Not to dispose, encumber or transfer in any way its rights or assets for a cumulative amount greater than EUR 600,000 at 2006 values (according to the carrying amount at acquisition).

  - To establish the debt service reserve fund within a period of 12 months from completion of the work and maintain the fund during the term of the agreement.
  - The debt service coverage ratio must be greater than 1 in any given year and not less than 1.05 for two consecutive years.
  - The gearing ratio must be greater than 10/90.
  - Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.

- Extresol 2:

  - Not to dispose, encumber or transfer in any way its rights or assets for a cumulative amount greater than EUR 600,000 at 2006 values (according to the carrying amount at acquisition).
  - To establish the debt service reserve fund within a period of 12 months from completion of the work and maintain the fund during the term of the agreement.
  - The debt service coverage ratio must be greater than 1.05 in any given year.
  - The gearing ratio must be greater than 24.05/75.95.
  - Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.

- Extresol 3:

  - Not to dispose, encumber or transfer in any way its rights or assets for a cumulative amount greater than EUR 600,000 at 2006 values (according to the carrying amount at acquisition).
  - To establish the debt service reserve fund within a period of 12 months from completion of the work and maintain the fund during the term of the agreement.
  - The debt service coverage ratio must be greater than 1.05 in any given year.
  - The gearing ratio must be greater than 22.85/77.15.
  - Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.

- Manchasol 2:

  - Not to dispose of or encumber in any way any of its assets or items of property plant and equipment, either as a whole or one or various assets.
  - To establish the debt service reserve fund within a period of 12 months from completion of the work and maintain the fund during the term of the agreement.
  - To maintain a gearing ratio of 20/80.
  - Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.
  - Not to have a debt service coverage ratio below 1.05 for two consecutive years or below 1.00 in any given year.

- Serrezuela Solar II:

  - Not to spin off, split up, sell, assign, transfer or dispose of or tax in any way its assets, goods, establishments or equity assets of any kind, or its current or future collection rights, income or receivables from third parties.
  - A provision will be recognised under the debt service reserve account by the borrower with a charge to the last commercial loan drawdown, and the fund must be maintained during the term of the agreement.
  - To maintain a gearing ratio of 25/75.
  - Not to incur any debt other than that mentioned, grant any loans or credit facilities, or transfer funds to third parties for purposes other than carrying out the project.
  - Not to have a debt service coverage ratio below 1.05x for two consecutive years or below 1.00x in any given year.

- Al-Andalus:

  - Not to dispose, sell, mortgage or encumber in any way any of its assets or items of property plant and equipment, either as a whole or one or various assets, for an amount greater than EUR 500,000 (according to the carrying amount at acquisition) throughout the term of the agreement.
  - To maintain the debt service reserve fund during the term of the agreement.
  - To maintain a senior debt/equity ratio equal to or less than 85% throughout the term of the credit facility.
  - To maintain a debt service coverage ratio greater than 1.05x.

- P.E. Santa Catalina:

  - Not to dispose of or encumber in any way any of its assets or items of property plant and equipment, either as a whole or one or various assets, for an amount greater than EUR 500,000.

- To maintain the debt service reserve fund during the term of the agreement.
- To maintain a senior debt/equity ratio equal to or less than 80% throughout the term of the credit facility.
- Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.
- Not to have a debt service coverage ratio below 1.05x for two consecutive years or below 1.03x in any given year.

- Eólica del Guadiana:

  - To maintain a credit facility/equity ratio of no more than 32.9%/67.1%.
  - To maintain the debt service reserve fund during the term of the agreement.
  - Not to have a debt service coverage ratio below 1.05 during the term of the credit facility.

- Tesosanto, Sierra de las Carbas and La Caldera:

  - Not to dispose, sell, mortgage or encumber in any way any of its assets or items of property plant and equipment, either as a whole or one or various assets, for an amount greater than EUR 500,000 (according to the carrying amount at acquisition) throughout the term of the agreement.
  - To maintain the debt service reserve fund during the term of the agreement.
  - To maintain a senior debt/equity ratio equal to or less than 90% throughout the term of the credit facility.
  - Not to have a debt service coverage ratio below 1.05 for two consecutive years or below 1.03 in any given year.

- P.E. Valcaire:

  - Not to spin off, split up, sell, assign, transfer or dispose of in any way its assets, goods, establishments or equity assets of any kind, or its current or future collection rights, income or receivables from third parties.
  - To maintain the debt service reserve fund at the legally required minimum during the term of the agreement.
  - To maintain a minimum gearing ratio of 80%.
  - Not to incur additional financial debt without prior written consent from the Lenders, other than the permitted financial debt.
  - To maintain a debt service coverage ratio greater than 1.05x.

- Lestenergía:

  - Not to spin off, split up, sell, assign, transfer or dispose of in any way its assets, goods, establishments or equity assets of any kind, or its current or future collection rights, income or receivables from third parties.
  - To maintain the unrestricted line of credit.
  - Not to incur additional financial debt without prior written consent from the Lenders, other than the permitted financial debt.
  - To maintain a debt service coverage ratio greater than 1.05x.

- Fingano and Vengano:

  - Not to dispose of or encumber in any way any of its assets or items of property plant and equipment, either as a whole or one or various assets.
  - Not to acquire assets.
  - To maintain the debt service reserve fund during the term of the agreement.
  - To maintain a senior debt/equity ratio equal to or less than 85% throughout the term of the credit facility.
  - Not to incur any other debt other than that mentioned, or grant loans, guarantees, donations or any other discretional gifts.
  - Not to have a debt service coverage ratio below 1.05 in any given year.

As of today's date, all financial and non-financial covenants established in the financing agreements have been met, and are not expected to be breached in the future.

The financial covenants established in the financing agreements also include restrictions on the distribution of dividends.

16. Risk management

The Saeta Group carries out its business activities in Spain, Uruguay and Portugal. These countries have a different socio-economic and legal environment, which entails exposure to different levels of risk inherent to their businesses. Saeta Yield monitors and controls these risks in order to prevent them from reducing shareholder returns, jeopardising its employees or its corporate reputation, or having a negative impact on the Group as a whole.

In order to carry out this risk control, the Group has instruments and processes that enable it to identify the risks early enough so as to be able to manage them appropriately, either by avoiding their materialisation or by minimising their impact.

In addition to the risks inherent to its business activities, Saeta Yield is exposed to various risks of a financial nature, arising either from changes in interest rates, exchange rates, liquidity risk or credit risk.

Interest rate risk

This risk arises from changes in future cash flows of floating-rate borrowings resulting from fluctuations in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. For this purpose, financial derivatives that guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the borrowings that may be affected by this risk.

The Group mitigates interest rate risk by arranging hedges, as disclosed in Note 18, and by arranging financing at fixed interest rates. The Group currently has approximately 78% of the outstanding balance of the project debt hedged.

The sensitivity of the Group's profit and equity to interest rate fluctuations, taking into account its existing hedging instruments, is as follows (in thousands of euros):

	Changes in interest rates (basis points)	Effect on profit (before tax)	Effect on equity (after tax)
31/12/2017	100 (25)	377 (4)	46,830 (12,229)

Liquidity risk

This risk results from the timing gaps between fund requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds obtained from the conduct of the Group's ordinary operations, various forms of bank financing, capital market transactions and divestments.

The objective is to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term cash requirements. The directors believe the Group's sensitivity to liquidity risk is scantly material at 31 December 2017.

This risk is managed through undrawn credit facilities at 31 December 2017 of EUR 236,889 (see Note 13), which is sufficient to cover the Group's current liquidity needs, among which are included:

- A revolving credit facility of EUR 120 million, maturing in three years, and that may be extended for an additional two years, of which EUR 70 million had been drawn down as of 31 December 2017, with EUR 65 million repaid in January 2018.
- A series of bilateral loan agreements for a total of EUR 6 million, of which EUR 500 thousand had been drawn down as of 31 December 2017 and were repaid in January 2018.

Credit risk

In general, the Group companies hold their cash and cash equivalents at banks with high credit ratings.

The main risk associated with customers is due to the concentration thereof. However, the risk associated with customers is considered to be low, since the Group's main counterparties are: (i) the Iberian Electricity Market Operator (OMIE), which has a flawless payment history with no defaults; (ii) the Spanish Electricity Tariff, which is proving to have a solvent and balanced budget, once the regulatory reform affecting electricity costs was concluded in 2014; (iii) a long-term power purchase agreement (PPA) governed by law for an average period of 21 years with a counterparty in Uruguay, UTE, with a solvent payment history; (iv) EDP Serviço Universal, the counterparty in Portugal that purchases all production of the country's wind farms and, according to S&P, has a credit rating of BBB-; and (v) a series of market agents in Spain, including the main companies of the sector that have solid credit ratings.

Regulatory risk

As described in Note 1, the remuneration of facilities that produce electricity in Spain under the special regime will be determined by: i) the sale of energy generated valued at market price and ii) a specific remuneration consisting of a term per unit of installed capacity that covers, where appropriate and if necessary, the investment costs of a standard facility that cannot be recovered in the market through the sale of energy and an operating term that covers, where applicable, the difference between operating costs and the revenue from the aforementioned standard facility's participation in the market; thus, the risk of long-term variations are noticeably reduced as a whole.

As indicated in Note 1, the activities carried out in Portugal are also exposed to regulatory risk.

The risk related to market income as a result of uncertainties with regard to electricity production using certain renewable energy generation technologies that depend on weather conditions, such as wind resources and irradiation, and as a result of changes in the price of electricity on the Spanish wholesale market, although this is significantly limited due to Spanish law, is monitored by the Saeta Group, which continuously takes into account the alternatives available in the market to manage this risk.

<u>Risk of regulatory changes</u>

The activity of electricity production with renewable energies in Spain and Portugal is subject to a broad regulation on tariffs (see Schedule 1) and to other aspects related to its activities. The introduction or modification of the existing laws could impact in the activities and economic outcomes and, therefore, in the recoverable value and the financing commitments.

Wind farms in Uruguay are under a PPA contract (long term power purchase agreement) thanks to which the farms receive a fixed price per MWh produced, linked to the US economy indices, which mitigates its risks.

Also, the current legislative framework governing the tariff review system, including the remuneration of electricity generated, constitutes the main support mechanism for the development of these renewable sources.

Foreign currency risk

Approximately 5% of the Saeta Group's operating income in 2017 was exposed to the euro-US dollar exchange rate, since the assets in Uruguay are paid in this currency. This risk is mitigated by the fact that the majority of the expenses and payments (including finance costs) for these projects are also denominated in US dollars. The suitability of arranging foreign currency hedges will be analysed in the future according to the cash surplus generated. Due to the Company's growth strategy, there is a natural hedging mechanism given that Saeta Yield expects to acquire assets in the future in US dollars.

Also, it's important to point out our investment policy, which allows us to invest in a currency different from the Euro as long as they are considered investment grade and with strong currencies.

Other external factors with an impact on the Group's business activities

The activities of the companies that form part of the Group are influenced by weather, an external factor that may affect its operations, results and financial position.

17. <u>Capital management</u>

The Group's capital management objectives are to maintain an optimum financial and equity structure to reduce the cost of capital and at the same time to safeguard the Group's ability to continue to operate with sufficiently sound debt-equity ratios.

The capital structure is basically controlled through the debt-equity ratio, calculated as the proportion of equity relative to net financial debt.

The debt-equity ratio at 31 December 2017 and 2016 is detailed as follows:

	31/12/2017	31/12/2016
- Other current financial assets and cash (*)	(251,880)	(267,899)
+ Bank borrowings	1,675,024	1,438,662
Net debt	**1,423,144**	**1,170,763**
Equity	**546,962**	**551,547**
Leverage ratio	260.19%	212.27%

(*) Does not include current financial assets with Group and related companies

The Parent's Board of Directors considers that the gearing ratio at 31 December 2017 was adequate, taking into account the unique nature of the assets that form part of the Group. These assets are financed under a project financing arrangement, which is a very long-term financing structure that applies to projects that are capable of providing sufficient support by themselves to participating financial institutions with regard to the reimbursement of debts assumed to carry out the projects, and whose debt servicing is backed by the cash flows that the project itself will generate in the future, as well as by collateral on the project's assets.
It should be noted that the gearing ratio was increased as a result of the refinancing of Manchasol 2 (Note 15), as well as the consideration of the debt of the acquired companies (Fingano and Vengano) (Note 6), the consideration for the debt of these last two companies, the new debt of Lestenergía (Note 15), and the drawn down on the revolving credit facility of EUR 70 million allocated to purchase this company.

18. Payables for derivative financial instruments

Interest rate hedges

The activities carried out by the Group are exposed to financing risks and, more specifically, interest rate risk. In order to reduce the impact of these risks and in accordance with its risk management policy, the Group has arranged various financial derivatives, which have long-term maturities.

Approximately 78% of the Group's external bank borrowings is hedged by the aforementioned financial derivatives in order to mitigate interest rate risk, whereby the derivatives arranged are interest rate swaps under market conditions.

The Group uses cash flow hedges to meet the requirements regarding measurement bases in order for the financial instruments detailed below to qualify for hedge accounting. In this regard, changes in the fair value of the derivatives are recognised, in respect of the effective portion of the hedges and net of their related tax effect, in equity under "Valuation adjustments" (see Note 14.e). The accumulated profit or loss on the hedging instrument is taken to the consolidated income statement as the hedged item affects profit or loss.

The following table shows the fair value of these hedges at 31 December 2017 and 2016 (in thousands of euros):

	31/12/2017		31/12/2016	
	Non-current	Current	Non-current	Current
Fair value of the cash flow hedges (interest rate)	82,816	34,259	120,350	35,461
Total	**82,816**	**34,259**	**120,350**	**35,461**

These instruments are offset and settled by differences, whereby the Group's risk arises from the position not hedged and not from the amount contracted.

The detail of the interest rate hedges arranged by Group companies at 31 December 2017 is as follows:

Company	Arrangement date	Maturity	Cash flow swap		Drawn down	
			Floating rate	Fixed rate	Notional amount	Gross fair value
Extresol I	Jul 07	Dec 22	6M EUR + 1.05%*	50% 4.64% / 50% 4.078%	125,861	(21,831)
Extresol II	Dec 15	Dec 25	6M EUR + 3.00%***	from 3.188% to 3.410%	144,370	(24,114)
Extresol III	Jun 11	Jun 21	6M EUR + 3.00%***	3.611% / 1 bank applies 2.775%	173,534	(20,428)
Manchasol II	Apr 09	Dec 22	6M EUR + 1.75%*****	4.323%	112,570	(19,500)
	May 17	Dec 30		1.764%	732	(1,151)
Serrezuela Solar	Jan 16	Dec 28	6M EUR + 1.75% ****	0.955%	93,150	(1,758)
Al-Andalus	Jul 07	Jul 13	6M EUR + 0.80%**	0.5%	149,003	(2,056)
	Sep 23	Jul 13		0.433%	-	1,221
P.E. Santa Catalina	Aug 08	Jun 21	6M EUR + 1.30%**	3.85%	71,617	(8,412)
	Oct 16	Jun 26		0.94%	-	222
Eólica del Guadiana	Feb 10	Dec 23	6M EUR + 3.00%**	3.78%	31,824	(5,129)
	Aug 16	Dec 25		1.15%	-	45
P.E. Sierra de las Carbas	Dec 07	Jun 20	6M EUR + 0.80%**	50% 4.456% / 50% 3.76%	38,321	(5,701)
	Nov 16	Dec 25		0.944%	-	15
P.E. Tesosanto	Dec 07	Jun 20 – Jun 24	6M EUR + 0.80%**	50% 4.456% / 50% 3.70%	30,459	(4,457)
	Nov 16	Dec 25		0.944%	-	16
La Caldera Energ. Burgos	Dec 07	Jun 20 – Jun 24	6M EUR + 0.80%**	50% 4.456% / 50% 3.76%	17,055	(2,519)
	Nov 16	Dec 25		0.944%	-	7
P.E. Valcaire	Dec 17	Dec 28	6M EUR + 1.70% *****	0.820%	12,189	(105)
Lestenergía Exploração de Parques Eólicos, S.A.	Dec 17	Dec 27	6M EUR + 2%	0.757%	114,750	(1,440)
				TOTAL	**1,115,435**	**(117,075)**

** Different spreads will be applied to this financing based on the debt service coverage ratio of the previous year.*
*** Different spreads will be applied to this financing in different periods from the start of operation, except in the case of Eólica del Guadiana, which changes on the sixth and thirteenth year, whereas the other wind farms change on the fifteenth and eighteenth year.*
**** This financing has a fixed margin throughout the entire term of the loan.*
***** This financing includes changes to the margin in 2018, 2020 and 2023.*
****** This financing includes changes to the margin in 2020 and 2028.*
******* This financing has the same interest rate throughout the term of the agreement.*

The detail, by maturity, of the notional amounts of the aforementioned hedging instruments, on the basis of the nature of the contracts, which were measured taking into account Note 5.e.2.2, is as follows:

<u>2017:</u>

	Thousands of euros								
	Notional amount	Maturity							Gross fair value
	Total	2018	2019	2020	2021	2022	2023	2024 and subsequent years	
Securities	1,115,435	87,857	86,413	82,159	86,278	166,239	80,067	526,422	(117,075)

2016:

	Thousands of euros								
	Notional amount	Maturity							Gross fair value
	Total	2017	2018	2019	2020	2021	2022	2023 and subsequent years	
Securities	1,080,885	71,111	78,924	75,938	73,298	77,522	245,901	458,191	(155,811)

The following derivatives were arranged in 2017 in addition to those existing at 31 December 2016:

- On 24 May 2017, within the framework of the Manchasol 2 refinancing transaction described in Note 15, derivatives for a notional amount of EUR 23,282 thousand were repaid, which had an impact of EUR 5,717 thousand on the income statement (Note 24.d), due the covered transaction has disappeared.

- On 24 May 2017, new derivatives were arranged for Manchasol 2. These new derivatives expanded the hedged term of the syndicated loan from 30 December 2022 to 30 December 2030. Interest rate hedging agreements were signed with the following entities: Banco Santander, Banco Sabadell, Credit Agricole Corporate and Investment Bank, sucursal en España, Societé Generale, sucursal en España and BNP Paribás Fortis. The fixed rate of the swap is 1.764%.

- On 17 November 2017, Parque Eólico Valcaire arranged interest rate swaps hedging the loan from 29 December 2017 to 29 December 2028 within the framework of the new financing agreement entered into (see Note 15). The interest rate hedging agreement was entered into with Banco Sabadell. The fixed rate of the swap is 0.82%.

- On 27 December 2017, Lesternergía repaid the outstanding debt along with the derivatives associated therewith, the impact of which on the income statement was EUR 1,087 thousand (Note 24.d), due the covered transaction has disappeared.

- On 27 December 2017, Lestenergía arranged new interest rate swaps hedging the loan from 27 December 2017 to 15 December 2027 within the framework of the new financing agreement entered into (see Note 15). The interest rate hedging agreements were entered into with Banco Santander, ING, BNP Paribás Fortis and Novo Banco. The fixed rate of the swap is 0.757%.

19. Trade and other payables

The detail of “Trade and other payables” at 31 December 2017 and 2016 (in thousands of euros):

	31/12/2017	31/12/2016
Trade payables	19,741	15,246
Trade payables to Group and related companies (Note 22.b)	7,965	7,055
Remuneration payable	831	452
Customer advances	1,216	2,685
Total	**29,753**	**25,438**

Disclosures on the period of payment to suppliers Additional provision three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Below are the disclosures required by additional provision three of Law 15/2010, of 5 July (amended by final provision two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions in Spain.

	2017	2016
	Days	**Days**
Average period of payment to suppliers	50	63
Ratio of payments made	12	33
Ratio of payments pending	38	30
	Amount (thousands of euros)	**Amount** (thousands of euros)
Total payments made	66,037	61,103
Total payments pending	5,922	2,759

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place in Spain from the date of entry into force of Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the consolidated statement of financial position, without taking into account the provisions recognised.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum payment period applicable to the Company in 2017 in accordance with Law 3/2014, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, unless there is an agreement between the parties that establishes the maximum of 60 days.

20. Share-based payment

On 27 July 2016, the Board of Directors approved the 2016 Share Option Plan for executives and the Chief Executive Officer of Saeta, a remuneration scheme that was authorised by the shareholders at the Annual General Meeting held on 22 June 2016. The terms and conditions of this share option plan are as follows:

a) The number of shares subject to the option plan is a maximum of 470,000 shares, of EUR 1 par value each.
b) The exercise price will be EUR 9.31 per share. If the value of the shares are diluted or concentrated, the price will be modified accordingly.
c) Except in certain cases where the employment relationship is terminated early, the options will be exercised in two equal parts, cumulative if the beneficiary so wishes, once two years have elapsed from 1 May 2016 and for a period of two years (up until 30 April 2020).
d) Tax withholdings and taxes to be paid as a result of exercising the share option will be borne exclusively by the beneficiary.

In 2017 no options relating to this share option plan had been exercised. No other plan has been approved and the terms and conditions of the current plan have not been altered.

The Group recognises, on the one hand, the services received as an expense at the date on which they were obtained and, on the other hand, the related liability. To calculate the cost of the share option plan, the Company used the Black and Scholes formula. At 31 December 2017, a total of EUR 264 thousand were accrued (Notes 19 and 24.e).

The market price of Saeta Yield, S.A. shares at 31 December 2017 was and EUR 9.81 per share.

21. Tax matters

The breakdown of the current tax receivables and payables at 31 December 2017 and 2016 is as follows (in thousands of euros):

	31/12/2017	31/12/2016
Other tax receivables	1,035	453
Income tax refundable	9,353	4,649
VAT refundable	17	1
TOTAL ASSETS	**10,405**	**5,103**
Income tax payable	(3,469)	-
Other tax payables	(6,873)	(8,246)
VAT payable	(5,800)	(5,068)
Tax withholdings payable	(673)	(67)
Accrued social security taxes payable	(57)	(46)
TOTAL LIABILITIES	**(16,872)**	**(13,427)**

"Other tax payables" mainly includes the tax on the value of the electricity produced amounting to EUR 5,228 thousand at 31 December 2017.

Income tax is calculated on the basis of the accounting profit determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit.

All companies of the Saeta Group residing in Spain file consolidated taxes under tax group no. 485/15, the head of which is Saeta Yield, S.A. Extresol 2 and Extresol 3 were included in this tax group in 2017.

The other Group companies (companies in Uruguay and Portugal) file individual income tax returns in accordance with the tax legislation applicable thereto in the countries where they are located.

In 2017 a total of EUR 7,020 thousand (EUR 4,649 thousand in 2016) was paid in relation to income tax for the consolidated tax group.

