FINANCIAL STATEMENTS AND DIRECTORS' REPORT 2016

Prepared under International Financial Reporting Standards as adopted by the European Union

Free translation from the original in Spanish.
In the event of discrepancy, the Spanish-language version prevails

Contents

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Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders of
Elecnor, S.A.

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Elecnor, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' Responsibility for the Consolidated Annual Accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Elecnor, S.A. and subsidiaries, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

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

Opinion

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Elecnor, S.A. and subsidiaries at 31 December 2016 and of their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains such explanations as the Directors of Elecnor, S.A. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2016. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Elecnor, S.A. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Cosme Carral López-Tapia

24 February 2017

ECONOMIC PROFILE of the Elecnor Group 2016

Elecnor, S.A. and Subsidiaries comprising the Elecnor Group

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 31 December 2016 and 2015 (Thousands of Euros)

Assets	2016	2015
Non-current assets:		
Intangible assets-		
Goodwill (note 7)	32,107	33,372
Other intangible assets, net (note 8)	52,407	60,461
	84,514	93,833
Property, plant and equipment, net (note 9)	1,267,987	1,199,882
Equity-accounted investees (note 10)	165,615	124,632
Non-current financial assets (note 11)		
Investments	4,432	4,401
Other investments	778,629	572,720
Derivatives	523	7,958
	783,584	585,079
Deferred tax assets (note 18)	98,427	80,433
Total non-current assets	2,400,127	2,083,859
Current assets:		
Inventories (note 3.l)	14,947	15,034
Trade and other receivables (note 12.a)	1,031,068	968,723
Trade receivables from related companies (note 26)	18,890	10,726
Public entities (note 19)	59,103	48,279
Taxation authorities, income tax (note 19)	7,314	6,901
Other receivables	13,769	15,028
Current investments in related companies (note 26)	15	268
Other current assets	10,550	11,673
Cash and cash equivalents (note 12.b)	317,350	336,989
Non-current assets held for sale (note 3.a)	47,143	4,058
Total current assets	1,520,149	1,417,679
Total assets	3,920,276	3,501,538

The accompanying notes form an integral part of the consolidated annual accounts.

Equity and Liabilities	2016	2015
Equity (note 13):		
Parent-		
Share capital	8,700	8,700
Other reserves	548,798	419,580
Valuation adjustments to equity	(71,796)	(71,781)
Profit for the year attributable to the Parent	68,465	65,662
Interim dividend (note 5)	(4,481)	(4,350)
	549,686	417,811
Non-controlling interests	430,354	322,560
Total equity	980,040	740,371
Non-current liabilities:		
Grants (note 3.q)	7,578	7,141
Deferred income	2,160	6,541
Provisions for other liabilities and charges (note 16)	18,719	11,704
Bonds and other marketable securities (note 14)	38,689	-
Financial debt (note 14)	1,139,319	1,110,280
Derivatives (notes 14 and 15)	28,920	35,145
Other non-current liabilities	19,644	25,218
Deferred tax liabilities (note 18)	87,384	66,961
Total non-current liabilities	1,342,413	1,262,990
Current liabilities:		
Bonds and other marketable securities (note 14)	74,298	99,419
Financial debt (note 14)	190,940	191,462
Derivatives (notes 14 and 15)	5,821	6,702
Trade payables to associates and related companies (note 26)	2,437	2,366
Trade and other payables-		
Purchases and services received	541,093	526,649
Customer advances and advance billings (note 17)	583,925	515,735
	1,125,018	1,042,384
Other payables-		
Public entities (note 19)	61,417	61,371
Taxation authorities, income tax (note 19)	26,716	19,016
Other current liabilities	86,839	75,457
	174,972	155,844
Liabilities associated with non-current assets held for sale (note 3.a)	24,337	-
Total current liabilities	1,597,823	1,498,177
Total liabilities and equity	3,920,276	3,501,538

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries comprising the Elecnor Group

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	(Debit) Credit	
	2016	2015
Continuing operations:		
Net sales (note 21)	2,035,136	1,881,143
Changes in inventories of finished goods and work in progress (note 3.l)	1,777	(1,882)
Materials consumed (note 21)	(1,038,781)	(967,612)
Other operating income (note 2.g, 3.h and 3.q)	132,224	159,120
Personnel expenses (note 21)	(551,345)	(513,343)
Other operating expenses (note 21)	(334,699)	(333,116)
Amortisation, depreciation, impairment and charges to provisions (note 21)	(77,584)	(99,877)
Results from operating activities	166,728	124,433
Finance income (notes 11 and 21)	67,856	76,906
Finance costs (note 21)	(100,711)	(92,733)
Exchange gains/(losses) (note 2.f)	(6,946)	14,479
Impairment and gains/(losses) on disposal of financial instruments	(314)	2,811
Change in fair value of financial instruments (note 2.g)	486	(174)
Share of profit of equity-accounted investees (note 10)	2,210	3,038
Profit before income tax	129,309	128,760
Income tax (note 19)	(43,573)	(38,427)
Profit from continuing operations	85,736	90,333
Profit for the year	85,736	90,333
Attributable to:		
Shareholders of the Parent	68,465	65,662
Non-controlling interests (note 13)	17,271	24,671
Earnings per share (in Euros) (note 28)		
Basic	0.81	0.78
Diluted	0.81	0.78

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries comprising the Elecnor Group

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	Note	2016	2015
CONSOLIDATED PROFIT (I)		85,736	90,333
Other comprehensive income			
Items to be reclassified to profit or loss			
Income and expense recognised directly in equity:			
- Cash flow hedges	Note 15	(9,581)	1,786
- Translation differences	Note 13	153,328	(176,925)
- Share of other comprehensive income of equity-accounted investees	Note 10	(12,305)	(6,031)
- Tax effect	Notes 15 & 18	2,592	(512)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY (II)		134,034	(181,682)
Transfers to the consolidated income statement:			
- Cash flow hedges	Note 15	9,325	3,937
- Share of other comprehensive income of equity-accounted investees	Note 10	11,056	12,281
- Tax effect	Notes 15 & 18	(2,331)	(984)
TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT (III)		18,050	15,234
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE (I+II+III)		237,820	(76,115)
a) Attributable to the Parent		155,628	(35,363)
b) Attributable to non-controlling interests		82,192	(40,752)

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries comprising the Elecnor Group

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	Share capital	Valuation adjustments	Legal reserve	Other non-distributable reserves	Other voluntary reserves	Reserves in consolidated companies	Own shares	Translation differences	Total reserves	Net profit for the year	Interim dividend paid	Non-controlling interests	Total equity
Balances at 31 December 2014	8,700	(82,258)	1,743	22,279	496,542	117,061	(22,264)	(130,540)	402,563	58,542	(4,193)	344,124	809,736
Total recognised income and expense for 2015	-	10,477	-	-	-	-	-	(111,502)	(101,025)	65,662	-	(40,752)	(76,115)
Distribution of profit:													
Reserves	-	-	-	-	17,641	19,134	-	-	36,775	(36,775)	-	-	-
Supplementary dividend	-	-	-	-	-	-	-	-	-	(17,574)	-	(658)	(18,232)
2014 interim dividend	-	-	-	-	-	-	-	-	-	(4,193)	4,193	-	-
Acquisition of own shares	-	-	-	2,191	(2,191)	-	(2,191)	-	(2,191)	-	-	-	(2,191)
Sale of own shares	-	-	-	(2,114)	2,116	-	2,114	-	2,116	-	-	-	2,116
Transfer between reserves	-	-	-	2,787	(22,125)	19,338	-	-	0	-	-	-	-
Interim dividend paid in 2015	-	-	-	-	-	-	-	-	-	-	(4,350)	-	(4,350)
Changes in interests in subsidiaries (note 13.e)	-	-	-	-	-	(3,623)	-	4,496	873	-	-	16,718	17,591
Other corporate transactions	-	-	-	-	-	-	-	-	0	-	-	3,308	3,308
Other	-	-	-	-	-	8,688	-	-	8,688	-	-	(180)	8,508
Balances at 31 December 2015	8,700	(71,781)	1,743	25,143	491,983	160,598	(22,341)	(237,546)	347,799	65,662	(4,350)	322,560	740,371
Total recognised income and expense for 2016	-	(15)	-	-	-	-	-	87,178	87,163	68,465	-	82,192	237,820
Distribution of profit:													
Reserves	-	-	-	-	13,577	29,230	-	-	42,807	(42,807)	-	-	-
Supplementary dividend (notes 5 and 13)	-	-	-	-	-	-	-	-	-	(18,505)	-	(1,170)	(19,675)
2015 interim dividend	-	-	-	-	-	-	-	-	-	(4,350)	4,350	-	-
Acquisition of own shares	-	-	-	1,214	(1,214)	-	(1,214)	-	(1,214)	-	-	-	(1,214)
Sale of own shares	-	-	-	(1,566)	1,372	-	1,566	-	1,372	-	-	-	1,372
Transfer between reserves	-	-	-	-	(2,626)	2,626	-	-	-	-	-	-	-
Interim dividend paid in 2016	-	-	-	-	-	-	-	-	-	-	(4,481)	-	(4,481)
Changes in interests in subsidiaries (note 13.e)	-	-	-	-	-	-	-	-	-	-	-	937	937
Other corporate transactions	-	-	-	-	-	-	-	-	-	-	-	24,279	24,279
Other	-	-	-	-	-	(925)	-	-	(925)	-	-	1,556	631
Balances at 31 December 2016	8,700	(71,796)	1,743	24,791	503,092	191,529	(21,989)	(150,368)	477,002	68,465	(4,481)	430,354	980,040

The accompanying notes form an integral part of the consolidated annual accounts.

ELECNOR, S.A. and Subsidiaries comprising the Elecnor Group

CONSOLIDATED STATEMENTS OF CASH FLOW

for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	2016	2015
Cash flows from operating activities:		
Consolidated profit for the year	85.736	90.333
Adjustments for:		
Depreciation, amortisation and changes in provisions for current and non-current assets (notes 8, 9, 12 and 21)	78.501	86.104
Changes in provisions for liabilities and charges (note 21)	2.784	13.548
Allocation of deferred income	(138)	(405)
Capital grants taken to income	(596)	(789)
Share of profit of equity-accounted investees (note 10)	(2.210)	(3.038)
Change in fair value of financial instruments (note 15)	(486)	174
Impairment and net gains on disposal of financial instruments (notes 2.g and 13)	(21.715)	(28.421)
Finance costs (note 21)	32.855	15.827
Exchange losses	6.946	-
Income tax	43.573	38.427
Funds generated from operations	225.250	211.760
Changes in operating assets and liabilities:		
Changes in trade receivables and other current assets	(65.839)	(61.586)
Changes in inventories	87	(3.412)
Changes in trade and other payables	83.911	129.911
Changes in other current assets and liabilities	(4.586)	(4.967)
Income tax paid	(40.761)	(34.789)
Net cash flows from operating activities (I)	198.062	236.917
Cash flows from investing activities:		
Acquisition of Group companies, associates and jointly-controlled entities (note 7)	-	(1.929)
Acquisition of intangible assets (note 8)	(1.998)	(937)
Cash outflows due to contributions to associates (note 10)	(247)	(13.702)
Acquisition of equity instruments and other non-current investments (note 11)	(115.217)	(44.681)
Acquisition of property, plant and equipment (note 9)	(135.364)	(173.552)
Dividends received from associates (note 10)	2.989	1.007
Interest received	61.626	60.529
Proceeds from disposal of Group companies, associates and jointly-controlled entities (notes 2.g and 13)	33.754	88.849
Proceeds from disposal of property, plant and equipment, intangible assets and non-current assets (notes 8 and 9)	3.380	214
Proceeds from disposal of financial assets, net (note 11)	6.733	(1.240)
Other amounts received	(1.849)	-
Net cash flows used in investing activities (II)	(146.193)	(85.442)
Cash flows from financing activities:		
Cash inflows from financial debt and other non-current borrowings (note 14)	602.364	358.182
Interest paid (note 14)	(95.935)	(92.135)
Repayment of financial debt and other non-current borrowings (note 14)	(580.321)	(320.238)
Grants received	1.034	-
Dividends paid	(24.025)	(22.425)
Proceeds from contribution/return of funds by/to non-controlling shareholders, net (note 13)	25.217	3.308
Cash inflows due to disposal of own shares (note 13)	1.372	2.114
Cash outflows due to sale-purchase of own shares (note 13)	(1.214)	(2.191)
Net cash flows used in financing activities (III)	(71.508)	(73.385)
Effect of changes in the consolidated group (IV)	-	-
Net increase/decrease in cash and cash equivalents (I+II+III+IV)	(19.639)	78.090
Cash and cash equivalents at beginning of year	336.989	258.899
Cash and cash equivalents at year end	317.350	336.989

The accompanying notes form an integral part of the consolidated annual accounts.

CONSOLIDATED ANNUAL REPORT 2016

Elecnor, S.A. and subsidiaries comprising the ELECNOR Group (consolidated)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

for the year ended 31 December 2016

1. GROUP COMPANIES AND ASSOCIATES

Elecnor, S.A., the Parent, was incorporated in Spain on 6 June 1958 and its registered office is located at Calle Marqués de Mondéjar 33, Madrid.

The Parent's statutory activity, according to its bylaws, is:

- Wide-ranging commercial activity in connection with the engineering, design, construction, erection, repair, maintenance and upkeep of all manner of construction projects and installation work in the broadest sense, i.e. the entire execution thereof with or without the supply of materials, on its own account or through third parties, on an exclusive basis or through associations of any kind.
- The provision of public and private services in relation to the collection of all types of waste; sweeping and cleaning of streets; transfer and transport of waste to the place of end disposal; the end disposal of such waste, recycling, treatment and deposit of public, private, industrial, hospital and pathological waste; cleaning, maintenance and upkeep of sewers; and, in general, urban water treatment services and all other ancillary services related directly or indirectly to the aforementioned services in their broadest sense.
- The design, research, development, construction, operation, maintenance and marketing of waste treatment, recovery and elimination facilities, and the purchase and sale of the by-products originating from these treatments.
- The design, research, development, construction, operation, maintenance and marketing of plants and facilities for the treatment of water, wastewater and waste, the recovery and elimination of waste, and the purchase and sale of the by-products originating from these treatments.
- The use, transformation and marketing of water of all types.

The aforementioned business activities can also be fully or partially carried out indirectly by the Parent through investments in other companies with a similar statutory activity, both in Spain and abroad. The ELECNOR Group may not carry out any business activity for which specific conditions or limitations are imposed by law, unless it fully meets such conditions.

The subsidiaries basically engage in business activities comprising the aforementioned statutory activity, and in the operation of wind energy generation, thermosolar and solar PV facilities, the provision of aeronautical and aerospace software research, advisory and development services and the manufacture and distribution of solar panels and solar PV plants.

The Parent's bylaws and other related public information may be viewed on the website www.elecnor.es and at its registered office.

In addition to the operations it carries out directly, Elecnor, S.A. is the head of a group of subsidiaries that engage in various business activities and which comprise, together with Elecnor, S.A., the ELECNOR Group (hereinafter "the Group" or the "ELECNOR Group"). Therefore, in addition to its own separate annual accounts, the Parent is obliged to prepare the Group's consolidated annual accounts, which also include interests in joint ventures and investments in associates.

Appendix I includes details of the consolidated Group companies and associates and related information at 31 December 2016 and 31 December 2015, after translation to Euros of their respective separate financial statements, and prior to the related harmonisation adjustments thereto and any adjustments for conversion to International Financial Reporting Standards (IFRS-EU).

The information in Appendix I was provided by the Group companies and their equity position is reflected in their separate annual accounts.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATION PRINCIPLES

a) Basis of presentation and regulatory financial reporting framework applicable to the Group

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Elecnor, S.A. and of the consolidated companies. The consolidated annual accounts for 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Elecnor, S.A. and subsidiaries at 31 December 2016 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, "First-time adoption of International Financial Reporting Standards".
The directors of the Parent consider that the consolidated annual accounts for 2016, authorised for issue on 22 February 2017, will be approved with no changes by the shareholders at their annual general meeting.
The ELECNOR Group's consolidated annual accounts for 2015 were authorised for issue by the shareholders of Elecnor, S.A. at their annual general meeting held on 18 May 2016.
These consolidated annual accounts have been prepared on a going concern basis using the historical cost principle, with the exception of derivative financial instruments, which have been recognised at fair value.

b) Adoption of International Financial Reporting Standards (IFRS)

Standards and interpretations issued but not yet in force

Standards effective for periods beginning on or after 1 January 2016 have not entailed any changes in the Group's accounting policies. The Company has not early-applied any standards.
The IASB has issued new accounting standards (IFRS) and interpretations (IFRIC) effective for accounting periods beginning on or after 1 January 2017. Details of the nature of the changes in accounting policy and a summary of ELECNOR Group management's assessment of the impact these new standards could have on the Group's annual accounts are as follows:

IFRS 16 Leases – issued in January 2016 (pending adoption by the European Union)

IFRS 16 eliminates the double-entry accounting model for lessees that distinguishes between finance leases, which are recognised in the balance sheet, and operating leases, for which future lease payments do not have to be recognised. A single model has been developed in its place for the balance sheet, which is similar to the current finance lease model. In the case of lessors, the same model is maintained, i.e. the classification of leases as finance and operating leases.
This standard is effective for periods beginning on or after 1 January 2019, although it may be adopted early in periods beginning on or after 1 January 2016 if IFRS 15 is adopted.
The Group will assess the impact of this new standard for the first year in which it becomes effective.

IFRS 9 Financial Instruments – issued in July 2014

This standard, which partially replaces IAS 39, simplifies the classification and measurement criteria for financial instruments, maintaining a mixed measurement model and establishing only two main financial asset categories: amortised cost and fair value. The classification criteria are based on the entity's business model and the characteristics of the financial asset's contractual cash flows.
Management considers that the future application of IFRS 9 will not have a material impact on the financial assets and liabilities currently reported. In any case, at the reporting date the Group was analysing all the future impacts of adopting this standard and it will not be possible to provide a reasonable estimate of its effects until this analysis has been completed.
This standard is effective for periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

This new standard will replace IAS 11 and IAS 18 and introduces a five-step model to determine the timing and amount of revenue to be recognised. The new model stipulates that revenue should be recognised when (or as) the entity transfers control of the goods or services to a customer, in an amount that reflects the consideration to which the entity expects to be entitled.
The standard provides for several transition alternatives. On the one hand, it allows for application of the new standard to past transactions, with a retrospective adjustment for each comparative period presented in the financial statements for 2017. On the other hand, it allows for recognition of the cumulative effect of applying the new standard at the initial application date, without adjusting the comparative information. The standard provides for a number of optional practical simplifications that generate additional alternatives and may facilitate the transition. At the date of writing, the Group has not yet decided which transition option it will apply or, therefore, quantified the impact of adopting this standard. As such, the effect cannot be estimated reasonably until this analysis has been completed.
This standard is effective for periods beginning on or after 1 January 2018.

c) Functional currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent's functional and presentation currency.

d) Responsibility for information and estimates

The information in these consolidated annual accounts is the responsibility of the board of directors of ELECNOR.

In the ELECNOR Group's consolidated annual accounts for 2016 the senior executives of the Group and of the consolidated companies occasionally made estimates and judgements, which were later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates were essentially as follows:

- The evaluation of possible impairment losses on certain assets (see notes 7, 8, 10 and 18);
- The evaluation of possible losses on projects in progress and/or the committed order book;
- The criteria applied when calculating the percentage of completion of the projects;
- The useful life of the property, plant and equipment and intangible assets (see notes 8 and 9);
- The amount of the provisions for liabilities and charges (see note 16);
- The probability of occurrence and the amount of liabilities of uncertain amount or contingent liabilities (see note 16);
- The measurement of possible impairment of goodwill (see note 7);
- The fair value of certain unquoted assets (see notes 11 and 15);
- The exchange rate used, when different exchange rates are available on the market. In particular, as there are different official exchange rates for the Venezuelan Bolivar, the decision to apply one or the other, depending on which one best reflects the value of the transactions conducted, has a significant impact. At year end the directors opted to use the DICOM, whereas they previously applied the SIMADI. This did not have a significant impact on the 2016 consolidated income statement.

Although estimates are based on the best information available at 31 December 2016, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding consolidated income statement as a change in accounting estimates, as required by IAS 8.

e) Comparative information

As required by IAS 1, the information contained in the notes to the accompanying consolidated annual accounts for 2016 includes comparative figures for 2015, which do not constitute the consolidated annual accounts of the ELECNOR Group for 2015.
Certain amounts for 2015 have been reclassified in the accompanying consolidated annual accounts to make them comparable with those for the current year and facilitate comparison. In this regard, the only reclassification relates to the reclassification of current financial debt to bonds and other marketable securities for an amount of Euros 99,419 thousand.

f) Consolidation principles

Scope

The consolidated annual accounts of the ELECNOR Group include all the subsidiaries of Elecnor, S.A., except for those which, individually or as a whole, are immaterial.
Subsidiaries are entities over which the Company exercises control, either directly or indirectly through subsidiaries. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

Procedures

Subsidiaries are fully consolidated and, therefore, all intra-Group balances, transactions, income and expenses are eliminated.
The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.
All of the financial statements used by the Parent and the subsidiaries have the same reporting date and were prepared using uniform accounting policies.
Non-controlling interests in the net assets of subsidiaries are recognised in equity separately from the Parent's equity. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement.
Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, i.e. any difference is recognised directly in equity.

Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group is considered to carry out a business combination when the assets acquired and liabilities assumed constitute a business. The Group recognises business combinations using the acquisition method, which entails identifying the acquirer, determining the acquisition date (the date on which control is obtained) and the acquisition cost, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest, and lastly, recognising and measuring any goodwill or negative goodwill.

The costs incurred on the acquisition are recognised as an expense in the year in which they are incurred, and are therefore not considered as an increase in the cost of the business combination.

The identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair value and any non-controlling interest is measured at fair value or at the proportional part of the interest in the net assets acquired.

In a business combination achieved in stages, the acquirer revalues the existing investment at fair value on the date control is obtained and recognises the related gain or loss in the consolidated income statement.

Transactions between the Parent and non-controlling interests (transactions subsequent to obtaining control in which the Parent acquires further ownership interests from non-controlling interests or disposes of investments without a loss of control) are accounted for as transactions with equity instruments.

The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognised as an equity instrument transaction. Consequently, no new acquisition cost arises in increases nor is a gain recorded on reductions; rather, the difference between the consideration given or received and the carrying amount of the non-controlling interests is recognised in the reserves of the investor, notwithstanding the reclassification of consolidation reserves and the reallocation of other comprehensive income between the Group and the non-controlling interests. When a Group's investment in a subsidiary diminishes, non-controlling interests are recognised at their share of the consolidated net assets, including goodwill.

Loss of control

When the Group loses its control over a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the interest retained in the company are recognised at fair value at the date on which control is lost, and any difference is recognised. Other comprehensive income relating to the subsidiary is reclassified to profit or loss or reserves depending on its nature.

Associates

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Under this method, the investment is initially recognised at cost, including any additional cost directly attributable to the acquisition.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share in profit or loss of equity-accounted investees in the consolidated income statement. The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the value of the investments in associates with a balancing entry, based on the nature of the investment, in other comprehensive income in the consolidated statement of comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate. For the purpose of recognising impairment losses in associates, net investments are considered as the carrying amount of the investment after applying the equity method plus any other item which in substance forms part of the investment in the associate. The excess of the losses over the equity investment is applied to the remaining items in reverse order of settlement. Subsequent profits obtained by associates for which impairment losses are limited to the value of the investment are recognised to the extent that they exceed previously unrecognised losses.

If the Group's share of losses in an associate equals or exceeds its investment in the associate, it does not recognise its share of any further losses. The investment in the associate is the carrying amount of the investment determined using the equity method, plus any other non-current portion that, in substance, forms part of the Group's net investment in the associate.

Irrespective of the losses recognised, as described above, the Group analyses any additional impairment applying the standards on financial assets (see note 3-m), taking into account the investment as a whole and not only any associated goodwill.

Joint arrangements

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

- Joint ventures: investments in joint ventures are accounted for using the equity method described above.
- Joint operations: for joint operations, the Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and the expenses, including its share of any expenses incurred jointly, in the consolidated annual accounts. The Group includes in this category UTEs (Unión Temporal de Empresas – a form of temporary business association) and certain foreign entities considered to be a similar vehicle to a UTE, through which it carries out part of its business activities.

Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

These criteria are also applicable to the translation of the financial statements of equity-accounted companies, with translation differences attributable to the Group recognised in other comprehensive income.

Foreign operations in hyperinflationary economies

The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are restated in terms of the measuring unit at the reporting date.
The results and financial position of the Group's foreign operations whose functional currency is the currency of a hyperinflationary economy are translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, assets and liabilities, income and expenses, and cash flows are translated at the closing rate at the most recent reporting date.
- Comparative amounts are those that were included in the prior year consolidated annual accounts and are not adjusted for subsequent changes in the price level or in exchange rates. The effect of the adjustment on the prior year's balances is recognised as a revaluation reserve in other comprehensive income.

g) Changes to the consolidated Group

The most significant change in the scope of consolidation in 2016 was as follows:

- On 26 July 2016 the Group sold its investment in Parques Eólicos Villanueva, S.L. and it subsidiaries for an amount of approximately Euros 33.8 million, recognising the resulting gain as other operating income in the accompanying consolidated income statement.

The most significant change in the scope of consolidation in 2015 was as follows:

- On 15 July 2015, the Group sold its investments in the two companies that own the ELECNOR Group's earth observation satellites, Deimos Imaging, S.L.U. and DOT Imaging, S.L.U., formed in 2015 through the partial spin-off of Deimos Castilla la Mancha, to the Canadian company UrtheCast for a total of approximately Euros 71 million and recognised the resulting gain as other operating income in the accompanying 2015 consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management of the ELECNOR Group must be committed to a sale plan, which should be expected to be completed within one year from the date of classification.
Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.
The Company classified the assets and liabilities of Barcaldine Remote Community Solar Farm PTY LTD, mainly comprising property, plant and equipment of Euros 42 million, deferred income of Euros 16 million and loans and borrowings of Euros 8 million, as held for sale on 19 October 2016 in accordance with the agreements adopted in the meeting of the board of directors held on that date (see note 31).

b) Goodwill

Goodwill arising on consolidation is calculated as explained in note 2-f.
Goodwill acquired on or after 1 January 2004 is measured at cost of acquisition, and goodwill arising prior to that date is recognised at the carrying amount at 31 December 2003 in accordance with the accounting policies applied until that date (see note 2-f). In both cases, goodwill has not been amortised since 1 January 2004. Instead, it is tested for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) at the end of each reporting period and, if there is any impairment, goodwill is written down (see note 3-k).
An impairment loss recognised for goodwill may not be reversed in a subsequent period.
Internally generated goodwill is not recognised as an asset.

c) Revenue recognition

Revenue from sales and services rendered is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes.

c.1 Construction contracts and services rendered

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the date of the consolidated statement of financial position.
This means that the percentage of total estimated revenue that the costs incurred in the year represent in relation to total estimated costs is recognised as revenue for the year.
Total revenue comprises the initial amount agreed in the contract and any highly probable variations and claims that can be measured reliably.
Total costs comprise costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the specific contract and such other costs as are specifically chargeable to the customer under the terms of the contract.
Potential losses on projects in progress are recognised in full when they become known or can be estimated.
Progress billings and advances, which are recognised under trade and other payables - advances from customers and advance invoices under liabilities on the accompanying consolidated statement of financial position, amount to Euros 468,496 thousand at 31 December 2016 (Euros 376,155 thousand at 31 December 2015) (see note 17).
Revenue from the rendering of services is recognised when it can be estimated reliably, taking into account the stage of completion of the end service. If revenue cannot be estimated reliably, it is recognised only to the extent of the expenses recognised that are recoverable.
At 31 December 2016 the ELECNOR Group recognised revenue in relation to the various stages of completion of its contracts and rendering of services amounting to approximately Euros 1,866 million (31 December 2014: Euros 1,724 million in 2015) (see note 21). In addition, the costs incurred on the construction and service contracts amounted to approximately Euros 1,583 million in 2016 (Euros 1,361 million in 2015).
Lastly, retentions on payments made by customers in 2016 amount to Euros 30,725 thousand (Euros 22,448 thousand in 2015) and are recognised in trade and other receivables under assets on the accompanying consolidated statement of financial position.

c.2 Sales of goods

Sales of goods are recognised when substantially all the risks and rewards of ownership of the goods have been transferred, the Group does not retain control over them, revenue can be measured reliably and is likely to be received and the transaction costs incurred or to be incurred can be measured reliably.

c.3 Interest and dividends

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.
Dividends from investments in equity instruments are recognised in profit or loss when the Group is entitled to receive them.

d) Leases

The ELECNOR Group classifies leases whereby the lessor transfers all the risks and rewards of ownership to the lessee as finance leases. All other leases are classified as operating leases.

Finance leases

Assets acquired under finance leases are classified in the appropriate non-current asset category, based on their nature and function, at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the price of exercising the purchase option, with a credit to financial debt in the consolidated statement of financial position. These assets are depreciated using similar criteria to those applied to assets of the same nature owned by the ELECNOR Group.

Operating leases

Expenses arising on operating leases are allocated to other operating expenses in the consolidated income statement on an accrual basis over the term of the lease.
In 2016 and 2015 the lease expenses included under other operating expenses in the accompanying consolidated income statement amounted to approximately Euros 48,851 thousand and Euros 46,778 thousand, respectively. At the end of 2016 and 2015 the ELECNOR Group's most significant operating leases were for machinery and motor vehicles, and buildings used to carry out its business activities.
At the 2016 and 2015 closes, the Group has contractually agreed the following minimum lease payments with lessors, based on the leases currently in force, without taking into account any shared expenses passed on, future CPI increases or future contractual lease payment reviews (in thousands of Euros):

	Nominal amount	
Minimum operating lease payments	2016	2015
Less than one year	16,406	20,977
Between 1 and 5 years	17,902	16,155
More than 5 years	23,241	19,902
Total	57,549	57,034

The minimum operating lease payments do not include machinery and motor vehicles, which are leased over the term of the construction work performed by the Group, since the Parent's directors consider that there are no long-term commitments in relation to these leases.

e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that require a substantial period of time to be 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 use or sale (see note 3-h). Investment income earned on the temporary investment of specific cash borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

f) Foreign currency

The Parent's functional currency is the Euro. Therefore, all balances and transactions in currencies other than the Euro are deemed to be foreign currency transactions.
Transactions in currencies other than the Euro are translated by applying the exchange rate in force at the transaction date. During the year, differences between the exchange rate used and the rate prevailing at the date of collection or payment are recognised as income or expenses in the income statement, except in the following cases.

- Exchange differences arising from hedging transactions (see note 15).
- Exchange differences arising from a liability denominated in a foreign currency that is accounted for as a hedge of the Group's net investment in a foreign operation.

Fixed income securities and balances receivable and payable in currencies other than the functional currency at 31 December each year are translated at the closing exchange rate. Any exchange differences arising are recognised under exchange gains/losses in the consolidated income statement.
Foreign currency transactions in which the ELECNOR Group has opted to reduce the currency risk by arranging financial derivatives or other hedging instruments are accounted for using the principles described in note 3-m.
In general, the functional currencies of the consolidated companies and associates located abroad are the same as their presentation currency. None of the functional currencies of the consolidated companies and associates located abroad are those of a hyperinflationary economy as defined by IFRS, except in the case of Venezuela. At the 2016 and 2015 reporting dates the aforementioned financial statements were restated using the measuring unit current at 31 December 2016 and 2015. The financial statements of Venezuela were prepared using the historical cost method and were restated applying a general price index of 700% (85% in 2015). At 31 December 2016, the cumulative impact of this restatement on equity amounts to approximately Euros 2,496 thousand (approximately Euros 724 thousand at 31 December 2015).
Details of the equivalent Euro value of the monetary assets and liabilities denominated in currencies other than the Euro and held by the ELECNOR Group at 31 December 2016 and 2015 are as follows:

	Equivalent value in thousands of Euros			
	2016		2015	
Currency	Assets	Liabilities	Assets	Liabilities
Argentine Peso	6,756	5,626	9,710	5,624
Brazilian Real	806,134	800,071	615,420	409,103
US Dollar	204,020	334,938	178,422	106,900
Canadian Dollar	12,699	187,923	12,024	182,771
Venezuelan Bolivar	2,949	693	3,822	5,356
Chilean Peso	47,847	77,535	36,339	84,796
Mexican Peso	100,952	95,919	63,083	60,843
Uruguayan Peso	14,533	14,751	17,717	17,291
Moroccan Dirham	6,191	1,482	6,845	1,794
Algerian Dinar	25,824	13,450	8,071	1,925
Peruvian New Sol	15,350	243	-	-
Angolan Kwanza	2,997	-	6,331	941
Dominican Peso	2,929	-	3,156	3,251
Pound Sterling	16,094	6,872	19,468	13,850
Jordanian Dinar	23,951	39,606	13,271	27,799
Australian Dollar	12,464	14,478	29,881	3,621
Haitian Gourde	7,624	3,875	-	-
Omani Rial	9,875	5,444	-	-
Panamanian Balboa	5,349	34	-	-
Other	20,832	12,124	6,014	789
Total	1,345,370	1,615,064	1,029,574	926,654

Details of the main foreign currency balances, by nature, are as follows:

	Equivalent value in thousands of Euros			
	2016		2015	
Nature of the balances	Assets	Liabilities	Assets	Liabilities
Non-current investments (*)	646,355	-	509,569	-
Inventories	20,772	-	14,571	-
Receivables	548,561	-	409,012	-
Cash and cash equivalents	129,682	-	96,422	-
Payables	-	349,549	-	334,010
Financial debt (note 14)	-	1,265,515	-	592,644
Total	1,345,370	1,615,064	1,029,574	926,654

(*) Primarily financial assets associated with administrative concessions (see note 11).

g) Income tax

The expense for Spanish corporate income tax and similar taxes applicable to the foreign consolidated companies is recognised in the consolidated income statement unless it arises from a transaction recognised directly in equity, in which case the related tax is also recognised in equity.

The income tax expense is accounted for using the balance sheet liability method. This method consists of determining deferred tax assets and liabilities on the basis of the differences between the carrying amounts of assets and liabilities and their tax base, using the tax rates that can objectively be expected to apply when the assets are realised and the liabilities are settled (see notes 18 and 19).

Deferred tax assets and liabilities arising from direct charges or credits to equity accounts are also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill for which amortisation is not tax deductible, or the initial recognition of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable income.

The ELECNOR Group recognises deferred tax assets provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

Deductions to avoid double taxation, as well as tax incentives and income tax credits earned as a result of economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they will be realised.

Under IFRS, deferred taxes are classified as non-current assets or liabilities even if they are expected to be realised within the next twelve months.

The income tax expense reflects the sum of the current tax expense and changes in the deferred tax assets and liabilities that are not recognised in equity (see notes 18 and 19).

The deferred tax assets and liabilities recognised are reassessed at each reporting date to determine whether they still exist, and any necessary adjustments are made on the basis of the results of the analyses.

h) Property, plant and equipment

Property, plant and equipment, which are all for own use, are carried at cost of acquisition less any accumulated depreciation and impairment. However, prior to 1 January 2004, the ELECNOR Group revalued certain items of property, plant and equipment as permitted by applicable legislation. In accordance with IFRS, the ELECNOR Group treated the amount of these revaluations as part of the cost of these assets because it considered that the revaluations reflected the effect of inflation.

With respect to the costs incurred after the start-up of an asset, the following should be taken into account:

- The costs arising from maintaining the asset, i.e. repairs and upkeep, are recognised directly as expenses for the year.
- The cost of replacements is recognised as an asset and the cost of the replaced item is derecognised.

Capitalised costs include borrowing costs on external financing accrued during the construction period on construction work exceeding one year. In 2016 total accumulated borrowing costs capitalised under property, plant and equipment, net on the consolidated statement of financial position amounted to Euros 63,298 thousand (Euros 57,068 thousand in 2015).

Self-constructed assets are recognised at accumulated cost; i.e. external costs plus in-house costs, determined on the basis of warehouse materials consumed, and manufacturing costs calculated using hourly absorption rates similar to those used for the measurement of inventories. In 2016, Euros 98,678 thousand was recognised for this item under other operating income in the consolidated income statement, mainly in respect of solar PV farm and electricity transmission line construction (Euros 112,534 thousand in 2015).

The ELECNOR Group generally depreciates its property, plant and equipment on a straight-line basis, distributing the cost of the assets over the following estimated years of useful life:

	Average estimated years of useful life	
	2016	2015
Buildings	33-50	33-50
Technical installations and machinery (*)	10-25	10-25
Hand and machine tools	3-10	3-10
Furniture and fixtures	3-10	3-10
Information technology equipment	3-5	3-5
Motor vehicles	2-10	2-10
Other property, plant and equipment	3-10	3-10

(*) Includes machinery and facilities used in wind projects, basically wind turbines.

The Parent's directors consider that the carrying amount of the assets does not exceed their recoverable amount, which is calculated on the basis of the future cash flows that the assets will generate (see note 3-k).
Since the ELECNOR Group does not have to incur significant costs in relation to the closure of its facilities, the accompanying consolidated statement of financial position does not include any related provision, except for a Euros 5 million provision for dismantling relating to the wind farm in Canada.

i) Other intangible assets

This item comprises identifiable non-monetary assets without physical substance that arise as a result of a legal transaction or which are developed internally by the Group companies. They are initially recognised at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and impairment, provided it is probable that they will generate economic benefits and their cost can be measured reliably.

Internally generated intangible assets

Expenditure on research is recognised as an expense in the year in which it is incurred.
Expenses incurred on project development are capitalised provided that they meet the following conditions:

- The costs are clearly identified and controlled by project and their distribution over time is clearly defined.
- The directors are able to demonstrate how the project will generate benefits in the future.
- The development cost of the asset, which includes any personnel expenses for ELECNOR Group employees working on these projects, can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives.
Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Intangible assets acquired separately

These items are recognised at cost of acquisition and are amortised on a straight-line basis over their estimated useful life, which is generally five years.

j) Administrative concessions

The Group considers that items associated with the administrative concessions it holds cannot be classified as property, plant and equipment since the contracts do not grant the right to use these assets; rather, they give access thereto in order to provide a public service on behalf of the concession grantor.
Based on the characteristics of the contracts, the Group analyses whether they fall within the scope of IFRIC 12, Service Concession Arrangements.
For concession arrangements subject to IFRIC 12, construction and other services rendered are recognised using the revenue recognition criteria. Contracts for construction or infrastructure upgrades are accounted for in accordance with the applicable accounting policy, while maintenance and operating services are recognised using the accounting policy applicable to services rendered.
Given that the Group provides various services (construction, maintenance and operation) under these contracts, revenue is recognised based on the fair value of each service rendered.
The Group accounts for the consideration received for construction contracts as a financial asset to the extent that there is an unconditional contractual right to receive cash or another financial asset either directly from the transferor or from a third party.
Consequently:

- The transmission concessions in Brazil in which the ELECNOR Group has interests are regulated in the related concession arrangement entered into between Concessionária de Transmissão (the Concession Holder) and the Brazilian Electricity Regulatory Agency (ANEEL).
- The concession arrangement obliges the Concession Holder to build infrastructures and operate them for 30 years. In return, it establishes the Concession Holder's unconditional right to receive a quantified remuneration (Reçeita Anual Permitida (Permitted Annual Revenue) (RAP)) throughout the period it operates the infrastructures.
- The RAP is updated regularly in order to take into account the effect of certain economic variables, mainly inflation.
- The Concession Holder's responsibility is limited to maintaining the infrastructure available for use; whether or not the infrastructure is used does not affect the Concession Holder's remuneration.
- There is a procedure in place whereby penalties are imposed by ANEEL in the event of lack of availability of infrastructure for reasons attributable to the Concession Holder. However, such penalties are limited to a maximum of 2% of the RAP for the previous 12 months, i.e. 98% of the RAP will be received in any case. Such penalties have been minimal in recent years.

Construction services

The amount received or receivable for the construction of infrastructure to be operated is recognised at fair value.
A financial asset is recognised for this amount if the concession operator has an unconditional contractual right to receive these amounts from the concession grantor, i.e. irrespective of the public's use of the service concerned. However, if receipt of these amounts is contingent upon demand for the service, an intangible asset is recognised.
Subsequent to initial recognition, these assets are accounted for as described in the measurement standard applicable to each type of asset (see notes 3-i and 3-m).

Maintenance and operation services

These services are accounted for as set forth in note 3-c.

k) Impairment

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.
The ELECNOR Group tests goodwill for impairment at each reporting date, and all remaining assets whenever there is any indication of impairment, to estimate any decline in value that would reduce the recoverable amount of the assets to below their carrying amount. Where the asset itself does not generate cash flows that are independent from other assets, the ELECNOR Group estimates the recoverable amount of the cash-generating unit to which the asset belongs (see note 7).
Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the difference with a charge to depreciation, amortisation, impairment and provisions in the accompanying consolidated income statement. Impairment losses recognised for an asset in prior years are reversed with a credit to the aforementioned heading when there is a change in the estimated recoverable amount of the asset. The carrying amount of the asset is increased up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, except in the case of impairment of goodwill, which is not reversible.

l) Inventories

This item reflects the assets that the ELECNOR Group:

- Holds for sale in the ordinary course of its business;
- Has under production, construction or development for this purpose, except for construction in progress for which revenue is recognised as indicated in note 3-c; or
- Expects to consume in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The cost of items that are not ordinarily interchangeable is assigned by using specific identification of their individual costs; the weighted average cost is used for the remainder.
Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.
Details of the ELECNOR Group's inventories for 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Raw materials and other supplies	8,551	9,380
Goods for resale	710	1,111
Semi-finished and finished goods	5,686	4,543
	14,947	15,034

m) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".
The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.
In view of the nature of the Group's financial instruments, the Parent's directors consider that their carrying amount, which will be adjusted in the event of any indication of impairment, is reasonably similar to their fair value.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs, unless the asset is recognised as a financial asset held for trading.
The ELECNOR Group classifies its current and non-current financial assets in the following categories:

- Originated loans and receivables. These are financial assets of a fixed or determined amount originated by the companies in exchange for supplying cash, goods or services directly to a debtor. These financial assets are measured at amortised cost.
- Available-for-sale financial assets. This category comprises non-derivative financial instruments that do not qualify for inclusion in another financial instrument category, predominantly equity investments. These investments are recognised in the consolidated statement of financial position at fair value. Changes in this market value, except for impairment losses, are recognised with a charge or credit to other comprehensive income. The cumulative gain or loss is recorded in valuation adjustments in consolidated equity until the investments are disposed of, whereupon the balance accumulated under this heading is taken to the consolidated income statement.