At 31 December 2017, the balance of "Income tax refundable" (EUR 9,353 thousand) relates to the tax group's income tax refundable for 2017, amounting to EUR 7,020 thousand, as a result of the prepayments made in accordance with Royal Decree Law 2/2016, to the tax group's income tax refundable for 2016, amounting to EUR 2,333 thousand (received in January 2018).

a) Reconciliation of accounting profit to the income tax expense

The reconciliation of the accounting profit to the income tax expense resulting from the application of the standard tax rate in force in each country is as follows (in thousand euros):

	31/12/2017		
	Consolidated tax group	Companies not included in the tax group	TOTAL
Consolidated profit before tax	47,812	2,934	50,746
Consolidation adjustments to profit before tax and Permanent differences	(8,774)	6,432	(2,342)
Tax charge	(9,760)	(1,941)	(11,701)
Consolidation adjustments to income tax expense	(2,157)	449	(1,708)
Adjustments to prior years' tax	(847)	-	(847)
Total tax expense/(income) recognised in profit or loss	**(12,764)**	**(1,492)**	**(14,256)**

	31/12/2016		
	Consolidated tax group	Companies not included in the tax group	TOTAL
Consolidated profit before tax	26,210	14,268	40,478
Consolidation adjustments to profit before tax and Permanent differences	4,302	(15,653)	(11,351)
Tax charge	(7,628)	346	(7,282)
Adjustments to differed tax due to change in the tax rate	319	-	319
Tax effect of purchases	-	428	428
Consolidation adjustments to income tax expense	-	(3,535)	(3,535)
Adjustments to prior years' tax	134	(580)	(446)
Total tax expense/(income) recognised in profit or loss	**(7,175)**	**(3,340)**	**(10,515)**

The breakdown of the income tax expense is as follows (in thousands of euros):

	31/12/2017			31/12/2016		
	Consolidated tax group	Companies not included in the tax group	TOTAL	Consolidated tax group	Companies not included in the tax group	TOTAL
Current tax:						
Continuing operations	(3,360)	(2,725)	(6,085)	158	(3,802)	(3,644)
Discontinued operations	-	-	-	-	-	-
Deferred tax:						
Continuing operations	(9,405)	1,234	(8,171)	(7,333)	462	(6,871)
Discontinued operations	-	-	-	-	-	-
Total tax expense	**(12,765)**	**(1,492)**	**(14,256)**	**(7,175)**	**(3,340)**	**(10,515)**

b) Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the taxable profit for income tax purposes for 2017 and 2016 is as follows:

	31/12/2017			31/12/2016		
	Consolidated tax group	Companies not included in the tax group	TOTAL	Consolidated tax group	Companies not included in the tax group	TOTAL
Consolidated profit before tax	47,812	2,933	50,745	26,210	14,268	40,478
Permanent differences and consolidation adjustments	(8,774)	14,675	5,901	4,302	(15,653)	(11,351)
Temporary differences (non-deductible finance costs)	10,429	2,573	13,002	2,060	15,825	17,885
Temporary differences (non-deductible amortisation)	(7,078)	-	(7,078)	(4,826)	(2,252)	(7,078)
Temporary differences (accelerated depreciation)	(39,757)	-	(39,757)	(16,713)	(10,046)	(26,759)
Offset of tax losses	(1,214)	(3,041)	(4,255)	(395)	-	(395)
Other temporary differences	-	(1,823)	(1,823)	(9,457)	(1,681)	(11,138)
Taxable profit	**1,419**	**15,317**	**16,737**	**1,181**	**461**	**1,642**

"Permanent differences and consolidation adjustments" relates mainly to the gains and losses that are eliminated on consolidation, but that are fully effective for tax purposes in the individual tax settlements of the corresponding Group companies, in particular the settlements of those not included in the tax group.

c) Reconciliation of the taxable profit to the tax payable

The reconciliation of the taxable profit for income tax purposes to the tax payable by the tax group for 2017 and 2016 is as follows:

	31/12/2017			31/12/2016		
	Consolidated tax group	Companies not included in the tax group	TOTAL	Consolidated tax group	Companies not included in the tax group	TOTAL
Taxable profit	**1,419**	**15,317**	**16,737**	**1,181**	**461**	**1,642**
Tax charge	(355)	(4,032)	(4,387)	(295)	(115)	(410)
Tax credits	354	449	803	241	113	354
Withholdings	1	-	1	54	2	56
Prepayments	7,020	95	7,115	4,649	-	4,649
Exchange rates	-	19	19		-	-
Tax payable (refundable)	**7,020**	**(3,469)**	**3,551**	**4,649**	**-**	**4,649**

In addition to the aforementioned amount of the consolidated tax group, EUR 2,333 thousand in income tax for 2016 had yet to be refunded, but were paid by the tax authorities in January 2018.

d) Deferred tax assets and liabilities

The detail of the main deferred tax assets and liabilities recognised by the Group at 31 December 2017 and 2016 and of the changes therein in 2017 is as follows (in thousands of euros):

Thousands of euros	31/12/2016	Changes in the scope of consolidation (Note 6)	Additions	Disposals	31/12/2017
Assets					
Hedging instruments	43,338	315	26	(11,779)	31,900
Tax losses	3,035	-	119	(334)	2,820
Deduction limit for depreciation and amortisation	17,010	-	-	(2,123)	14,887
Deduction limit for net finance costs	22,684	-	2,607	(564)	24,728
TOTAL ASSETS	**86,067**	**315**	**2,752**	**(14,800)**	**74,335**
Liabilities					
Unrestricted depreciation and amortisation	49,813	-	18,697	(7,927)	60,583
Others	13,925	30,175	4,610	(10,952)	37,758
TOTAL LIABILITIES	**63,738**	**30,175**	**23,307**	**(18,879)**	**98,341**

The amount of the temporary differences in the deferred tax assets relates to the tax effect of the following items:

- Valuation of the derivative hedging instrument at year-end based on a tax rate of 25%.

- Tax loss carryforwards relate to the tax effect of prior years' losses of companies that either did not form part of the previous tax group or did not yet form part of the group when they were generated.

- The non-deductible net finance costs for the year based on Royal Decree-Law 12/2012, of 30 March, limiting the deduction of net finance costs, in general, to a maximum of 30% of operating profit for the year. For these purposes, the law considers "net finance costs" to be the excess finance costs with respect to the income arising from the transfer to third parties of own capital accrued in the tax period. In any case, up to EUR 1 million in net finance costs for the tax period may be deducted without any limit imposed. The net finance costs that have not been deducted may be deducted in subsequent tax periods. These net finance costs are adjusted in accordance with the maximum deductible tax charge of the Tax Group.

- Non-deductible amortisation and depreciation expenses for the year: in accordance with the change implemented by Law 16/2012, effective for tax periods beginning in 2013 and 2014, depreciation and amortisation for accounting purposes of property, plant and equipment, intangible assets and investment property may only be deducted up to 70% of the amount that would have been deductible for tax purposes in accordance with sections 1 and 4 of Article 11 of the Consolidated Spanish Corporate Tax Act (*TRLIS*). Depreciation and amortisation for accounting purposes that is not tax deductible as a result of applying this limit is not considered impairment, and may be deducted as of the first tax period beginning on 1 January 2015, on a straight-line basis for a period of 10 years. Likewise, the amount corresponding to these deferred tax assets was not recalculated using a tax rate of 25%, since transitional provision thirty-seven of Spanish Corporate Tax Act 27/2014, on tax credits for the reversal of temporary measures states that companies are entitled to a full tax credit for 5% of the amounts that compose the base tax arising from the amortisation and depreciation not deducted, and, therefore, no provision was recognised in this connection in these financial statements.

The amount recognised under “Deferred tax liabilities” (EUR 98,341 thousand at 31 December 2017 and EUR 63,738 thousand at 31 December 2016) corresponds mainly to the following:

- EUR 60,583 thousand (EUR 49,813 thousand at 31 December 2016) corresponds to 30% of the amortisation for tax purposes in addition to the amortisation for accounting purposes of certain Group companies pursuant to additional provision eleven of Legislative Royal Decree 4/2009, of 5 March, approving the Revised Text of the Spanish Corporate Tax Act and regulating accelerated depreciation of investments in new items of property, plant and equipment related to economic activities that generate employment.

- A taxable temporary difference in the amount of EUR 33,148 thousand (EUR 11,141 thousand at 31 December 2016) arising from the amount paid for the inclusion of Extresol 2 and Extresol 3 in 2016 and Fingano, Vengano and Lestenergía in 2017 in the scope of consolidation pursuant to IAS 12, Income taxes (see Note 6).

- Local deferred tax liabilities in the amount of EUR 4,610 thousand for Fingano and Vengano. This amount arises from a local law that applies to companies that adhere to a special investment regime and, therefore, income tax exemptions are obtained for a certain period.

The deferred tax assets indicated above were recognised on the statement of financial position because the Company’s Board of Directors considered that, based on its best estimate of the Company’s future earnings, in accordance with the Company’s economic and financial model and the expected cash flows, it is likely that these assets will be recovered within a maximum period as required by the applicable regulatory framework.

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitely settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitation period has expired. At 31 December 2017, the Group has the last four years open for review for all the taxes applicable to it, except for income tax, for which it has all years since 2012 open for review. The Saeta Group’s directors consider that the tax returns for the various taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements for the year ended 31 December 2017 and, thus, no provision was recognised in this connection.

Also, Law 34/2015, of 21 September, on General Taxation partially amending Law 58/2003, of 17 December, establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the day on which the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

22. Balances and transactions with related parties

Following are the transactions performed by the Group in 2017 and 2016 with its related parties, differentiating between the Company's significant shareholders, directors and managers, and other related parties.

a) Related party transactions

2017:

Expenses and income (in thousands of euros)	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Expenses:				
Staff costs	-	(1,389)	-	-
Management or collaboration agreements	(9,029)	-	-	(26,057)
Other expenses	(1,181)	-	-	(84)
Total expenses	**(10,210)**	**(1,389)**	**-**	**(26,141)**
Income:				
Finance income	-	-	38	-
Management or collaboration agreements	-	-	-	302
Other income	137	-	-	2,432
Total income	**137**	**-**	**38**	**2,734**

Other transactions (in thousands of euros)	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Dividends and other profit distributed	(29,719)	(32)	-	-
Purchase of shares and subordinated debt (Note 6)	-	-	-	103,675

2016:

Expenses and income (in thousands of euros)	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Expenses:				
Staff costs	-	(1,266)	-	-
Management or collaboration agreements	(9,216)	-	-	(23,973)
Total expenses	**(9,216)**	**(1,266)**	**-**	**(23,973)**
Income:				
Finance income	-	-	43	-
Management or collaboration agreements	-	-	133	297
Other income	87	-	-	10,754
Total income	**87**	**-**	**176**	**11,051**

Other transactions (in thousands of euros)	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties
Dividends and other profit distributed	(28,610)	(30)	-	-
Financial asset purchases (shares and subordinated debt) (Note 6)	-	-	-	(117,740)
Other transactions	-	-	-	5,483

b) Related party balances

2017 (in thousands of euros)	Long-term loans	Payables to related companies (Note 12)	Other financial assets	Other non-current financial liabilities	Other current financial liabilities	Trade payables (Note 19)
Cobra Instalaciones y Servicios, S.A.	-	1,237	-	(4,000)	-	(5,994)
SEC Valcaire	1,128	-	110		(58)	(265)
Cobra Concesiones, S.L.	-	225	1		-	(1,552)
Centro de Control Villadiego, S.L.	-	-	-		-	(40)
Manchasol 1, S.L.	-	30	-		-	-
AIE Vaguadas	-	(199)	622		-	-
Evacuación Valdecaballeros	-	-	-		-	
Tecneira – Tecnologías Energéticas S.A.	-	-	-	(2,779)	(695)	(7)
CME - CONSTRUÇÃO E MANUTENÇÃO ELECTROMJËCÂNICA, S.A	-	-	-	(162)	(40)	(107)
ProCME Gestao Global Projectos, S.A.	-	-	-	(2,448)	(612)	-
Total	**1,128**	**1,293**	**733**	**(9,389)**	**(1,405)**	**(7,965)**

2016 (in thousands of euros)	Long-term loans	Payables to related companies (Note 12)	Other financial assets	Current payables to Group companies	Trade payables (Note 19)
Cobra Instalaciones y Servicios, S.A.	-	770	-	-	(5,622)
SEC Valcaire	1,128	-	73	(174)	
Cobra Concesiones, S.L.	-	165	144	-	(1,428)
Centro de Control Villadiego, S.L.	-	-	-	-	(5)
Manchasol 1, S.L.	-	90	-	-	-
AIE Vaguadas	-	11	-	-	-
Evacuación Valdecaballeros	-	-	139	-	-
Total	**1,128**	**1,036**	**356**	**(174)**	**(7,055)**

The amount relating to long-term loans corresponds to a participating loan granted by Parque Eólico Valcaire to SEC Valcaire, which accrues interest at a fixed rate of Euribor plus a 1% spread and at a 5% floating rate, in the event the Company makes a profit. This loan matures in December 2032.

The balance of trade payables includes, among others, the debt held by the Group companies as a result of the operation and maintenance agreements for the solar thermal plants and wind farms entered into with companies related to the ACS Group.

The other non-current in current financial liabilities with Tecneira, CME and ProCME (ACS Group companies), in the amount of EUR 6,736 thousand, relate to the debt held by Lestenergía with these companies at the time of purchase, with a final maturity in the fourth quarter of 2022.

23. Guarantee commitments to third parties and contingent liabilities

The Group had provided third parties with the following bank guarantees, mainly to secure certain ordinary business transactions (in thousands of euros):

	31/12/2017	31/12/2016
Banco Popular	525	525
Banco Sabadell	77	77
Banco Valencia	-	0
Banco Santander	3,289	3,279
Bankia	76	76
BBVA	370	370
Caixabank	1,095	1,095
Aseguradores de Cauciones, S.A.	2,275	-
Banco de Seguros del Estado	200	-
TOTAL	**7,906**	**5,422**

The guarantees outstanding at 31 December 2017 are not expected to give rise to liabilities in addition to those recognised in the Saeta Group's financial statements at that date.

24. Revenue and expenses

a) Revenue

Revenue relates in full to the electricity generated that is billed mainly to Comisión Nacional de la Energía, S.A. and to the Spanish National Markets and Competition Commission, in Spain, to UTE in Uruguay, and to EDP in Portugal:

The breakdown by technology type and location is as follows:

	Thousands of euros	Thousands of euros
	31/12/2017	31/12/2016
Solar thermal plants in Spain	193,800	177,820
Wind farms in Spain	104,570	99,358
Wind farms in Uruguay	16,664	-
Wind farms in Portugal	9,192	-
Total revenue	**324,226**	**277,178**

b) Other income

"Other income" includes mainly the indemnity payments for the damage to the Santa Catalina and Abuela Santa Ana facilities (see Note 9) amounting to EUR 2,752 thousand, and the rebillings to companies related to shareholders that provide operating and maintenance services for the management of waste at the thermal solar plants in the amount of EUR 2,340 thousand.

c) Other operating expenses

The detail of “Other operating expenses” in the consolidated income statement at 31 December 2017 and 2016 is as follows:

	Thousands of euros	Thousands of euros
	31/12/2017	31/12/2016
Rent and royalties (Note 10)	5,661	4,933
Independent professional services	3,541	2,439
Transport expenses	75	58
Insurance premiums	4,521	3,780
Banking services	283	17
Utilities and supplies	5,931	6,206
Advertising, publicity and public relations	144	6
Other services	42,479	36,635
Taxes other than income tax	23,861	23,776
Total	**86,496**	**77,850**

The Group recognises the gas, electricity and nitrogen expenses necessary for operating the solar thermal plants and wind farms under “Utilities and supplies”.

“Taxes other than income tax” includes mainly the 7% tax on energy production applicable in Spain.

“Other services” includes the amount corresponding to the operation and maintenance expenses of solar thermal plants and wind farms in accordance with the contracts with related companies described in Note 22.a in the amount of EUR 33,680 thousand in 2017 (EUR 32,880 thousand in 2016), as well as those with the companies in Uruguay and Portugal in the amount of EUR 2,079 thousand.

d) Finance income and finance costs

“Finance income” includes mainly the interest accrued on the loans granted to SEC Valcaire in the amount of EUR 38 thousand (EUR 43 thousand in 2016), the interest generated by current bank deposits, which amounts to EUR 14 thousand (EUR 104 thousand at 31 December 2016), and the interest cost on non-current trade receivables (see Note 11), amounting to EUR 630 thousand.

The following items are recognised under “Finance costs” (in thousands of euros):

	31/12/2017	31/12/2016
Interest on main credit facility	30,427	24,631
Interest on hedging instruments	24,134	24,384
Debt arrangement expenses (Note 15)	7,245	2,228
Other finance costs	1,886	1,956
Early termination fees (Note 18)	6,804	-
Prospective application of hedges (Notes 14.e and 18)	6,871	6,871
Total	**77,367**	**60,070**

e) Staff costs

Staff costs for 2017 and 2016 are as follows (in thousands of euros):

	31/12/2017	31/12/2016
Wages and salaries	2,877	2,052
Employer social security costs	562	313
Total	**3,439**	**2,365**

The average number of Group employees at 31 December 2017 and 2016, by category, is as follows:

	Average number of employees in 2017			Average number of employees in 2016		
	Men	Women	**Total**	Men	Women	**Total**
Senior executives	3	2	**5**	3	2	**5**
Line personnel and middle management	19	5	**24**	18	5	**23**
Clerical staff	5	10	**15**	5	8	**13**
Manual workers	-	1	**1**	-	-	**-**
Total	**27**	**18**	**45**	**26**	**15**	**41**

The number of Group employees at 31 December 2017 and 2016, by category and gender, is as follows:

	Number of employees in 2017			Number of employees in 2016		
	Men	Women	**Total**	Men	Women	**Total**
Senior executives	3	2	**5**	3	2	**5**
Line personnel and middle management	24	5	**29**	19	5	**24**
Clerical staff	6	13	**19**	6	9	**15**
Manual workers	-	1	**1**	-	-	**-**
Total	**33**	**21**	**54**	**28**	**16**	**44**

The Company did not have any employees with a disability greater than or equal to 33% in 2017.

f) Auditors' fees

In 2017 and 2016 the fees for audit and other services provided by the auditor of the consolidated financial statements, Deloitte, S.L., and by companies belonging to the Deloitte network, and the fees for services billed by the auditors of the separate financial statements of the companies included in the scope of consolidation and by the companies related thereto through control, common ownership or management, were as follows (in thousands of euros):

2017:

	Services provided by the auditor Deloitte and by related companies	Other auditors
Audit services	233	41
Other attest services	41	-
Total audit and related services	**274**	**41**
Other services	138	90
Total professional services	**412**	**131**

2016:

	Services provided by the auditor Deloitte and by related companies	Other auditors
Audit services	195	-
Other attest services	7	-
Total audit and related services	**202**	**-**
Other services	-	-
Total professional services	**202**	**-**

25. Business segments

Segment reporting is structured based on the Group's different lines of business and the geographical location thereof.

The Group identifies various lines of business based on the different renewable energy production technologies and in accordance with the Group's current internal organisation and the bodies involved in operating the technologies and making decisions. The various lines of business identified are as follows:

- Wind: includes all activities related to energy production from wind farms in Spain
- Thermal solar: includes all activities related to energy production from solar thermal farms in Spain
- International: includes all activities related to energy production outside of Spain

Segment reporting is based on monthly reports prepared by Financial Management. Each of these lines of business is made up of different companies, each of which is exclusively assigned to one of the lines of business. Accordingly, each legal entity has the assets and resources required to carry on its business activities in an autonomous manner.

Segment information about the businesses is presented below:

a) Basis and methodology for business segment reporting

Segment reporting is based on monthly reports prepared by Financial Management. Each of these lines of business is made up of different companies, each of which is exclusively assigned to one of the lines of business. Accordingly, each legal entity has the assets and resources required to carry on its business activities in an autonomous manner.

In addition, the Parent of the Group recognises the Group's overhead costs, costs for administrative services, etc., which are subsequently invoiced mainly to the companies through specific service agreements.

Segment information about the businesses is presented below:

	Thousands of euros									
	WIND - SPAIN		THERMAL SOLAR - SPAIN		WIND - URUGUAY	WIND - PORTUGAL	CORPORATE UNIT AND ADJUSTMENTS		TOTAL GROUP	
INCOME STATEMENT	2017	2016	2017	2016	2017	2017	2017	2016	2017	2016
Operating income	108,585	100,596	197,741	178,475	16,664	9,192	387	429	332,569	279,500
Operating expenses	(28,218)	(28,063)	(56,208)	(51,359)	(2,274)	(1,905)	(1,638)	(1,048)	(90,243)	(80,470)
Depreciation and amortisation charge	(42,374)	(42,364)	(58,935)	(53,745)	(4,791)	(2,076)	(4,214)	(1,839)	(112,390)	(97,948)
Impairment and gains or losses on disposal of non-current assets	(947)	-	-	-	-	-	-	-	(947)	-
PROFIT FROM OPERATIONS	37,046	30,169	82,598	73,371	9,599	5,211	(5,465)	(2,458)	128,989	101,082
Finance income	633	139	1,306	132	-	-	(1,257)	(124)	682	147
Finance costs	(23,751)	(25,664)	(62,056)	(47,221)	(6,794)	(3,472)	18,706	12,815	(77,367)	(60,070)
Change in fair value of financial instruments	-	-	-	(699)	-	-	-	-	-	(699)
Exchange differences	-	-	-	-	54	-	(1,623)		(1,569)	-
FINANCIAL LOSS	(23,118)	(25,525)	(60,750)	(47,788)	(6,740)	(3,472)	15,826	12,691	(78,254)	(60,622)
Results of associates	-	-	-	-			11	18	11	18
Income tax	(3,507)	(1,221)	(5,903)	(6,912)	1,323	(2,835)	(3,334)	(2,382)	(14,256)	(10,515)
PROFIT AFTER TAX	10,421	3,423	15,945	18,671	4,182	(1,096)	7,038	7,869	36,490	29,963

	WIND		THERMAL SOLAR		WIND - URUGUAY	WIND - PORTUGAL	CORPORATE UNIT AND ADJUSTMENTS		TOTAL GROUP	
STATEMENT OF FINANCIAL POSITION	2017	2016	2017	2016	2017	2017	2017	2016	2017	2016
Non-current assets	516,501	558,488	1,128,864	1,187,700	152,207	139,497	132,952	45,001	2,070,021	1,791,189
Other non-current assets	31,170	40,322	107,734	88,804	-	31,235	(73,184)	(14,694)	96,955	114,432
NON-CURRENT ASSETS	547,671	598,810	1,236,598	1,276,504	152,207	170,732	59,768	30,307	2,166,976	1,905,621
									-	-
Cash and cash equivalents	40,691	20,539	31,209	114,480	10,874	5,343	79,135	59,897	167,252	194,916
Other current assets	52,992	48,515	99,810	99,016	15,418	3,139	(1,046)	729	170,313	148,260
CURRENT ASSETS	93,683	69,054	131,019	213,496	26,292	8,482	78,089	60,626	337,565	343,176
									-	-
TOTAL ASSETS	**641,354**	**667,864**	**1,367,617**	**1,490,000**	**178,499**	179,214	**137,857**	**90,933**	**2,504,541**	**2,248,797**
									-	-
EQUITY	3,224	(17,785)	135,486	95,845	50,051	25,831	332,370	473,487	546,962	551,547
									-	-
Non-current bank borrowings	409,935	446,856	847,320	894,901	108,745	122,678	1	-	1,488,679	1,341,757
Non-current financial instrument payables	17,629	27,517	64,870	92,833	-	317	-	-	82,816	120,350
Other non-current liabilities	71,516	133,176	167,555	235,872	9,872	9,068	(141,341)	(305,310)	116,670	63,738
NON-CURRENT LIABILITIES	499,080	607,549	1,079,745	1,223,606	118,617	132,063	(141,340)	(305,310)	1,688,165	1,525,845
									-	-
Current bank borrowings	38,629	38,924	57,039	57,981	8,388	11,425	70,864	-	186,345	96,905
Current financial instrument payables	9,224	9,543	23,912	25,918	-	1,123	-	-	34,259	35,461
Other current liabilities	91,197	29,633	71,435	86,650	1,443	8,772	(124,037)	(77,244)	48,810	39,039
CURRENT LIABILITIES	139,050	78,100	152,386	170,549	9,831	21,320	(53,173)	(77,244)	269,414	171,405
TOTAL LIABILITIES	**641,354**	**667,864**	**1,367,617**	**1,490,000**	**178,499**	**179,214**	**137,857**	**90,933**	**2,504,541**	**2,248,797**

(*) Includes the date of the Parent and all consolidation adjustments recognised by the Group.

26. Board of Directors and senior executives

a) Remuneration and other benefits of directors

The Board of Directors was comprised 8 directors (7 men and 1 woman) at 31 December 2017, and 9 directors in 2016 (8 men and 1 woman). The members of the Board of Directors, as the Company's managing body, were appointed at the General Shareholders' Meeting of 20 January 2015.

In 2017 the Board members of Saeta Yield, S.A. received the following remuneration (in thousands of euros):

	Salaries	Article of Association-stipulated emoluments	Other items	Pension plans	Insurance premiums	TOTAL
Board of Directors	761	49	60	-	1	**871**

Furthermore, the Parent has not granted any loans or advances to the directors and there are no pension or life insurance obligations to them, except for the Chief Executive Officer, in his role as executive director, with whom the Parent has assumed life insurance obligations, the premium of which amounted to EUR 1 thousand at 31 December 2017.

There were no pension or life insurance obligations to the former or current members of the Board of Directors, except for that mentioned above.

Information relating to the share option plan for executives and the Chief Executive Officer is detailed in Note 20.

b) Remuneration of senior executives

At 31 December 2017, the Group's senior executives, which are not in turn executive directors, included three managers (2 men and 1 woman) and the internal auditor (1 woman).

In 2017 the remuneration received by senior executives was as follows:

	Salaries	Article of Association-stipulated emoluments	Other items	Pension plans	Insurance premiums	TOTAL
Senior executives	426	-	91	-	1	**518**

The information relating to the share plan for executives and the Chief Executive Officer is detailed in Note 20.

c) Detail of investments in companies engaging in similar activities and of the activities carried on by members of the Board of Directors as independent professionals or as employees

Article 229 of the Spanish Corporate Enterprises Act, amended by Law 31/2014, of 3 December 2014, stipulates that any conflicts of interest involving the directors must be disclosed in the notes to the financial statements.

At the end of 2017 and 2016, neither the members of the Board of Directors of Saeta Yield, S.A. nor any persons related thereto, as defined in the Spanish Corporate Enterprises Act, reported to the other members of the Board of Directors any direct or indirect conflict of interest with the Company's interests.

At the end of 2017 and 2016 the members of the Board of Directors of the Company did not hold any investments in the share capital of non-Group companies engaging in an activity that is identical, similar or complementary to the activity constituting the Company's corporate purpose.

The positions held or duties carried out by the directors at companies of significant shareholders and/or entities of their group at 31 December 2017 are as follows:

Director	Company	Position
José Luis Martínez Dalmau	Escal UGS, S.L.	Director
José Barreiro	SVP Global Fundación Microfinanzas BBVA	Director Trustee
Cristina Aldámiz-Echevarría González de Durana	ACS, Actividades de Construcción y Servicios, S.A. Masmovil Telecom 3.0, S.A. Bow Power, S.L.	Director of Finance and Corporate Development Director Director
Juan Cristóbal González Wiedmaier	ACS Servicios Comunicaciones y Energía, S.A. Hydro Management, S.L. Kincardine Offshore Windfarm Limited Iberoamericana de Hidrocarburos, S.A. de C.V. Monclova Pirineos Gas, S.A. de C.V. Consorcio Especializado en Medio Ambiente, S.A. de C.V. Cobra Gestión de Infraestructuras, S.A.U.	Finance Director Member Director Proprietary director Proprietary director Proprietary director Finance Director
Antoine Kerrenneur	Global Infrastructure Partners	Director
Paul Jeffery	UK Power Networks Southern Gas Networks Scotland Gas Networks	Director Director Director
Deepak Agrawal	Global Infrastructure Partners Bow Power, S.L. Manchasol 1, S.L. Equis Energy	Shareholder Director Director Director

27. Events after the reporting date

In January 2018, Saeta Yield repaid EUR 65 million towards the Parent's revolving credit facility (RCF), whereby the balance drawn down after this repayment totalled EUR 5 million. The Company also repaid the EUR 500 thousand drawn down on its bilateral lines of credit.

On 19 January 2018, the Board of Directors of Saeta Yield approved the payment for the fourth quarter of 2017, which entailed a credit against the share premium of EUR 0.1967 per share (a total of approximately EUR 16.04 thousand). This payment will be made on 28 February 2018.

On 7 February 2018, TERP Spanish Holdco S.L. announced its intent to launch a takeover bid for 100% of the shares of Saeta Yield, S.A. in accordance with the following characteristics:

- Will seek the approval from the CNMV not before one month after the announcement of the offer
- For a price of 12.20 euros per share in cash, and not adjusted by the recurrent quarterly dividends.
- The offer is voluntary. TERP assumes the commitment to not buy or sell shares of Saeta Yield in the following 6 months after the completion of the offer.
- TERP has announced that has reached an irrevocable agreement to buy 50.34% of the total shares of Saeta Yield with significant shareholders, including Cobra Concesiones S.L and GIP II Helios S.a.r.l., the two main shareholders of Saeta Yield. In accordance with this agreement, TERP commits to present the offer as described in the announcement performed, and the selling shareholders to irrevocably accept the offer (if the offer is approved by the CNMV before the 31st of July, 2018), to not sell or transfer the shares and to vote against all agreements interfering or blocking the offer.
- The offer is conditioned to the acceptance of the two main shareholders and to the authorization from the European Commission.
- TERP has announced its intention to terminate the Right of First Offer agreement if the offer is successful.

On 7 February 2017, and in accordance with Spanish National Securities Market Commission Circular 1/2017, of 26 April, on liquidity agreements, Saeta Yield, S.A. suspended the transactions of its liquidity agreement.

English Version

saetayield

2017 CONSOLIDATED MANAGEMENT REPORT
(JANUARY – DECEMBER)

February 27th, 2018

Table of Contents

Note: Translation of this report has been based on a document originally written in Spanish. In event of discrepancy, the Spanish language version prevails.

1. Summary of the period

This report's information is based on the consolidated figures of Saeta Yield, S.A. and its subsidiaries[1], and is presented according to management criteria[2].

Main figures	Units	2016	2017	Var. %
Installed capacity	MW	789	1,028	+30.3%
Electricity output	GWh	1,665	1,922	+15.4%
Total revenues	€m	279.5	332.6	+19.0%
EBITDA	€m	199.0	242.3	+21.8%
EBITDA Margin		71.2%	72.9%	+1.7p.p
Attributable net result	€m	30.0	36.5	+21.8%
Cash Flow Op. Assets (2)	€m	43.0	79.0	+83.5%
Retribution to shareholders	€m	59.3	61.6	+3.9%
Net debt *(Dec16 vs. Dec17)*	€m	1,171.3	1,424.0	+21.6%

- During 2017 Saeta Yield has completed the acquisition of two international assets. The 25th of May the Company acquired the wind assets of Carapé I and II, two plants for a total 95 MW located in Uruguay. Later in the year, the 29th of September, completed the acquisition of Lestenergía, a wind portfolio of assets in Portugal with 144 MW.
- In 2017 Saeta Yield has refinanced the project debt in the CSP Plant Manchasol 2, increasing the term and reducing the financial cost. Additionally, last December also completed the recapitalization of Lestenergia, in Portugal, increasing the total debt amount and the term, obtaining additional funds to invest in new projects.
- The electricity production of Saeta Yield in 2017 grew by 15%, backed by the positive effects of the consolidation of the plants in Uruguay and Portugal (both since the acquisition date), as well as the contribution of Extresol 2 and 3 for the whole year, as opposed to the production of these plants in 2016, accounted since its acquisition the 22nd of March, 2016. It's worth to highlight that this figure is affected negatively by the maintenance carried out in the thermal solar plants of the Group, and the breakdown occurred in the high tension lines of Abuela Santa Ana and Santa Catalina wind plants, after a snow blizzard during January 2017, which halted the production in both plants for almost two months.
- Revenues and EBITDA of Saeta Yield in 2017 grew by 19% and 22%, respectively, compared to 2016, affected positively by the consolidation of the new assets and the increase of the Spain's electricity wholesale market price (a 32% higher than in 2016).
- The cash flow of the operating assets in the period accounted for € 79 m, 84% more than in 2016, mainly due to the increase of the EBITDA and the contribution from working capital.
- In 2017, the Company has paid € 62 m to shareholders, equivalent to 0.755 euros per share[3]. This represents an increase of 4% compared to the same period last year.
- Saeta Yield net debt accounts for € 1,424 m, equivalent to a Net Debt to annualized EBITDA[4] ratio of 5.5x. Average cost of the debt is 4.1%.

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1 Operational and financial data of 2017 include the contribution of Carapé I and Carapé II since the 25th of May and the contribution of Lestenergia since the 29th of September, whilst in 2016 include the contribution of Extresol 2 and Extresol 3 since 22nd of March. This footnote applies to all the report.

2 Consult the paragraph "Alternative performance indicators" to obtain a detailed description.

3 Based on Saeta Yield's shares currently outstanding: 81,576,928

4 Calculated with the 2017 expected annualized proforma EBITDA of Saeta Yield, that according to the guidance published accounts for € 260 m, including the contribution of Carapé and Lestenergia, and the Net Debt by the 31st of December, 2017. The ratio calculated with the accounted EBITDA of 2017 is 5.9x.

2. Significant events

- The 25th of May, 2017, Saeta Yield closed the acquisition of 100% of two operating wind farms, Carapé I and II, for a cash consideration of USD 65 m, which were increased to USD 84 m after the cancellation of the subordinated debt of the plants. The enterprise value of the plants acquired accounts for c. USD 230 m. The transaction has been financed with available liquidity in the Company. Both plants have been consolidated since the 25th of May, 2017.

  The wind farms, which are located in the Maldonado Department, in Uruguay, consist of a total of 31 Vestas V112 3.075 MW wind turbines, and have a total capacity of 95 MW with an expected load factor of 44%. Both facilities have been operational for almost two years and produce energy under a long term power purchase agreement (PPA) with the Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE), the main electricity utility company and the transmission system operator in Uruguay. The average remaining life of these PPAs is 21 years.

- The 29th of May, 2017, Saeta Yield reported that its subsidiary Manchasol 2, Central Termosolar Dos, S.L.U., refinanced its debt in a project finance format for a total of € 199 m. This financing was composed of a Tranche A, with five financial institutions for € 159 m, with a variable interest rate, with interest rates swaps for 75% of this tranche; and a Tranche B, agreed with an institutional investor for € 40 m at a fixed interest rate. The maturities of the tranches are December 2032 and June 2034, respectively.

- The 29th of May, 2017, the Board of Directors approved a new distribution policy to shareholders of the Company, which included the following main characteristics:

  - The Board of Directors of Saeta Yield will define a payout ratio between 80% and 95% of the cash available for distribution (Recurrent CAFD) that the Company expects to generate on a recurrent basis (net of cash flows not related with the ordinary evolution of the business) in the coming five years.

  - The new dividend policy defines in detail the methodology to calculate the Recurrent CAFD.

- The 26th of July, 2017, Saeta Yield subscribed a liquidity contract with Banco de Sabadell S.A., with the sole purpose of enhancing the liquidity of the shares of the Company, as determined by the Annual General Shareholders Meeting and by the current regulation, specifically the Circular 1/2017, dated 26th April, of the CNMV on liquidity contracts.

- The 28th of July, 2017, Saeta Yield announced the signing of a corporate revolving credit facility (RCF) with a syndicate of 6 banks. This RCF, that substituted the previous one of € 70 m, has a limit of € 120 m and a tenor of 3 years up to the 29th of September, 2020 (extendable for up to 2 additional years). It has been signed under a bullet scheme, not requiring the principal amortization up until maturity date. The interest rate is variable, indexed to EURIBOR.

- The 29th of September, 2017, Saeta Yield has completed and made effective the acquisition of 100% of Lestenergia - Exploração de Parques Eólicos, S.A. ("Lestenergia"), which was composed of nine operating wind farms, for a total cash consideration of c. EUR 104 million. The seller, ProCME, is a Portuguese affiliate of Grupo ACS, and the transaction has been performed under the Right of First Offer Agreement between Saeta Yield and Grupo ACS Servicios Industriales. The enterprise value of the wind farms accounted for c. EUR 186 million. The acquisition has been funded with available liquidity at Saeta Yield and with funds from the Revolving Credit Facility available to Saeta Yield. The wind farms started consolidating from 29th of September, 2017.

  Lestenergia wind farms are located in the Guarda and Castelo Branco regions, have consumed an average of 9 years of operating life and present an average 27% historical load factor. The installed turbines are Gamesa, Vestas and Suzlon. The farms are under the Portuguese regulatory and tariff system, which grants a 15-year feed-in-tariff plus an additional 7-year cap-and-floor extension. This regulatory framework guarantees long-term, predictable and stable euro denominated cash flows, in line with Saeta Yield's investment criteria. The average regulatory life remaining is 13 years, although Saeta Yield expects to operate the farms beyond the regulatory life.

- The 15th of October, 2017, the wind farm Valcaire signed a project finance contract with a Spanish financial institution for a total amount of € 14.3 m, with a term of 16 years and a variable interest rate. Additionally, signed interest rates swaps for 85% of the debt. The withdrawal of the funds can be delayed up until the 30th of June, 2018.

- The 28th of December 2017 Saeta Yield signed and communicated the CNMV an addenda to the Right of First Offer Agreement signed the 29th of January, 2015 with ACS Servicios Comunicaciones y Energia S.L. and Bow Power, S.L.
- The 28th of December, 2017 Lestenergia, Exploraçao de Parques Eólicos S.A, refinanced its debt in a project finance format for a total of € 135 m. This new financing has been signed under a variable interest rate, however 85% of the financed amount has been hedged by interest rate swaps. The maturity of the new financing is September 2028. A supplementary EUR 9 million credit facility has been contracted to finance the debt service reserve account. This transaction has improved the characteristics of the debt, and has allowed for an extraordinary distribution of € 58 m.
- In relation to Saeta Yield distributions in 2017[5]:
    - The Board of Directors approved the 28th of February, 2017, the distribution of € 0.1882 per share (c. € 15.35 m) charged to the share premium. This amount has been paid the 7th of March, 2017, and corresponds to the 4Q payment of 2016.
    - The Board of Directors approved the 9th of May, 2017, the distribution of € 0.1882 per share (c. € 15.35 m) charged to the share premium. This amount has been paid the 31st of May, 2017, and corresponds to the 1Q payment of 2017
    - The Board of Directors approved the 13th of July, 2017, the distribution of € 0.189 per share (c. € 15.41 m) charged to the share premium. This amount has been paid the 30th of August, 2017, and corresponds to the 2Q payment of 2017.
    - The Board of Directors approved the 7th of November, 2017, the distribution of € 0.1903 per share (c. € 15.51 m) charged to the share premium. This amount has been paid the 29th of November, 2017, and corresponds to the 3Q payment of 2017.

[5] The Board of Directors approves the distributions of the Company quarterly, and is able to alter or redefine the reference levels of the Company if its operating situation requires so. The 7th of November, 2017 the BoD defined a RECAFD reference level of € 75.5 m and a payout rate of 85%.

3. Relevant events occurred after the period end

- In January, 2018 Saeta Yield repaid € 65 m of the RCF at Holdco level. The remaining withdrawn amount in the credit line after this repayment accounts for € 5 m. Likewise, the Company has repaid € 0.5 m in one of the bilateral credit lines.
- The Board of Directors approved the 19th of January, 2018, the distribution of € 0.1967 per share (c. € 16.04 m) charged to the share premium. This amount has been paid the 28th of February, 2018, and corresponds to the 4Q payment of 2017.
- The 7th of February, 2018 TERP Spanish Holdco S.L. announced its intention to launch a public offer to acquire 100% of the shares of Saeta Yield S.A. in accordance with the following characteristics:
    - Will seek the approval from the CNMV not before one month after the announcement of the offer
    - For a price of 12.20 euros per share in cash, and not adjusted by the recurrent quarterly dividends.
    - The offer is voluntary. TERP assumes the commitment to not buy or sell shares of Saeta Yield in the following 6 months after the completion of the offer.
    - TERP has announced that has reached an irrevocable agreement to buy 50.34% of the total shares of Saeta Yield with significant shareholders, including Cobra Concesiones S.L and GIP II Helios S.a.r.l., the two main shareholders of Saeta Yield. In accordance with this agreement, TERP commits to present the offer as described in the announcement performed, and the selling shareholders to irrevocably accept the offer (if the offer is approved by the CNMV before the 31st of July, 2018), to not sell or transfer the shares and to vote against all agreements interfering or blocking the offer.
    - The offer is conditioned to the acceptance of the two main shareholders and to the authorization from the European Commission.
    - TERP has announced its intention to terminate the Right of First Offer agreement if the offer is successful.
- The 7th of February, 2018, Saeta Yield S.A. suspended the operations of its liquidity contract, in accordance with the Circular 1/2017, from the 26th of April, of the CNMV on liquidity contracts.

4. Consolidated income statement

Income statement *(€m)*	2016	2017	*Var. %*	4Q16	4Q17	*Var. %*
Total revenues	279.5	332.6	*+19.0%*	66.1	85.7	*+29.5%*
Staff costs	-2.4	-3.4	*+45.4%*	-0.7	-0.8	*+19.3%*
Other operating expenses	-78.1	-86.8	*+11.1%*	-17.9	-20.3	*+13.4%*
EBITDA	199.0	242.3	*+21.8%*	47.5	64.5	*+35.8%*
Depreciation and amortization	-97.9	-112.4	*+14.7%*	-26.1	-31.2	*+19.6%*
Provisions & impairments	0.0	-0.9	*n.a.*	0.0	0.0	*n.a.*
EBIT	101.1	129.0	*+27.6%*	21.4	33.3	*+55.5%*
Financial income	0.1	0.7	*n.a.*	0.0	0.2	*n.a.*
Financial expense	-60.1	-77.4	*+28.8%*	-9.8	-21.6	*+119.6%*
Fair value variation of financial instruments	-0.7	0.0	*n.a.*	0.0	-1.1	*n.a.*
Foreign exchange results	0.0	-1.6	*n.a.*	0.0	-0.4	*n.a.*
Equity method resuts	0.0	0.0	*n.a.*	0.0	0.1	*n.a.*
Profit before tax	40.5	50.7	*+25.4%*	11.6	10.4	*-10.1%*
Income tax	-10.5	-14.3	*+35.6%*	-2.7	-4.0	*+50.8%*
Profit attributable to the parent	30.0	36.5	*+21.8%*	8.9	6.4	*-27.9%*

4.1. Key operating figures

Main operating figures	*Units*	2016	2017	*Var. %*
Installed capacity	*MW*	789	1,028	*+30.3%*
Electricity output	*GWh*	1,665	1,922	*+15.4%*

Saeta Yield has produced in 2017 in all the plants of the Group 1,922 GWh of electricity, showing a 15% increase compared to 2016.

Main operational figures *Breakdown by technology*	Wind Spain			CSP Spain			International		
	2016	2017	*Var.*	2016	2017	*Var.*	2016	2017	*Var.*
Installed capacity (MW, the 31st/Dec)	539	539	*+0%*	250	250	*+0%*	-	239	*n.a.*
Electricity output (GWh)	1,014	932	*-8.1%*	652	654	*+0.3%*	-	337	*n.a.*
Spain Market price (avrg. € per MWh)	39.6	52.2	*+31.8%*	39.6	52.2	*+31.8%*			
Steepness *(Spanish assets)*	84.9%	94.9%	*+10.0 p.p*	95.8%	96.1%	*+0.3 p.p*			
Achieved price *(Spain, €per MWh)*	33.6	49.6	*+47.3%*	37.9	50.2	*+32.2%*			
Ro/PPA/FiT *(average € per MWh)*				37.0	43.7	*+18.2%*	-	76.8	*n.a.*
Ri *(€ per MWh)*	57.2	67.8	*+18.5%*	190.8	206.9	*+8.4%*			

Wind assets in Spain achieved a production of 932 GWh. Production has been lower than the output registered in 2016 as a consequence of a blizzard that, on 19th of January, 2017, affected the high voltage transmission lines in Santa Catalina and Abuela Santa Ana plants (included in Al Andalus), located in the east of Spain, halting the evacuation of electricity and thus production. Both lines have been repaired, resuming production of the plants the 10th and 29th of March, respectively. Subsequently, have operated normally throughout the rest of the year. If this event were not to have happened, and adding to the final production in the year the average historical production of the plants in that period, wind production in Spain would have been down by 1% compared to 2016, instead of the 8% registered.

Solar thermal assets achieved a production of 654 GWh, very similar to the production registered in 2016. It's important to note that in 2016 the thermal solar plants Extresol 2 and Extresol 3 contributed since their acquisition date the 22nd of March, 2016. In its evolution has influenced negatively the maintenance carried out in the plants. This action has been performed in order to substitute the moving parts in the rotation mechanism of the parabolic cylinders (ball joints), installing a better quality pieces to increase operating efficiency. The investment to replace the ball joints has been carried out by the O&M contractor.