ELECNOR Group management decides on the most appropriate classification for each asset when it is acquired.
The ELECNOR Group derecognises financial assets when the contractual rights to receive the cash flows from the assets have expired or if the assets are sold or transferred to another company, transferring substantially all the risks and rewards associated therewith.

Financial assets at fair value

An analysis of financial instruments measured at fair value at 31 December 2016 and 2015 subsequent to their initial recognition, classified into levels 1 to 3 based on the fair value measurement method, is as follows:

- Level 1: their fair value is obtained from directly observable quoted prices in active markets for an identical asset or liability.
- Level 2: their fair value is determined using market inputs, other than the quoted prices included in level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

	Fair value at 31 December 2016			
	Thousands of Euros			
	Level 1	Level 2	Level 3	Total
Non-current financial assets				
Derivative financial instruments (notes 11 & 15)	-	523	-	523
Net equity investments (note 11)	-	-	4,432	4,432
Current financial assets				
Derivative financial instruments (note 15)	-	458	-	458
Non-current liabilities				
Derivative financial instruments (note 15)	-	(28,920)	-	(28,920)
Current liabilities				
Derivative financial instruments (note 15)	-	(5,821)	-	(5,821)
	-	(33,760)	4,432	(29,328)

	Fair value at 31 December 2015			
	Thousands of Euros			
	Level 1	Level 2	Level 3	Total
Non-current financial assets				
Derivative financial instruments (notes 11 & 15)	-	7,958	-	7,958
Net equity investments (note 11)	-	-	4,401	4,401
Non-current liabilities				
Derivative financial instruments (note 15)	-	(35,145)	-	(35,145)
Current liabilities				
Derivative financial instruments (note 15)	-	(6,702)	-	(6,702)
	-	(33,889)	4,401	(29,488)

Impairment of financial assets

ELECNOR Group management analyses financial assets to determine whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

The ELECNOR Group considers the following, inter alia, to be objective evidence of impairment of its financial assets:

- Significant financial difficulty of the issuer or the counterparty.
- Shortfalls or delays in payment.
- Probability that the borrower will enter bankruptcy or other financial reorganisation.

Cash and cash equivalents

This item comprises cash, demand deposits and other short-term, highly liquid investments that are readily convertible to cash and are not subject to a risk of changes in value.

Financial liabilities

Financial liabilities are recognised at fair value less any transaction costs attributable to their issue, and are subsequently measured at amortised cost using the effective interest method, except for those classified as hedging derivatives, which are subsequently measured at fair value.

Derivative financial instruments and hedging transactions

In view of its activities, the Group is exposed to financial risks, mainly currency risk and interest rate risk. The ELECNOR Group uses exchange rate insurance, cross currency swaps and interest rate swaps to hedge these exposures.

Financial derivatives are initially recognised at fair value in the consolidated statement of financial position, plus any transaction costs directly attributable to the issue of the derivatives, in the case of derivatives that qualify for hedge accounting, less any transaction costs directly attributable to the issue of the financial instruments. This fair value is subsequently adjusted as necessary. Gains and losses arising from changes in fair value are recognised as follows:

- In the case of cash flow hedges, changes in the fair value of the hedging derivatives, for the ineffective portion of the hedge, are recognised in the consolidated income statement, while the effective portion is recognised in valuation adjustments in the other comprehensive income. The gain or loss accumulated under this heading is taken to the consolidated income statement as the hedged item affects profit or loss or in the year of its disposal.

  The ELECNOR Group periodically tests the effectiveness of its hedges, both prospectively and retrospectively. All hedging transactions are submitted for approval by the board of directors of the Group company in question and the board of directors of Elecnor, S.A. and are documented and signed by the corresponding CFO, as required by IAS 39.

  At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis), and the actual effectiveness is within a range of 80%–125% (retrospective analysis) and can be reliably measured.

  For cash flow hedges of forecast transactions, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.
- When hedge accounting is discontinued, any cumulative gain or loss recognised under valuation adjustments at that date is retained under this heading until the hedged transaction occurs, whereupon the gain or loss on the transaction is adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to profit or loss.

Embedded derivatives are recognised separately when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss.

Other financial liabilities

This item includes loans, debentures and other similar liabilities, which are initially recognised at fair value, net of direct issue costs, and subsequently carried at amortised cost using the effective interest method.

n) Own shares

Own shares held by the ELECNOR Group at year end, which amounted to approximately Euros 21,989 thousand (Euros 22,341 thousand at 31 December 2015), are recognised at cost of acquisition as a reduction in other reserves under equity in the consolidated statement of financial position. At 31 December 2016 they represented 2.83% of the share capital outstanding at that date (2.85% at 31 December 2015) (see note 13).

The gains and losses obtained by the ELECNOR Group on the disposal of own shares are recognised in other reserves under equity in the accompanying consolidated statement of financial position.

o) Provisions

The Group recognises provisions for the estimated amount required to settle its liabilities, whether legal or constructive, probable or certain, associated with contingencies, ongoing litigation or obligations, when such liabilities arise as a result of past events, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are recognised when the liability or obligation arises (see note 16), with a charge to the relevant income statement heading based on the nature of the obligation, and for the present value thereof, when the effect of discounting the obligation is material.

Contingent liabilities relating to possible obligations (dependent on the occurrence or non-occurrence of uncertain future events) or to present obligations that do not qualify for the recognition of a provision (because they are not probable or they cannot be measured reliably) are not recognised (see note 20).

p) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated. A provision of Euros 1,526 thousand has been recognised in the consolidated annual accounts in respect of termination benefits (Euros 1,885 thousand in 2015).

q) Government grants

Non-refundable capital grants awarded by official bodies are recognised at the grant date, under non-current liabilities – grants in the consolidated statement of financial position, and are allocated to profit or loss each year in proportion to the depreciation for the period on the assets for which the grant was received.

At 31 December 2016, the ELECNOR Group had received capital grants amounting to Euros 7.6 million (Euros 7.1 million in 2015), which had not yet been recognised as income. Government capital grants recognised in 2016 amount to approximately Euros 596 thousand (Euros 789 thousand in 2015) and are recognised as other operating income.

Operating grants are allocated to income in the year in which the related expenses are incurred. Other operating income in the consolidated income statements for 2016 and 2015 includes approximately Euros 3,849 thousand and Euros 4,107 thousand, respectively. Most operating grants received by the ELECNOR Group in 2016 related to the costs borne by Deimos Space, S.L.U. and its subsidiaries in carrying out their activities.

r) Equity instruments

Equity instruments issued by the ELECNOR Group companies are recognised in equity at the amount received, net of direct issue costs.

s) Statement of changes in equity

Legislation in force requires certain categories of assets and liabilities to be recognised at fair value through equity. The amounts recognised in equity, under valuation adjustments, are included in the Group's equity net of the related tax effect, which was recognised as deferred tax assets or liabilities, as appropriate. This statement reflects the changes that have arisen in the year in valuation adjustments, by item, in addition to profit or loss for the year, plus/minus any adjustments for changes in accounting policies or due to prior years' errors. The changes in capital and reserves during the year are also included.

t) Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- 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 principal revenue-producing activities of the ELECNOR Group companies and other activities that are not investing or financing activities.

- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

The changes in net cash flows in 2016 from operating activities relate to the Group's routine operations. The changes in net cash flows from investing activities are mainly due to new investments in property, plant and equipment and concessions (see notes 9 and 11) and departures from the consolidated Group (see note 2-g). In addition, the changes in net cash flows from financing activities relate mainly to the amount of promissory notes issued and cancelled on the Alternative Fixed-Income Market in 2016 compared to 2015 (see note 14).

u) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the ELECNOR Group by the weighted average number of ordinary shares outstanding in the year, excluding the average number of ELECNOR shares held.
Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders 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 of the potential ordinary shares into ordinary shares of the Parent.
At 31 December 2016 and 2015, basic earnings per share are the same as diluted earnings per share, since there were no potential shares outstanding during the years then ended.

v) Dividends

The interim dividend approved by the board of directors in 2016 is presented as a reduction in the ELECNOR Group's equity (see note 5). However, the supplementary dividend proposed to the shareholders by the board of directors of ELECNOR at the annual general meeting is not deducted from equity until it has been approved.

w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

x) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.
Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.
Non-current assets acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 3-h.

4. FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring and supervising risks and limiting the concentration thereof. Financial risk management and containment is performed on a coordinated basis by corporate management and the various business units and subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

Currency risk

The first risk to be mitigated arises from the transactions that the Group performs on the international markets in the course of its business, namely market risk due primarily to foreign currency risk. Certain income and procurement costs are denominated in currencies other than the Euro. For this reason, the risk of fluctuating exchange rates of these currencies could have an impact on the Group's profits. In order to manage and minimise this risk, Elecnor uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations. The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor and the bank exchange the cash flows arising from a loan denominated in Euros for the flows of another loan denominated in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.

The main currencies other than the Euro used by the Parent in 2016 and 2015 were the Brazilian Real and the Chilean Peso, the sensitivity of which was as follows:

		Thousands of Euros	
Year	Increase/decrease in exchange rate	Effect on pre-tax profit or loss	Effect on pre-tax equity
	5%	(3,046)	(3,046)
2016	-5%	3,366	3,366

		Thousands of Euros	
Year	Increase/decrease in exchange rate	Effect on pre-tax profit or loss	Effect on pre-tax equity
	5%	(2,426)	(2,426)
2015	-5%	2,682	2,682

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. Elecnor has arranged borrowings to enable it to carry on its operations, mainly in connection with the development, construction and operation of wind farms, thermosolar projects and electricity infrastructure concessions, which it does under project financing arrangements. Under financing of this nature, interest rate risk must be mitigated contractually. In the case of both project and corporate financing, borrowings are arranged nominally at floating rates and, where appropriate, hedging instruments are used to minimise the related interest rate risk. The hedging instruments, which are specifically assigned to financial debt instruments and are limited to the same nominal value as the latter and the same maturity dates as the hedged items, are essentially IRSs, the aim of which is to convert loans originally arranged at variable rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.
The sensitivity of the ELECNOR Group's debt to interest rate fluctuations, taking into account its existing hedging instruments (see notes 14 and 15), is as follows:

		Thousands of Euros	
Year	Increase/decrease in interest rate (basis points)	Effect on pre-tax profit or loss	Effect on pre-tax equity
	+50	(2,611)	(2,611)
2016	-50	2,119	2,119

		Thousands of Euros	
Year	Increase/decrease in interest rate (basis points)	Effect on pre-tax profit or loss	Effect on pre-tax equity
	+50	(1,588)	(1,588)
2015	-50	1,588	1,588

Other price risks

The Group is also exposed to the risk that cash flows and profits may be affected by changes in energy prices, among other factors. In order to manage and minimise this risk the Group occasionally uses hedging strategies (see notes 6 and 7).

Liquidity risk

Liquidity risk is mitigated through Elecnor's policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US dollar deposits, through leading banks in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.
The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor has customers with very high credit ratings. However, in the case of non-recurrent international sales to customers, mechanisms such as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

In the case of the wind farms, the power produced - in accordance with the legislative framework in force for the electricity industry - is sold in the Iberian Electricity Market (MIBEL) and income is collected from the operator of the Spanish Electricity Market (OMIE) through a payment-guarantee system and from the Spanish National Markets and Competition Commission (CNMC), which regulates energy markets in Spain and reports to the Ministry of Industry. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, Ltda., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Indios Energía, S.A. (Brazil) entered into long-term agreements with the corresponding Brazilian electricity distribution companies to sell the electric power that they will generate for a period of 20 years, while Eoliennes de L'Érable entered into an agreement with the Québec electricity distribution company to sell electric power for 20 years. Similarly, the Brazilian electricity infrastructure concession operators have electricity distribution agreements with customers with a high credit rating which, together with the restrictions imposed by the transmission system itself, eliminate the possibility of any non-payment.

With regard to transmission lines, specifically those operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made: generators, major consumers and transmission entities. Prior to connecting to the system these companies deposit a guarantee. In the event of non-payment this guarantee will be executed, they will be immediately disconnected from the system and the payment obligation will be shared among the remaining users of the system. The collection of amounts by the concession operator is therefore guaranteed by the Brazilian national electricity system.

The transmission lines in Chile are part of the backbone transmission system, where the CDEC (Load Economic Dispatch Centre) for the corresponding system, CDEC-SIC (Central Interconnected System) or CDEC-SING (Greater North Interconnected System) is in charge of coordinating payments by generators to transmission entities. Payments in the system are guaranteed through a protocol whereby the CDEC, in the event of non-payment, will disconnect the offending generator from the system and distribute the payment obligation among the remaining generators using the system. From 2017 onwards the CDEC-SIC and the CDEC-SING will be merging with the National Electricity Coordinator; the latter will assume the remit of regulating the system, distributing the transmitter payment obligations between generators and distributors.

In an economic scenario such as the present one, credit risk continues to be an overriding risk compared to other financial risks. Faced with this situation, Elecnor continues to step up the measures taken to mitigate this risk, regularly analysing its exposure to credit risk, including the performance of individual analyses when operations so require, and also recognising impairment as required.

Regulatory risk

Elecnor closely monitors regulatory risk, particularly that affecting renewable energy, to adequately reflect its impact on the consolidated income statement.

5. DISTRIBUTION OF PROFIT

As in prior years, at its meeting in March the board of directors of ELECNOR, S.A. (Parent of the ELECNOR Group) will propose the distribution of profit for 2016, stipulating the portion that will be paid as a supplementary dividend and the amount that will be appropriated to voluntary reserves.

At the meeting held on 16 November 2016, the board of directors of the Parent agreed to distribute an interim dividend for 2016 of approximately Euros 4,481 thousand (approximately Euros 4,350 thousand in 2015), which was recognised as a reduction in equity under "Interim dividend for the year" on the liability side of the accompanying consolidated statement of financial position, and paid on 11 January 2017.

At the general meeting held on 18 May 2016 a supplementary dividend of Euros 18,505 thousand (Euros 0.26 per share) was distributed, taking into account the interim dividend of Euros 4,350 thousand out of 2015 profit paid in January 2016.

The provisional accounting statement prepared by the Parent in accordance with legal requirements (Article 277 of the Revised Spanish Companies Act) evidencing the existence of sufficient liquidity for the distribution of the dividend was as follows:

WORKING CAPITAL POSITION AT 31 OCTOBER 2016 AND 2015
(Excluding inventories, prepayments and accrued income and accrued expenses and deferred income)

	Thousands of Euros	
	31/10/2016	31/10/2015
Realisable values -		
Trade receivables	783,138	604,799
Other accounts	173,286	111,310
	956,424	716,109
Current payables -		
Suppliers	265,965	259,938
Current loans	163,192	116,560
Other accounts	119,825	106,072
	548,982	482,570
Total working capital	407,442	233,539
Liquidity available:		
Cash on hand and at banks (including foreign currency)	50,572	28,802
Total liquidity available	50,572	28,802
Gross interim dividend proposed -		
(Euros 0.0515 per 87,000,000 shares; Euros 0.05 in 2015)	4,481	4,350
% of net profit at 31/10/2016 and 30/10/2015	16.32%	28.84%
% of working capital + liquidity available	0.98%	1.66%

6. SEGMENT REPORTING

IFRS 8 requires operating segments to be identified based on the information that the entity's management uses to make decisions about operating matters. The Parent's directors consider that the segments that must be reported, since they form the basis on which the Group makes its decisions for allocating resources and whose operating profits are reviewed regularly at the highest executive level to assess their performance, are Infrastructure and Concessions and Investments. In each of these markets, the Group obtains revenue from the various business activities carried on by it.
The Concessions and Investments segment includes the concession and operating activities for wind farms, as the performance and monitoring of the results generated by both activities is measured and managed together; this is also the case for corporate decision-making.

a) Information on operating segments

Assets and liabilities for general use and the income and expenses arising therefrom were not allocated to the other segments. Similarly, the reconciling items arising from the comparison of the result of integrating the financial statements of the various operating segments (prepared on the basis of management criteria) with the consolidated financial statements of the ELECNOR Group, were not allocated. These items are included under the heading "Corporate" in the information shown below.
Information on these operating segments is presented below:

a) Details of the consolidated income statement items by segment at 31 December 2016 and 2015 are as follows:

2016

	Thousands of Euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 31/12/2016
Income statement					
Revenues	1,891,910	211,213	200	(68,187)	2,035,136
Results from operating activities	88,020	89,841	(11,106)	(27)	166,728
Finance income	9,547	57,224	1,085	-	67,856
Finance costs	(21,369)	(79,342)	-	-	(100,711)
Change in fair value of financial instruments	736	(250)	-	-	486
Exchange gains/(losses)	(960)	(5,986)	-	-	(6,946)
Impairment and gains/(losses) on disposal of financial instruments	(314)	-	-	-	(314)
Share in net profit of associates	4,902	(4,787)	2,095	-	2,210
Income tax	(27,571)	(18,370)	3,031	(663)	(43,573)
Attributable to non-controlling interests	-	(18,497)	-	1,226	(17,271)
Consolidated profit/(loss) attributable to the Parent	52,989	19,834	(4,895)	537	68,465

2015

	Thousands of Euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 31/12/2015
Income statement					
Revenues	1,767,035	200,352	-	(86,244)	1,881,143
Results from operating activities	63,112	66,606	(4,540)	(745)	124,433
Finance income	4,067	72,839	-	-	76,906
Finance costs	(17,853)	(74,880)	-	-	(92,733)
Change in fair value of financial instruments	(174)	-	-	-	(174)
Exchange gains/(losses)	1,459	13,020	-	-	14,479
Impairment and gains/(losses) on disposal of financial instruments	860	1,951	-	-	2,811
Share in net profit of associates	11,332	(8,294)	-	-	3,038
Income tax	(18,736)	(25,347)	5,499	157	(38,427)
Attributable to non-controlling interests	149	(24,820)	-	-	(24,671)
Consolidated profit/(loss) attributable to the Parent	44,216	21,075	959	(588)	65,662

b) Details of assets and liabilities by segment at 31 December 2016 and 2015 are as follows:

2016	Thousands of Euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 31/12/2016
Assets					
Property, plant and equipment	150,374	1,132,462	-	(14,849)	1,267,987
Intangible assets	37,184	47,330	-	-	84,514
Deferred tax assets	46,281	48,496	-	3,650	98,427
Inventories	11,751	3,196	-	-	14,947
Trade receivables	1,071,663	49,886	18,891	(203)	1,140,237
Equity-accounted investees	17,547	128,584	19,484	-	165,615
Non-current financial assets	42,562	736,049	4,973	-	783,584
Non-current assets held for sale	47,143	-	-	-	47,143
Other assets (*)	209,088	108,743	15	(24)	317,822
Total assets	1,633,593	2,254,746	43,363	(11,426)	3,920,276
Liabilities and equity					
Non-current financial debt	25,771	874,107	307,050	-	1,206,928
Provisions for liabilities and charges	10,030	8,689	-	-	18,719
Deferred income and grants	7,515	2,223	-	-	9,738
Other non-current liabilities	8,595	11,049	-	-	19,644
Deferred tax liabilities	11,135	75,908	-	341	87,384
Current financial debt	143,691	125,036	2,332	-	271,059
Current non-financial debt	1,194,021	99,994	15,314	(6,902)	1,302,427
Non-current liabilities held for sale	24,337	-	-	-	24,337
Equity	108,221	1,052,631	500,043	(680,855)	980,040
Total liabilities	1,533,316	2,249,637	824,739	(687,416)	3,920,276

(*) Includes mainly cash and cash equivalents.

2015	Thousands of Euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 31/12/2015
Assets					
Property, plant and equipment	145,794	1,081,415	-	(27,327)	1,199,882
Intangible assets	38,784	54,113	-	936	93,833
Deferred tax assets	35,318	36,994	2,366	5,755	80,433
Inventories	12,132	2,902	-	-	15,034
Trade receivables	1,010,606	53,416	10,526	(13,218)	1,061,330
Equity-accounted investees	15,970	91,203	16,873	586	124,632
Non-current financial assets	11,522	479,211	94,346	-	585,079
Non-current assets held for sale	4,058	-	-	-	4,058
Other assets (*)	225,589	111,426	268	(26)	337,257
Total assets	1,499,773	1,910,680	124,379	(33,294)	3,501,538
Liabilities and equity					
Non-current financial debt	32,061	806,725	306,639	-	1,145,425
Provisions for liabilities and charges	7,147	4,557	-	-	11,704
Deferred income and grants	6,920	6,762	-	-	13,682
Other non-current liabilities	7,563	17,655	-	-	25,218
Deferred tax liabilities	13,937	52,724	-	300	66,961
Current financial debt	183,492	112,244	1,847	-	297,583
Current non-financial debt	1,110,287	90,838	7,350	(7,881)	1,200,594
Equity	93,951	877,466	495,104	(726,150)	740,371
Total liabilities	1,455,358	1,968,971	810,940	(733,731)	3,501,538

(*) Includes mainly cash and cash equivalents.

b) Information on products and services

The ELECNOR Group's business activities are as follows:

- Electricity
- Facilities
- Gas
- Power generation
- Railways
- Construction
- Environment and water
- Telecommunications infrastructure
- Telecommunications systems
- Maintenance

The generation of electricity (included in energy generation) using mainly wind farms and thermosolar power plants is one of the lines of business of the ELECNOR Group that is carried out through the Enerfin subgroup in the case of wind farms, and by Celeo Termosolar, S.L. (Celeo subgroup) in the case of thermosolar power plants. Both activities are included in the Concessions and Investments segment.