Average Spanish wholesale market price had a strong performance in 2017, up to € 52.2 per MWh (vs. € 39.6 per MWh in 2016, which means a 32% increase rate). This has been due to the higher price of fossil fuels and a low hydro production, which has generated more thermal production compared to 2016. Taking into consideration the steepness of the wind plants in Spain, the price obtained accounted for 49,6 €/MWh, and in the CSP plants a price of 50,2 €/MWh.

The Ri (return on investment) per MWh has increased for the wind plants in Spain as a consequence of the production decrease already mentioned, as well as by the effect of the recalculation of the expected prices in the regulation by early 2017, after the semi period change. In the case of the CSP plants, the increase is due to the contribution of Extresol 2 and Extresol 3 for the full year, whilst in 2016 those contributed since its acquisition date the 22nd of March.

The Ro (return on operations) per MWh in the CSP plants also increased due to the regulatory change mentioned before.

In Uruguay, PPA prices were 77.5 $/MWh during this period. The average exchange rate in the period accounted for 1.166 US$/€. In Portugal the average price since the acquisition of the plants accounted for 100.9 €/MWh.

4.2. Revenues

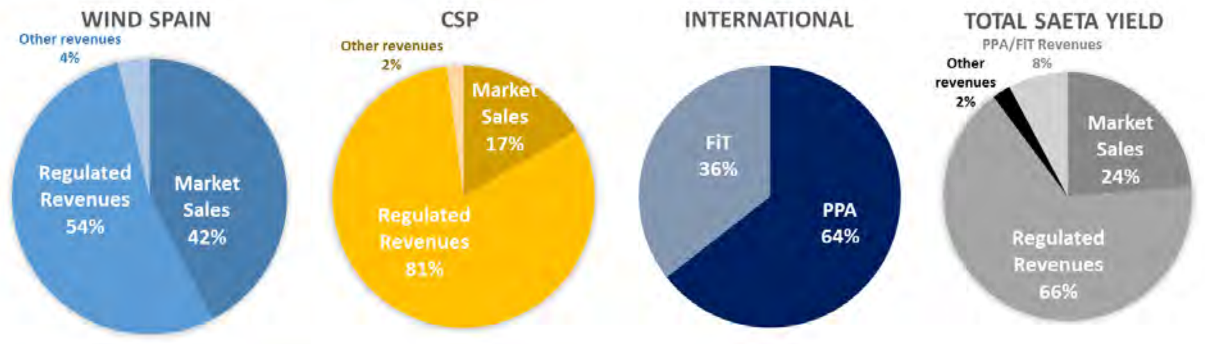
In 2017 Saeta Yield achieved total revenues of € 333 m, 19% more compared to the revenues registered in 2016. This growth comes from the full contribution of Extresol 2 and 3, whose revenues contributed last year since the 22nd of March, 2016, from the contribution of the Uruguayan assets since the 25th of May, 2017, and from the Portuguese assets, acquired the 29th of September, 2017. The higher market prices in Spain in 2017 also had a positive effect on revenues.

Due to this high price scenario, and as a consequence of the band mechanism which limits price exposure in the regulation of renewable energies in Spain[6], Saeta Yield has accounted a negative adjustment in revenues of € 7.5 m.

Likewise, it is important to note that, regarding the blizzard that affected by early 2017 the wind plants Abuela Santa Ana and Santa Catalina, the insurance compensation for both the material damage and the loss of profits were accounted as "other revenues", net of its deductibles.

In terms of revenues[7], wind assets contributed with 32.7% of the total, solar thermal assets with 59.5%, and the international asset contributed with 7.8%.

Revenues & EBITDA *By technology. Excl. Holdco*	Wind Spain			CSP Spain			International		
(€m)	2016	2017	*Var.*	2016	2017	*Var.*	2016	2017	*Var.*
Total Revenues	100.6	108.6	*+7.9%*	178.5	197.7	*+10.8%*	-	25.9	*n.a.*
% of total, excl. Holding	*36%*	*33%*		*64%*	*60%*		*0%*	*8%*	
EBITDA	72.5	80.4	*+10.8%*	127.1	141.5	*+11.3%*	-	21.7	*n.a.*
% of total, excl. Holding	*36%*	*33%*		*64%*	*58%*		*0%*	*9%*	



4.3. Operating results

EBITDA during 2017 accounted for € 242 m, a figure 22% higher than in 2016. EBITDA grew after the positive impacts in the revenues already described, and a slight improvement in the margin due to the consolidation of the Uruguayan and Portuguese assets (that, amongst other reasons, do not bear the 7% electricity generation tax).

6 According to regulation, maximum exposure to market price risk is 5.15€ MWh, compared with the price forecasted by regulation (42,84 €/MWh in 2017)

6 Excluding the Holding contribution and the consolidation adjustments effects.

EBIT accounted for € 129 m, including € 112 m of asset depreciation, a figure clearly higher than in 2016 due to the change of perimeter. Provisions and impairments account corresponds to the cancellation of value of the transmission lines affected by the blizzard mentioned before.

4.4. Financial results and Attributable net profit

Saeta Yield's financial consolidated result in 2017 was € -78 m vs. € -60 m in 2016. Financial expenses increased due to the financing of Serrezuela, fully withdrawn in 2017, whilst in 2016 was partially disposed. Likewise, Saeta Yield has accounted the foreign exchange results, the rupture costs of the derivatives after the refinancing of Manchasol 2 and Lestenergia and the full year financial expenses from Extresol 2 and 3, which contributed for a shorter period of time in 2016, due to its consolidation on the 22nd of March that year. Also, Uruguayan and Portuguese Wind Farms contribute with its financial expenses since the day of its acquisition. Finally, in the financial expenses account is included the positive effect in the consolidation of the valuation of the derivatives of Extresol 2 and Extresol 3, that accounts for € 11 m.

Attributable consolidated net result for 2017 amounted to € 36 m, a figure 22% above 2016's results.

5. Consolidated balance sheet

Consolidated balance sheet (€m)	31/12/2016	31/12/2017	Var. %
Non-current assets	1,905.6	2,167.0	+13.7%
Intangible assets	0.2	200.6	n.a.
Tangible and project assets	1,790.9	1,869.4	+4.4%
NC fin. assets with Group companies & rel. parties	1.1	1.1	+0.0%
Equity method investments	13.0	11.7	-9.9%
Non-current financial assets	14.2	9.7	-31.4%
Deferred tax assets	86.1	74.3	-13.6%
Current assets	343.2	337.6	-1.6%
Inventories	0.3	0.0	-100.0%
Trade and other receivables	74.6	84.3	+13.0%
C fin. assets with Group companies & rel. parties	0.4	0.7	+105.8%
Short term prepaid accruals	0.0	0.6	n.a.
Other current financial assets (incl. DSRA)	73.0	84.6	+16.0%
Cash and cash equivalents	194.9	167.3	-14.2%
TOTAL ASSETS	2,248.8	2,504.5	+11.4%
	31/12/2016	31/12/2017	Var. %
Equity	551.5	547.0	-0.8%
Share capital	81.6	81.6	+0.0%
Share premium	637.1	575.4	-9.7%
Reserves	-111.8	-81.8	-26.8%
Treasury stock	0.0	-0.6	n.a.
Profit for the period of the Parent	30.0	36.5	+21.8%
Adjustments for changes in value (coverage and forex)	-85.3	-64.1	-24.8%
Non-current liabilities	1,525.8	1,688.2	+10.6%
Non-current bank debt	1,341.8	1,488.7	+10.9%
Other financial liabilities in Group companies	0.0	9.4	n.a.
Other LT financial liabilities	0.0	5.2	n.a.
Non-current derivative financial instruments	120.4	82.8	-31.2%
Non-current Provisions	0.0	3.8	n.a.
Deferred tax liabilities	63.7	98.3	+54.3%
Current liabilities	171.4	269.4	+57.2%
Current bank debt	96.9	186.3	+92.3%
Current derivative financial instruments	35.5	34.3	-3.4%
Other ST financial liabilities	0.0	0.8	n.a.
Other financial liabilities with Group companies	0.2	1.4	+707.5%
Trade and other payables	38.9	46.6	+20.0%
TOTAL EQUITY AND LIABILITIES	2,248.8	2,504.5	+11.4%

5.1. Assets

Saeta Yield total assets accounted for € 2,505 m, being the most significant the non-current assets, for € 2,070 m. This account includes the generation assets in Spain and Portugal (in tangible and project assets) and the Uruguayan assets, under a concessional regime (in the intangible assets), amongst others.

5.2. Net debt and liquidity

Leverage (€m)	31/12/2016	31/12/2017	Var. %
Gross debt	1,438.7	1,675.0	+16.4%
Non-current bank debt	1,341.8	1,488.7	+10.9%
Current bank debt	96.9	186.3	+92.3%
Cash and other cash equivalents	267.4	251.0	**-6.1%**
Cash and cash equivalents	194.9	167.3	-14.2%
Holding Company	59.9	78.6	+31.2%
Plants	135.0	88.7	-34.3%
Debt Service Reserve Account	72.5	83.8	+15.6%
NET DEBT	1,171.3	1,424.0	+21.6%
Net Debt /EBITDA proforma(see note)	5.6x	5.5x	

Net debt, defined as long and short term gross banking debt minus cash, equivalents and the debt service reserve account, reached € 1,424 m by the end of the period (vs. € 1,171 m at the closing of 2016). The evolution of the debt is explained by the following effects:

- The consolidation of the net debt of the Uruguayan and Portuguese assets, acquired by Saeta Yield in 2017. In the case of the assets in Portugal, additionally Saeta Yield has refinanced the debt of the plants, increasing the total amount up to € 135 m.
- The withdrawal of € 70 m from the revolving credit facility of the Company (with a maximum disposition level of € 120 m) accounted as short term debt. A significant part of this withdrawal has been reimbursed in January 2018 (€ 65 m), whilst the rest is planned to be cancelled during 2018. In 2017 the Company also has signed bilateral credit agreements with several financial institutions for a total limit of € 6 m, out of which by the end of 2017 had disposed € 0.5 m.
- Also during the period, the Company has increased the debt level in the refinancing of Manchasol 2 (CSP Plant). It consisted mainly in a small increase in the debt level and in the maturity, with a reduction in the cost of the debt.
- Finally, in 2017 has been signed the financing of Valcaire wind farm, for a total amount of € 14 m. By the end of the period the withdrawn amount accounted for € 0.2 m. The remaining funds can be withdrawn up until the 30th of June, 2018.

SAY's cash position accounts for € 167 m, showing a decrease compared to the end of 2016 mainly due to the acquisition of the assets in Uruguay and in Portugal, and the payments to shareholders in the period, partially compensated by the operating cash flows of the Company. Apart from its cash position, Saeta Yield's total liquidity of € 237 m also includes the available funds in the RCF (€ 50 m), the available funds form the bilateral credit lines of the Company (€ 5.5m) and the non-withdrawn funds from the financing of Valcaire (€ 14 m).

Saeta Yield's Net Debt to proforma EBITDA ratio[8] accounts for 5.5x (compared to a 5.6x ratio in 2016).

Out of the total debt, it's worth noting that 96% comes from bank project finance with no recourse to shareholders, whilst the remaining 4% corresponds to the aforementioned RCF. The project debt's average maturity is 13 years[9].

Finally, it should also be highlighted that c. 78% of the projects' outstanding debt is hedged through IRS derivative contracts. The RCF has a financial cost calculated using a spread over the EURIBOR. Average cost of debt at the end of the period was 4.1%.

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8 Calculated with the 2017 expected annualized proforma EBITDA of Saeta Yield, that according to the guidance published accounts for € 260 m, including the contribution of Carapé and Lestenergia, and the Net Debt by the 31st of December, 2017. The ratio calculated with the accounted EBITDA of 2017 is 5.9x, whilst the ratio for 2016 is 5.9x.

7 Average life of the debt is the remaining life of the debt for each project pondered by the debt on that project.

5.3. Equity

Saeta Yield's equity by the end of the period was € 547 m, vs. € 552 m at the end of 2016. The evolution of the account was driven by the quarterly distributions to shareholders charged to the share premium in the period, by the contribution of the period's net income, and also by the reduction of the impairment results (as a result of the MtM of the derivatives).

As a result of the liquidity contract signed by the Company in August 2017, by end of the period Saeta Yield held a total of 65,081 treasury stocks, representing a 0.1% of the total outstanding shares.

6. Consolidated cash flow statement

Consolidated cash flow statement (€m)	2017	2017 Extraord. (1)	2017 Operating Assets	2016	2016 Extraord. (2)	2016 Operating Assets
A) CASH FLOW FROM OPERATING ACTIVITIES	170.5	-9.8	180.3	122.8	-2.0	124.8
1. EBITDA	242.3	0.0	242.3	199.0	0.0	199.0
2. Changes in operating working capital	9.7	0.0	9.7	-6.0	0.0	-6.0
a) Inventories	0.3	0.0	0.3	0.2	0.0	0.2
b) Trade and other receivables	4.0	0.0	4.0	6.6	0.0	6.6
c) Trade and other payables	3.9	0.0	3.9	-1.0	0.0	-1.0
d) Other current & non current assets and liabilities	1.6	0.0	1.6	-11.8	0.0	-11.8
3. Other cash flows from operating activities	-81.5	-9.8	-71.7	-70.2	-2.0	-68.3
a) Net Interest collected / (paid)	-74.5	-9.8	-64.7	-65.8	-2.0	-63.8
b) Income tax collected / (paid)	-7.0	0.0	-7.0	-4.4	0.0	-4.4
B) CASH FLOW FROM INVESTING ACTIVITIES	-150.6	-150.9	0.3	-99.0	-99.2	0.2
5. Acquisitions	-152.2	-150.9	-1.3	-90.9	-90.4	-0.4
6. Disposals	1.6	0.0	1.6	-8.1	-8.7	0.6
C) CASH FLOW FROM FINANCING ACTIVITIES	-47.6	54.0	-101.6	32.7	114.6	-81.9
7. Equity instruments proceeds / (payments)	-0.6	-0.6	0.0	0.0	0.0	0.0
8. Financial liabilities issuance proceeds	214.7	214.7	0.0	182.2	182.2	0.0
9. Financial liabilities amortization payments	-200.0	-98.4	-101.6	-90.2	-8.3	-81.9
10. Distributions to shareholders	-61.6	-61.6	0.0	-59.3	-59.3	0.0
D) CASH INCREASE / (DECREASE)	-27.7	-106.7	79.0	56.5	13.4	43.0
Cash flow from the operating assets			79.0			43.0

(1) Includes the distribution to shareholders, extraordinary payments due to Manchasol 2, Lestenergia and Valcaire financings, the Carapé and Lestenergia acquisitions, and the debt service (interests and debt principal) of the not yet invested funds obtained from the financing operation in Serrezuela by the end of 2017.

(2) Includes the acquisition of Extresol 2 and Extresol 3, the financing of Serrezuela, the distribution to shareholders and the debt service (interests and debt principal) of the not yet invested funds obtained from the financing operation in Serrezuela by the end of 2016.

Saeta Yield in 2017 reduced its cash position by € 28 m compared to the final cash position of 2016, a variation that includes a positive contribution of the operating assets of € 79 m, and several one off cash flows for a total of € -107 m. The evolution of the cash flow is explained by the following effects:

- Cash flow from operating activities grew due to the larger EBITDA in 2017 after the consolidation of Extresol 2 and 3, Carapé in Uruguay and Lestenergia in Portugal and the effect of the higher electricity prices even after the low production in Spain.
- Working capital contribution includes the positive effect of a higher CNMC coverage ratio by the end of the period, compared to the figure of 2016. It also includes the price bands mechanism effect, which decreases debtors account, with its subsequent positive effect in the cash flow generation in 2017, versus a decrease in the same period of 2016.
- Extraordinary interest payments includes the fees and other one-offs paid in the Manchasol 2, Valcaire and Lestenergia refinancings, the not yet invested funds from the financing in Serrezuela and the interest payments coincident with the subordinated debt repayment in Uruguay.
- The tax payment correspond to the obligations derived from the Royal Decree 2/2016, which requires the advanced payment of taxes during the year, calculated as a percentage of net income, and not depending on the tax settlement. The tax advance paid in 2016 has been collected by early 2018.
- In terms of investments, the cash flow statement includes:
    - The acquisition of Carapé in Uruguay, which represented a total cash disbursement of € 58 m. The initial cash position of the plants was € 2 m.

  - The acquisition of Lestenergia in Portugal includes the cash consideration of € 104 m. The initial cash position of the plants was € 9 m.
  - Operating assets investments correspond to the high tension line damaged in the blizzard in January 2017, already mentioned in this document, which has been fully recognized by the insurance company.

- The disposals include the effect of the withdrawals from the debt service reserve account during the period.
- Equity instruments include the acquisition of treasury stock under the liquidity contract signed by the Company in August 2017.
- Extraordinary financial liabilities issuance include the € 9 m of cash issued due to the Manchasol 2 refinancing, the withdrawal of the RCF of € 70 m already mentioned and the issuance of € 135 m in the recapitalization process of Lestenergia.
- Debt repayment accounts for the ordinary payments of debt in the plants. Included as extraordinary cash outflows are the € 75 m repaid in the refinancing of Lestenergia, the debt repayment of € 16 m in Carapé, the Manchasol 2 structuring fees paid coincident with the refinancing process (€ 3 m), the Serrezuela financing not yet allocated to the acquisition of new assets and the structuring fees related to the RCF (c. €1m).
- Finally, in 2017 the Company has distributed € 62 m to shareholders, € 2 m more than in 2016, as a consequence of the assets acquired during the year.

7. Capital Structure

By the 31st of December of both 2017 and 2016, SAY's share capital consists of 81,576,928 shares of one euro per value each, all of the same class and series, fully subscribed and paid up, which represents a share capital of € 81.6 m. All of the shares of Saeta Yield, S.A. are listed, since 16th of February, 2015 on the Spanish stock exchanges and are trading on the Continuous Market.

The main shareholders by the 31st of December, 2017 and 2016 (according to the CNMV filings), are the following:

	31/12/2017		31/12/2016	
	Shares	% Capital	Shares	% Capital
Cobra Concesiones, S.L. (*)	19,750,212	24.21%	19,750,212	24.21%
GIP II Helios, S.à.r.l	19,587,058	24.01%	19,587,058	24.01%
Morgan Stanley Investment Management INC	4,138,247	5.07%	4,138,247	5.07%
Treasury Stock	65,081	0.08%	-	-
Arrowgrass Capital Partners LLP	-	-	2,485,503	3.05%
Chedraoui, Tony	-	-	2,403,253	2.95%
Rest of Shareholders	38,036,330	46.63%	33,212,655	40.71%
Total shares	81,576,928	100%	81,576,928	100%

(*) 100% owned by ACS, Actividades de Construcción y Servicios, S.A.,

Source: CNMV

Each share confers the holder the right to cast a vote and all shares grant the same dividend rights. The Group did not hold treasury stock as of 31st of December, 2016, but by the end of 2017 held 65,081 own shares, thanks to the liquidity contract signed in August 2017.

8. Main risks and uncertainties

Saeta Yield currently runs its business activity in Spain, Uruguay and Portugal. All those countries have a different socio-economic, legal and regulatory environment, which implies exposure to different levels of risk inherent in their business. Saeta Yield monitors and controls such risks in order to avoid them reducing shareholders' profitability, endangering its employees or its corporate reputation or impacting negatively the Company as a whole.

In order to accomplish such risk monitoring task, Saeta Yield has defined procedures to identify them in advance so they can be properly handled, by avoiding or minimizing their impact.

Additionally to these risks inherent to its business activity, Saeta Yield is also subject to certain financial risks, especially interest rates variation, exchange rates, liquidity or credit risks:

- Interest rates risk is reduced by financial derivative instruments, hedging the cost of approximately 78% of the outstanding debt.
- Liquidity risks are managed by Saeta Yield through:
    - A solid liquidity position of € 167 m in December 2017.
    - The non-withdrawn funds in the Valcaire financing, for € 14 m.
    - A Revolving Credit Facility of € 120 m and a term of three years, extendable for two more years, out of which the Company has used € 70 m.
    - Several bilateral credit agreements for a total amount of € 6 m out of which the company has disposed € 0.5 m by the 31st of December 2017.
- Credit risk is considered to be low since Saeta Yield's main counterparties nowadays are: (i) the Electricity Tarif in Spain, that enjoys solvency and budget balance, as a result of the regulatory reform carried out in 2013 (ii) UTE, the counterparty in Uruguay of the PPA contract for 21 years in Carapé assets, has a solvent payment record (iii) EDP Serviço Universal, which has the obligation to purchase electricity in Portugal, and which has proven solid and solvent in its operations in the last few years and has a BBB- credit rating from S&P and (iv) three market agents in Spain, including the main companies in the industry, with good credit ratings according to the analysis published by the credit rating agencies.
- Saeta Yield will be subject to currency risk exposure, of around 5% of its revenues in 2017, related to the EUR/USD rate, since the assets of Uruguay are remunerated in the latter currency. That risk is partially diluted by the fact that most of the payments (including the financial ones) and expenses in Uruguay are made in dollars, meanwhile the cash surplus generated by the Uruguayan subsidiaries would be subject of a thorough analysis to assess the suitability of contracting exchange rate hedging. Additionally, due to the strategy of the Company, there is a natural coverage mechanism as Saeta Yield expects to acquire assets in the future investing US dollars.

The risk related to market revenues due to uncertainties in the electricity production derived from renewable technologies dependent on weather conditions - wind resource and solar irradiation – as well as the evolution of the Spanish wholesale market price are some of the reasons why Saeta Yield continuously monitors existing alternatives on the market to manage this risk.

For the next semester and with regard to the information currently available, Saeta Yield, according to the current available information and its current business situation, expects to face business risks similar to the ones within the previous semester.

9. Information on related parties

The related parties' transactions in the period can be summarized as:

- Those related with the operation and maintenance (O&M) as well as with the electricity production control centre (CECOVI) that the project companies have contracted with other subsidiaries of Grupo ACS, Holding Company of Saeta Yield's main shareholder (Cobra Concesiones S.L., CME and ProCME).
- The 3rd of August, 2017, Saeta Yield agreed, subject to certain precedent conditions, to acquire 100% of Lestenergia wind farms in Portugal to a subsidiary of Grupo ACS for an equity value of € 104 m (equivalent to an enterprise value of € 186 m).
- In the period the Company has performed payments to the main shareholders (Cobra and GIP) in the same measure than to the rest of the shareholders and according to the dividend policy of Saeta Yield.

All the aforementioned contracts and agreements have been executed under market conditions, monitored by the Audit Committee of the Board of Directors.

10. Other corporate matters

The Integrated Report of Saeta Yield, available in the webpage of the Company (www.saetayield.com) includes additional details on environmental and human resources policies of the Group and its results.