The electricity generation business of the ELECNOR Group's Spanish subsidiaries is regulated by Electricity Industry Law 24/2013 of 26 December 2013, which repeals Law 54/1997 of 27 November 1997, and by the subsequent implementing regulations.

On 28 December 2012, Law 15/2012 of 27 December 2012 on Tax Measures for Energy Sustainability was published, introducing a new tax on the value of electricity output applicable to activities involving the production and feeding of electricity into the Spanish electricity system. The tax base consists of the total amount receivable by the taxpayer for the power output produced and the electricity fed into the system during the tax period, which coincides with the calendar year, and this amount is subject to a 7% tax charge.

Additionally, Final Provision One of this Law amended Law 54/1997, whereby the electricity attributable to the use of fuels at a generation facility that uses any non-consumable renewable energy as a primary energy source will not qualify for the feed-in tariff system, which could affect the Group's thermosolar power plants under construction.

On 2 February 2013, Royal Decree-Law 2/2013 of 1 February 2013 on Urgent Measures in the Electricity System and in the Financial Sector was published, addressing, inter alia, the following:

- Effective from 1 January 2013, all remuneration, tariffs and feed-in tariffs received by the parties to the electricity system, which were tied to the CPI prior to the entry into force of this Royal Decree-Law, will be updated using as a reference the CPI at a constant tax rate, excluding unprocessed foods and energy products.
- Additionally, this Royal Decree-Law amends Royal Decree 661/2007 of 25 May 2007, which governs electricity production under the special regime, establishing a single remuneration option for facilities falling under the special regime, i.e. this remuneration will be treated as a regulated tariff except when the facilities decide to receive only the market price (no feed-in tariff). The pool plus feed-in tariff option normally used by these facilities was therefore eliminated.

Royal Decree-Law 9/2013 of 12 July 2013, adopting urgent measures to ensure the financial stability of the electricity system, was approved on 13 July 2013 and addresses, inter alia, the following:

- The government will be responsible for approving a new legal and economic regime for existing facilities that generate electricity using renewable energy sources, cogeneration and waste. To this end, article 30.4 of Electricity Industry Law 54/1997 of 27 November 1997 was amended to include the specific principles for drawing up this regime, in order to limit the government's scope of activities to the development of remuneration models for these facilities. This regime will be based on facilities receiving revenues for their participation in the market, plus additional remuneration, where necessary, to cover the investment costs that cannot be recovered by an efficient, well-managed company in the market. To this end, in accordance with EU legislation, an efficient, well-managed company is understood to be a company provided with the means necessary to carry out its activity, with costs that correspond to an efficient company engaging in this activity, taking into account the corresponding revenue and a reasonable profit for carrying out its activities.
- Calculation of the specific remuneration for a 'standard' facility will consider the revenues from energy sales at production market prices, the average operating expenses necessary to carry out the activity and the value of the initial investment for a 'standard' facility operated by an efficient, well-managed company. As such, the remuneration model will be based on fixed parameters on the basis of the different 'standard' facilities listed.
- In order to define this new model, the following pieces of legislation were repealed: article 4 of Royal Decree-Law 6/2009 of 30 April 2009, adopting certain measures in the energy sector and approving the social tariff; Royal Decree 661/2007 of 25 May 2007, which regulates the production of electricity under the special regime; and Royal Decree 1578/2008 of 26 September 2008, regulating the revenues from photovoltaic solar electricity production activities for facilities entering into service after the end date for remuneration, under Royal Decree 661/2007 of 25 May 2007, for this technology. However, with a view to maintaining the flow of remuneration to facilities as well as other procedures, rights and obligations, the repealed legislation above will continue to apply temporarily until the regulation developing this Royal Decree-Law has been enacted, except in certain extreme cases.
- To this end, where appropriate, facilities will be entitled to a settlement on account under this temporary system and, once the legislative provisions necessary to apply the new economic regime have been enacted, the pertinent adjustments will be made to the rights to

receivables or payment obligations arising as a result of application of the new methodology, effective from the entry into force of this Royal Decree-Law.

- Consequently, although the effectiveness of the legislative provisions governing remuneration that will be enacted has been determined, effective from the entry into force of this Royal Decree-Law, the legislation provides agents with the necessary information as regards the amount of the remuneration mechanism established, considering participation in the market and a return on the investment, and also determines the reasonable rate of return for the 'standard' facility.
- Conversely, for facilities entitled to the feed-in tariff regime at the date of entry into force of this Royal Decree-Law, pre-tax remuneration will approximate the average return for the last 10 years on 10-year government bonds in the secondary market, plus 300 basis points (to be reviewed after six years).

Royal Decree 403/2014 of 6 June 2014, regulating electricity generated from renewable energy sources, cogeneration and waste, was published on 10 June 2014. Subsequently, on 21 June 2014, Ministry of Industry, Energy and Tourism Order IET/1045/2014 of 16 June 2014 was published, approving the remuneration parameters for standard facilities, applicable to certain facilities that produce electricity through renewable sources, cogeneration and waste.
The new order updating the remuneration parameters for standard facilities from 2017 to 2019 has yet to be approved.
In line with the above, and considering that the government's aim is to reduce feed-in tariffs for the renewables sector, the ELECNOR Group has re-estimated the future cash flows of all assets subject to this legislation, as it considers that there could be indications of impairment thereon.
Electricity sale and purchase contracts have been arranged for wind farms in Brazil and Canada with a number of buyers (Eletrobras, the Chamber for the Commercialisation of Electricity and Hydroquebec). These contracts cover a period of 20 years and have been arranged as part of the programme implemented by the Federal Government of Brazil.
The directors do not consider that any other renewable energy-related regulation has been enacted that could significantly affect the consolidated annual accounts at 31 December 2016.

c) Geographical information

Following are details of revenues from external customers and non-current assets that are not financial instruments for the most significant countries at 31 December 2016 and 2015:

Revenue

	Thousands of Euros	
Country	2016	2015
Spain	915,826	851,500
Brazil	205,983	171,811
Angola	82,624	56,961
USA	143,869	127,230
Australia	1,921	86,821
Chile	104,583	70,362
Mexico	138,883	54,117
Other	441,447	462,341
	2,035,136	1,881,143

Non-current assets

	2016		
	Thousands of Euros		
Country	Intangible assets	Goodwill	Property, plant and equipment
Canada	-	-	218,086
Brazil	334	-	357,864
Chile	75	-	431,790
Portugal	-	4,227	-
UK	53	5,690	97
USA	683	329	10,827
Spain	51,235	15,347	230,917
Other	27	6,514	18,406
	52,407	32,107	1,267,987

Non-current assets

	2015		
	Thousands of Euros		
Country	Intangible assets	Goodwill	Property, plant and equipment
Canada	-	-	216,104
Brazil	67	-	289,986
Chile	78	-	350,962
Portugal	-	4,385	-
UK	81	5,690	197
USA	855	331	11,128
Spain	58,941	21,945	304,815
Other	439	1,021	26,690
	60,461	33,372	1,199,882

7. GOODWILL

Details, by company, of intangible assets - goodwill in the consolidated statements of financial position at 31 December 2016 and 2015 and of the changes therein in those years are as follows:

	Thousands of Euros							
	Balance at 31/12/2014	Additions	Balance at 31/12/2015	Additions	Impairment (note 21)	Transfers to non-current assets held for sale	Other	Balance at 31/12/2016
Fully consolidated companies:								
Wind farms:								
- Eólicas Páramo de Poza, S.A.	1,104	-	1,104	-	(591)	-	-	513
- Galicia Vento, S.L.	8,702	-	8,702	-	-	-	-	8,702
- Aerogeneradores del Sur, S.A.	3,630	-	3,630	-	-	-	-	3,630
- Bulgana Wind Farm Pty LTD	85	-	85	264	-	-	-	349
Other businesses:				-	-	-	-	
- Deimos Space, S.L.U.	158	-	158	-	-	-	-	158
- Deimos Engenharia, S.A.	4,227	-	4,227	-	-	-	-	4,227
- Ehisa Construcciones y Obras, S.A.	1,932	-	1,932	-	-	-	-	1,932
- Hidroambiente, S.A.U.	388	-	388	-	-	-	-	388
- Instalaciones y Proyectos de Gas, S.A.U. (*)	1,031	-	1,031	-	-	-	-	1,031
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	1,125	-	-	-	-	1,125
- Zaragua 2005, S.L.U	290	-	290	-	-	-	-	290
- Ditra Cantabria, S.A.U	2,096	-	2,096	-	-	-	-	2,096
- Jomar Seguridad, S.L.U.	1,647	-	1,647	-	-	-	-	1,647
- Belco Elecnor Electric, Inc.	281	50	331	-	-	-	(2)	329
- IQA Operations Group Limited	5,690	-	5,690	-	-	-	-	5,690
- Barcaldine Remote Community Solar Farm Pty LTD	-	936	936	-	-	(936)	-	-
	32,386	986	33,372	264	(591)	(936)	(2)	32,107

(*) Company merged with Elecnor, S.A.

As indicated in note 3-b, at each reporting date the Group reviews goodwill for impairment.
The cash-generating units considered for the purpose of the impairment tests on goodwill, included in the table above, are the companies to which the goodwill was allocated, since these companies are generally set up as single-project entities.
Recoverable amount is the higher of fair value less costs to sell and value in use, which is deemed to be the present value of the estimated future cash flows approved by management and considered reasonable. In assessing value in use, the assumptions used include discount rates, growth rates and expected changes in selling prices and costs. The directors of the Parent estimate discount rates that reflect the time value of money and the risks specific to the cash-generating unit.
In particular, with respect to the impairment tests on the goodwill allocated to wind farms and wind power projects in Spain, performed taking into account the value of the farms and projects together with the value of the related property, plant and equipment, which amounts to Euros 101 million (Euros 189 million in 2015) (see note 9), revenue is estimated in accordance with sector forecasts relating to the pool price and applicable legislation (see note 6-b), which considers annual increases based on a prudent estimate of the changes in the price index and the average production levels obtained in prior years or those estimated as a result of studies by independent experts. The main assumptions used by the Parent's directors when testing for impairment in 2016 and 2015 are as follows:

- Revenues: based on internal estimates and, where applicable, external sources. The pool price applied for 2017 has been estimated at €42.11/MWh.
- Discount rate: 5.54% (*)
- Projection period: 20/25 years, depending on the useful life of the asset (see note 3-h).

(*) The rate after the tax effect, as in this type of projects the tax component is very high and a fundamental variable when deciding whether to invest. These tests used net tax flows.

The results obtained from these tests and the sensitivity analyses performed by management brought to light impairment of Euros 591 million in the goodwill recognised in the subsidiary Eólicas Paramos de Poza, S.A.
The sensitivity analyses performed by management using variations in accordance with the deviations in the main estimates from the previous year did not evidence any indications of impairment.
Additionally, with respect to the impairment tests on the remaining goodwill, which in any event is immaterial, the discount rates applied were all around 7%. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts, and past experience and future expectations, respectively, and generally do not exceed 5%. When these calculations include the estimated perpetual return, growth rates of 2% are considered.
These tests did not bring to light any additional impairment.

8. OTHER INTANGIBLE ASSETS

The changes in this item in the consolidated statements of financial position at 31 December 2016 and 2015 were as follows:

	Thousands of Euros					
	Development expenses	Industrial property	Computer software	Administrative concessions	Other intangible assets	Total
Balance at 01/01/2015	1,863	3,024	8,154	56,304	27,507	96,852
Changes in the consolidated Group (note 2-g)	(881)	-	(139)	-	406	(614)
Additions	121	45	800	31	-	997
Disposals	(19)	-	(163)	-	-	(182)
Translation differences (note 13)	-	142	6	-	(4)	144
Balance at 31/12/2015	1,084	3,211	8,658	56,335	27,909	97,197
Changes in the consolidated Group (note 2-g)	-	-	-	(5,006)	-	(5,006)
Additions	135	-	1,712	151	-	1,998
Disposals	-	(142)	(334)	-	(402)	(878)
Translation differences (note 13)	-	138	98	-	-	236
Balance at 31/12/2016	1,219	3,207	10,134	51,480	27,507	93,547
Accumulated amortisation						
Balance at 01/01/2015	1,403	1,756	6,629	14,890	6,803	31,481
Changes in the consolidated Group (note 2-g)	(689)	-	(113)	-	-	(802)
Charge for the year (note 21)	124	497	767	2,770	1,973	6,131
Disposals	(19)	-	(120)	-	-	(139)
Translation differences (note 13)	-	19	46	-	-	65
Balance at 31/12/2015	819	2,272	7,209	17,660	8,776	36,736
Changes in the consolidated Group (note 2-g)	-	-	-	(1,244)	-	(1,244)
Charge for the year (note 21)	133	241	1,005	2,573	1,973	5,925
Disposals	-	(27)	(283)	-	-	(310)
Translation differences (note 13)	-	30	3	-	-	33
Balance at 31/12/2016	952	2,516	7,934	18,989	10,749	41,140
Total other intangible assets, net	267	691	2,200	32,491	16,758	52,407

Other intangible assets in the above table include a gross amount of Euros 27,507 thousand reflecting the estimated fair value of the contracts with public entities for road maintenance and upkeep relating to the subsidiary Audeca, S.L.U. at the date on which this company was acquired by the ELECNOR Group in 2010. The Group amortises this asset over a period of 15 years which, based on past experience, is the estimated average term of the aforementioned contracts including the related renewals. The amortisation of this item in 2016 and 2015 amounted to approximately Euros 1,973 thousand, respectively.

Administrative concessions include approximately Euros 32,282 thousand (Euros 34,842 thousand in 2015) reflecting the estimated fair value (based on the fair value of the consideration given, i.e. the construction), less amortisation, of the investments made in various water treatment plants, which were constructed and are operated under a concession arrangement pursuant to the administrative concessions granted by the Aragón Water Institute. Under these concessions, the ELECNOR Group operates the aforementioned water treatment plants obtaining revenue on the basis of the volume of cubic metres of water treated. At 31 December 2016, all the water treatment plants are in operation, with a concession term of 20 years.

During the operation phase, the obligations arising from the arrangement with the Aragón Water Institute for the related years will be paid following the approval of monthly appraisal reports and the presentation of invoices based on the tariffs set, which may be reviewed over the term of the concession. The construction price of the water treatment plants is not subject to price reviews.

The concession will involve management of the water treatment plants to ensure that they are working properly at all times. In the event of a suspension of water treatment plant services, the concession operator is obliged to find a solution with utmost diligence and is not entitled to charge any amounts relating to the facilities in question during the period the services are suspended.

The concession arrangement will be deemed terminated when the initially specified term or any agreed-upon extensions or reductions thereof expire. The concession operator will be obliged to return the concession assets – as well as any assets and fixtures required for the operation thereof – to the grantor in good working order.

In 2016, the income generated by these concessions amounted to approximately Euros 6,433 thousand (Euros 6,575 thousand in 2015), and was recognised under revenues in the accompanying consolidated income statement.

The cost of fully amortised intangible assets in use at 31 December 2016 and 2015 amounts to approximately Euros 9,820 thousand and Euros 6,692 thousand, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

Movement in 2016 and 2015 is as follows:

	Thousands of Euros								
	Land	Buildings, technical installations and machinery	Hand and machine tools	Furniture and fixtures	Information technology equipment	Motor vehicles	Other items of property, plant and equipment	Property, plant and equipment under construction	Total
COST:									
Balance at 1 January 2015	24,705	1,285,932	17,694	8,143	20,812	18,625	4,254	285,336	1,665,501
Changes in the consolidated Group (note 2-g)	406	(9,989)	-	(32)	(46,445)	-	(123)	674	(55,509)
Additions	-	57,586	2,670	1,049	1,912	7,492	5,118	130,443	206,270
Disposals	(88)	(14,590)	(4,122)	(494)	(459)	(1,058)	(396)	(450)	(21,657)
Transfers	-	293,026	(3,014)	(261)	38,151	(1,492)	1,229	(294,970)	32,669
Translation differences (note 13)	(152)	(140,508)	607	(165)	(302)	(345)	(117)	10,451	(130,531)
Balance at 31 December 2015	24,871	1,471,457	13,835	8,240	13,669	23,222	9,965	131,484	1,696,743
Changes in the consolidated Group (note 2-g)	-	(89,707)	-	-	(56)	-	-	-	(89,763)
Additions	20	23,163	3,951	1,543	1,437	4,211	986	106,053	141,364
Disposals	(3)	(3,370)	(2,432)	(627)	(966)	(1,153)	(302)	(243)	(9,096)
Transfers	2,024	77,673	71	177	(226)	-	(3,564)	(77,503)	(1,348)
Transfers to non-current assets held for sale (note 3-a)	(402)	-	-	-	-	-	-	(39,642)	(40,044)
Translation differences (note 13)	521	133,969	114	295	369	443	(96)	4,155	139,770
Balance at 31 December 2016	27,031	1,613,185	15,539	9,628	14,227	26,723	6,989	124,304	1,837,626
ACCUMULATED DEPRECIATION:									
Balance at 1 January 2015	-	417,478	5,389	5,478	16,192	11,205	1,610	-	457,352
Changes in the consolidated Group (note 2-g)	-	(1,016)	-	(22)	(9,296)	-	(79)	-	(10,413)
Charge for the year (note 21)	-	54,346	316	712	2,219	3,161	682	-	61,436
Disposals	-	(14,504)	(10)	(449)	(473)	(513)	(208)	-	(16,157)
Transfers	-	38,393	(2,969)	(14)	51	(75)	1,594	-	36,980
Translation differences (note 13)	-	(33,554)	(26)	(124)	(170)	(560)	41	-	(34,393)
Balance at 31 December 2015	-	461,143	2,700	5,581	8,523	13,218	3,640	-	494,805
Changes in the consolidated Group (note 2-g)	-	(24,972)	-	-	(56)	-	-	-	(25,028)
Charge for the year (note 21)	-	62,078	785	880	1,487	3,960	899	-	70,089
Disposals	-	(2,848)	(235)	(460)	(576)	(1,073)	(8)	-	(5,200)
Transfers	-	(4,980)	-	(112)	(70)	-	85	-	(5,077)
Translation differences (note 13)	-	32,948	121	212	237	542	(19)	-	34,041
Balance at 31 December 2016	-	523,369	3,371	6,101	9,545	16,647	4,597	-	563,630
IMPAIRMENT									
Balance at 1 January 2015	-	-	-	-	-	-	-	-	-
Charges	-	2,056	-	-	-	-	-	-	2,056
Balance at 31 December 2015	-	2,056	-	-	-	-	-	-	2,056
Transfers	1,278	2,675	-	-	-	-	-	-	3,953
Balance at 31 December 2016	1,278	4,731	-	-	-	-	-	-	6,009
Net cost at 31 December 2016	25,753	1,085,085	12,168	3,527	4,682	10,076	2,392	124,304	1,267,987

Buildings, technical installations and machinery mainly include the gross carrying amount and accumulated depreciation of wind farms in operation built in prior years, as well as the transmission lines in Chile which commenced operations in 2015.

At 31 December 2016, property plant and equipment under construction mainly includes the investments made in 2016 and 2015 in the transmission lines in Chile, amounting to approximately Euros 118 million, the estimated entry into service date of which is February 2018.

The main additions to property, plant and equipment in 2016 comprised the aforementioned investments in transmission lines in Chile, which are expected to enter into service in February 2018, as well as the construction of a solar PV farm in Australia.

Asset retirements due to changes in the consolidated group in 2016 fully comprise the investments in the wind farms of Parques Eólicos de Villanueva, S.L.U. and its subsidiaries, which were sold to a third party in 2016 (see note 2-g).

At 31 December 2016, the aforementioned investments made for the construction of a solar PV farm in Australia through the subsidiary Barcaldine Remote Community Solar Farm Pty, Ltd, which was being sold at the aforementioned date, were transferred to non-current assets held for sale (see notes 3-a and 31).

The principal additions to property, plant and equipment in 2015 were investments in the equipment required for the construction and entry into service of a gas pipeline in Peru amounting to Euros 10 million and the investments in electricity transmission lines in Chile amounting to approximately Euros 24 million.

At 31 December 2016, the carrying amount, before depreciation, of the property, plant and equipment pledged to secure certain bank loans, mainly to finance the wind power projects undertaken by Group companies, amounted to approximately Euros 1,068 million (Euros 1,490 million in 2015) (see note 14).

The offices used by the Group to carry on its business activities, except for those leased in 2007 under the finance lease, are mostly rented.

At 31 December 2016 and 2015, the cost of the Group's fully depreciated property, plant and equipment in use amounted to Euros 69,717 thousand and Euros 61,725 thousand, respectively. Of these amounts, Euros 55,948 thousand and Euros 51,917 relate to the Parent. Details of the cost of the Parent's fully depreciated property, plant and equipment at the end of 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Buildings, technical installations and machinery	51,070	47,243
Furniture and fixtures	1,568	1,317
Information technology equipment	2,836	2,862
Motor vehicles	474	495
	55,948	51,917

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed 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.