10.1. Environmental Protection

Saeta Yield Group's activity contributes strongly to the protection of the environment. The energy produced at its plants comes from renewable sources thereby avoiding the emission into the atmosphere of greenhouse gases. This demonstrates the commitment of Saeta Yield to sustainability.

Nevertheless, our activity also has an environmental impact, directly as a result of the alteration of the environment or indirectly by the consumption of materials, energy and water resources. The Group operates in a way that respects the law, adopting the most efficient measures to reduce these negative effects.

Saeta Yield in compliance with the Environmental Impact Statements for each of its plants is continuously monitoring the environment during and implementing various compensatory measures. Likewise, in his interest in improving the environment and reducing environmental impact, Saeta Yield analyses potential improvements in their production systems: efficiency in energy consumption, reduced water consumption, etc.

10.2. Human Resources

The Saeta Yield Group employed at the end of the period a total of 54 people, of whom 21 are women and 33 are men. Additionally, 48 of its employees are university graduates and 1 person presents an intellectual disability larger than 33%.

10.3. Research and development

Saeta Yield has internal working groups to study possible improvements in its plants, aimed at increasing efficiency in the production and consumption of resources.

11. Disclosures on deferred payments to suppliers

Third Additional Provision. Third **Additional Provision. "Duty of Disclosure" of Law 15/2010, of July 5**

Herein is included the "Disposición adicional tercera" of the law 15/2010, of 5 July (modified through the "Disposición final segunda" of the law 31/2014, of 3 December) prepared according to the recommendation of the "Instituto de Contabilidad y Auditoría de Cuentas (ICAC)" by 29th of January 2016, on the information to be incorporated in the Financial Statements regarding the average payment period to suppliers in commercial transactions.

	2017	2016
	Days	**Days**
Average payment period to suppliers	50	63
Ratio: paid transactions	12	33
Ratio: pending payment transactions	38	30
	Amount (000) €	Amount (000) €
Total payments performed	66,037	61,103
Total pending payments	5,922	2,759

According to the ICAC resolution, to calculate the average payment period to suppliers, the commercial transactions considered are those accrued from the put in force of the law 31/2014 of 3 December and performed in Spain.

Are considered suppliers, only to provide information as stated in the law, to those commercial debtors from goods and services included in the account Trade Payables in the current liabilities of the Balance Sheet.

Average payment period to suppliers stands for the period that goes from the exchange of goods or the provision of services by the supplier, and the payment of the transaction.

The maximum legal payment period applicable to the Company in the fiscal year 2016, according to the 3/2014 Law of 3 of December, that stablishes measures to reduce late payments in commercial transactions, amounts to 30 days, except when an agreement exists between the parts, with a maximum period of 60 days.

12. Alternative performance indicators

Saeta Yield reports its results according to the International Financial Reporting Standards (IFRS), nevertheless, uses some alternative performance indicators to provide with additional and comparable information, to ease the performance evaluation of the Company. Amongst these is worth highlighting the CAFD, a non-GAAP financial measure that is not required by, or presented in accordance with, IFRS-EU. The Company believes that the CAFD is useful to investors in evaluating its ability to pay to shareholders.

In accordance with the ESMA directives, in this paragraph are described those indicators used by Saeta Yield in this document:

Total Revenues	Revenues + Other operating revenues
Other operating expenses	Cost of materials used and other external expenses + Other operating expenses + Staff costs
EBITDA	Operating income + Depreciation and amortization charge + Provisions and Impairments
EBIT	Operating income
Net Debt	Current & Non-current debt with financial institutions - Cash and cash equivalents – Debt service reserve account amount
Average cost of debt	Weighted average of the interest rate per project according to the total gross debt per project. At the end of the period.
RECAFD , Recurring CAFD, or Operative assets cash flow	Cash available for distribution that the Company expects its portfolio of projects will be able to generate on a recurrent basis (Net of cash flows not related with the ordinary evolution of the business) The cash flow available for distribution (CAFD) refers to consolidated net cash provided by operating activities; minus (or plus) deposits (or withdrawals) into (from) debt service reserve accounts required by project financing arrangements; minus cash distributions paid to non-controlling interests in our Asset Companies, if any; plus cash dividends from unconsolidated affiliates, if any; minus scheduled project-level and other debt service payments in accordance with the related borrowing arrangements; minus non-expansionary capital expenditures, if any; and minus expansionary OPEX, if any.
Extraordinary CAFD	Extract of the cash variation accounts not included in the RECAFD or Recurring CAFD, and the distribution to shareholders.
Financial results	Financial income - Financial expenses +/- foreign exchange results

13. Corporate Governance Annual Report

According to the mercantile law, find attached the Corporate Governance Annual Report, also available in the CNMV web page, that should be included in the 2017 Management Report.

LEGAL NOTICE

Translation of this report has been based on a document originally written in Spanish. In event of discrepancy, the Spanish language version prevails.

This document has financial information prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements were based on the individual accounts of Saeta Yield, S.A. and its project companies and they include the necessary adjustments and reclassifications to adapt them to IFRS.

Translation of this report has been based on a document originally written in Spanish. In event of discrepancy, the Spanish language version prevails.

WAIVER OF LIABILITY

This document has been prepared by Saeta Yield, S.A. exclusively for use during the presentation of financial results of the current period. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Saeta Yield, S.A. The Company does not assume liability for this document if it is used with a purpose other than the above.

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Neither Saeta Yield, S.A. nor its subsidiaries, nor its advisors or representatives assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.

Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of Law 24/1988, of 28 July, on the Securities Market, Royal Decree-Law 5/2005, of 11 March, and/or Royal Decree 1310/2005, of 4 November, and its implementing regulations.

In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements on the intentions, expectations or forecasts of Saeta Yield or its management at the time the document was drawn up. These forward-looking statements or forecasts can in some cases be identified by terms such as "expectation", "anticipation", "proposal", "belief" or similar, or their corresponding negatives, or by the very nature of predictions regarding strategies, plans or intentions.

Such forward-looking statements or forecasts in no way constitute, by their very nature, guarantees of future performance but are conditional on the risks, uncertainties and other pertinent factors that may result in the eventual consequences differing materially from those contained in said intentions, expectations or forecasts.

Saeta Yield, S.A. does not undertake to publicly report on the outcome of any revision it makes of these statements to adapt them to circumstances or facts occurring subsequent to this presentation including, among others, changes in the business of the Saeta Yield, S.A., in its strategy for developing this business or any other possible unforeseen occurrence. The points contained in this disclaimer must be taken fully into account by all persons or entities obliged to take decisions or to draw up or to publish opinions on securities issued by Saeta Yield, S.A. and, in particular, by the analysts and investors reading this document. All the aforesaid persons are invited to consult the public documentation and information that Saeta Yield, S.A. reports to or files with the bodies responsible for supervising the main securities markets and, in particular, with the National Securities Market Commission (CNMV in its Spanish initials).

To contact Saeta Yield IR Department: ir@saetayield.com

In compliance with the provisions of Article 253 of the Spanish Corporate Enterprises Act and Article 37 of the Commercial Code, on 27 February 2018 the Board of Directors of Saeta Yield, S.A. authorised for issue the consolidated financial statements and directors' report for the year ended 31 December 2017, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors state that, to the best of their knowledge, the consolidated financial statements of SAETA YIELD, S.A. and Subsidiaries for the year ended 31 December 2017, authorised for issue by the Board of Directors at its meeting on 27 February 2018, and prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of operations of SAETA YIELD, S.A., and the consolidated subsidiaries, taken as a whole, and that the directors' report, supplementing the consolidated financial statements, includes a fair analysis of the development and performance of the business and the position of SAETA YIELD, S.A., and the consolidated subsidiaries, taken as a whole, as well as a description of the main risks and uncertainties facing the Company.

Madrid, 27 February 2018

The Board of Directors,

José Luis Martínez Dalmau
Chief Executive Officer

José Andrés Barreiro Hernández
Director

Deepak Agrawal
Director

Daniel B. More
Director

Paul Jeffery
Director

Cristobal González Wiedmaler
Director

Cristina Aldámiz-Echevarría Glez. de Durana
Director

Antoine Kerreneur
Director

English translation for information purposes only. In the event of discrepancies between English and Spanish version, the Spanish version shall prevail.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR END	31/12/2017

COMPANY TAX ID NO. (C.I.F.):	A85699221

CORPORATE NAME
SAETA YIELD, S.A.

REGISTERED OFFICE
AVENIDA DE BURGOS 16D, 3ºI, 28036 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting
27/01/2015	81,576,928 €	81,576,928	81,576,928

Indicate whether different types of shares exist with different associated rights.

Yes ☐ **No** ☒

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or company name of the shareholder	% of Number of direct voting rights	Number of indirect voting rights		% total voting rights
		Name or company name of the direct shareholder	Number of voting rights	
COBRA CONCESIONES, S.L.	19,750,212	ACS, Actividades de construcción y servicios, S.A.		24.21%
GIP II Helios, S.à.r.l.	19,587,058			24.01%
MORGAN STANLEY INVESTMENTS MANAGEMENT, INC	4,138,247			5.07%

Indicate the most significant movements in the shareholder structure during the year:

Name or corporate name ofshareholder	Date of the transaction	Description of the transaction
TONY CHEDRAOUI	12/07/17	Decreased 3% of the share capital

A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name ofdirector	Number of direct voting rights	Voting rights held indirectly	% of total voting rights
D. José Luis Martínez Dalmau	7,500		0.009%
D. José Barreiro Hernández	27,000		0.033%

% of total voting rights held by the Board of Directors	0.042%

Complete the following table on the members of the company's Board of Directors that hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Indirecting voting rights		%of total voting rights
		direct holder of the participation	Equivalent number of shares	
Mr. José Luis Martínez Dalmau	210,000		210,000	0.26%

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party name or corporate name	Type of relationship	Brief description
Cobra Instalaciones y Servicios, S.A. y GIP II HELIOS, S.à.r.l.	Corporate	Cobra Facilities and Services, S.A. and GIP II Helios, s.á.r.l. hold 51% and 49% equity interests in Bow Power, S.L. respectively.

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party name orcorporate name	Type of relationship	Brief description
Cobra Concesiones, S.L. y GIP II HELIOS, S.à.r.l.	Contractual	Right of first offer and call option (ROFO)

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Limited Liability Companies Law ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes ☒ **No** ☐

Members of the shareholders agreement	% share capital affected	Brief description of the shareholder agreement
ACS, Actividades de Construcción y Servicios, S.A. y GIP II HELIOS, S.à.r.l.	48.222%	-Voting and transfer of shares. -Reserved matters for approval by the General Shareholder´s Meeting. -Members of the Board of Directors.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Securities' Market Act. If so, identify:

Yes ☐ **No** ☒

A.8 Complete the following tables on the company's treasury stock.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
65,081	0	0.08%

On 26 July the company entered into a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial Intermediary") for the sole purpose of providing liquidity and regularity to the company's share price, within the limits established by the company's General Shareholders' Meeting and by the applicable legislation in force, in particular that of Spain's National Securities Market Commission (CNMV in Spanish) in its Circular 1/2017 of 26 April on liquidity agreements.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

Through a resolution passed at the General Meeting on 27/01/2015, it was agreed to authorize both the Saeta Yield, S.A. Board of Directors, as well as its subsidiary companies, for a period of five (5) years from the date of the Meeting, to purchase at any moment, as many times as they deem appropriate, and for any reasons allowed by law, using the yearly profit and/or unrestricted reserves, shares of Saeta Yield S.A, whose nominal value added to those already owned by the company and its subsidiaries does not exceed 10% of the issued share capital or, where appropriate, the maximum amount allowed by applicable legislation at any time.

It also authorizes the Saeta Yield S.A. Board of Directors, as well as that of its subsidiary companies, under the same terms as the previous paragraph, to purchase Saeta Yield. S.A. shares through loans, for free or against payment under terms which are deemed to be market conditions, taking into consideration the market situation and the transaction characteristics.

At the General Meeting held on 21/06/2017, it was agreed to renew until 30 June 2020 the authorisation to increase the share capital, as initially approved by the 27/01/2015 General Meeting.

A.9 bis Estimated free float

	%
Estimated Free Float	51.66%

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes ☐ **No** ☒

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralization measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes ☐ **No** ☒

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ **No** ☒

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC.

Yes ☐ **No** ☒

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC.

Yes ☐ **No** ☒

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

By-Laws.- It have been approved by General Shareholder´s Meeting held on January 20, 2015 and in force at December 31, 2017:

Article 8.2: Social agreements will be adopted by the demanded majority of votes in each case by Corporate Enterprise Act.

REGULATION OF THE SHAREHOLDER´S MEETING: It have been approved by General Shareholder´s Meeting held on January 20, 2015 and in force at December 31, 2017.

Article 24.1: Items which are substantially independent must be vote separately in the Shareholders Meeting.

Article 24.2: In any case, even when provided under the same section in the agenda, the following are to be voted separately:

a) The appointment, ratification, reelection or dismissal of each member.

b) In the modification of the bylaws, that of each article or group of articles that have their own autonomy.

RULES FOR THE GENERAL MEETING OF SHAREHOLDERS. Approved by the General Meeting of 20/01/2015 and in force on 21/12/2017.

Rules of the General Shareholder´s Meeting establish in Article 7.1.f) that Shareholders´ Meeting agree the issuance of obligations or other fixed-income securities, the increase or reduction of capital, the transformation, merger or division, the overall assignment of assets and liabilities, the transfer of the address abroad and the dissolution of the company and, in general, any amendment of the bylaws.

Rules of the General Shareholder´s Meeting establish in Article 18.2 that Shareholders´ Meeting to be able to validly agree the increase or decrease of capital stock and any other Company Bylaws modifications, obligations issuing, suppression or limitation of preferential subscription right for new shares, as well as assets and liabilities transformation, merger, split or general assignment and the transfer of corporate address abroad, attendance of present or represented shareholders representing at least 50% of the subscribed capital stock with voting rights will be necessary, under first notice. Under second notice the attendance of 25% of said capital will be sufficient.

B.4 Indicate the data on attendance at the General Shareholders' Meetings held in the year to which report refers and in the previous year.

	Attendance data				
Date of general meeting	**% attending in person**	**% by proxy**	**% remote voting**		**Total**
			Electronic means	**Other**	
22/JUN/2016	37.086%	18.155%		21.18% Voting by postal mail	67.604%
21/JUN/2017	49.415%	16.448%		24.71% voting by distance communication	65.863%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes ☐ **No** ☒

B.6 Paragraph repealed.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

The web URL is http://www.saetayield.com

Once in the Saeta Yield website home page, there are several tabs at the top. Under CORPORATE GOVERNANCE, once clicked this tab brings up the following subsections: Corporate Rules, General Shareholders' Meeting, Corporate Governance Report, Board of Directors, Ethics and Professionalism. Each of these subsections sets out the information corresponding to its title. Also, in section General Shareholders 'Meeting hangs all information to be made available to shareholders.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	**Representative**	**Director position**	**Position on the Board of Directors**	**Date of first appointment**	**Date of last appointment**	**Election procedure**
Mr. José Luis Martínez Dalmau		Executive Director	Chairman	20/01/2015	20/01/2015	Resolution of General Shareholders 'Meeting
Mr. José Barreiro Hernández		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders 'Meeting
Mr. Daniel B. More		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders 'Meeting
Mr. Paul Jeffery		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders 'Meeting
Mr. Cristóbal González Wiedmaier		Proprietary	Director	20/01/2015	20/01/2015	Resolution of General Shareholders 'Meeting
Ms. Cristina Aldámiz-Echevarría González de Durana		Proprietary	Director	20/01/2015	20/01/2015	Resolution of General Shareholders 'Meeting
Mr. Deepak Agrawal		Proprietary	Director	08/05/2015	08/05/2015	Resolution of General Shareholders 'Meeting
Mr. Antoine Kerrenneur		Proprietary	Director	04/11/2016	04/11/2016	Cooptation agreement

Total number of directors	8

Indicate any board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
Mr. Honorato López Isla	Independent Director	21/06/2017

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company
Mr. José Luis Martínez Dalmau	Chairman/Executive Director

Total number of executive directors	1
% of the board	12.5%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment
Mr. Cristóbal González Wiedmaier	Cobra Concesiones, S.L.
Ms. Cristina Aldámiz-Echevarría González de Durana	Cobra Concesiones, S.L.
Mr. Antoine Kerrenneur	GIP II Helios, s.á.r.l.
Mr. Deepak Agrawal	GIP II Helios, s.á.r.l.

Total number of proprietary directors	4
% of the board	50%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
Mr. José Barreiro Hernández	Birth place Madrid, Spain, Birth date May 5, 1958. He has significant experience managing and overseeing large limited companies. Before joining Saeta Yield, Mr. Barreiro Hernández served as managing director of Banco Bilbao Vizcaya Argentaria, S.A. for more than fourteen years. He is currently working at SVP Global as Senior Advisor in Spain and Portugal since 2014. He has been a member of the board of directors of several companies, including AIAF, the Spanish Fixed Income Market, Iberclear, the Spanish Clearing and Settlement System for Government Securities, BME (Bolsas y Mercados Españoles), CNCB (China Citic bank Corporation), Citi Bank Internacional y DUCH between others. He has been also a member of foundations and schools such as Fundación de Estudios Financieros and Vermont Academy. Furthermore, the sponsor is currently the BBVA microfinance foundation. Mr. Barreiro has a Degree in Economics from the Universidad Complutense de Madrid, specializing in macro economy and a Diploma in Tax and Fiscal Law from the Instituto de Estudios Financieros (Madrid).
Mr. Daniel B.More	Birth place Plainfield, New Yersey U.S.A., Birth date June 3, 1956. He was formerly a Managing Director at Morgan Stanley, leading the firm's global efforts in Utility Mergers and Acquisitions. He has been an investment banker since 1978 and has specialized in the energy sector since 1986. He retired from Morgan Stanley in March 2014. He is currently working for Guggenheim Securities, Investment Banking Division since October 2015. Mr. More's experience includes a focus on financing renewable energy. He has also worked with an array of regulated industry clients, including investor-owned utilities, co-operatives and municipal electric systems. He has extensive international energy experience, working with energy sector clients on six continents. He has served on the Board of Directors of the New York Independent System Operator ("NYISO") from April 2014 to February 2016. NYISO is the agency responsible for the New York State high voltage transmission network 11,000 miles and more than 500 power generators). He is currently a member of the Board of Directors of SJW Corp., San Jose, CA. Mr. More received an MBA from the Wharton School of the University of Pennsylvania and a BA in Economics from Colby College in Waterville.
Mr. Paul Jeffery	Birth place United Kigdom, Birth date April 27, 1955. He was formerly a Managing Director in the Investment Banking Division and Head of the

Name or corporate name of director	Profile
	European Power, Utilities and Infrastructure ("PUI") team at Barclays Capital ("Barclays"). Mr. Jeffery joined Barclays in 1972 and has focused on the utility sector since 1996. During his 15 years as Head of the PUI team, Mr. Jeffery had an oversight role in virtually every Investment Banking transaction Barclays executed in the European PUI sector. Mr. Jeffery retired from Barclays in 2012 and, since 2014, has served on the boards of directors of the Scotia Gas Networks (Southern Gas Networks plc and Scotland Gas Networks plc) and UK Power Networks (Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc) which own and operate the regulated gas and electricity distribution networks, respectively, in the United Kingdom.

Total number of independent directors	3
% of the board	37.5%

C.1.4 Complete the following table on the number of female directors over the past four years and their category.

	Number of female directors				% of total directors of each type			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0		0%	0%	0%	
Proprietary	1	1	1		25%	25%	25%	
Independent	0	0	0		0%	0%	0%	
Other	0	0	0		0%	0%	0%	
Total	1	1	1		12.5%	11.11%	11.11%	

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee aneven balance between men and women.

Explanation of measures
Saeta Yield, S.A. promotes any policies necessary to ensure gender equality and to avoid inherent bias or any discrimination during selection processes for the members of the Board of Directors, as established in article 9.4 of the Board of Directors' Regulation. Furthermore, Saeta Yield S.A. ensures equal opportunities for any job, and guarantees that the candidates meet the skills, understanding and experience requirements to fill the role, as reflected in article 4.3.1 of the General Code of Conduct. During fiscal year 2017 a vacancy opened up in relation to an independent board member, and Saeta Yield, S.A. is encouraging the addition of a woman to the board to fill that vacancy. However, in the end it will obviously be the overall evaluation of merits that must prevail when the time comes to propose the candidates.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee toensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes aconscious effort to search for female candidates who have the required profile.

Explanation of measures
The Appointments and Remuneration Committee, pursuant to the Board of Directors' Regulation and the company's General Code of Conduct, establishes the target to represent the least represented gender on the Board of Directors, encouraging the inclusion of women amongst potential candidates, ensuring that they meet the appropriate professional profile and meet the criteria for merit and ability. As explained under the previous heading, during fiscal year 2017 a vacancy opened up for an independent board member. The Committee is evaluating all candidates proposed to it, without any discrimination with regard to sex, and with assessment of the professional profiles and objective criteria based on merit and abilities.

When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of measures
Saeta Yield is aware that it must continue to provide incentives for, and achieve, a female presence on the Board of Directors. To do this, it is carrying out an overall evaluation of the candidates, while continuing with its efforts to fill the vacancy mentioned with a female board member.

C.1.6.bis Explain the Appointments Committee's findings regarding verification of compliance with the policy for selection of Board Members. In particular, describe how that policy contributes to the goal of achieving, by the year 2020, a number of female directors representing at least 30% of the total number of Board Members.

Explanation of measures
Work is now under way to include more women on the Board of Directors of Saeta Yield, S.A., and therefore when a vacancy opens up, a special dedicated effort is being made to search for women to be included. As mentioned in the previous sections, an overall evaluation of the candidates is taking place, without any discrimination based upon sex.

C.1.7 Explain how shareholders with significant holdings are represented on theboard.

Non-executive and proprietary directors, Mr. Cristóbal González Wiedmaier and Ms. Cristina Aldamiz-Echevarría González de Durana, on behalf of Cobra Concesiones, S.L.

Non-executive and proprietary directors, Mr. Antoine Kerrenneur and Mr. Deepak Agrawal, on behalf of GIP II Helios, s.á.r.l.

All the directors are members on the Board Committees existing.

C.1.8 Explain, if applicable, the reasons why proprietary directors have beenappointed upon the request of shareholders who hold less than 3% of the share capital.

Name or corporate name of	Reasons

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

During fiscal year 2017 the aforementioned petitions were not produced.

Yes ☐ **No** ☒

C.1.9 Indicate whether any director has resigned from office before their term of officehas expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director.

Name of director	Reasons for resignation
Mr. Honorato López Isla	On 21 June 2017, Mr. Honorato López Isla submitted a letter announcing his resignation from his position as the company's Coordinating Director, and as a result also resigning as Chairman of the Audit Committee and member of the Appointments and Remuneration Committee. Although Mr. Honorato López acknowledged that it had been an interesting and positive phase for the company, he had decided to resign from his position for personal reasons and in view of having reached 70 years of age.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director	Brief description
Mr. José Luis Martínez Dalmau	All powers corresponding to the board except those that cannot be transferred.

C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Have Executive Functions?
Mr. José Luis Martínez Dalmau	- Al-Andalus Wind Power, S.L.U. -La Caldera Energía Burgos, S.L.U. - Parque Eólico Santa Catalina, S.L. U. - Eólica del Guadiana, S.L.U. - Parque Eólico Valcaire, S.L.U. - Parque Eólico Sierra de las Carbas, S.L.U. - Parque Eólico Tesosanto, S.L.U. - Manchasol 2, Central Termosolar Dos, S.L.U. -Extresol 1, S.L.U. -Serrezuela Solar II, S.L.U. - Extresol-2, S.L.U. - Extresol-3, S.L.U. - Extresol Almacenamiento GNL, AIE -Viensos, S.A. -Eskonel Company, S.A. -Derisia, S.A. -Fingano, S.A. -Vengano, S.A. -Pantenergía, S.A. -Gadgetadvantages-Unipessoal LDA	Representing the Sole Director	Yes
Mr. José Luis Martínez Dalmau	- Lestenergia – Exploração de parques eólicos S.A.	Representing the Director	Yes
Mr. José Luis Martínez Dalmau	Sistema de Conexión Valcaire, S.L.	Representing the Company Parque Eólico Valcaire, S.L.U. as member of the Board of Director	No
Mr. José Luis Martínez Dalmau	Sistema de Evacuación Albuera-SET Olivenza-Vaguadas A.I.E.	Chairman of the Board of Directors	No

C.1.12 List any company board members who likewise sit on the boards of directors ofother non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the group entity	Position
Mr. Cristina Aldámiz-Echevarría González de Durana	Masmovil Ibercom, S.A.	Board member

C.1.13 Indicate and, where appropriate, explain whether the company has establishedrules about the number of boards on which its directors may sit.

Yes ☒ **No** ☐

Explain the rules
Board of Director Regulation establish in article 18.3 that unless expressly authorized by the Board, Directors may not serve on more than five boards of other listed companies or more than five boards of unlisted companies, excluding boards of family-owned or holding companies of the Directors or their family members and the boards or equivalent of foundations, associations or similar. For the purposes of this paragraph, all boards of companies in the same group to which a Director may belong are considered a single board.

C.1.14 Paragraph repealed.

C.1.15 List the total remuneration paid to the Board of Directors in the year.

Remuneración del consejo de administración (miles de euros)	732
Amount of rights accumulated by current board members in pensions (thousands of Euros).	0
Amount of rights accumulated by former board members in pensions (thousands of Euros).	0

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Position
Ms. Lola del Valle Calvo	Legal Consultancy Manager
Mr. Álvaro Pérez de Lema Mata	CFO
Mr. Francisco González Hierro	Operations Manager
Ms. Yolanda Taboada Díaz- Rincón	Internal Auditor

Total remuneration received by senior management (thousands of euros)	518

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Name or corporate name of significant shareholder	Position
Mr. José Luis Martínez Dalmau	Escal UGS, S.L.	Board member

Ms. Cristina Aldámiz-Echevarría González de Durana	Bow Power Energy, S.L.	Board member
Mr. Cristóbal González Wiedmaier	Iberoamericana de Hidrocarburos, S.A. de C.V.	Board member
Mr. Cristóbal González Wiedmaier	Consorcio Especializado en Medio Ambiente, S.A. de C.V.	Board member
Mr. Cristóbal González Wiedmaier	Monclova Pirineos Gas, S.A. de C.V.	Board member
Mr. Deepak Agrawal	Bow Power Energy, S.L.	Board member
Mr. Deepak Agrawal	Equis Energy	Board member
Mr. Deepak Agrawal	Manchasol-1, Central Termosolar Uno, S.L.	Board member

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of director linked	Name or corporate name of significant linked	Description
Ms. Cristina Aldámiz-Echevarría González de Durana	ACS, Actividades de Construcción y Servicios, S.A.	CFO and Corporate Development
Ms. Cristina Aldámiz-Echevarría González de Durana	ACS, Servicios Comunicaciones y Energía, S.A.	CFO
Mr. Cristóbal González Wiedmaier	Cobra Gestión de Infraestructuras, S.L.	CFO
Mr. Cristóbal González Wiedmaier	Pilot Offshore Renewables, Limited	Director
Mr. Cristóbal González Wiedmaier	Kincardine Offshore Windfarm, Limited	Director
Mr. Antoine Kerrenneur	Global Infraestructure Partners	Principal

C.1.18 Indicate whether any changes have been made to the board regulations during the year.

Yes ☐ **No** ☒

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

Appointment of Directors is regulated in the Board of Directors regulation:
-Responsibilities article 5 and 6.
-Types of directors article 8.
-Board of Directors composition article 9.
-Board of Directors chairman article 10.
-Vice-chairman article 11.
-Secretary article 12.
-Appointments article 13.
-Terms of office article 14.
-Directors dismissal and resignation article 15.
-Appointments and remuneration article 32.
-Reelection

The Directors shall serve in office for a period of four years and may be reelected one or more times for periods of equal duration. However, they can be dismissed from their position at any time by the Shareholders Meeting, even when the dismissal is not reflected in the Agenda. If the appointment were to fall on an artificial person, this shall appoint a natural person as a representative for the exercise of the position responsibilities.

The Directors appointment will expire when, having expired the term, the next Shareholders General Meeting which is to decide upon the approval of the prior business year annual accounts has been held.

Independent directors will not remain as such during a continuous period of more than 12 years.

-Removal directors
The removal of Directors is governed by the Regulations of the Board of Directors in the following

articles, the literal content is as follows.

Among the articles of the Regulation of the Board of Directors mentioned above, the following stand out and literally transcribed:

Article 9.- Board of directors composition

The Board of Directors will be composed of a minimum of five and a maximum of fifteen members, who shall be appointed or ratified by the Shareholders General Meeting according to Law. The establishment of the exact number of members of the Board of Directors shall be the responsibility of the Shareholders General Meeting within the abovementioned minimum and maximum.

The Board of Directors, within the exercise of its powers of proposal to the Shareholders General Meeting and co-optation to cover vacancies, shall ensure that the composition of the body, the External or non-executive directors represent a wide majority over the Executive Directors and that the number of independent directors represent at least one-third of the total number of the Board of Directors members.

The Board of Directors must ensure that procedures for the selection of its members favor the diversity of gender, experiences and knowledge; and not suffer implicit biases that may involve any discrimination and, in particular, that facilitate the selection of female Directors.

The character of each Director must explain by the Board of Directors to the Shareholders General Meeting that is to carry out or ratify his/her appointment. In the event that there is any external Director who might not be considered proprietary or independent, the Company will explain such circumstances and his/her relations, either with the Company or its managers, either with its shareholders.

Article 6.- Board of Directors Non-Delegable Responsibilities

In any case, the following are responsibilities of the Board of Directors and cannot be delegated: (…) The appointment and removal of Company Chief Executive Officers Directors, as well as the establishment of their contract details. The appointment and dismissal of managers who directly depend from the Board or any of its members, as well as the establishment of their contract details, including their remuneration.

Article 14.- Term of office

The Directors shall serve in office for a period of four years and may be reelected one or more times for periods of equal duration. However, they can be dismissed from their position at any time by the Shareholders Meeting, even when the dismissal is not reflected in the Agenda. If the appointment were to fall on an artificial person, this shall appoint a natural person as a representative for the exercise of the position responsibilities.

The Directors appointment will expire when, having expired the term, the next Shareholders General Meeting which is to decide upon the approval of the prior business year annual accounts has been held.

Article 15. Resignation and removal of Directors

Board Members will no longer hold such positions once the period for which they were appointed has expired, or if the General Meeting so decides in exercise of its authorities as conferred by law or by the company's Articles.

The Directors must make their position on the Board of Directors available and must formalise, if considered appropriate, their resignation in the following cases: (a) If they fulfil any of the circumstances of incompatibility or prohibition as established by law or by the company's Articles. (b) If their continued presence on the Board could harm or put at risk the company's interests, credit rating, or reputation, or when the reasons for which they were appointed no longer exist. (c) In the case of proprietary Directors: (i) if the shareholder they represent sells all shareholding interest or reduces it significantly and; (ii) if the interests held by that shareholder are reduced to a level that requires reduction of the number of proprietary Directors, with the corresponding number then being required to resign. (d) When they no longer hold the executive positions to which their appointment as a Director was linked.

The Board of Directors can only propose removal of an independent Director prior to expiration of the statutory time limit if the Board itself believes that there is just cause to do so, and upon proposal by the Appointments and Remuneration Committee. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to that position, or has unexpectedly come to fulfil any of the circumstances of prohibition described in the definition of the independent Director position as established in the legislation in force, or in the absence of this, in the recommendations on good corporate governance applicable to the company at any given time.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities:

Description of amendments
The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or its Delegated Committees.

C.1.20.bis Describe the evaluation process and the areas evaluated by the auxiliary board of directors, where appropriate, by an external consultant, regarding diversity in its composition and skills, the operation and composition of the committees, the role of the board of directors' chairman and the company's top executive, and the role and contribution of each board member.

The company’s Board of Directors performs an annual assessment of its own functioning and that of its Committees (Audit Committee and Appointments and Remuneration Committee). Both the Board and these two committees have completed an assessment process by means of a questionnaire completed by all their members, and this process has allowed the governance bodies to reach suitable conclusions about their functioning, membership, and relationships with the company’s management and shareholders, and with the pertinent report being produced.

C.1.20.ter Provide a breakdown, where appropriate, of the business relations which the consultant or any company in the group maintains with the company or any company in the group.

No use has been made of any external consultants.

C.1.21 Indicate the cases in which directors must resign.

In accordance with article 15 of the Rules of the Board of Director, the Directors must place their position at the disposal of the Board of Directors and formalize, if deemed convenient, their resignation in the following cases: (a) When they have incurred in any of the incompatibility or prohibition cases stipulated by the law or the by-laws. (b) When their continuation in the Board can jeopardize or harm the interests, the credit or the reputation of the Company or when the reasons due to which they were appointed disappear. (c) In the case of Proprietary Shareholders (i) when the represented shareholder sells his/her entire shares participation or significantly reduces it, and (ii) in the corresponding number, when said shareholder reduces their share participation to a level that demands the reduction of the Proprietary Directors. (d) When termination in the executive positions to which the appointment as Director is associated.

C.1.22 Paragraph repealed

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ **No** ☒

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes ☐ **No** ☒

C.1.25 Indicate whether the Chairman has the casting vote.

Yes ☐ **No** ☒

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes ☐ **No** ☒

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors.

Yes ☐ **No** ☒

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether only one director of the same category may be appointed as a proxy. If so, give brief details.

The meeting of the Board of Directors may be held at several locations connected by systems that allow the recognition and identification of the participants, the permanent communication between them regardless of where they are, as well as intervention and voting, all in real time, including assistance by telephone or videoconference. Attendees anywhere, for all purposes, will be considered as attending the same meeting and the session will be understood as held at the registered office if at least one of the Directors attends from there or, by default, in the place from which the Chairman attends.

Article 25 of the rules of the Board of Directors establish that the Directors must personally attend the sessions that take place. Also directors will make every effort to attend the sessions of the Board of Directors and, when they cannot do it personally, they will assign their representation in writing and special for each session to another Member of the Board, including the necessary instructions and communicating this to the Board of Directors Chairman. The absences are quantified in the Corporate Governance Annual Report. Regardless of the foregoing, the Non-executive Directors may only delegate their representation on another non-executive.

C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	11
Number of board meetings held without the Chairman's attendance	0

If the Chairman is executive director, indicate the number of meetings held without the assistance or representation of any executive directors and chaired by the coordinating director.

Number of meetings	0

Indicate the number of meetings of the various board committees held during the year.

Number of Audit Committee meetings	6
Number of Appointments and Remuneration meetings	5

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Directors' attendance	8
% of attendances of the total votes castduring the year	93.61%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorization for issue by the board are certified previously.

Yes ☒ **No** ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorization for issue by the board.

Name	Position
Mr. José Luis Martínez Dalmau	Executive Director
D. Álvaro Pérez de Lema	CFO

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

With regards to the auditor, article 31.10.2 of the Board's Regulation establishes that it is the Audit Committee's responsibility, with regards to the external auditor, "to ensure that the external auditor holds an annual meeting with the entire Board of Directors to provide information on the work they have carried out and on any changes to the Company's accounting situation and risks." which allows it, with sufficient notice, to counteract different interpretations between the Company's and the company group's accounting policies, and the auditor's interpretation of these policies. It is believed that the audit report for Saeta Yield, S.A. and its group corresponding to the 2017 financial year will be favorable.

C.1.33 Is the Secretary of the board also a director?

Yes ☐ **No** ☒

C.1.34 Paragraph repealed

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Accordance with the auditor, article 31.9 of the Rules of the Board of Directors establish that powers of the Audit Committee are the following:

- Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.
- Monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.
- Supervise the mandatory preparation and presentation of financial information procedure.
- Take to the Board of Directors proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his/her contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.
- Establish appropriate relations with external auditors to receive information on those matters which may compromise their independence, for their consideration by the Committee, and any others related to the audit process of development, as well as any other communications provided for in the accounts auditor law and the auditing standards. In any case, they must receive annually from external auditors their independence declaration in relation to the entity or entities related to it, directly or indirectly, as well as the information of additional services of any kind provided and corresponding fees perceived from these entities by the external auditor or by persons or entities related to it in accordance with the provisions of the law on accounts audits.
- Annual issuing, prior to the issuance of the accounts audit report, a report that will express an opinion on the independence of the accounts auditor. This report must contain, as the case may be, the valuation of the provision of additional services referred to in the above section, individually

and jointly considered, different from the legal audit and in relation to the regime of independence or regulatory audit standards.

- Report, prior to the Board of Directors on all matters stipulated by law, the bylaws and the Board Regulation

C.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

Yes ☐ **No** ☒

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes ☐ **No** ☒

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	138	41	179
Amount of other non-audit work/Total amount billed by audit firm (as a %)	50.55%	29.20%	43.28%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes ☐ **No** ☒

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	**Group**
Number of consecutive years	4	4

	Company	**Group**
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	4/100%	4/100%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes ☒ **No** ☐

Procedures
The Board of Directors' Regulation expressly states, in article 17.2, that Members can, where appropriate, request external advice at the Company's expense.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒ **No** ☐

Procedures
Board of Directors Rules establish in article 17.1 that in order to be aided in the performance of their duties, all Directors may obtain from the Company the necessary assistance for the fulfillment of their obligations. Also Board of Director Rules establish in article 23.3 the Board of Directors notice of meeting will be made by written notification, by electronic mail, registered mail or any other means that allow reception confirmation, addressed personally to each of the Directors at the address or email provided in their appointment or, as the case may be, the one notified to the Company, at least five days before the date of the meeting.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be.

Yes ☒ **No** ☐

Details of rules
Article 18 of the Board of Directors rules establish that the Director will act with the diligence of an orderly businessman and a loyal representative. Directors will inform the Board of Directors about any conflict situation, direct or indirect, which the Company may be interested in, and shall refrain from participating in the deliberation and voting on agreements or decisions in which he/she or a person related to him/her have a conflict of interest, direct or indirect. Agreements or decisions affecting him/her as a Director, such as its appointment or revocation of Board of directors' positions or other of analogous meaning will be excluded from this obligation of abstention. Also article 22 of the Board of Directors rules establish that directors shall also inform of any significant change in their professional situation, which affects the nature or condition whereby the Director had been appointed. Of the judicial, administrative or any other procedures that are initiated against the Director and that, by their importance or characteristics, could harm the credit or reputation of the Company. In the case of Proprietary Directors, these shall abstain from participating in the voting of matters that may involve a conflict of interest between the shareholders who have proposed their appointment and the Company. Rules of the Board of directors establish in article 15.2 that the Directors must place their position at the disposal of the Board of Directors and formalize, if deemed convenient, their resignation in the following cases: (a) When they have incurred in any of the incompatibility or prohibition cases stipulated by the law or the by-laws. (b) When their continuation in the Board can jeopardize or harm the interests, the credit or the reputation of the Company or when the reasons due to which they were appointed disappear. (c) In the case of Proprietary Shareholders (i) when the represented shareholder sells his/her entire shares participation or significantly reduces it, and (ii) in the corresponding number, when said shareholder reduces their share participation to a level that demands the reduction of the Proprietary Directors. (d) When termination in the executive positions to which the appointment as Director is associated.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Limited Liability Companies Law:

Yes ☐ **No** ☒

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

Not apply.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries	1
Type of beneficiary	**Agreement description**
Executive director	The amount of the severance payment will be the equivalent of two years' remuneration, which will be calculated as half of the total complete remuneration payments over the two fiscal years prior to the date of termination.
Finance director	The compensation is equivalent to 1.5 times his or her salary until 31 December 2018.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group.

The CEO's contract was authorised by the General Meeting.
The Finance Director's contract was studied by the Appointments and Remuneration Committee for subsequent authorisation by the Board of Directors.

C.2 Board committees

C.2.1 Give details of all the Board committees, their members and the proportion of proprietary and independent directors.

AUDIT COMMITTEE

Name	Position	Type
Mr. José Barreiro Hernández	Chairman	Independent
Mr. Daniel B.More	Vowel	Independent
Mr. Paul Jeffery	Vowel	Independent
Mr. Cristóbal González Wiedmaier	Vowel	Proprietary
Mr. Antoine Kerrenneur	Vowel	Proprietary

% of proprietary directors	40%
% of independent directors	60%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

1.-Audit Committee functions

Board of Directors rules in article 31 sets out the functions attributed to the Audit Committee, which are the following:

- Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.
- Monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.
- Supervise the mandatory preparation and presentation of financial information procedure.
- Take to the Board of Directors proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his/her contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.
- Establish appropriate relations with external auditors to receive information on those matters which may compromise their independence.
- Annual issuing, prior to the issuance of the accounts audit report, a report that will express an opinion on the independence of the accounts auditor.
- Report, prior to the Board of Directors on all matters stipulated by law, the bylaws and the Board Regulation and particularly: (i) the financial information that the Company should make public periodically; (ii) the creation or acquisition of shares in entities with special purpose or registered offices in countries or territories which are considered as tax havens; and (iii) transactions with related parties.
- Supervise the preparation process and completeness of financial information on relation with the Company and, where applicable, the group, reviewing compliance with regulatory requirements.
- Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; adopting the guidance and approve the work plans, ensuring that their activity is mainly focused on significant risks facing the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Establish and supervise a procedure that allows employees to communicate, confidentially, irregularities of potential significance, especially financial and accounting, which they observe within the company.

2.-Organization and operation rules of the Audit Committee.

According set out at article 16 of bylaws, the Company will have an Audit Committee, composed by a minimum of three and a maximum of five Board Members, appointed by the Board of Directors. Also article 31 of the Board of Directors rules sets out that it is taking care most of its members should be independent members. Members of the Audit Committee and particularly its president shall be appointed taking into account their knowledge and experience in accounting, auditing, or risk management. The members of the Audit Committee shall serve in office for a maximum period of four years and may be re-elected, one or more times for periods of equal duration. The Chairman of the Committee shall be elected from among the independent members for a period not exceeding four years and may be re-elected one year after leaving office. The Board of Directors Secretary will attend its meetings, with voice but without vote, drafting the meeting minutes, copies of which, once approved, will be sent to all Board members.

The Audit Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide. It will meet upon call by its Chairman and at least, with a quarterly periodicity, with the purpose of reviewing the financial information that, in accordance with article 35 of the Securities Market Act, the Board of Directors has to refer to authorities supervising the markets as well as the information that the Board of Directors shall approve and include within its annual public documentation. Audit when specially convened, can attend the meeting, and including any employee or officer of the Company.

Insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Audit Committee. 3.-Most important activities during the year -Information for the Board of Directors on the Annual Financial Report. -Issue of Saeta Company Accounts Independent Audit Report. -Evaluation and report by the Audit Commission's report to the Board of Directors. -Revision and approval of the 2017 quarterly and six-monthly interim statements. -Review and approval of the Consolidated Abridged Intermediate Financial Statements. - Authorisation for contracting of the audit firm Deloitte for fiscal and financial Due Diligences, and for issuance of the certificate in accordance with in Section 1.b.2 of article 71 bis of the Insolvency Act (Ley Concursal). -Authorization of the contracting of Deloitte to carry out the financial and fiscal Due Diligence of the Lestenergía portfolio. - Re-election of the company's account auditors. - Information regarding the new Dividend Policy, the new recurrent CAFD level, and the target dividend level. - Appointment of the Chairperson of the Audit Committee. -Information regarding a contract with linked parties for a company in the group. - Information on the modification of the "Contract of the First Offer and Purchase Option Law" (ROFO) with ACS Servicios Comunicaciones y Energía, S.L. and Bow Power S.L. (operation with linked party).

Identify the member of the audit who has been appointed considering their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this Committee has been in office director.

Director with experience	Mr. José Barreiro Hernández Mr. Daniel B.More Mr. Paul Jeffery Mr. Cristóbal González Wiedmaier Mr. Antoine Kerrenneur
Number of years the president in charge	Chairman since September 19, 2017

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Type
Mr. José Barreiro Hernández	Chairman	Independent
Mr. Daniel B. More	Vowel	Independent
Ms. Cristina Aldámiz-Echevarría González de Durana	Vowel	Proprietary
Mr. Deepak Agrawal	Vowel	Proprietary

% of proprietary directors	50%
% of independent directors	50%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

1.-Appointments and Remuneration Committee functions

Board of Directors rules in article 32 sets out the functions attributed to the Audit Committee, which are the following:

- Evaluate the competencies, knowledge and experience needed in the Board of Directors. For this purpose, it will define the functions and skills necessary for the candidates who need to fill each vacancy and evaluate the time and dedication so that they can effectively play their role.
- Set a goal of representation for the under-represented gender in the Board of Directors and develop directives on how to achieve this objective.
- Present to the Board of Directors those proposals for the appointment of Independent Directors for their appointment designation by co-optation or for its presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation of these Directors by the Shareholders General Meeting.
- Inform about the proposals for appointment of the remaining Directors for appointment by co-optation or for presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation by the Shareholders General Meeting.
- Inform about the proposals for appointment and separation of senior managers and the basic terms of their contracts.
- Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the company and, where appropriate, make proposals to the Board of Directors so that said succession takes place in an orderly and planned manner.
- Propose to the Board of Directors the directors and general managers' remuneration policies or those who develop the positions of senior management under the Board, Executive Committees or CEO, as well as the individual remuneration and other contractual terms and conditions of the Executive Directors, ensuring their compliance.
- Check the remuneration policy established by the Company.
- Periodically review the remuneration policy applied to Members and senior executives, including remuneration systems and its application actions and ensure that their individual remuneration is proportionate to that other Members and senior executives are paid the Company.
- Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.
- Verify information about remuneration of Members and senior management contained in the various corporate documents, including the annual report on remuneration of directors.
- Supervision of compliance with internal codes of conduct, corporate governance rules of the Company and corporate social responsibility policy.