10. EQUITY-ACCOUNTED INVESTEES

Details of the ELECNOR Group's investments in associates and joint ventures at 31 December 2016 and 2015, which are accounted for using the equity method (see note 2-f), are as follows:

	Thousands of Euros	
Company	2016	2015
Cosemel Ingeniería, A.I.E	119	144
Consorcio Eólico Marino Cabo de Trafalgar, S.L.	-	68
Parque Eólico Gaviota, S.A.	181	334
Jauru Transmissora de Energía, S.A.	24,194	18,221
Brilhante Transmissora de Energia, S.A.	37,212	28,201
Sociedad Aguas Residuales Pirineos, S.A.	4,934	4,818
Gasoducto de Morelos, S.A.P.I. de C.V.	13,762	9,901
Dioxipe Solar, S.L.	25,490	-
Aries Solar Termoeléctrica, S.L.	36,880	43,770
Brillhante Transmissora de Energia, S.A. II	4,752	3,350
Morelos O&M, SAPI de C.V.	177	-
Morelos EPC, SAPI de C.V.	17,914	15,825
	165,615	124,632

Movement in equity-accounted investees in 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Opening balance	124,632	75,259
Profit/(loss) for the year	2,210	3,038
Capital increases	60,870	120,931
Translation differences	14,111	(14,762)
Dividends received	(2,989)	(1,007)
Changes to the consolidated Group	122	5,447
Change in fair value of hedging derivatives (net of tax effect)	(1,249)	6,250
Other movements	57	34
Transfer of financial assets (*)	(32,149)	(72,995)
Transfers to financial assets (**)	-	2,437
Closing balance	165,615	124,632

(*) Reclassification of the impairment recognised at 31 December 2016 on the loans extended to Dioxipe Solar, S.L. as a result of the capitalisation of the participating loan (note 11) (in 2015 this reclassification related to the loans extended to Aries Solar Termoeléctrica, S.L.).
(**) In 2015, once the amount of the investment reached 0, the losses of these investees were considered as a reduction in the other financial assets that formed part of the net investment therein (see note 11).

Details of the key indicators of equity-accounted investees are provided in Appendix III.

Capital increases in 2016 largely reflect the share capital increase with a share premium approved by Dioxipe Solar, S.L., totalling Euros 103 million, of which the Company subscribed 55.7%.

Capital increases in 2015 largely reflected the share capital increase with a share premium approved by Aries Solar Termoeléctrica, S.L., totalling Euros 211 million, of which the Company subscribed 55.7%.

The changes in the scope of consolidation in 2015 were due entirely to the consolidation of Morelos EPC SAPI de CV using the equity method.

In 2016 the appreciation of the Brazilian Real against the Euro led to an increase in the equity of the equity-accounted Brazilian companies during the translation of their financial statements to the Group's functional currency (decrease in equity due to the depreciation of the Brazilian Real in 2015) (see notes 2-c and 2-f).

In 2010 the Group acquired 55% of the subsidiaries Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., whose statutory activities comprise the construction and operation of three parabolic trough technology thermosolar power plants in Extremadura and Castilla La Mancha. In 2010 various agreements were entered into between the shareholders of these companies, governing their relationships as shareholders, their relationships with the companies, the management and administration thereof and various aspects relating to the development and subsequent phases of projects. Specifically, certain matters for which unanimous approval is required in order to adopt decisions were defined.

Matters requiring the unanimous approval of the shareholders at the general meeting are as follows:

a) Reimbursement of share premiums, capital increases or reductions, amendments to the bylaws and, in particular, approval of any clauses relating to restrictions on the transfer of shares;
b) Mergers, spin-offs, transformations, dissolutions or transfers en bloc of assets and liabilities and disposals of a substantial portion of assets;
c) Investments in any joint venture, company or association or acquisitions of any shares, assets or businesses of any other company;
d) Arrangement, amendment and/or termination of any agreements with shareholders or companies forming part of their group or approval of any transactions with companies related thereto;
e) Approval of loans, pledges or guarantees of any kind extended to shareholders or related companies;
f) Changes in the number of directors;
g) Appointment or removal of auditors;
h) Changes in the policy of maximising dividends to shareholders;
i) Agreements relating to key project decisions on any changes in activity, arrangement of any transactions, agreements or operations that alter the nature of the business or significantly modify the scope of the project, discontinuation of the project and arrangement of any agreements that are unrelated to the Company's ordinary business activity or outside its ordinary course of business;
j) Changes in the tax regime;
k) Agreements relating to the arrangement of project financing and any possible refinancing; and
l) Amendments to the terms and conditions of the project financing agreements which affect the internal rate of return on the investment at the reporting date, the financing guarantees or the termination of the agreements.

Matters requiring the unanimous approval of the board of directors are as follows:

a) Any loans, credit facilities, any other form of financing or guarantees extended to a third party;
b) Arrangement of any debt or provision of guarantees other than those required by current suppliers;
c) Approval of business plans and initial operating budgets;
d) Approval of the operating budget when it includes a total expenditure increase of more than 10% on the prior year's budget;
e) Granting of powers of attorney in regard of reserved powers;,
f) Amendment of project financing agreements;
g) Incorporation of subsidiaries or acquisition of shares of other companies;
h) Capital increases;
i) Award of provisional and definitive acceptance certificates for plants in accordance with the Engineering, Procurement and Construction (EPC) contract, approval of waivers and changes in EPC, O&M and/or Owner's Engineering contracts.

In view of the nature of the above matters and the unanimity required in order to adopt decisions thereon, and in accordance with the consolidation principles indicated in note 2-f, the ELECNOR Group considers that the interests in these companies should be classified as joint ventures, specifically as jointly controlled entities. Accordingly, these interests were accounted for using the equity method. At the date on which these consolidated annual accounts were authorised for issue, the three thermosolar power plants in these projects are in operation. Details of these companies' key indicators at 31 December 2016 and 2015 are as follows:

	2016	
	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.
Assets:		
Property, plant and equipment	243,363	445,904
Other non-current assets	25,376	53,076
Current assets	8,928	16,737
Liabilities:		
Current and non-current financial debt (*)	239,107	452,326
Participating loans	-	125
Other non-current liabilities	2,078	12,338
Other current liabilities	8,915	7,886
Valuation adjustments	(29,704)	(60,691)
Profit/(loss) for the year	(6,911)	(12,813)

(*) Includes liabilities arising from the measurement of interest rate derivatives at 31 December 2016.

	2015	
	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.
Assets:		
Property, plant and equipment	254,033	466,629
Other non-current assets	24,958	51,243
Current assets	7,392	14,721
Liabilities:		
Current and non-current financial debt (*)	243,614	457,659
Participating loans	56,315	119
Other non-current liabilities	41,103	11,366
Other current liabilities	13,522	4,622
Valuation adjustments	(29,132)	(57,717)
Profit/(loss) for the year	(12,049)	(16,199)

(*) Includes liabilities arising from the measurement of interest rate derivatives at 31 December 2015.

As mentioned, the associates Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. engage in the operation of three parabolic trough technology thermosolar power plants.

The Group has analysed the impact of the regulatory changes approved since 2012 on these associates and in 2013 reviewed the financial projections of these projects and tested the property, plant and equipment of these associates for impairment, taking into consideration the current regulatory situation and the numerous uncertainties surrounding the future outlook and performance of the industry.
All the assumptions and estimates applied by the directors with respect to the impairment testing of the investments in Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. use the values established in Order IET/1045/2014, which approves the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable energy sources, cogeneration and waste.
The main assumptions used by the Parent's directors when testing for impairment in 2016 and 2015 are as follows:

Projection period: 25 years

Income: power generated according to sector reports on this type of plant.

Discount rate: 5.54% (*)

(*) The rate after the tax effect, as in this type of projects the tax component is very high and a fundamental variable when deciding whether to invest. These tests used net tax flows.

The thermosolar projects in which the Group holds an interest are subject to regulation that ensures a reasonable remuneration for an efficient, well-managed company, up to the initial value of the investment.
In order to maintain this reasonable remuneration over time, regulatory remuneration is based on the average return on ten-year government bonds in the secondary market, plus a spread. Consequently, changes in the cost of capital are reflected under expected revenues, and therefore do not affect the recoverable amount.
The borrowers also acquired certain obligations, which, if not met, could constitute grounds for the mandatory early repayment of the aforementioned loans. The Parent's directors consider that the obligations for the majority of the financing facilities have been met in 2016 and no breaches are expected in the future.
In this regard, the restructuring agreement entered into by Aries Solar Termoeléctrica, S.L. includes the commitment to repay in advance Euros 31 million within five years, in accordance with the following schedule (accumulative amount in each year), a total amount of Euros 11.8 million having been repaid at 31 December 2016:

Year	Thousands of Euros
2015	2,500
2016	8,180
2017	14,880
2018	22,320
2019	31,000

Appendices I and III include a list of the investments in associates and joint ventures together with the most significant legal and financial information thereon.

11. NON-CURRENT FINANCIAL ASSETS

Details of non-current financial assets other than equity-accounted investees are as follows:

	Available-for-sale financial assets		Loans and receivables				
	Net equity investments	Derivative financial instruments (note 15)	Non-current loans (note 26)	Loans to personnel	Administrative concessions	Other non-current assets	Total
Balance at 31 December 2014	6,009	3,415	83,102	29	576,133	62,631	731,319
Changes in the consolidated Group (note 2-g)	(1,683)	-	-	-	-	-	(1,683)
Additions	609	7,736	5,273	-	38,799	10,895	63,312
Disposals	(534)	(3,054)	-	(5)	-	(9,290)	(12,883)
Transfers (note 10)	-	-	(32,722)	-	-	-	(32,722)
Impairment	-	-	-	-	-	-	-
Translation differences	-	-	1,902	-	(147,866)	(16,161)	(162,125)
Change in fair value	-	(139)	-	-	-	-	(139)
Balance at 31 December 2015	4,401	7,958	57,555	24	467,066	48,075	585,079
Changes in the consolidated Group (note 2-g)	57	-	-	-	-	(4,257)	(4,200)
Additions	125	-	1,950	1,037	89,495	21,612	114,219
Disposals	(151)	(7,736)	-	(2)	(5,476)	(9,889)	(23,254)
Transfers (note 10)	-	-	(28,160)	-	-	-	(28,160)
Impairment	-	-	(250)	-	-	-	(250)
Translation differences	-	-	481	-	131,085	8,283	139,849
Change in fair value	-	301	-	-	-	-	301
Balance at 31 December 2016	4,432	523	31,576	1,059	682,170	63,824	783,584

a) Net equity investments

The fair value of the investments under this item has been determined using in-house estimates made by the Group as there are no quoted prices on an organised market.

On 26 July 2010, Elecnor, S.A. and three partners incorporated CPTR-Companhia Paranaense de Tratamento de Residuos with a share capital of BRL 50,000 thousand, 26% of which has been subscribed for an amount of approximately Euros 5,673 thousand. Of this amount, approximately Euros 3,640 thousand is unpaid at 31 December 2014. During 2015 the Group sold its investment in this company.

On 28 December 2005, Elecnor Financiera S.L. acquired all the shares in Vendaval Promociones Eólicas, S.A.U. for an approximate amount of Euros 53,850 thousand.

This transaction included the non-controlling interest in Sociedad Eólica de Andalucía, S.A. (5.27%) which the ELECNOR Group has classified under available-for-sale financial assets in the consolidated statement of financial position.

b) Non-current loans

Non-current loans in the above table at 31 December 2016 basically include various loans extended to associates of the ELECNOR Group (see notes 10 and 26).

On 20 December 2011, the subsidiary Celeo Termosolar, S.L. extended to Aries Solar Termoeléctrica, S.L. a participating loan and a subordinated loan of approximately Euros 33,720 thousand and Euros 67,440 thousand, respectively, to finance two thermosolar power plants in Castilla La Mancha (see notes 10 and 20). The second of these loans is subordinate to the principal financing (see note 10) obtained by the latter. The loans fall due on 1 January 2031. The participating loan accrued interest at a rate comprising a fixed annual component and a variable annual component tied to the operating margin of the borrower after tax and after the deduction of the interest on this participating loan or on any other subordinated debt. Both loans were capitalised in 2015, except in the amount of Euros 115 thousand (see note 10).

On 5 March 2010, the subsidiary Celeo Termosolar, S.L. extended to Dioxipe Solar, S.L. a subordinated participating loan of approximately Euros 68,514 thousand to finance a solar thermal plant in Extremadura (see notes 10 and 20). This loan is subordinate to the principal financing (see note 10) obtained by the latter and matures on 6 March 2030. The loan accrues interest at a rate comprising a fixed annual component and a variable annual component tied to the gross profit of the borrower before tax and before the deduction of the interest on this participating loan or on any other subordinated debt. The amount drawn down at 31 December 2015 totalled Euros 60,309 thousand, impaired by approximately Euros 32,149 thousand. This loan was fully capitalised in 2016.

c) Administrative concessions

The ELECNOR Group is in the process of developing and executing a number of projects under concession arrangements to construct, operate and maintain various electricity transmission lines in Brazil through its subsidiaries incorporated for this purpose, the Brazilian parent of which is Celeo Redes Brasil, S.A. Pursuant to the concession arrangements, as remuneration for the construction, operation and maintenance work, the Group will receive a fixed amount over the term of the concession that does not depend on the use, if any, made of the transmission lines. Concession terms are approximately 30 years. The amount receivable will be revalued periodically based on certain variables such as interest rates, the standard consumer price index and other market benchmark rates, as provided for in the various agreements, although such changes would not be material.

Under the concession arrangements the Group undertakes to have the transmission facilities fully installed within a specified period of time and also to provide operation and maintenance services, using quality materials and equipment. It also undertakes to maintain the facilities and use appropriate operating methods to ensure good standards of constant, efficient, safe, updated service, making ongoing efforts to reduce costs, ensure social integration and protect the environment. The concession operator may not assign or pledge the assets associated with the public transmission service without ANEEL's authorisation.

The concession will be terminated in the following cases: the arrangement comes to an end, reaches its expiry date, is rescinded, rendered null and void due to defects or irregularities or the transmission entity is dissolved. At the end of the concession all the assets relating to the service will revert to the concession grantor. The corresponding evaluations and analyses will be conducted and used to calculate any indemnity to which the transmission entity may be entitled. The assets must be in proper working and technical condition, maintained in accordance with the grid procedures approved by the ANEEL, so that the public energy transmission service can continue.

Upon expiry, the concession may be renewed at the sole discretion of ANEEL. The maximum renewal term is the same concession term and must be requested by the transmission entity. An agreement may also be reached to extend the concession term in the public interest and under the terms and conditions stipulated in the arrangement.

The transmission entity may request the rescission of the arrangement in the event that the grantor breaches the terms and conditions. In this case the transmission entity may not interrupt the supply of the service until the rescission is approved by means of a court decision declaring the arrangement terminated.

In accordance with the criteria described in note 3-j, the Group initially recognises a financial asset for the fair value of the amounts receivable for the construction of the infrastructure, which is subsequently measured at amortised cost using the effective interest method. Under this method, in 2016 the Group credited approximately Euros 45,229 thousand to finance income in the consolidated income statement for 2015 for the financial effect of applying this method (Euros 48,084 thousand in 2014).

The expected collection schedule for non-current balances at 31 December 2016 and 2015 is as follows:

	Thousands of Euros
	31/12/2016
2018	4,011
2019	7,265
2020	10,708
2021	7,528
2022 and thereafter	652,658
Total	682,170

	Thousands of Euros
	31/12/2015
2017	2,173
2018	3,173
2019	5,746
2020	8,470
2021 and thereafter	447,504
Total	467,066

d) Other non-current assets

Details of other non-current assets in the above table are as follows:

	Thousands of Euros	
	2016	2015
Debt service reserve account	32,648	33,156
Guarantees	2,368	1,848
Other	28,808	13,071
	63,824	48,075

"Debt service reserve account" includes the amounts that the subsidiaries Aerogeneradores del Sur, S.A., Galicia Vento, S.L., Ventos Do Sul Energía, S.A., Parques Eólicos Villanueva, S.L.U., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Indios Energía, S.A. must hold in bank deposits pursuant to the financing agreements entered into by them (see note 14), amounting to Euros 7,578 thousand, Euros 5,480 thousand, Euros 2,136 thousand, Euros 2,826 thousand, Euros 1,910 thousand and Euros 1,438 thousand, respectively, at 31 December 2016 (at 31 December 2015 the debt service reserve account corresponding to Aerogeneradores del Sur, S.A., Galicia Vento, S.L., Ventos Do Sul Energía, S.A., Parques Eólicos Villanueva, S.L.U., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A. ,Ventos do Litoral Energía, S.A. and Ventos dos Indios Energía, S.A. amounted to Euros 23,677 thousand).
The debt service reserve account also includes the amount relating to the concession operators LT Triangulo, S.A., Vila Do Conde Transmissora de Energia, S.A., Coqueiros Transmissora de Energía, S.A., Pedras Transmissora de Energía, S.A., Encruzo Novo Transmissora de Energía, S.A., Caiua Transmisora de Energía, S.A., Integraçao Maranhense Transmissora de Energía, S.A. and Linha de Transmissao Corumba, LTDA amounting to approximately Euros 11,280 thousand (approximately Euros 9,478 thousand at 31 December 2015).
The deposits accrue interest at market rates.
Also, Elecnor, S.A. holds security and other deposits mainly relating to leases amounting to approximately Euros 2,321 thousand (Euros 1,818 thousand at 31 December 2015).
At 31 December 2016 and 2015, non-current assets are recognised at amortised cost, except in the case of derivative instruments, which are recognised at fair value.

12. CURRENT FINANCIAL ASSETS

a) Trade and other receivables

Trade and other receivables in the accompanying consolidated statement of financial position include the Group's receivables arising as a result of transactions with third parties.
At 31 December 2016, this item includes an amount of approximately Euros 27.4 million comprising claims filed vis-à-vis the subsidiaries Belco (USA) and Elecnor do Brasil in relation to the following projects:

- Los Angeles Federal Court House project: the amount claimed totals Euros 7.8 million. Claims amounting to Euros 18.5 million have been documented and an initial request for amendment amounting to Euros 13 million has been submitted.
- Lawandale project: the amount claimed totals Euros 1.2 million; the final amount claimed amounts to Euros 1.7 million.
- Integraçao Maranahense TE and Caiua TE concession projects: the amount claimed totals Euros 18.4 million; Euros 21.5 million has been claimed in connection with independent surveys and Euros 5.8 million in connection with binding surveys.

At 31 December 2016, trade and other receives includes approximately Euros 285.3 million in relation to work in progress.
At 31 December 2016 and 2015 the Group had no onerous construction contracts the loss of which could be deemed significant.
At 31 December 2016, past-due receivables amounted to Euros 130,093 thousand (Euros 59,991 thousand at 31 December 2015). An ageing analysis of these balances is as follows:

	Thousands of Euros	
Description	2016	2015
Unmatured balances	900,975	908,732
Up to six months past due	54,772	27,798
Between six and twelve months past due	25,868	16,611
Over twelve months past due	49,453	15,582
Total	1,031,068	968,723

The Group makes provision to cover debts classed as non-performing due to late payment, suspension of payments, insolvency or other reasons, following a case-by-case study of their collectability. Provision is made on the basis of the best estimates at year end.
Details of impairment losses on accounts receivable at 31 December 2016 and 2015 and movement in 2016 and 2015 are as follows:

	Thousands of Euros					
	31/12/2015	Charge	Unrecoverable balances written off	Reversal	Translation differences	31/12/2016
Impairment	76,796	2,640	(1,379)	(7,337)	-	70,720

	Thousands of Euros					
	31/12/2014	Charge	Unrecoverable balances written off	Reversal	Translation differences	31/12/2015
Impairment	62,783	20,694	(2,518)	(4,213)	50	76,796

b) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2016	2015
Cash equivalents	82,446	75,706
Cash	234,904	261,283
	317,350	336,989

Cash equivalents at 31 December 2016 and 2015 mainly include fixed-income securities and fixed-term deposits that mature in under three months contracted by Elecnor Chile S.A., which earn interest at market rates.
At 31 December 2016 this item includes approximately Euros 78 million contributed by wind farms and concession operators.

13. EQUITY OF THE PARENT

a) Share capital

At 31 December 2016 and 2015, the share capital of Elecnor, S.A. was represented by 87,000,000 ordinary bearer shares of Euros 0.10 par value each, subscribed and fully paid.
The shares of Elecnor, S.A. are listed on the Spanish electronic stock market.
At 31 December 2016 and 2015, the Parent's shares were held as follows:

	Percentage ownership	
	2016	2015
Cantiles XXI, S.L.	52.76%	52.76%
Bestinver Gestión, S.A., S.G.I.I.C.	4.76%	4.76%
Other (*)	42.48%	42.48%
	100.00%	100.00%

(*) All with a percentage ownership of less than 3%. Also included are the own shares of the Parent, amounting to 2.83% in 2016 and 2.85% in 2015 (see note 3-n).

b) Valuation adjustments

Movement in 2016 and 2015 was as follows:

	Thousands of Euros								
	31/12/2014	Contracts	Change in market value	Settlement of derivatives	31/12/2015	Contracts	Change in market value	Settlement of derivatives	31/12/2016
Fully consolidated companies									
Cash flow hedges:									
Interest rate swaps (note 15)	(40,858)	(2,465)	1,176	3,957	(38,190)	-	(8,524)	17,061	(29,653)
Exchange rate insurance (note 15)	(106)	3,255	(65)	(20)	3,064	(2,499)	-	(4,672)	(4,107)
Other (note 11)	1,488	-	148	-	1,636	-	-	-	1,636
	(39,476)	790	1,259	3,937	(33,490)	(2,499)	(8,524)	12,389	(32,124)
Deferred taxes arising on valuation adjustments (note 19)	**9,640**	**(198)**	**(315)**	**(984)**	**8,143**	**625**	**2,331**	**(4,406)**	**6,693**
Total valuation adjustments arising from the full consolidation of companies	**(29,836)**	**593**	**944**	**2,952**	**(25,347)**	**(1,874)**	**(6,193)**	**7,983**	**(25,431)**
Equity-accounted investees	(57,524)	446	(6,476)	12,281	(51,273)	-	(12,293)	11,056	(52,510)
Non-controlling interests	5,102	554	(817)	-	4,839	-	2,098	(792)	6,145
Total valuation adjustments	(82,258)	1,592	(6,349)	15,233	(71,781)	(1,874)	(16,388)	18,247	(71,796)

c) Other reserves

Details are as follows:

	Thousands of Euros	
	2016	2015
Non-distributable reserves		
Legal reserve	1,743	1,743
Goodwill reserve	1,031	1,031
Capitalisation reserve	1,756	1,756
Reserves from translation to Euros	15	15
Reserve for own shares (note 3-n)	21,989	22,341
	26,534	26,886
Other reserves	**503,092**	**491,983**
Parent reserves	**529,626**	**518,869**
Reserves in consolidated companies (*)	**191,529**	**160,598**
Translation differences	**(150,368)**	**(237,546)**
Reserve for own shares (note 3-n)	**(21,989)**	**(22,341)**
Total	548,798	419,580

(*) Includes consolidation adjustments and adjustments for international standards.