2.- Organization and operation rules of the Appointments and Remuneration Committee

The Company will have an Appointment and Remuneration Committee, consisting of a minimum of three and a maximum of five members, appointed by the Board of Directors. All the members of the Appointment and Remuneration Committee are Non-executive Directors and at least two are Independent Directors. The Directors composing the Appointments and Remuneration Committee will exercise their position as long as they are Company Directors, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of Directors that comprise the Committee are governed by what has been agreed by the Board of Directors.
The Appointments and Remuneration Committee shall appoint from among its independent members, a Chairman. The Chairman will attend its meetings, with voice but without vote, acting as Secretary drafting the meeting minutes, copies of which, once approved, will be sent to all Board Directors.

The Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide. It will meet by prior notice of its Chairman and at least twice a year.

Insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Appointment and Remuneration Committee.

3.-Most important activities during the year

-Information on the Annual Report on remunerations.

- Assessment and reporting on performance of the Appointments and Remuneration Committee, the Board of Directors, the Chairperson of the Board of Directors, and the CEO.
-Completion of the report on the proposal for variable remuneration for the Managing Director in relation to performance in the 2016 Financial year.
- Production of the report on the proposal for the CEO's variable compensation, as corresponding to performance during fiscal year 2016.
- Analysis on remuneration for the Board and management team.
- CEO's objectives for Saeta Yield.
- Report on amendment of terms and conditions from the contract for Saeta Yield's Finance Director.
- Proposal to the Board of Directors regarding amendment of the Remuneration Policy for the Board of Directors.
- Information regarding modification of the compensation for the Board.
- Information regarding modification of the maximum variable for the Executive Committee.
- Proposal for appointment of a member of the Appointments and Remuneration Committee.

C.2.2. Complete the following table on the number of female directors on the various Board committees over the past four years.

	Number of female directors			
	Year 2017 Number %	Year 2016 Number %	Year 2015 Number %	Year 2014 Number %
Audit Committee	0%	0%	20%	
Appointment and Compensation Committee	25%	20%	0%	

C.2.3. Paragraph repealed.

C.2.4. Paragraph repealed.

C.2.5. Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Audit Committee
The Audit Committee is governed by article 16 of the Articles of Association and article 31 of the Board of Directors' Regulation. Both documents are available on the company's website http://www.saetayield.com.
The report on the performance of the Audit Committee was approved during the Audit Committee meeting of 28 February 2017.

Appointments and Remuneration Committee
The Appointments and Remuneration Committee is governed by article 16 of the Articles of Association and article 32 of the Board of Directors' Regulation. Both documents are available on the company's website http://www.saetayield.com.
The report on the performance of the Appointments and Remuneration Committee was approved during the Appointments and Remuneration Committee meeting of 28 February 2017.

C.2.3. Paragraph repealed.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedures for approving related-party transactions
Board of Directors regulation establish in article 6 non-delegable responsibilities board of directors, the approval, following a report of the Auditing Committee, of the operations that the company or its group of companies made with advisors, under the terms of articles 229 and 230 of Corporate Law, or with shareholders, individually or jointly, of a significant participation, including shareholders represented on the Company Board of Directors or other companies that are part of the same group or with people related to the above. Only operations that simultaneously meet the following three criteria will not be included in this approval: (a) That are carried out under contracts which conditions are standard and are mass applied to a high number of customers, (b) made at established prices or rates in general by who is acting as administrator of the good and service in question and (c) that their amount does not exceed one percent of the Company annual revenue. In these cases the approval is delegated to the Management Committee. Also, Board of Directors regulation sets out in article 39 establishes the competences of the Audit Committee, report in advance to the Board on all matters prescribed by law, the bylaws and the Regulations of the Board of Directors in particular on related party transactions. Meanwhile Article 21.2 of the Board of Directors' Regulations establishes that the duty to avoid situations involving a conflict of interest obliges the Director, save when compliance is waived in accordance with Article 230 of the Law on Corporations, to abstain from engaging in transactions with the Company, unless it is a matter of ordinary operations, carried out in standard conditions for the customers and of scant relevance, meaning those operations the details of which are not needed to present a true image of the company's assets, its financial position or its results.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or company name of relevant shareholder	Name or company name of the company or its group	Type of relationship	Type of the operation	Amount (in thousands of euros)
Cobra Concesiones, S.L.	Al Ándalus Wind Power, S.L.U.	Mercantil	Contratos de gestión o colaboración	(4.404)
	Eólica del Guadiana, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.033)
	La Caldera Energía Burgos, S.L.U.	Mercantil	Contratos de gestión o colaboración	(459)
	Parque Eólico Santa Catalina, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.113)
	Parque Eólico Sierra de las Carbas, S.L.U.	Mercantil	Contratos de gestión o colaboración	(922)
	Parque Eólico Tesosanto, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.098)
	Parque Eólico Santa Catalina, S.L.U.	Mercantil	Otros gastos	(562)
	Al Ándalus Wind Power, S.L.U.	Mercantil	Otros gastos	(619)
	Al Ándalus Wind Power, S.L.U.	Mercantil	Otros ingresos	137
	Saeta Yield, S.A.	Societaria	Dividendos y otros beneficios distribuidos	(14.921)
GIP Helios, s.á.r.l.	Saeta Yield, S.A.	Societaria	Dividendos y otros beneficios distribuidos	(14.798)

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

Name or company name of the directors or managers	Name or company name of the related party	Type of relationship	Type of the operation	Amount (in thousands of euros)
Mr. José Luis Martínez Dalmau		Consejero Ejecutivo	Pago de dividendos	6
Mr. José Barreiro Hernández		Consejero no ejecutivo/ Independiente	Pago de dividendos	20
Mr. Álvaro Pérez de Lema de la Mata		Director Financiero	Pago de dividendos	6
Mr. Francisco González Hierro		Director de Operaciones	Pago de dividendos	1

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

With respect to significant transactions carried out by the company with other entities belonging to the same group, the amount relating to long-term loans corresponds to a participating (profit-sharing) loan granted by Parque Eólico Valcaire, S.L.U. to the company SEC Valcaire, with this loan accruing interest on its fixed portion at the Euribor rate plus a 1% margin, and on its variable portion at 5% if the Company shows a profit. This loan matures in December of 2032.

D.5 Indicate the amount from related party transactions.

Expenses and Incomes	Euros		
	Management or collaboration agreements	Other expenses	Other incomes
Centro de Control Villadiego, S.L.	(302)	-	-
Cobra Instalaciones y Servicios, S.A.	(25.650)	84	2.432
Tecneira	(18)		-
CME	-		302
Manchasol 1, Central Termosolar Uno	-		-
Total	**(26.057)**	**(84)**	**2.734**

Other transactions	Purchase of financial assets (equity and subordinated debt)	Other transactions
CME	103.725	-
Total	**103.725**	**-**

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 21 of the Regulations of the Board of Directors specifically regulates conflicts of interest providing that, in regard to the duty of loyalty they deserve, Directors must not:

(i) Performing transactions with the company, except when dealing with ordinary operations, made under standard conditions for clients and of little importance, understanding as such those which information is not needed to provide the true and fair view of equity, the financial situation and results of the entity.
(ii) Use the name of the Company or invoke his/her status as Director to unduly influence private operations.
(iii) Use social assets, including the confidential information of the company, for private purposes.
(iv) Take advantage of Company business opportunities.
(v) Obtain benefits or remuneration from third parties other than the Company and its group associated with the performance of his/her position, except in the case of mere courtesy actions.
(vi) Develop activities on his/her own account or that of third parties that represent a real competence, either current or possible, with the Company or which in any other way, put him/her in permanent conflict with the Company interests.
(vii) The above provisions shall apply also where the beneficiary of the actions or prohibited activities is a person related to the Director.

There is also an Internal Code of Conduct in matters relating to the securities market comprising a set of rules designed to detect and regulate possible conflicts of interest between the company and / or its group and its directors, managers or significant shareholders. The Regulation applies, in general, members of the Board of Directors and other officers or employees of the Company or its group habitually in contact with information relating to the Company or securities that can typically be regarded insider trading (performance information on possible corporate transactions on acquisition or disposal of relevant assets, etc.).

Article 11 of the Internal Regulations of Conduct in Matters Connected with the Securities Market establishes that the Persons Subject (whether these are executives or employees of the Company or of its Group, and who are therefore in regular contact with information relating to the Company or Affected Securities) and Persons Temporarily Subject (meaning those other executives or employees of the Company or of its Group who, in relation to a specific operation or situation, have access to privileged information) will act in situations of conflict of interest (a clash between the interest of the Company and their own interests, also including those which affect Persons Closely Associated and the interests of persons or bodies represented by dominical directors) in accordance with the following principles: a) Independence: they must at all times act with loyalty towards the Company, irrespective of any conflict with their own or third-party interests which could affect them. b) Abstention: they must abstain from intervening in or influencing decisions regarding those matters affected by the conflict. c) Confidentiality: they shall refrain from accessing confidential information affecting the conflict in question.

In addition, Persons Subject must present the Monitoring Unit with a declaration, to be kept permanently updated, detailing any situations and relationships which could give rise to situations of conflict of interest.

This declaration shall in all cases include the execution, on their own account or for a third party, of activities which are analogous or complementary to those of the Company, and any organisational or service relationship, and any direct or indirect stake in excess of 3% in companies engaged in activities analogous or complementary to those of the Company.

Notifications must be served at the earliest possible opportunity once the actual or potential situation of conflict of interest becomes apparent, and in all cases prior to adopting any decision which could be affected by the potential conflict of interest.

D.7 Is more than one Group company listed in Spain?

Yes ☐ **No** ☒

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management System, including tax risks.

In the 2016 financial year, the Saeta Yield Group have a Risk Management Policy including tax, which establishes a framework for the comprehensive management of risks, both financial and non-financial, including tax risks. This risk management policy provides an overview of the risk management focus throughout the company, the purpose being to describe:

- Applicable risk categories
- Framework and methodology employed to identify and manage risks
- Responsibility for risk management
- Governance and supervision of risk management-related activities

Risk management within the Saeta Yield Group is considered at a Global level, managed centrally whilst considering both financial and non-financial risks, handling them on an individual basis in terms of monitoring and applying the appropriate mitigating actions. Equally, in addition to the general risk management policy, the Group have a specific risk management policies for certain highly relevant risks within the Group.

Below are the main risk categories considered within the risk policy that are applicable to the Saeta Yield Group.

- Financial risks
- Legal risks (including fiscal risks)
- Strategic risks
- Business Environment risks
- Business risks
- Operational risks
- Reputational risks

In addition, the corporate risk map includes the risks in these categories:

- Existence and occurrence
- Integrity
- Assessment
- Presentation, breakdown and comparison
- Rights and obligations

Within this Risk policy, there is a "Saeta Yield risk management cycle", which includes the following stages:

1 Risk identification
2 Risk evaluation and measurement
3 Risk prioritization and response
4 Establishment of the risk control environment
5 Risk reporting
6 Notification regarding risk at the organisation
7 Risk monitoring
8 Updating of the risk management model

During each one of the risk management cycle stages, the procedures and people responsible for each stage are established, as well as relevant conceptual explanations.

During the risk evaluation and measurement stage, the risks are evaluated in order to determine the potential effect that they could have on the Saeta Yield Group's financial statements, and on the achievement of objectives. In order to carry out the most detailed evaluation possible, the following are used:

- Qualitative and quantitative factors (probability, impact, etc.)

- Mathematical models
- Expert opinions
- Experience
- Impact of risks on similar sectors

The severity of these risks is also evaluated through quantitative factors, such as:

- The probability of the risk occurring (expressed as a number of times per time period)
- The impact of the risk in financial terms, operational interruptions and operational efforts.

On the other hand, the Saeta Yield Group has internal Policies and Documentation based on the obligations indicated in the Current Legislation, applicable to the Group's business development, and based on the best practices listed in the Listed Companies Good Governance Code, which encourages optimum risk management and supervision and achievement of objectives (Investment and finance policy, dividends and cash flow limits policy, remuneration policy of the Board of Directors, Corporate Governance Structure, etc.).

Additionally, Saeta Yield Group have defined a Fiscal Policy which includes operational principles, responsibilities and objectives of the employees participating in fiscal management, promoting the appropriate and efficient conduct thereof, and the probability that these tax risks materialize much lower.

E.2. Identify the company bodies responsible for developing and implementing the Risk Management System, including tax risks.

Risk Management Policy set up, the main risk management roles are as follows:

- The Risk Owners are the users or areas closest to the material risk, within the company's business area. As a consequence, each business area has the duty to identify the risks associated with performance of its functions and to inform the Compliance Committee both of the risks identified and the needs detected, so as to take them into consideration within the overall company risk management framework.
- The Compliance Committee, along with each of the business areas, is responsible for identifying all risks affecting the development of the Saeta Yield Group's business. The Compliance Committee develop risk management in an independent manner, managing the Risk Owners and reporting to the Board of Directors and the Committees. In performing its task it will be obliged to follow the considerations established by the Audit Committee in terms of limits, methodologies, monitoring and any other inherent risk management consideration. Due to the changeable nature of Risks, both in terms of type and quantity, the Monitoring Committee must identify new risks that affect the Saeta Yield Group and update the risk management template in accordance with these risks.
- The Internal Audit department is responsible for performing supervision of the entire risk management process on an independent basis, and for developing consultancy and support functions for each of the areas and users integrated within risk management. The Audit Committee, independently, is in charge of sending the Board of Directors to all information relevant to financial risk management. The Audit Committee will perform supervision of the financial risk management model of the company, will evaluate the performance of the Function within the context of financial risks, will act as a support and assistance body, and will conduct the study and approval of modifications to this risk policy, including tax, along with any other document connected with the management of the company's financial risks. The Audit Committee will independently be responsible for passing on to the Board of Directors all information relevant to the management of financial risks.
- The Appointments and Remunerations Committee perform supervision of the company's non-financial risk management model, evaluate the performance of the Compliance Committee within the context of non-financial risks, act as a support and assistance body and will perform a study and approval of modifications to any document connected with the management of the company's non-financial risks. The Appointments and Remunerations Committee will independently be responsible for passing on to the Board of Directors all information relevant to the management of non-financial risks.

- Additionally, rules of the Board of Directors in article 6.1.n) set up that the Board of Directors cannot be delegated the establishment of the control and risk management policy, including prosecutors, and the supervision of the internal information and control systems.

E.3. Indicate the main risks, including tax risks, which could affect achievement of business objectives.

The principal risks that affect the Saeta Yield Group's business activities are:

- Strategic Risks, derived from failure to pay the dividend or meet growth expectations.
- Business Environment Risks, primarily derived from regulatory changes that have an impact on Saeta's current business model, and adverse changes in macroeconomic indicators.
- Business Risks, including increased Operating Expense (OPEX), reduced energy prices or production, or breach of the Power Purchase Agreement (PPA) by the counterparty.
- Financial Risks, which include liquidity risk, exchange rate risk, credit risk, risks derived from interest rate fluctuations, and risks of from inability to repay the debt taken on.
- Legal Risks, linked to violation of the legislation in force that is applicable to the business activities of the Saeta Yield Group, including tax regulations.
- Operational Risks, which include those related to occupational safety, staff and organisation, impact on normal business activities, errors in processes and information systems, and ethics and conduct.
- Reputational Risks, derived from the impact that materialisation of all other risks could have on the perspectives of the market and investors regarding the Saeta Yield Group and its business activities.

E.4. Identify if the company is risk tolerant, including tax risks.

The Risk Management Policy states that any risk identified by the Compliance Committee must be passed on to the Audit Committee and Appointments and Remuneration Committee for evaluation and to understand the potential effect that it may have on achieving the Group's objectives.

The methodology used to obtain the most accurate estimation of the effect of this risk is based on:

- Variables which determine the probability that the risk will occur and the impact that it could have if it occurs,
- Mathematical models which help calculate the expected loss due to the risk based on previously defined variables
- Experience
- Legal opinion, and
- The impact on similar sectors

In addition, once the risk has been evaluated, the severity and criticality of the risks will be determined based on previous evaluations in order to establish those which need to be managed as a priority. There can be risks that are not considered as severe, but they are deemed very critical due to the company's experience and strategy.

The possible responses to the risk are:

- Acceptance
- Mitigation
- Transfer
- Avoidance

The level of acceptable risk (risk appetite) is determined regularly by the Audit, Risk Supervision and Compliance Committee for financial risks, and the Appointments and Remunerations Committee for non-financial risks. This risk appetite is defined based on variables and concepts indicated previously (probability, impact, mathematical models, severity, criticality, experience, expert opinion, etc.) and based on business strategy and established objectives.

E.5. Identify which risks have arisen during the financial year, including tax risks.

During fiscal year 2017 certain business-related risks were materialised, such as failure of the high-voltage lines at the Abuela Santa Ana and Santa Catalina plants resulting from a snowstorm in January, causing both plants to remain shut down for much of the first quarter of the year. However, thanks to the insurance covering these plants in relation to material damages and civil liability, the economic impact has been very low. On the other hand, there are also infrastructure incidents with a small amount of economic impact, caused by circumstances related to the business itself.

E.6. Explain the plans in place to respond and supervise the main company risks, including tax risks.

The principal risks identified have a series of controls associated with them, which have allowed the risks to be identified with sufficient early warning to ensure a proper response.

During fiscal year 2017 a self-assessment was carried out on the Internal Financial Information Control System (SCIIF in Spanish), which establishes an annual report on risks and controls, and the first internal audit of this system was performed. Additionally, on an annual basis the Audit Committee, together with the Appointments and Remuneration Committee, reviews the risk management model in order to ensure that it is being executed correctly and effectively.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL INFORMATION ISSUANCE PROCESS (SCIIF)

Describe the processes included within the control and risk management systems in relation to the financial information issuance process (SCIIF) at the company.

F.1 Company´s control environment

As a minimum, please provide information on the following, indicating their main characteristics:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an appropriate SCIIF; (ii) its implementation; and (iii) its supervision.

Based on article 37.2 of the Board of Directors regulation, which states that the Board of Directors will adopt the necessary measures to ensure that regular financial information, and any other that is provided to the markets, is developed in accordance with the same principles, criteria and professional practices used to develop the annual accounts, therefore enjoying a high level of reliability, it is therefore determined that the Saeta Yield Board of Directors has ultimate responsibility for the existence and maintenance of an appropriate and effective financial information internal control system ("SCIIF").

Also, article 31.9 of the Board of Directors rules set up that the Audit Committee must monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems.

The Saeta Yield Group has defined and implemented the Financial Information Internal Control System (SCIIF). This system is defined through:

- General SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the reporting system are established.
- Flow charts and narrative descriptions of the Group business development processes, as well as those associated to the SCIIF.
- Risk matrices - Checks associated with the described processes.
- SCIIF report templates.

During the 2017 financial year, a self-evaluation of the Financial Information Internal Control System (SCIIF) was carried out for the first time.

The SCIIF is a process which affects all levels of the organisation and is carried out by the staff of the entity involved in the processes. SCIIF policy establish that the main roles relating to the Saeta Group's Financial Information Internal Control System are as follows:

- The Board of Directors is ultimately responsible for SCIIF supervision and establishes the organisational structure required to allow monitoring through the delegation of this task to the Audit Committee. Furthermore, it will be responsible for approving the general SCIIF policy.
- The Audit Committee is responsible for supervising the preparation process and integrity of the financial information for the company and, as applicable, for the group, including verification of proper design and effective operation of the Internal Financial Information Control System (SCIIF in Spanish), compliance with regulatory requirements, accurate demarcation of the scope of consolidation, and proper application of accounting standards.
- Internal audit will plan the supervision and evaluation of the SCIIF with the appropriate scope and frequency to be able to draw a conclusion on its effectiveness.
- The Steering Committee is responsible for approving the design of the Group's financial information internal control system. Furthermore, it will have overall responsibility for the SCIIF.
- Saeta's Financial Department will be responsible for:
- Establishing the design, implementation, and overall monitoring of the Group's financial information internal control system. As a result, it will establish the system and implement the necessary structure for its supervision, therefore ensuring that it operates effectively.
- Identifying error or fraud risks in financial information through the SCIIF scope matrix and to document the design of the checks. Furthermore, it is their responsibility to inform the internal and external auditor of changes to the Financial Information Internal Control system.
- Ensuring that sufficient procedures are carried out for the appropriate distribution, implementation and operation of the financial information internal control system.

F.1.2. If they exist, particularly in relation to the financial information development process, the following elements:

- Responsible departments and/or systems: (i) for the design and review of the organisational structure; (ii) to clearly define lines of responsibility and authority, with appropriate distribution of tasks and roles; (iii) to ensure that sufficient procedures exist for appropriate distribution within the entity.

The Board of Directors has defined the structure of the companies group, of which Saeta is the lead company, as established in article 6.1 of its Regulation. In March of 2015 the group's general organisational structure was presented to the Board of Directors. In accordance with the Rules for the Board of Directors, the Appointments and Remuneration Committee is responsible, as a delegated committee of the Board, and among other duties, for reporting on appointments of senior executives and the basic terms and conditions from their contracts. In addition, the design and review of the organisational structure and the definition of lines of responsibility and authority for each area, as well as corresponding distribution to the CEO.

- Code of conduct, approval body, degree of distribution and instruction, included values and principles (indicating if there are specific references to the operations log and development of financial information), the body responsible for analyzing non-fulfilments and proposing corrective actions and sanctions.

The Saeta Yield Group has:

- **A general code of conduct,** which describes the basic behavioral principles which apply to all administrative bodies and all Group employees. All employees are required to read and comply with this code, as well as collaborate to implement it within the Company. Similarly, Saeta Yield commits to distributing this Code of Conduct amongst all employees. In order to easily distribute this code, all new employees must sign, along with their contract, a certificate confirming that they have read, understood and agree to comply with the code of conduct.

In order to promote dissemination and awareness of the Code, oversee compliance with it, resolve incidents or uncertainties about its interpretation, and adopt appropriate measures to improve compliance, the Saeta Yield Group has a Compliance Committee consisting of three members appointed by Saeta Yield's Board of Directors, after they have been proposed by the Appointments and Remuneration Committee (they are the Secretary of the Board, internal auditor, and Director of Legal Affairs). When updates are being made to the Code of Conduct, this Compliance Committee is responsible for disseminating these updates; for verifying that everyone has sufficient training in order to manage the risks that may exist in their environment; and for gathering the confirmations regarding reading and understanding of the update and compliance with it.

. This recollection of confirmations is usually through email to facilitate and speed up the distribution and recollection process.

The main principles and values in the code, mostly related to the operations log and the development of financial information, are:

a) Integrity
 - Company loyalty
 - Legal compliance
 - Honesty in management
 - Confidentiality

b) Professionalism
 - Quality and innovation
 - Use and protection of company assets
 - Good and appropriate relations with collaborating companies and suppliers
 - Transparency

c) Respect:
 - Equal opportunities
 - No discrimination
 - Training
 - Occupational health and safety
 - Eliminating child labour
 - Environmental protection
 - Social commitment

Infringement or non-fulfilment of the Code, which constitutes professional misconduct, will be punished in accordance with current legislation, without prejudice to other liabilities which the offender could incur.

- A whistle-blower channel, which allows communication of financial and accounting irregularities to the audit committee, in addition to possible non-fulfilments of the code of conduct and irregular activities in the organization, indicating if it is confidential where appropriate.

The Group has a confidential whistle-blower channel which has been implemented by the General Code of Conduct Compliance Committee and which is included in this code. This whistle-blower channel is an ethical channel which allows anyone to provide information, through an email or letter, about conduct or irregularities at Saeta Yield or any non-fulfilment of the standards listed in the Code.
This ethical channel is controlled by the Compliance Committee, which is responsible for establishing the appropriate communication channels so that any employee can seek or provide information on compliance, ensuring confidentiality at all times for the complaints which are handled.

- Training and regular training update programmes for staff involved in the preparation and review of financial information, as well as SCIIF evaluation, which will cover at least accounting regulations, auditing, internal control and risk management.

In the Code of Conduct, Saeta Yield commits to maintaining a training policy for the education and personal and professional development of its staff in order to achieve the best performance, quality and satisfaction in fulfilling their duties.

Each one of the Group's areas will be responsible for annually establishing its employees' training requirements.

During fiscal year 2017 it participated in a variety of training activities, which included among others a course on financial forecasting, seminars on Spain’s General Accounting Plan, a course on Corporation Tax, and a seminar on fiscal closing and accounting.

F.2 Evaluation of financial information risks

As a minimum, please provide information on the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud risks, with regards to:

- The process exists and is documented.

The Saeta Yield Group has developed:

- a Risk Management Policy which establishes general guidelines to identify, manage and supervise risks which affect the Group, regardless of their category;
- a general SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the methodology for developing the SCIIF, including the scope of risks associated with financial information.

Based on the guidelines of these policies, risks are identified in the different processes and documented in the Risk and Control Matrix where controls are established to mitigate them.
To determine the scope of the SCIIF identified accounts and breakdowns at significant risk and whose impact on the financial information to be material considered for this quantitative and qualitative factors.
The design and scope of the SCIIF was approved by the Board of Directors to a proposed of the Audit Committee in the year 2015.

- If the process covers all financial information objectives (existence and occurrence, integrity; assessment; presentation, breakdown and comparison; and rights and obligations), if it is updated and how often.

In accordance with the SCIIF General Policy, the main purpose is that reliable financial information is distributed across the market. Reliable information implies fulfilment with the following control objectives:

- Existence and occurrence: Transactions, occurrences and other events involving financial information exist and have been recorded at the appropriate time.
- Integrity: of information: The information reflects all transactions, events and other events where the entity is

the affected party.
- Appropriate assessment: The transactions, occurrences and other events are recorded and assessed in accordance with applicable regulations.
- Appropriate presentation, breakdown and comparison: The transactions, occurrences and other events are classified, presented and reflect the financial information in accordance with applicable legislation.
- Appropriate reflection of rights and obligations: The financial information reflects, on the corresponding date, the rights and obligations through corresponding assets and liabilities, in accordance with applicable legislation.

Asset safeguarding and fraud prevention/detection are considered SCIIF objectives due to the impact that they have on the 5 previous basic objectives.

Updates are generally annual, using the most recent financial information. In any case, any new identified risk will be directly taken into account when identified, and updated in the risk supervision and management policies.

- The existence of a consolidation scope identification process, taking into consideration, amongst other aspects, the possible existence of complex corporate structures or special purpose entities.

The Financial Department identifies the scope for consolidation, identifying the Limited Companies which make up the Group for their subsequent consolidation. Also, as noted above, the Audit Committee is responsible for overseeing the appropriate scope of consolidation.

- If the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) that affect the financial statements.

The documentation, takes into consideration all risk categories (financial and non-financial) and their impact on the group's financial statements and dependent companies on an individual basis.

- Which entity governing body supervises the process.

The Audit Committee is responsible for supervising the preparation process and integrity of the financial information for the company and, as applicable, for the group, including verification of proper design and effective operation of the Internal Financial Information Control System (SCIIF in Spanish), compliance with regulatory requirements, accurate demarcation of the scope of consolidation, and proper application of accounting standards.

F.3 Control activities

As a minimum, please provide information on the following, indicating their main characteristics where applicable:

F.3.1. Procedures to review and authorize financial information and the description of the SCIIF to be issued on the securities market, indicating those responsible, as well as documentation describing the activities and control flows (including those relating to fraud risk) for different types of transactions which could significantly affect financial statements, including the accounts closing procedures and the specific review of relevant judgements, estimations, assessments and projections.

The financial information review and authorization procedure to be issued on the securities market is carried out on a quarterly basis. To maintain reliable financial information, the following documents are available:

- Accounting policy manual: establishes the Group's accounting policies for developing its financial statements.
- "Closing and consolidation" SCIIF subprocess: this process details the submission dates for information required to develop individual and consolidated financial statements, as well as approvals and reviews to be carried out at different closures. The process has been approved by the Steering Committee.
- "Preparation of biannual/annual accounts and report to the CNMV" SCIIF subprocess: establishes the process to follow to develop biannual/annual and consolidated statements, as well as any report to be issued on the securities market. Additionally it lists all reviews to carry out on the information to be issued. The process has been approved by the Steering Committee.

The Financial Department and Steering Committee approve the financial information to be presented to the Board of Directors for its subsequent drafting and presentation on the securities market. In addition, the Audit Committee, with the support of Internal Audit, supervises the process and the passing on of the conclusions obtained for formal drafting of the accounts to the Board of Directors. Specifically, the Audit Committee's roles in this area are:

- Supervision of the appropriate identification of the consolidation scope
- Supervision of the correct application of accounting criteria
- Supervision of fulfilment of regulations

- Supervision of the financial information integrity and development process
- Review, analyse and comment on financial statements and other relevant financial information with executive management, internal and external auditors, in order to confirm that this information is reliable, understandable, relevant and that accounting criteria have been followed in accordance with the previous annual closing.

The description of the Financial Information Internal Control System (SCIIF) is defined through:

- General SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the reporting system are established.
- Flow charts and narrative descriptions of the Group business development processes, as well as those associated to the SCIIF.
- Risk matrices - Checks associated with the described processes.
- SCIIF report templates.

The previous documentation includes descriptions of the business cycles with an impact on the Group's financial information. Furthermore, it specifies existing financial transactions, considering the associated risks, control activities designed to mitigate the risks and the evidence required for each one of the checks to review and supervise the risks. In turn, the SCIIF documentation identifies the people responsible for carrying out the checks, who are the first to prevent error risks occurring in financial information.

The defined business cycles, to Saeta Group and the companies controlling, with an impact on financial information are as follows:

- Staff
- Budgeting and monitoring
- Fixed assets
- Closing and consolidation
- Cash
- Purchases and accounts payable
- Sales and accounts receivable
- Taxes and rates
- Legal Consulting
- Investments
- Finance
- Intra-group and related transactions
- Information systems

Every transaction carried out during the business development of the Saeta Yield Group is recorded in the internal financial management system; each transaction is subject to review and approval by the areas responsible for it, and any modification to a transaction or its record in the internal system must be reviewed and approved again.

Relevant opinions, estimations, assessments and projections, as well as inspection procedures for monitoring they are considered during each one of the SCIIF processes indicated previously.

Additionally, the SCIIF General Policy describes the procedures and responsibilities for supervising the SCIIF, therefore ensuring updated maintenance of checks and correct and efficient operation.

F.3.2. Internal control policies and procedures for the information systems (including access security, exchange control, exchange operation, operational continuity and segregation of duties) which support the relevant entity processes in relation to the development and publication of the financial information.

The information systems play an important role in the development and publication of financial information and, as a result, they are included as a specific process in the SCIIF.

The Systems Area is responsible for supporting and maintaining the IT systems (Software & Hardware), communication systems, and stored information administration systems. In turn, it is responsible of ensuring the correct degree of protection and recovery of information and programs used by the Group, ensuring compliance with legislation and legally enforceable security measures.

All activity carried out in relation to information systems is governed by the "Information Security Policy" which defines the basic principles to ensure appropriate management of the information systems and, additionally, the "Information Security Regulation" has been designed to determine all associated risks and procedures.

To ensure correct and efficient operation of all systems, as well as the reliability of the financial function and correct performance of the user functions that it develops, the Saeta Yield Group has:

The IT Code of Conduct, which establishes the general guidelines for the activities of all employees from the Group (and for external personnel who have no employment relationship with the Group but who must be given access to any service or server because of their collaborative activities), in relation to computer-related equipment, programs, and all type of software and information, both their own and that belonging to the Group, as necessary for carrying out their professional duties and the Group's business activities. As with the General Code of Conduct, the Compliance Committee is responsible for dissemination of the IT Code of Conduct, and for obtaining confirmation from all employees that they have read and understood it.

F.3.3. Internal control policies and procedures intended to supervise the management of activities subcontracted to third parties, as well as any evaluation, calculation or assessment work carried out by independent experts, which could significantly affect the financial statements.

Each of the processes from the SCIIF includes supervision activities for the services provided by external subcontractors. As a description, within the SCIIF, all risks associated with processes (e.g. legal consulting, due diligence, production estimates based on third party information, etc.) which involves a subcontracted third party have checks defined especially to supervise and ensure quality and correct performance of the same.

F.4 Information and communication

As a minimum, please provide information on the following, indicating their main characteristics where applicable:

F.4.1. A specific function in charge of defining accounting policies, keeping them updated (accounting policies department or area) and resolving questions or conflicts arising from their interpretation, maintaining clear communication with those responsible for operations in the organisation, as well as an updated accounting policies manual sent to all units across the entity.

The Finance Management, and specifically the Department of Administration, is responsible for keeping the Group's accounting policies updated, along with the corresponding Manual.
Additionally, any uncertainties or conflicts derived from interpretation of these must be resolved by the Finance Management.
The Department of Administration will keep the accounting policies updated in relation to any new accounting developments taking place within the national scope (Spain's General Accounting Plan or PGC in Spanish) and international scope (IFRS).
Any updates that take place will be sent to the appropriate employees via company email, and additionally the specific references will be stored on the Group server.

F.4.2. Systems to capture and prepare financial information with a standard format, applied and used by all entity or group units, which support the financial statements and notes, as well as information provided on the SCIIF.

All accounting for the Group's companies located in Spain is carried out in the same accounting system (NAVISION), while SAP is used for the accounting in Portugal and GIA for the accounting in Uruguay.
The information to be reported is also standardised, with annual updating in relation to any changes to the consolidation scope or regulations in force.
The consolidation module (INFOR) generates the Group's consolidated Financial Statements, by loading and standardising the individual financial statements recorded in the ERP systems.

The INFOR software facilitates the processes for consolidation and subsequent analysis by centralising all information corresponding to the consolidated financial statements within a single tool.

F.5 System operation and supervision

As a minimum, please provide information on the following, indicating their main characteristics:

F.5.1. The SCIIF supervision activity carried out by the audit committee as well as if the entity has an internal audit function which, amongst others, supports the committee during its work to supervise the internal control system, including the SCIIF. Furthermore, the scope of the SCIIF evaluation carried out during the financial year will be indicated, as well as the procedure through which the person responsible for evaluation provides their results, if the entity has an action plan which details potential corrective measures, and if their impact on the financial information has been considered.

The SCIIF Process was defined and implemented during fiscal year 2015, which means that performance of a first self-assessment of the SCIIF (Internal Financial Information Control System) took place during fiscal year 2016, which was submitted, and with a first internal audit carried out during fiscal year 2017.

In order to correctly supervise the SCIIF and ensure correct and efficient operation of the same, the responsibilities and duties of the different areas involved was defined, as well as the procedures to be carried out by these areas, and it is indicated in section F.1.1. of these document.

The SCIIF Policy defines Internal Audit as a unit to support the Audit Committee in the supervision of the SCIIF.
In order to ensure that Internal Audit remains independent; it will be directly situated under the CEO in the organisational structure.
The main activities which it carries out are:

- Planning the supervision and evaluation of the SCIIF with appropriate scope and frequency in accordance with annual Audit Plan work
- Determining the type and scope of tests to carry out to determine the degree of fulfilment and efficiency of the control systems.
- Providing the results obtained in the following manner:
  1. Communication of results relating to control faults to the process manager and the manager at least one level above the process manager.
  2. Communication of significant faults, with a significant impact on financial information, to the Saeta Financial Department and the companies' Administration departments (if they exist) and other affected departments, as well as the Audit Committee.
  3. Resolution of faults in accordance with priority and carrying out appropriate actions to correct them.

F.5.2. If it has a discussion procedure through which the accounts auditor (in accordance with the NTA), the internal audit function and other experts can communicate with executive management and the audit committee or entity administrators regarding any significant internal control faults identified during annual account review processes or those which have been entrusted to them. Furthermore, it will indicate if it has an action plan which attempts to correct or mitigate the observed weaknesses.

The following procedures were realized, referred in turn to the Regulations of the Board of Directors:

- Establishing appropriate relations with the External Auditor in order to receive information on any issues that may hinder their independence, for examination by the committee, and any others related to the progress of the accounts audit, as well as any other communications that may be foreseen in accounts auditing laws and technical auditing rules. In all instances, they must receive an annual statement of independence from the external auditors in relation to the entity or entities directly or indirectly linked to them, as well as information on additional services of any other type which are provided, and the corresponding fees arising for these entities by the external auditor or the related people or entities in accordance with accounts auditing laws.
- Ensuring that the external auditor holds an annual meeting with the Board of Directors to provide information on the work completed and an assessment of changes to the accounting situation and company risks.
- Discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

In addition, the Regulations of the Board of Directors establishes the responsibility of the Audit

Committee the following procedures,

- Monitor the effectiveness of internal control of the company, internal audit and risk management systems.

F.6 Other relevant information.

There is no other relevant information relating to the Company's SCIIF beyond the information provided in the previous points.

F.7 External auditor review State whether:

F.7.1. If the SCIIF information issued on the markets has been submitted for review by the external auditor, in which case the entity must include the corresponding report as an appendix. If not, they must explain their reasoning.

The SCIIF information has not been submitted to an external audit report. However, the external auditor has access to the Risks and Control System of the Group, and therefore, to all the SCIF mechanisms, and can evaluate their performance in as a far as is necessary in his role as auditor and to reach his conclusions.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. **The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Comply ☒ Explain ☐

See sections: A.10, B.1, B.2, C.1.23. and C.1.24

2. **When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:**

   a) **The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

See sections: D.4 and D.7

3. **During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a) **Changes taking place since the previous annual general meeting;**

   b) **The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Comply ☒ Partially comply ☐ Explain ☐

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Comply ☒ Partially comply ☐ Explain ☐

By means of its website, the company makes public its policy on communications and contacts with shareholders, institutional investors, and proxy advisors, with this policy found under the tab for Corporate Governance - Corporate Standards - Company Policies. Those responsible for this policy, and for acting as its spokespersons, are the Finance Director and Director of the Investor Relations Department.

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Comply ☒ Partially comply ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Comply ☐ Partially comply ☐ Explain ☒

Although the report for section a) is made public, the reports for b) and c) are not, based on the belief that they do not provide any relevant information in addition to that being published in other documents. In relation to transactions between associated companies, these are published in great detail in the notes from the financial statements, as well as in section A.5 of the annual report on corporate governance.

The reports on the functioning of the Audit Committee and Appointments and Remuneration Committee have not been published, since they would not provide any information beyond what is established in the Comprehensive Report and in the Annual Report on Remuneration for the Directors.

Finally, with respect to the report on the policy for Corporate Social Responsibility, no specific report has been produced because that information is found within our comprehensive report published on our website (in the section on Shareholders and Investors - Annual and Semi-Annual Reports - 2016 Comprehensive Report), and during the upcoming months the 2017 Comprehensive Report will be published.

7. The company should broadcast its general meetings live on the corporate website.

Comply ☒ Explain ☐

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Comply ☒ Partially comply ☐ Explain ☐

See sections: C.1.32, C.1.35 y C.1.38.

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display

them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Comply ☒ Partially comply ☐ Explain ☐

See section: B.7

10. **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

a) **Immediately circulate the supplementary items and new proposals.**

b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**

c) **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**

d) **After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

During fiscal year 2017 none of the shareholders exercised their right to add items to the agenda or submit new proposals.

11. **In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

12. **The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.**

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Comply ☒ Partially comply ☐ Explain ☐

13. **The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Comply ☒ Explain ☐

See sections: C.1.1. and C.1.2.

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable;

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Comply ☒ Partially comply ☐ Explain ☐

Saeta Yield, S.A. promotes all policies necessary to ensure equality of opportunity and prevent implicit bias and any discrimination during the selection processes, not only in the case of Board Members but also for any employment position, while ensuring that the candidates meet the requirements for the post in terms of skills, knowledge, and experience.

The Appointments and Remuneration Committee promotes the inclusion of women among the potential candidates, ensuring that they have the appropriate professional profile and meet the objective criteria on merit and abilities.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Comply ☒ Partially comply ☐ Explain ☐

See sections: A.3 and C.1.3

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Comply ☐ Explain ☒

During fiscal year 2017 a vacancy opened up on the Board of Directors for an independent director, and there are currently three non-executive directors and four proprietary directors. The company is searching for a potential candidate to fill this vacancy, encouraging the inclusion of women, ensuring that they have the appropriate professional profile and meet the objective criteria on merit and abilities.

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Comply ☒ Explain ☐

See section: C.1.3.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Comply ☒ Partially comply ☐ Explain ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

During fiscal year 2017 the circumstance mentioned did not occur.

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to

the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Comply ☒ Explain ☐

See sections: C.1.2, C.1.9, C.1.19 y C.1.27.

22. **Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Comply ☒ Partially comply ☐ Explain ☐

See sections: C.1.42 y C.1.43.

23. **Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

24. **Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

See section: C.1.9. Before submitting his resignation, Mr. Honorato López Isla explained the reasons behind his decision during the board meeting.

25. **The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Comply ☒ Partially comply ☐ Explain ☐

26. **The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Comply ☒ Partially comply ☐ Explain ☐

27. **Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Comply ☒ Partially comply ☐ Explain ☐

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Comply ☒ Partially comply ☐ Explain ☐

See section: C.1.40.

30. **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Comply ☒ Explain ☐ Not applicable ☐

31. **The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need. For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.**

Comply ☒ Partially comply ☐ Explain ☐

32. **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Comply ☒ Partially comply ☐ Explain ☐

33. **The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Comply ☒ Partially comply ☐ Explain ☐

34. **When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

35. **The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Comply ☒ Explain ☐

36. **The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

- **a) The quality and efficiency of the board's operation.**
- **b) The performance and membership of its committees.**
- **c) The diversity of board membership and competences.**
- **d) The performance of the chairman of the board of directors and the company's chief executive.**
- **e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Comply ☒ Partially comply ☐ Explain ☐

The Board of Directors evaluated once a year, the quality and efficiency of the Board of Directors, the operation and the composition and performance of the Chairman of the Board of Directors is governed by Article 29 of the Regulations of the Board of Directors.

The Board of Directors may be assisted in the performance of their duties when requested as provided for in Article 17.3 of the Regulations of the Board of Directors.

In the financial year 2017 was completed the evaluation of the Board, its Committees and the performance of the Chairman. The evaluations were generally positive with some aspects for improvement during the following financial year.

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Comply ☒ Partially comply ☐ Explain ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Comply ☒ Partially comply ☐ Explain ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service;

propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:
a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Comply ☒ Partially comply ☐ Explain ☐

See section: C.2.1.

43. **The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Comply ☒ Partially comply ☐ Explain ☐

44. **The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

45. **Risk control and management policy should identify at least:**
a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.
b) The determination of the risk level the company sees as acceptable.
c) The measures in place to mitigate the impact of identified risk events should they occur. d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Comply ☒ Partially comply ☐ Explain ☐

46. **Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly**

charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Comply ☒ Partially comply ☐ Explain ☐

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Comply ☒ Partially comply ☐ Explain ☐

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Comply ☐ Partially comply ☐ Not applicable☒

Saeta Yield, S.A. is not a large-capitalisation company.

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Comply ☒ Partially comply ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Comply ☒ Partially comply ☐ Explain ☐

51. **The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Comply ☒ Partially comply ☐ Explain ☐

52. **The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

53. **The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:**

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Comply ☒ Partially comply ☐ Explain ☐

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Comply ☒ Partially comply ☐ Explain ☐

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Comply ☒ Partially comply ☐ Explain ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Comply ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Comply ☒ Partially comply ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

In the modification of the policy of remunerations approved by the General Shareholders' Meeting on 22 June 2016, it was established that the Managing Director would have a variable remuneration whose final amount would be determined by the Board of Directors according to the quantitative criteria (determined by the development of the principal financial and accounting elements) and qualitative criteria.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Comply ☒ Partially complay ☐ Explain ☐ Not applicable ☐

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply ☐ Partially comply ☐ Explain ☒ Not applicable ☐

The Stock Option Plan extends to the Chief Executive Officer and to three directors of the company. The term for the exercise is of two years and does not contain any restriction to the alienation once acquired.
The options may be "exercised" in two equal parts, cumulative if the beneficiary so wishes, during the third and fourth years after 1 May 2016, inclusive.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Comply ☐ Partially comply ☐ Explain ☒ Not applicable ☐

The current contract does not include clauses of this type.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Comply ☒ Partially comply ☐ Explain ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

The company has subscribed the following agreements, which are already communicated to the market by the corresponding relevant fact, in the mentioned agreements there is a clause by which the counterparties can resolve the contracts if a change of control occurs in the shareholders structure of the Company:
-Financing contracts for the subsidiary Manchasol-2, Central Termosolar Dos, S.L.U. signed on May 24th, 2017.
-Financing contract with the subsidiary Parque Eólico Valcaire, S.L.U. signed on November 17th, 2017.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 27 February 2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes ☐ No ☒