Legal reserve

Under article 274 of the Revised Spanish Companies Act, an amount equivalent to 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve has reached the stipulated level.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal amount of the total share capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

At 31 December 2016 and 2015, the Parent has appropriated to this reserve the minimum amount required by law.

Goodwill reserve

The goodwill reserve is contributed entirely by the Parent. This reserve was appropriated in compliance with article 273.4 of the revised Spanish Companies Act, which requires companies to transfer profits equivalent to 5% of goodwill to a non-distributable reserve until this reserve reaches an amount equal to recognised goodwill in the individual statement of financial position. In the absence of profit, or if profit was insufficient, freely distributable reserves were to be used.

Capitalisation reserve

The capitalisation reserve has been appropriated in accordance with article 25 of the Spanish Income Tax Law, which requires that an amount equal to the reduction in taxable income for the year be appropriated to the reserve. The amount by which taxable income may be reduced is equal to 10% of the increase in equity, as defined in the aforementioned article. In no case may the amount of the reduction exceed 10% of the taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards. However, if the reduction cannot be applied due to insufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the reduction entitlement was generated, together with any reduction applicable in that period, subject to the limit indicated. The reserve is restricted and the increase in equity must be maintained for a five-year period from the end of the tax period in which the reduction is generated, unless accounting losses are incurred.

d) Own shares

Pursuant to the resolutions adopted successively by the shareholders at the annual general meetings of Elecnor, S.A., various acquisitions of own shares of Elecnor, S.A. have been made in recent years for their progressive disposal on the market. In particular, on 23 May 2012 the shareholders at the annual general meeting resolved to authorise, for a period of five years, the acquisition of shares issued by the Parent, either by the Parent itself or by Group companies, up to a limit of 10% of the share capital (see note 3-n), provided that the purchase price of the shares is not 30% higher or lower than their market price.
Details of own shares and movement in 2016 and 2015 are as follows:

	No. of shares
Own shares at 31 December 2014	2,471,032
Acquisition of own shares	246,633
Sale of own shares	(234,555)
Own shares at 31 December 2015	2,483,110
Acquisition of own shares	156,011
Sale of own shares	(175,089)
Own shares at 31 December 2016	2,464,032

The purchase and sale of own shares amounted to approximately Euros 1,214 thousand and Euros 1,372 thousand, respectively (approximately Euros 2,191 thousand and Euros 2,114 thousand, respectively, at 31 December 2015), giving rise to a loss of Euros 194 thousand, recognised directly in reserves (gain of Euros 2 thousand in 2015).
All the own shares held by the Parent at 31 December 2016 represented 2.83% of the total share capital of Elecnor, S.A. at that date (2.85% at 31 December 2015).
At 31 December 2016 and 2015, a non-distributable reserve for own shares was recognised for the amount of the Elecnor, S.A. own shares held at those dates.

e) Non-controlling interests

Details of non-controlling interests in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Elecven Construcciones, S.A.	(49)	241
Rasacaven, S.A.	160	170
Sociedad Aragonesa de Estaciones Depuradoras, S.A.	1,234	1,259
Deimos Engenharia, S.A.	-	223
Elecnor Argentina, S.A.	(4)	1
IQA Operations Group Limited	(27)	118
Ventos Do Sul Energía, S.A.	12,586	7,507
Enerfin Enervento subgroup	22,468	25,568
Parque Eólico Malpica, S.A.	961	582
Enervento Galicia, S.L.	-	(1)
Infraestructuras Villanueva, S.L.	-	1
Parques Eólicos Palmares, S.A.	8,817	6,654
Ventos do Litoral Energia, S.A.	6,748	5,234
Ventos da Lagoa, S.A.	6,324	4,783
Eoliennes de L'erable, SEC.	16,138	17,308
Celeo Redes subgroup	349,154	249,513
Ventos dos Indios Energia, S.A.	5,014	4,469
Betonor, Ltda.	563	-
Elecnor Angola Group	602	-
Other	(335)	(1,070)
	430,354	322,560

In 2015 the Group sold various investments in subsidiaries to non-controlling shareholders, while maintaining control. Details of the most relevant transactions and their impact on equity are shown below:

	2015						
			Attributable to the Parent				
Transaction	Sale price	Transaction costs	Reserves	Translation differences	Valuation adjustments	Total	Non-controlling interests
Sale of 10% of P.E. Palmares, S.A.	4,955	-	(999)	1,292	-	293	4,662
Sale of 10% of Ventos da Lagoa, S.A.	3,777	-	(442)	853	-	411	3,366
Sale of 10% of Ventos do Litoral Energia, S.A.	4,160	-	(322)	998	-	676	3,484
Sale of 20% of Ventos dos Indios, S.A.	3,745	-	(2,217)	1,250	-	(967)	4,712
Sale of 1% of Ventos do Sul, S.A.	954	-	357	103	-	460	494
	17,591	-	(3,623)	4,496	-	873	16,718

No transactions of this type were carried out in 2016.
Movement in non-controlling interests in 2016 and 2015 is as follows:

	Thousands of Euros
Balance at 31 December 2014	344,124
- Profit for the year	24,671
- Change in fair value of hedging instruments (*)	263
- Dividends paid	(658)
- Translation differences (**)	(65,686)
- Capital reduction	(16,339)
- Capital increase	19,647
- Change in equity investments	16,718
- Other	(180)
Balance at 31 December 2015	322,560
- Profit for the year	17,271
- Change in fair value of hedging instruments (*)	(1,229)
- Dividends paid	(1,170)
- Translation differences (**)	66,150
- Capital reduction	(2,448)
- Capital increase	26,727
- Change in equity investments	937
- Other	1,556
Balance at 31 December 2016	430,354

(*) Reflects the changes in the value of the hedging swaps used by the ELECNOR Group (see note 15).
(**) Primarily reflect translation differences arising in the Celeo Redes Brasil group.

The information relating to significant non-controlling interests in subsidiaries at 31 December 2016 and 2015 is as follows (financial information is disclosed prior to carrying out intragroup eliminations):

		2016	
		Thousands of Euros	
	Celeo Redes subgroup	Eoliennes de L'Erable	Enerfin Enervento
Current assets	67,979	13,455	10,152
Non-current assets	1,201,624	217,585	127,397
Current liabilities	133,309	16,372	22,643
Non-current liabilities	520,074	177,640	36,819
Revenue	55,820	28,864	30,065
Profit/(loss) for the year	28,289	2,912	(1,841)
Total comprehensive income	109,669	8,355	(1,697)

		2015	
		Thousands of Euros	
	Celeo Redes subgroup	Eoliennes de L'Erable	Enerfin Enervento
Current assets	65,295	10,658	18,215
Non-current assets	867,560	215,775	139,434
Current liabilities	70,905	16,623	21,120
Non-current liabilities	400,187	174,487	56,045
Revenue	30,765	32,187	36,364
Profit/(loss) for the year	41,484	5,573	3,304
Total comprehensive income	(51,740)	2,917	3,421

f) Translation differences

The cumulative translation differences recognised in equity at 31 December 2016 and 2015 for each of the main currencies are as follows:

	Thousands of Euros	
Translation differences	2016	2015
Brazil	(121,537)	(203,662)
Venezuela	(40,698)	(40,109)
Argentina	(3,215)	(2,907)
Canada	(6,707)	(7,849)
Chile	13,061	8,749
USA	2,876	2,228
Other	5,852	6,004
Total	(150,368)	(237,546)

14. FINANCIAL DEBT

Key to the Group's strategy is its policy of maximum financial prudence. The target capital structure is defined by this commitment to solvency and the aim of maximising shareholder returns.

However, certain projects, specifically the construction and operation of wind farms and the related electricity interconnection lines and substations, as well as the electricity distribution infrastructure and wastewater treatment plants, which the Group operates and holds on a concession basis, are mostly financed through syndicated loans under project financing arrangements. Under these loans the subsidiaries that operate these projects accept certain restrictions on the distribution of dividends, conditional upon certain requirements being met, such as the creation of a debt service reserve account. These subsidiaries must also maintain a specified debt/equity ratio and a specified equity structure.

The target capital structure, excluding the effect of the projects financed with non-recourse financing, is quantified at the following ratio of net financing to equity:

$$\frac{\text{Net financial debt}}{\text{Net financial debt + Equity}}$$

Net financial debt includes the following line items in the consolidated statement of financial position (having eliminated the effect of net financial debt relating to the projects financed with non-recourse financing):

	Thousands of Euros	
	2016	2015
Non-current liabilities – Financial debt	332,821	338,699
Current liabilities – Financial debt	178,897	185,338
Current financial assets – Other investments	(78,955)	(71,425)
Cash and cash equivalents	(160,578)	(172,591)
Net financial debt	272,185	280,021

At 31 December 2016 and 2015, non-current and current liabilities – financial debt relates mainly to the total financial debt and derivatives in the following table, excluding all loans to concessions, syndicated loans for wind and solar PV farms and derivatives relating to wind and solar PV farms and concessions, except for Euros 33 million in 2016 comprising bridge loans extended to concession operators.

At 31 December 2016, current financial assets and cash and cash equivalents comprise all cash and cash equivalents in the accompanying consolidated statement of financial position, excluding cash for projects funded through non-recourse financing amounting to approximately Euros 78 million (Euros 93 million at 31 December 2015) (see note 12-b).

Changes in this ratio are analysed on an ongoing basis and prospective estimates are also made as a key restrictive factor to be taken into account in the Group's investment strategy and dividends policy. At 31 December 2016, this ratio stood at approximately 21.74% (approximately 27.44% at 31 December 2015).

Details of non-current and current financial debt and derivatives at 31 December 2016 and 2015 are as follows:

	Thousands of Euros			
	2016		2015	
	Non-current	Current	Non-current	Current
Syndicated loans and credit facilities	300,819	2,228	304,669	-
Loans to concessions	475,513	53,910	387,769	50,437
Syndicated loans - wind and solar PV farms	340,479	47,875	393,356	47,159
Loans secured with personal guarantee	-	5,054	-	10,756
Mortgage loans	7,197	672	7,859	659
Financial liabilities from issuing bonds and other marketable securities-promissory notes	-	72,628	-	99,419
Financial liabilities from issuing bonds and other marketable securities-photovoltaic	38,689	1,670	-	-
VAT financing facility for wind farms and concessions	-	6,962	-	8,203
Credit facilities secured with personal guarantee	8,173	67,949	10,007	59,289
Unmatured bills and notes	-	2,710	-	9,170
Accrued interest payable:				
Wind and solar PV farms and concessions	-	-	-	3,559
Other	-	1,985	-	1,610
Finance lease payables (note 9)	7,138	1,596	6,620	619
Derivative hedging instruments (note 15):				
Wind and solar PV farms and concessions	19,427	1,256	25,600	2,894
Other	9,493	4,565	9,545	3,808
Total	1,206,928	271,059	1,145,425	297,582

Details, by maturity, of the non-current portion of loans and credit facilities for 2016 and 2015 are as follows:

	Thousands of Euros
Debts maturing in	31/12/2016
2018	102,148
2019	131,525
2020	153,098
2021 and thereafter	820,157
Total	1,206,928

	Thousands of Euros
Debts maturing in	31/12/2015
2017	125,983
2018	122,693
2019	152,214
2020 and thereafter	744,535
Total	1,145,425

Syndicated loans and credit facilities

On 21 July 2014, Elecnor arranged syndicated financing of Euros 600 million with a group of 19 financial institutions, which replaced the Euros 401 million that had been drawn down at that date in the syndicated financing arranged in 2012. This financing was structured into two tranches: one loan tranche totalling Euros 300 million, repayable in instalments, and a revolving credit facility tranche with a limit of Euros 300 million, maturing in July 2019.

On 2 July 2015, Elecnor signed an initial novation of this agreement, subscribed by 18 of the 19 lenders, in order to amend the financial conditions (reducing the applicable margin) and extend the term of the financing.

On 29 June 2016, Elecnor signed a second novation of this agreement, subscribed by 17 of the 18 lenders. Bankinter extended Euros 11 million and Crédit Agricole Euros 12.5 million; these amounts were subscribed by Abanca and Kutxabank.

The objective of this novation was to extend the term of the financing. One-year deferral of the date of each loan instalment and the repayment of the credit facility, thereby pushing back its maturity to July 2021.

The Company analysed whether or not the conditions had been substantially modified. Modifications were less than 4% in both years, leading the Company to conclude that there was no extinguishment of the original liabilities.

With respect to interest rate hedging, swaps had been arranged prior to the novation to cover the loan for its entire duration. Elecnor decided to hedge the interest rate risk derived from the additional notional amount resulting from the novation and, therefore, seven new interest rate swaps were arranged with a maximum notional amount of Euros 145 million, as was a new basis swap. At 31 December 2016, Elecnor had arranged 27 interest rate swaps and 4 basis swaps for the syndicated financing. The maturities and interest settlement dates of the swaps coincide with those of the loan agreements to which they are assigned.

This syndicated financing bears interest pegged to Euribor for the interest period elected by the borrower (one, three or six months), plus a spread tied to the net financial debt/(EBITDA + dividends from projects) ratio. The Company has undertaken to comply with different ratios over the term of the bank financing agreement ((Net financial debt/EBITDA), (EBITDA /finance costs), and (Net financial debt/equity)), which are calculated on the basis of the ELECNOR Group's consolidated figures. Failure to comply with these ratios could result in the agreement being cancelled. Furthermore, the loan includes the obligation to comply with the Guarantee Coverage Ratio, which has been met at 31 December 2016.

At 31 December 2016, Euros 300 million of the syndicated financing had been drawn down, all from the loan tranche.

During 2016 the Company arranged interest rate hedges associated with the syndicated financing for the same amount as that obtained due to the second novation. In 2015 the Company arranged interest rate hedges associated with the syndicated financing obtained in 2015. All of these agreements were maintained throughout the year.

Taking into account the effect of the hedges amounting to Euros 2,991 thousand, the aforementioned syndicated financing agreement (loan tranche and credit facility tranche) accrued interest of Euros 8,852 thousand in 2016 (Euros 10,601 thousand in 2015, including hedging finance costs amounting to Euros 2,617 thousand), which the Company has recognised as finance costs in the accompanying income statement for 2016 (see note 21).

Loans to concessions

On 12 November 2015, Charrua Transmisora de Energía, S.A. entered into a loan under a project finance arrangement totalling USD 175 million and a VAT financing facility of USD 23 million. This financing is for the construction and future operation of an energy transmission line in Chile (see note 9). This loan's final maturity is 2034 and it accrues interest of 180-day Libor plus 1.65%, with the spread increasing by 0.25% every five years. At 31 December 2016, approximately Euros 110.6 million has been drawn down (Euros 37.8 million at 31 December 2015), of which Euros 102.9 million related to the loan and the remainder to the VAT financing facility. This company also arranged a hedge for 70% of the loan principal to cover potential increases in interest rates. The interest settlement payment dates for the swap are the same as those of the loan.

On 29 January 2015, Alto Jahuel Transmissora de Energía, S.A. entered into a loan under a project finance arrangement totalling USD 100 million and a VAT financing facility of USD 15 million. This financing is for the construction and future operation of the second circuit of an energy transmission line in Chile (see note 9). The financing falls due in 2035 and bears interest of 180-day Libor plus 2.25%, with a spread that increases by 0.25% every five years for the USD tranche, and ICP nominal plus 3.25% during the construction period and 3% during the operating period for the Pesos tranche. At 31 December 2016, approximately Euros 88 million has been drawn down (Euros 86.3 million at 31 December 2015), of which approximately Euros 83.3 million related to the loan. The interest settlement payment dates for the swap are the same as those of the loan.

On 15 January 2013, the concession operator Alto Jahuel Transmisora de Energía, S.L. entered into a loan under a project finance arrangement totalling USD 167 million and a VAT financing facility of USD 29 million. This financing is for the construction and future operation of an energy transmission line in Chile (see note 9). The financing has final maturity in 2032 and bears interest pegged to 180-day Libor plus a spread of 3% for the USD tranche, 180-day TAB UF plus a spread of 1.60% during the construction period and 1.25% during the operation period for the UF-denominated tranche, and ICP nominal plus a spread of 3.30% during the construction period and 2.95% during the operation period for the Pesos tranche. At 31 December 2016, approximately Euros 125.9 million has been drawn down (Euros 122.2 million at 31 December 2015), of which the full amount relates to the loan. This company also arranged a hedge for 75% of the loan principal to cover potential increases in interest rates. The interest settlement payment dates for the swap are the same as those of the loan.

On 5 July 2007, the concession operator Sociedad Aragonesa de Aguas Residuales, S.A.U. arranged a credit facility with a limit of Euros 23 million maturing on 5 December 2026. The concession operator has drawn down the facility in full. This facility bears interest at Euribor plus a spread. The interest on this loan amounted to approximately Euros 166 thousand in 2016 (approximately Euros 201 thousand in 2015). The amount outstanding at 31 December 2016 is approximately Euros 15,082 thousand (Euros 16,297 thousand at 31 December 2015). This company arranged an interest rate swap of Euros 17,250 thousand to hedge the possible rise in interest rates on this loan. The interest settlement payment dates for the swap are the same as those of the loan.

On 21 July 2009, the concession operator Sociedad Aragonesa de Estaciones Depuradoras, S.A. arranged a credit facility with a limit of Euros 15.5 million maturing on 31 December 2026. The concession operator has drawn down the facility in full. This facility bears interest at Euribor plus a spread. The interest on this loan amounted to approximately Euros 326 thousand in 2016 (approximately Euros 363 thousand in 2015). This company arranged an interest rate swap of Euros 11,625 thousand to hedge the possible rise in interest rates on this loan. The interest settlement payment dates for the swap are the same as those of the loan. The outstanding current and non-current balance of this credit facility at 31 December 2016 amounted to Euros 11,095 thousand (Euros 11,893 thousand at 31 December 2015).

On 30 December 2013 Integraçao Maranhense T. de Energia, S.A. arranged a credit facility of BRL 142 million, which falls due on 15 February

2029. This credit facility bears interest indexed to Brazil's long-term floating interest rate plus a spread of 2.42%. At 31 December 2016, Euros 37.4 million with current and non-current maturity had been drawn down on this loan (at 31 December 2015, Euros 32.3 million had been drawn down on this loan).

On 23 December 2013 the concession operator Caiua T. Energia, S.A. arranged a credit facility of BRL 84.6 million, which falls due on 15 February 2028. This credit facility bears interest indexed to Brazil's long-term floating interest rate plus a spread of 2.28%. At 31 December 2016, Euros 22.8 million with current and non-current maturity had been drawn down on this loan (at 31 December 2015, Euros 19.5 million had been drawn down on this loan).

In 2010, LT Triângulo, S.A. became a fully consolidated company because the Group took full control of all its share capital. This company obtained a loan under a project finance arrangement from a financial institution on 7 October 2008 to finance the electricity transmission infrastructure being constructed under the concession. The final maturity of the loan is 15 July 2023. The interest rate on this financing is Brazil's long-term floating interest rate ("TJLP") plus a market spread. At 31 December 2016, the outstanding current and non-current balance of this loan was approximately Euros 53.2 million (Euros 48 million in 2015).

In 2011, the ELECNOR Group acquired 66% of Vila do Conde Transmissora de Energía, S.A., which was subsequently fully consolidated. On 19 December 2006, BNDES extended a loan to Vila do Conde Transmissora de Energía, S.A. to finance the construction of electricity transmission lines. This loan matures on 15 April 2019. This loan is divided into two sub-loans: sub-loan A, which bears interest at the weighted average cost incurred by BNDES on raising foreign currency funds, plus a market spread, and sub-loan B, which bears interest at Brazil's long-term floating interest rate ("TJLP"), plus a market spread. At 31 December 2016, the outstanding current and non-current balance of this loan was approximately Euros 12 million (approximately Euros 14.1 million at 31 December 2015).

Repayment of the loans to LT Triângulo, S.A. and Vila do Conde Transmissora de Energía, S.A. is secured by the pledge of the concession rights and all of the shares, the rights to receivables from services rendered and by a bank guarantee. In addition, the aforementioned subsidiaries must maintain the following financial ratios over the term of the loan:

- The coverage ratio resulting from dividing available cash flows by the interest payable and the principal repaid must be 1.3 or over.
- Capitalisation ratio (Equity/Total Assets) 0.3 or over.

Syndicated loans – wind farms

In 2012 the Group arranged syndicated financing for the construction of a wind farm in Quebec (Canada) for approximately CAD 250 million (Eoliennes de L'Erable Inc.). This financing, maturing in 2033, bears interest indexed to the price of Canadian bonds. The annual debt service coverage ratios (ADSCR) for this syndicated loan – under a project finance arrangement – must be higher than a minimum threshold throughout the term of the loan, pursuant to the financing loan deeds. During 2014 the assets and liabilities, including this loan, of Eoliennes de L'Erable Inc were transferred to Eoliennes de L'Erable SEC.

In 2015, Eoliennes de L'Erable SEC received syndicated financing of CAD 35 million. This financing falls due in 2033 and bears a fixed rate of interest. The DSCR for this loan must remain above a certain threshold throughout the term of the loan.

In total, at 31 December 2016, Eoliennes de L'Erable SEC had an outstanding payable amounting to Euros 180 million (Euros 175.7 million at 31 December 2015).

At 31 December 2016, the remaining bank borrowings under this item mainly reflected the outstanding balances of the syndicated loans and their associated swap contracts arranged by Galicia Vento, S.L., Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral, S.A., and Ventos dos Indios, S.A. with several financial institutions, having drawn down approximately Euros 14,402 thousand, Euros 54,203 thousand, Euros 35,531 thousand, Euros 33,803 thousand, Euros 33,078 thousand and Euros 38,094 thousand, respectively, under a project financing arrangement. These loans were obtained to finance the construction of the wind and solar PV farms and their related electricity interconnection lines and substations owned by these companies. The limit of the syndicated loan in Brazilian Reals extended to Ventos do Sul Energía, S.A. is BRL 529 million (see note 20). Since 31 December 2007, this loan has been drawn down practically in full. The limits of the loans extended to Parques Eólicos Palmares, S.A. Ventos da Lagoa, S.A., Ventos do Literal, S.A. and Ventos dos Indios, S.A. are BRL 153,653 thousand, BRL 150,821 thousand, BRL 141,250 thousand and BRL 134,573 thousand, respectively.

The sale in 2016 of Parques Eólicos de Villanueva, S.L.U. gave rise to a reduction in the debt of approximately Euros 56 million (see note 2-g).

The syndicated loan extended to the subsidiary Galicia Vento S.L. will be repaid in 25 half-yearly consecutive instalments, whereas the syndicated loans to Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos do Litoral, S.A., Ventos da Lagoa, S.A. and Ventos dos Indios, S.A. will be repaid in 144, 192, 192, 192 and 192 monthly instalments, respectively.

The Spanish syndicated loans bear interest at 6-month Euribor plus a market spread, which may vary subsequently on the basis of the audited senior debt service coverage ratio. In the case of the loans obtained in Brazilian Reals by the subsidiaries Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A. and Ventos do Litoral, S.A., interest is pegged to Brazil's long-term floating interest rate ("TJLP") plus a market spread. In order to mitigate the interest rate risk on its syndicated loan, Galicia Vento, S.L. arranged interest rate swaps with various financial institutions at a fixed rate of 1.09%, which hedge 65% of the outstanding debt (see note 15).

Pursuant to the loan agreement deeds for the financing, the annual senior debt service coverage ratio of the syndicated loans extended to the Spanish subsidiaries under project financing arrangements must be greater than a certain threshold throughout the entire term of the loan, calculated basically as the ratio of the cash flow available for debt servicing in a twelve-month period to the debt serviced in that same period, as defined in the loan agreements. These companies must also maintain a specified debt/equity ratio and a specified equity structure. Within two years of the entry into operation of the wind farm, the Spanish companies are also obliged to set up a debt servicing reserve account (in the form of a bank deposit) for the amount specifically stated in the related financing agreements (see note 11). They also have to arrange interest rate hedges – a prerequisite of the agent bank – for a minimum of 65% of the loan amount and for a minimum term of nine years. These swaps have been arranged and are described above. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral, S.A. and Ventos dos Indios, S.A. must also maintain certain debt coverage ratios within certain limits, and must deposit in a reserve account a monetary amount that covers at least three monthly instalments of principal and interest. The Parent's directors consider that there have been no problems as regards complying with the covenants.

The shares of the subsidiaries, any indemnities, compensation and/or penalty payments to which they may be entitled under the construction and operating management agreements, and all the cash accounts of the aforementioned wind power companies have been pledged to secure each of the syndicated loans extended to the Spanish companies. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral, S.A. and Ventos dos Indios have signed a surety bond over property, plant and equipment with the related financial institutions.

Furthermore, the subsidiaries have certain limitations in relation to these loans consisting basically of restrictions on the disposal of their property, plant and equipment and on the payment of dividends. These restrictions are subject to compliance with certain conditions, such as the ongoing fulfilment of the debt service coverage ratio established in the financing loan agreement and the setting up of a debt servicing reserve account (see note 11).

The directors consider that all the conditions of the syndicated loans are being met and that the project financing will be serviced on a normal basis, using the revenue generated from each wind power project.

Financial liabilities from issuing bonds and other marketable securities-promissory notes

At the beginning of 2016 Elecnor, S.A. had issued promissory notes on the Alternative Fixed-Income Market for an amount of Euros 100 million. New issues in 2016 totalled Euros 402 million while maturities totalled Euros 429 million. The outstanding balance at 31 December 2016 was therefore Euros 73 million, reflecting 730 securities with a nominal value of Euros 100 thousand each.

At the beginning of 2015 Elecnor, S.A. had issued promissory notes on the Alternative Fixed-Income Market for an amount of Euros 100 million. New issues in 2015 totalled Euros 171 million while maturities totalled Euros 171 million. The outstanding balance at 31 December 2015 was therefore Euros 100 million, reflecting 1,000 securities with a nominal value of Euros 100 thousand each.

The promissory note programmes in force in 2016 and 2015 provided for a maximum number of outstanding issues at all times of Euros 200 million.

Financial liabilities from issuing bonds and other marketable securities-solar PV

On 29 December 2016, Siberia Solar, S.L.U.'s syndicated loan, the outstanding amount of which was approximately Euros 24 million at 31 December 2015, was cancelled through the issue of bonds amounting to Euros 41.6 million. This financing accrued fixed annual interest of 3.948%, with maturity on 30 June 2038.

Loans secured with personal guarantees

Elecnor did not contract any new loans secured with personal guarantees in 2016.

Other financing

In 2007 the ELECNOR Group arranged a mortgage loan in order to acquire an industrial building in Valencia in which to conduct its solar panel manufacturing business (see note 9). The unmatured balance of this loan amounts to approximately Euros 7,983 thousand at 31 December 2016 (Euros 8,534 thousand at 31 December 2015).

Including tranche B of the syndicated loan, at 31 December 2016 Elecnor, S.A. had nine open credit facilities with financial institutions, with a maximum total limit of Euros 396 million (at 31 December 2015, it had 11 credit facilities with a maximum total limit of Euros 457 million). These credit facilities bear interest pegged to EURIBOR/LIBOR plus a market spread, and most of them mature at one year, or annually with automatic renewals up to a maximum of three years.

At 31 December 2016, the ELECNOR Group does not have any significant bank borrowings bearing interest at fixed rates, except for the hedging instruments described in note 15.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The ELECNOR Group uses derivative financial instruments to cover the risks to which its business activities, operations and future cash flows are exposed as a result of exchange rate and interest rate fluctuations, which affect the Group's results. Details of the balances reflecting the measurement of derivatives at 31 December 2016 and 2015 are as follows:

	Thousands of Euros							
	2016				2015			
	Non-current assets (note 11)	Current assets	Non-current liabilities (note 14)	Current liabilities (note 14)	Non-current assets (note 11)	Current assets	Non-current liabilities (note 14)	Current liabilities (note 14)
INTEREST RATE HEDGES								
Cash flow hedges:								
Interest rate swap	523	-	28,920	1,256	222	-	35,145	2,894
EXCHANGE RATE HEDGES								
Cash flow hedges:								
Exchange rate insurance	-	458	-	4,565	7,736	-	-	3,808
	523	458	28,920	5,821	7,958	-	35,145	6,702

Exchange rate

The ELECNOR Group uses exchange rate hedges basically to mitigate the possible adverse effect of exchange rate fluctuations on future cash flows relating to two types of transactions:

- Payments relating to works and supply agreements denominated in a currency other than the Euro.
- Receipts relating to works agreements denominated in a currency other than the Euro.

At 31 December 2016 and 2015, the total nominal amount of the items for which exchange rate hedges had been arranged was as follows:

Currencies	31/12/2016	31/12/2015
Thousands of US Dollars	43,566	67,885
Thousands of Euros	532	2,731

Of the total nominal amounts hedged at 31 December 2016, Euros 14,035 thousand are USD purchase insurance to hedge future payments in this currency and Euros 31,766 thousand are USD sale insurance to hedge future receipts in this currency (Euros 45,674 thousand were USD purchase insurance to hedge future payments in this currency and Euros 14,925 thousand were USD sale insurance to hedge future receipts in this currency in 2015).

The equivalent Euro value of the nominal amount under exchange rate hedges at 31 December 2016 was approximately Euros 46,333 thousand (approximately Euros 63,330 thousand in 2015).

The expiration of these exchange rate hedges is expected to coincide with the forecast flow of the payments and receipts being hedged. The risk of changes in the estimated cash flows is very low as the agreements signed indicate the related payment and collection schedules.

Interest rate

The ELECNOR Group uses interest rate hedging instruments in accordance with its risk management policy. The purpose of these transactions is to mitigate the effect that changes in interest rates could have on future cash flows from certain loans and credit facilities pegged to floating interest rates, associated with the corporate financing obtained by the Parent and project financing. At 31 December 2016 the total nominal value of the liabilities hedged by interest rate hedges amounted to Euros 548,077 thousand (Euros 505,295 thousand in 2015).

Details of the maturities of the contractual cash flows of the derivative financial instruments at 31 December 2016 and 2015 are as follows:

	31/12/2016					
	Thousands of Euros					
	Maturity					
	2017	2018	2019	2020	2021 and thereafter	Total
Exchange rate hedge:						
USD sales (*)	(17,075)	(11,284)	(1,857)	-	-	(30,216)
USD purchases (*)	13,350	-	-	-	-	13,350
EUR purchases (*)	532	-	-	-	-	532
Interest rate hedges	(8,775)	(6,018)	(5,315)	(4,648)	(7,768)	(32,524)
Cross-currency swap:						
Flow in GBP (*)	7,100	-	-	-	-	7,100
Flow in AUD (*)	24,100	-	-	-	-	24,100
Flow in USD (*)	(56,328)	-	-	-	-	(56,328)

(*) Figures expressed in the pertinent currency

	31/12/2015					
	Thousands of Euros					
	Maturity					
	2016	2017	2018	2019	2020 and thereafter	Total
Exchange rate hedge:						
USD sales (*)	(16,208)	-	-	-	-	(16,208)
USD purchases (*)	51,677	-	-	-	-	51,677
EUR purchases (*)	2,713	-	-	-	-	2,713
Interest rate hedges	(18,238)	(7,475)	(6,724)	(6,013)	(10,875)	(49,325)
Cross-currency swap:						
Flow in GBP (*)	2,050	-	-	-	-	2,050
Flow in AUD (*)	11,775	-	-	-	-	11,775

(*) Figures expressed in the pertinent currency

The nominal amounts of the various derivative financial instruments described above, excluding exchange rate hedges, mature as follows:

	31/12/2016					
	Thousands of Euros					
	Maturity					
	2017	2018	2019	2020	2021 and thereafter	Total
Interest rate hedges	28,372	39,533	60,415	90,911	328,846	548,077

	31/12/2015					
	Thousands of Euros					
	Maturity					
	2016	2017	2018	2019	2020 and thereafter	Total
Interest rate hedges	34,443	46,102	54,585	94,961	275,204	505,295

The nominal amount of the interest rate swaps is equal to or lower than that of the outstanding principals of the hedged loans and their maturity and settlement dates are the same as those of the loans that are being hedged.
Neither in the case of exchange rate hedges or interest rate hedges did any circumstances arise in 2016 or 2015 that required changing the hedge accounting policy initially adopted for recognising the derivatives. In 2016 and 2015 the ELECNOR Group did not have any derivatives that do not qualify for hedge accounting.

Price

The market value of the different financial derivatives is calculated as follows:

- For derivatives quoted on an organised market, their quoted value at year end.
- For derivatives not traded on an organised market, the ELECNOR Group uses measurements provided by financial institutions, assumptions based on year-end market conditions. Specifically, the market value of interest rate swaps is calculated by discounting the difference between the swap rates at a market interest rate, and the market value of future exchange rate contracts is determined by discounting the estimated future cash flows using the future exchange rates at year end.

This procedure is also used to determine the market value of loans and receivables arising from cross currency swaps, through which the Group and the related bank exchange the flows from a loan in Euros for the flows from another loan in Dollars (Canadian/US). Any resulting differences are settled on maturity. At year end, the Group translates the loan into US Dollars (plus the accrued interest) at the closing exchange rate and compares it with the loan in Euros (plus the accrued interest), and the net value (i.e. the difference) is recognised under other current or non-current assets or financial debt, depending on whether the difference is positive or negative and on the maturity thereof, giving rise to a balancing entry under exchange gains or losses.
Details of cross-currency swaps at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Notional amount in foreign currency (USD)	(56,328)	-
Notional amount in foreign currency (GBP)	7,100	(2,050)
Notional amount in foreign currency (AUD)	24,100	11,775
Equivalent value in Euros	(28,637)	10,615
Fair value at the reporting date	309	(55)

Swaps in force at 31 December 2016 came into effect on 28, 29 and 30 December 2016, and all expired in January 2017.
Swaps in force at 31 December 2015 came into effect on and 29 December 2015, and all expire on 29 January 2016.
Given that these financial instruments were not designated as hedges, at each reporting date the Group recognises the changes in their fair values directly in the income statement.

16. PROVISIONS FOR LIABILITIES AND CHARGES

Details of provisions for liabilities and charges under non-current liabilities, and movement in 2016 and 2015, are as follows:

	Thousands of Euros		
	Provisions for litigation and liabilities	Provisions for warranties	Total provisions for liabilities and charges
Balance at 31 December 2014	12,435	943	13,378
Provisions charged to profit and loss (note 21)	2,530	19	2,549
Translation differences	(822)	-	(822)
Releases recognised in profit and loss (note 21)	(3,137)	(264)	(3,401)
Balance at 31 December 2015	11,006	698	11,704
Provisions charged to profit and loss (note 21)	3,294	6	3,300
Reclassification	4,989	-	4,989
Translation differences	193	-	193
Payment	(401)	-	(401)
Releases recognised in profit and loss (note 21)	(509)	(155)	(664)
Other	(402)	-	(402)
Balance at 31 December 2016	18,170	549	18,719

The Group estimates the amount of the liabilities arising from litigation and similar events. Although the Group considers that the cash outflows will take place in coming years, it cannot predict when the litigation will end and, therefore, it does not make an estimate of the specific dates of the outflows as it considers that the effect of any related discount would not be material.
In view of its activities, the Group is exposed to numerous claims and lawsuits, most of which are immaterial in terms of the amounts involved. Provisions for litigation and liabilities in the foregoing table reflect the Group's best estimate of potential penalties and other contingencies that could arise from the execution of various projects mainly carried out abroad. The directors estimated that the provision recognised reasonably covers the payments that are likely to arise in the future as a result of past events.

17. ADVANCES FROM CUSTOMERS AND ADVANCE INVOICES

Details of these items included under trade and other payables are as follows:

	Thousands of Euros	
	2016	2015
Advance invoices (note 3-c)	468,496	376,155
Advances from customers	115,429	139,580
	583,925	515,735

Advance invoices comprise invoices on account issued in accordance with the timing conditions specified in the agreements for works currently in progress.
Advances from customers basically reflect payments made in advance by customers prior to the start of the related contracts. These advances are discounted from invoices issued during the execution of the contracts.

18. NON-CURRENT DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and deferred tax liabilities and movement in 2016 and 2015 are as follows:

	31/12/2014	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	Departures from consolidated group	31/12/2015	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	Departures from consolidated group	31/12/2016
Deferred tax assets:													
Measurement of derivative financial instruments (note 15)	11,145	41	-	(122)	283	-	11,347	-	(2,652)	554	154	-	9,403
Property, plant and equipment and intangible assets	5,821	7,789	(1,509)	(12)	-	(298)	11,791	1,233	(2,768)	-	4	(541)	9,719
Tax credits	18,531	(3,455)	(3,003)	-	(524)	-	11,549	(1,037)	11,465	-	1,141	-	23,118
Available deductions and credits	3,896	1,266	(1,147)	-	-	-	4,015	1,208	207	-	193	(160)	5,463
Losses in external branches	6,841	(24)	2,014	-	-	-	8,831	-	(466)	-	-	-	8,365
Non-deductible provisions (note 16)	9,206	460	5,737	-	-	-	15,403	502	6,932	-	541	-	23,378
Other deferred tax assets	22,815	(6,077)	1,885	-	(1,126)	-	17,497	(549)	103	-	2,670	(740)	18,981
	78,255	-	3,977	(134)	(1,367)	(298)	80,433	1,357	12,821	554	4,703	(1,441)	98,427
Deferred tax liabilities:													
Property, plant and equipment and intangible assets	12,074	8,671	1,633	-	(2,098)	-	20,280	2,576	9,863	-	2,482	-	35,201
Goodwill	9,300	(6,297)	301	-	-	-	3,304	-	(1,060)	-	-	-	2,244
Measurement of derivative financial instruments (note 15)	1,006	-	-	2,032	(347)	-	2,691	-	-	(2,542)	-	-	149
Disposal of Enerfin Enervento, S.A.	6,996	(200)	-	-	-	-	6,796	-	(1,133)	-	-	-	5,663
Deduction of share premium	2,374	-	-	-	-	-	2,374	-	-	-	-	-	2,374
Other deferred tax liabilities	26,822	300	6,200	-	(1,806)	-	31,516	(1,392)	3,804	-	7,825	-	41,753
	58,572	2,474	8,134	2,032	(4,251)	-	66,961	1,184	11,474	(2,542)	10,307	-	87,384

Deferred tax assets and liabilities that are expected to be realised or reversed in periods of less than 12 months are not significant.

Deferred tax assets and liabilities: property, plant and equipment and intangible assets, in the foregoing table mainly reflect taxable temporary differences arising from differences between the carrying amount of certain property, plant and equipment and intangible assets and their tax base, as well as the timing differences derived from the depreciation and amortisation of these non-current assets for accounting and tax purposes (see notes 8 and 9).

Deferred tax assets: tax credits and available deductions and credits, in the foregoing table, include, respectively, unused tax loss carryforwards and available deductions of various Group companies, which have been capitalised as the Parent's directors consider that they will be recovered against estimated profits in the coming years.

Deferred tax assets: non-deductible provisions, in the above table mainly include the tax impact of adjustments to accounting profit/loss as a consequence of various provisions that were not considered deductible when they were recognised (see notes 12 and 16).

Other deferred tax assets and liabilities in the above table mainly include the tax effect of various income and expense items whose tax impact does not coincide with the date of their recognition for accounting purposes, as well as taxable temporary differences arising from differences between the carrying amount of certain assets and their tax base, mainly financial assets (see note 11).

Deferred tax liabilities, disposal of Enerfin Enervento, S.A., in the foregoing table, reflects the tax effect of the gains obtained by the Group at consolidated level as a result of the capital increase with a share premium in that company in 2005 which was subscribed by a third party.

At 31 December 2016 and 2015 the tax credits for capitalised tax loss carryforwards and the deferred tax assets and liabilities by entity/subgroup are as follows:

	2016		
	Thousands of Euros		
	Tax credits	Deferred tax assets	Deferred tax liabilities
Elecnor, S.A.	-	23,737	3,889
Aplicaciones Técnicas de la Energía, S.A.	4,170	5,490	-
Celeo subgroup	10,527	31,884	56,203
Enerfin subgroup	3,498	16,922	22,751
Audeca	-	186	4,190
Elecnor do Brasil	3,300	3,300	-
IQA	960	1,064	-
Elecnor Chile	-	8,151	-
Other	663	7,693	351
	23,118	98,427	87,384

	2015		
	Thousands of Euros		
	Tax credits	Deferred tax assets	Deferred tax liabilities
Elecnor, S.A.	1,016	26,078	3,689
Aplicaciones Técnicas de la Energía, S.A.	4,170	5,514	-
Celeo subgroup	1,634	16,956	30,496
Enerfin subgroup	2,007	22,272	25,234
Audeca	-	239	4,683
Elecnor Brasil	2,526	2,526	2,630
Other	196	6,848	229
	11,549	80,433	66,961

Details of the amounts and expiry years of uncapitalised tax loss carryforwards of the most significant entities/tax groups at 31 December 2016 and 2015 are as follows: (in thousands of Euros)

2016	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes	3,681	Unlimited
Elecnor do Brasil	13,067	Unlimited
Montelecnor	16,704	2020-2021
Elecnor Argentina	4,637	2019-2021
Belco	7,950	Unlimited
Elecnor Inc	29,524	Unlimited
	75,563	

2015	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes	4,250	Unlimited
Elecnor Chile	7,107	Unlimited
Montelecnor	5,461	2019
Elecnor Argentina	4,701	2019 – 2020
Elecnor Inc	28,160	Unlimited
	49,679	

19. TAXATION

Details of income tax receivables from and payables to public entities, under current assets and other payables, respectively, at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Public entities, receivable		
Taxation authorities, VAT	21,349	14,147
Taxation authorities, personal income tax withholdings	-	15
Taxation authorities, withholdings and payments on account	10,489	14,408
Taxation authorities, income tax	7,314	6,901
Taxation authorities, sundry items (*)	21,993	16,528
Social Security	5,272	3,174
Grants	-	7
Total	66,417	55,180
Public entities, payable		
Taxation authorities, VAT	22,425	25,223
Taxation authorities, withholdings	11,563	8,387
Taxation authorities, income tax	26,716	19,016
Taxation authorities, sundry items (*)	15,690	17,758
Social Security	11,739	10,003
Total	88,133	80,387

(*) Arising mainly from UTEs and foreign subsidiaries.

At the 2016 year end, the Parent has all applicable taxes for 2012 and subsequent years open to inspection by the taxation authorities, except for income tax, which is open to inspection from 2011. Due to the treatment permitted by prevailing fiscal legislation, additional tax liabilities that cannot be objectively quantified could arise in the event of inspection. In any case, the Parent's directors consider that the aforementioned taxes have been correctly paid and therefore, even in the event of discrepancies in the interpretation of prevailing fiscal legislation of certain transactions, they consider that any such liabilities that could arise would not have a significant effect on the accompanying consolidated annual accounts.

The Parent is currently subject to a tax inspection covering 2011 to 2013 for income tax and 2012 to 2014 for other taxes.

Details of the income tax expense accrued in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Consolidated profit before income tax	129,309	128,760
Non-deductible expenses	6,196	3,908
Non-taxable income (**)	(5,996)	(28,565)
Net profit of equity-accounted investees (note 10)	(2,210)	(3,038)
Other	(566)	(837)
Capitalisation reserve	(1,397)	(1,764)
Uncapitalised tax credits applied	(5,223)	-
Uncapitalised tax loss carryforwards (***)	34,502	17,728
Adjusted accounting profit	154,615	116,129
Gross tax calculated at the tax rate in force in each country (*)	44,582	40,176
Tax deductions for incentives and other	(1,162)	(2,832)
Adjustment to prior year's income tax expense	(1,685)	947
Capitalisation of tax loss carryforwards	-	-
Effect of tax rate changes on deferred taxes	-	-
Other adjustments	1,838	136
Income tax expense	43,573	38,427

(*) The fully consolidated foreign subsidiaries calculate the income tax expense and the amount due in respect of the various other applicable taxes in accordance with the prevailing tax rates and legislation in their respective countries.
(**) Non-taxable income in 2016 and 2015 mainly reflected adjustments to the accounting profit for income from the sale of investments which are exempt from taxation (see notes 2-g and 13), and income from foreign subsidiaries and UTEs.
(***) Mainly correspond to Belco Elecnor Electric, INC for an amount of Euros 7.6 million, Montelecnor, S.A. for Euros 9.7 million, Celeo Redes Chile, S.A. for Euros 5 million and Elecnor do Brasil, LTDA. for Euros 5.3 million.

Corporate Income Tax Law 27/2014 of 27 November 2014, passed on 28 November 2014, completely reforms the previous legislation governing income tax and came into force for tax periods beginning on or after 1 January 2015. This law introduces a number of legislative changes, including the non-tax-deductibility of portfolio impairment losses, the exemption to avoid double taxation on dividends and income from the transfer of the securities making up the share capital of resident and non-resident entities in Spain, and a change in the general rate of income tax, which has gone from 28% in 2015 to 25% from 2016 onwards.
Details of the main components of the income tax expense accrued in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Current tax		
Present year	44,767	33,187
Prior year adjustments	(1,685)	947
Other adjustments	1,838	136
Deferred tax		
Amount of the deferred tax expense/income relating to the origination and reversal of temporary differences	(1,347)	4,157
Income tax expense	43,573	38,427

Details of the amounts and expiry years of deductible temporary differences, tax losses or credits for which deferred tax assets have not been recognised in the consolidated statements of financial position at 31 December 2016 and 2015, are as follows (in thousands of Euros):

Unused tax loss carryforwards	31/12/2016
Expiry year:	
2019	1,914
2020	8,273
2021	11,153
2022	1,405
2023	216
Unlimited	61,332
Total	84,293

Unused tax loss carryforwards	31/12/2015
Expiry year:	
2019	2,281
2020	7,892
2022	2,139
2023	519
Unlimited	43,484
Total	56,315

Unused tax credits for deductions and other items	31/12/2016
Expiry year:	
2018	141
2027	626
2028	890
2029	451
2030	124
2031	141
2033	117
2034	109
Unlimited	399
Total	2,998

Unused tax credits for deductions and other items	31/12/2015
Expiry year:	
2017	75
2027	626
2028	890
2029	451
2030	124
2031	141
Unlimited	2,645
Total	4,952

The unused tax loss carryforwards and tax credits for deductions and other items described above were generated by various companies in the ELECNOR Group and their future recoverability is conditional upon these companies' ability to generate sufficient taxable profits.
Due to the treatment permitted by prevailing fiscal legislation, additional tax liabilities that cannot be objectively quantified could arise in the event of inspection. However, the Parent's directors consider that the possibility of such contingent liabilities arising during future tax inspections of Group companies is remote and that, in any case, the tax liability that could result therefrom would not materially affect the consolidated annual accounts of the ELECNOR Group.

20. GUARANTEE COMMITMENTS WITH THIRD PARTIES

At 31 December 2016 and 2015, details of the risk exposure relating to bank guarantees received and other bid, completion and performance bonds, extended mainly by the Parent, are as follows:

	Thousands of Euros	
	2016	2015
Completion bonds	630,788	546,113
Advances on contracts:		
Current	174,599	198,300
To be cancelled	16,782	929
Performance bonds	354,280	264,239
Bid bonds	64,947	72,579
Other	63,735	16,206
Total	1,305,131	1,098,366

At 31 December 2016 and 2015 the Parent has extended guarantees of Euros 92 million to the customer EDC Electricidad Caracas as collateral for works and advances on contracts. The Group estimates that these guarantees will be recovered in the first months of 2017.
The remaining amount of the guarantees at 31 December 2016 and 2015 consists of a number of guarantees of insignificant individual amounts, all of which relate to the Group's normal activity.
The Parent's directors consider that any liabilities that might arise from the bank guarantees provided would not give rise to significant losses in the accompanying consolidated financial statements.

21. INCOME AND EXPENSES

Revenues

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Construction contracts and services rendered	1,866,515	1,723,707
Sale of goods and energy	168,621	157,536
Total	2,035,136	1,881,143

Supplies

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Purchases of raw materials and other supplies	1,037,551	962,318
Change in goods for resale, raw materials and other inventories	1,230	5,294
Total	1,038,781	967,612

Other operating expenses

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
External services	289,716	289,693
Taxes	40,933	38,795
Other operating expenses	4,050	4,628
Total	334,699	333,116

Personnel expenses

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Salaries and wages	423,736	395,736
Social Security payable by the Company	84,414	83,261
Other employee benefits expenses	43,195	34,346
Total	551,345	513,343

The average headcount, by professional category, in 2016 and 2015 was as follows:

	Average headcount	
	2016	2015
Senior management (note 25)	6	6
Management	23	21
Technical area	3,198	2,659
Administration	1,497	1,461
Middle management	1,091	1,092
Supervisors	5,090	5,290
Specialists	1,034	873
Manual workers	828	872
Auxiliary staff	310	318
Total	13,077	12,592

Of the Group's average headcount in 2016, a total of 5,646 employees had temporary employment contracts (4,813 employees in 2015).
The headcount, by gender and professional category, at 31 December 2016 and 2015 is as follows:

	31/12/2016		31/12/2015	
Professional category	Male	Female	Male	Female
Senior management (note 25)	5	-	6	-
Management	20	2	18	1
Technical area	2,990	493	2,252	465
Administration	631	850	644	853
Middle management	1,055	39	1,076	31
Supervisors	5,100	78	4,936	120
Specialists	983	24	1,006	29
Manual workers	811	28	922	70
Auxiliary staff	242	54	263	48
Total	11,837	1,568	11,123	1,617

The average number of employees at the Parent with a disability equal to or greater than 33%, by category, is as follows:

Professional category	2016	2015
Technical area	9	9
Administration	8	8
Specialists	2	2
Middle management	4	4
Supervisors	14	14
Manual workers	1	1
Total	38	38

At the 2016 year end Elecnor, S.A. had a headcount of 7,059 employees in Spain, 38 of whom were disabled, representing 0.54% of the workforce in Spain. Elecnor, S.A. has been granted exemption from this requirement through the adoption of alternative measures. Certified purchases made from Special Employment Centres amounted to Euros 2,153 thousand in 2016, which is equivalent to hiring an additional 9.38% of disabled employees. This would result in a total of 8.84%, thereby exceeding the mandatory quota (2%).

Depreciation, amortisation and provisions

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Depreciation of property, plant and equipment (note 9)	70,089	61,436
Amortisation of intangible assets(note 8)	5,925	6,131
Changes in provisions for liabilities and charges (note 16)	2,636	(852)
Change in impairment of receivables (note 12)	(4,697)	16,481
Impairment of property, plant and equipment	-	2,056
Impairment of goodwill (note 7)	591	-
Change in other provisions	3,040	14,625
Total	77,584	99,877

Finance income

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Income from other marketable securities and loans to third parties	7,090	5,536
Other interest and similar income (notes 11 & 12)	60,766	71,370
Total	67,856	76,906

During 2016 the Group capitalised interest of Euros 6 million (Euros 16 million in 2015), comprising a capitalisation rate of approximately 6% in both years.

Finance costs

Details of this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Finance costs on loans and borrowings (*)	95,829	89,134
Other finance costs	4,882	3,599
	100,711	92,733

(*) Arising mainly from project finance arrangements for wind and solar PV farms, concession operators, Elecnor, S.A.'s syndicated loans and interest rate swaps (see notes 14 and 15).

Finance costs derive practically in full from the application of the effective interest rate method to financial liabilities under loans and payables.

22. INTERESTS IN JOINT VENTURES - UTES

As indicated in note 2-a, in 2016 and 2015 the balance sheets and income statements of UTEs in which Elecnor, S.A. or its subsidiaries hold interests have been proportionately consolidated in the accompanying consolidated annual accounts, in accordance with IAS 31.

Details of UTEs and the Group's percentage ownership therein at 31 December 2016 and 2015, the amount of revenues from construction work performed in 2016 and 2015 and the order book at year end are included in Appendix II to these consolidated annual accounts.

Details of the contribution of UTEs to the various items in the accompanying consolidated statements of financial position and the consolidated income statements at 31 December 2016 and 2015 are as follows:

	Thousands of Euros			Thousands of Euros	
ASSETS	2016	2015	LIABILITIES	2016	2015
Intangible assets	1	-	Profit for the year	12,317	10,590
Property, plant and equipment	1,974	1,975	Loans and borrowings	4,019	-
Financial assets	28	10	Non-current payables	4,055	-
Inventories	14,028	5,647	Current trade payables	188,568	123,039
Trade receivables	136,935	103,703			
Current investments	10,241	(319)			
Cash	41,304	20,475			
Prepayments	4,448	2,138			
Total	208,959	133,629	Total	208,959	133,629

	Thousands of Euros	
Income statement	2016	2015
Revenues	255,174	101,265
Supplies	(197,300)	(67,022)
Non-trading income	333	259
Personnel expenses	(12,857)	(5,313)
External services	(23,081)	(11,268)
Taxes	(2,343)	(1,824)
Losses, impairment and changes in trade provisions	(437)	113
Depreciation and amortisation	(376)	(177)
Impairment and gains/(losses) on disposal of fixed assets	18	-
Finance income	358	57
Finance costs	(5,938)	(3,081)
Exchange gains/(losses)	(820)	181
Foreign taxes	(414)	(2,600)
Total	12,317	10,590

23. ORDER BOOK

Details, by line of business, of the Parent's order backlog at 31 December 2016 and 2015, excluding UTEs (see note 22), are as follows:

	Thousands of Euros	
By geographical area	2016	2015
Domestic	338,280	307,748
International	1,475,859	1,618,054
Total	1,814,139	1,925,802
By line of business		
Electricity	475,122	675,461
Facilities	32,345	42,829
Gas	147,870	167,822
Power generation	860,849	730,071
Railways	83,500	71,779
Construction	67,931	121,505
Environment and water	10,997	12,302
Telecommunications and systems	97,001	70,825
Maintenance	38,524	33,208
Total	1,814,139	1,925,802

At 31 December 2016 the order backlog of subsidiaries amounts to Euros 524,592 thousand (Euros 576,643 thousand in 2015) and mainly comprises work for companies in the electricity sector.

24. REMUNERATION OF THE BOARD OF DIRECTORS

a) Remuneration and other benefits

In 2016 the members of the Parent's board of directors received remuneration amounting to Euros 7,355 thousand (Euros 7,215 thousand in 2015). This remuneration includes that earned in their capacity as management personnel.

The Parent has paid approximately Euros 23 thousand for life insurance arranged for former or current members of its board of directors (Euros 17 thousand in 2015).

At 31 December 2016 and 2015, the Parent does not have any pension obligations with former or current members of the board of directors nor has it extended any guarantees on their behalf or granted any loans thereto.

At 31 December 2016 and 2015, the board of directors of the Parent is formed by 14 individuals, one of whom is female.

At 31 December 2016 the amount paid by the Company with regard to public liability insurance for all or some of the directors in relation to damage caused due to acts or omissions in discharging their duties was not significant.

b) Conflicts of interest concerning the directors

The members of the board of directors of Elecnor, S.A. and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

c) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors

In 2016 and 2015 the directors of the Company have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

25. REMUNERATION OF SENIOR MANAGEMENT

Personnel expenses (monetary remuneration, remuneration in kind, Social Security contributions, etc.) relating to the Parent's general managers and individuals with similar duties (excluding those who are also members of the board of directors, whose remuneration is detailed above) amounted to approximately Euros 2,103 thousand in 2016 (approximately Euros 1,967 thousand in 2015).
In 2016 and 2015 no other transactions were carried out with senior management personnel outside the ordinary course of business.
All of the Parent's general managers at 31 December 2016 and 2015 are male.

26. RELATED PARTY BALANCES AND TRANSACTIONS

All material balances between the consolidated companies at year end and the effect of transactions carried out between these companies during the year have been eliminated on consolidation (see note 2-f).
Related party transactions have been carried out at arm's length. Transactions carried out by the Group with investees that are not fully or proportionately consolidated and with other non-consolidated companies during 2016 and 2015 are as follows:

2016

	Thousands of Euros			
	Supplies	External services	Sales and other operating income	Finance income
Equity-accounted investees:				
Dioxipe Solar S.L.	-	-	5,273	-
Aries Solar Termoeléctrica, S.L.	-	-	10,360	-
Gasoducto de Morelos, SAPI de CV	-	-	350	2,093
Morelos EPC, SAPI de CV	-	-	2,076	-
Total	-	-	18,059	2,093

2015

	Thousands of Euros			
	Supplies	External services	Sales and other operating income	Finance income
Equity-accounted investees:				
Cosemel Ingeniería, A.I.E.	-	-	14	-
Dioxipe Solar S.L.	-	-	5,659	-
Aries Solar Termoeléctrica, S.L.	324	-	10,784	216
Gasoducto de Morelos, SAPI de CV	-	-	1,028	2,400
Sociedad Aguas Residuales Pirineos S.A.	-	-	1	-
Morelos EPC, SAPI de CV	-	-	3,191	-
Other companies:				
Centro Logístico Huerta del Peñon, S.L.	-	-	7	7
Elecnor Foundation	-	600	3	-
Total	324	600	20,687	2,623

At 31 December 2016 and 2015, balances receivable from and payable to investees that are not fully or proportionately consolidated and other non-consolidated companies, deriving from the above transactions, are as follows:

	Thousands of Euros					
	2016			2015		
	Receivables		Payables	Receivables		Payables
	Other investments (note 11)	Trade receivables from and current investments in related companies	Trade payables to associates and related companies	Other investments (note 11)	Trade receivables from and current investments in related companies	Trade payables to associates and related companies
Equity-accounted investees:						
Cosemel Ingeniería, A.I.E.	-	-	5	-	7	5
Sociedad Aguas Residuales Pirineos, S.A.	-	-	-	-	1	-
Dioxipe Solar, S.L.	-	7,605	-	28,160	4,967	-
Aries Solar Termoeléctrica, S.L.	125	5,646	-	119	2,124	-
Gasoducto Morelos S.A.P.I. de CV	31,451	2,207	-	29,026	2,226	-
Brilhante Transmisora de Energía, S.A.	-	67	-	-	138	-
Morelos EPC, SAPI de CV	-	3,145	-	-	1,260	-
Other companies:						-
Centro Logístico Huerta del Peñón, S.L.	-	-	-	-	258	-
Enervento, Ventos do Faro Farelo, S.L.	-	-	-	-	13	-
Morelos O&M	-	220	-			
Cantiles XXI, S.L. (note 5)	-	-	2,432	-	-	2,361
Consorcio Eólico Marino Cabo de Trafalgar, S.L.	-	-	-	250	-	-
	31,576	18,890	2,437	57,555	10,994	2,366

In 2013 Elecnor, S.A. completed the construction of the thermosolar power plants for Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. At 31 December 2016 there is no balance payable by the companies to Elecnor, S.A. under the construction contracts (Euros 2,105 thousand payable at 31 December 2015 by Aries Solar Termoeléctrica, S.L., recognised under trade receivables from related companies in the accompanying consolidated statement of financial situation at that date). All payables to both companies at year-end relate to maintenance contracts.

At 31 December 2016 Bestinver Gestión, S.A., S.G.I.I.C. has a significant investment in Elecnor, S.A., the Parent of the ELECNOR Group. No transactions have been carried out with this company during the year and there were no balances receivable or payable at 31 December 2016.

27. AUDIT FEES

In 2016 and 2015 the fees for the audit and other services invoiced by KPMG Auditores, S.L., the Parent's auditor, and by other companies related to this auditor through control, common ownership or management, are as follows (in thousands of Euros):

2016

	Thousands of Euros	
Description	Services rendered by the main auditor	Services rendered by other audit firms
Audit services	661	445
Other assurance services	187	-
Total audit and related services	**848**	**445**
Tax advisory services	66	70
Other services	667	56
Total professional services	1,581	571

2015

	Thousands of Euros	
Description	Services rendered by the main auditor	Services rendered by other audit firms
Audit services	578	473
Other assurance services	220	-
Total audit and related services	798	473
Tax advisory services	16	59
Other services	125	271
Total professional services	939	803

28. EARNINGS PER SHARE

Details of basic earnings per share in 2016 and 2015 are as follows:

	2016	2015
Attributable net profit (thousands of Euros)	68,465	65,662
Total number of shares outstanding	87,000,000	87,000,000
Less, own shares (note 13-d)	(2,464,032)	(2,483,110)
Weighted average number of shares outstanding	84,535,968	84,516,890
Basic earnings per share (Euros)	0.81	0.78

At 31 December 2016 and 2015 Elecnor, S.A., the Parent of the ELECNOR Group, has not issued any financial instruments or other contracts entitling the holder to receive ordinary shares from the Company, and therefore diluted earnings per share coincide with basic earnings per share.

29. ENVIRONMENTAL INFORMATION

Responsible commitment to the protection of the environment and efficiency in the use of energy resources are common denominators in all of Elecnor's activities. These objectives mean that respect for the environment and sustainability are at the heart of Elecnor's culture and are core values throughout the organisation.

In 2016, Elecnor renewed its environment certificate for carbon dioxide emissions, obtained from the Spanish Association for Standardisation and Certification (AENOR) and verified in accordance with ISO standard 14064-1. Through this verification the Group obtains independent and rigorous endorsement of the amount of GHG emissions caused by its activities, thereby seeking to improve its environmental and energy management.

Elecnor also obtained the certificate of registration at the National Carbon Footprint Registry, thanks to its efforts in carbon offsetting and its carbon dioxide absorption projects. This is an initiative of the Spanish Office for Climate Change (OECC) and the Ministry of Agriculture, Food and the Environment (MAGRAMA), the objective of which is to encourage organisations to calculate, reduce and offset their carbon footprint, and to register it voluntarily.

Elecnor has met its objective of registering its carbon footprint at this Registry, thereby anticipating legislation and providing added value for future projects.

In the area of systems management, in 2016 Elecnor achieved multi-site certification for its environmental management systems from AENOR. This is a single certificate for all of the organisations in the Elecnor infrastructures area that contains all of the scopes of the various activities and all of the work centres which, up until now, obtained certification individually.

Single certificate GA-2000/0294 covers the following organisations:

- Major Networks Unit
- Major Energy Unit
- Major Facilities and Networks Unit Central Regional Office and Northern Branches, North-Eastern Regional Office, Eastern Regional Office, Southern Regional Office, Elecnor Medio Ambiente, Elecnor Seguridad, Area 3 and Elecnor Infrastrutture S.R.L.

Certificates are also held for the following branches:

- Ehisa Construcciones y Obras (GA-2006/0131)
- Aplicaciones Técnicas de la Energía (GA-2009/0396)
- Audeca (GA-1999/0134)
- Deimos (ES 028048-2)
- Hidroambiente (SGI 1201167/12)
- Enerfín (GA-2003/0416)
- Jomar Seguridad (GA-2014/0085)

Furthermore, implementation and certification by AENOR of the energy management system (GE-033/2013) was consolidated under the UNE-EN ISO 50001:2011 standard, thereby reinforcing the Group's commitment to sustainability. In this context a series of energy audits have been performed at the Company. These audits will enable the identification of areas in which energy consumption can be minimised, thereby contributing to reducing the carbon footprint.

30. AVERAGE SUPPLIER PAYMENT PERIOD. FINAL PROVISION TWO OF LAW 31/2014 OF 3 DECEMBER 2014

Information on the average supplier payment period in 2016 and 2015 is as follows:

	2016	2015
	Days	
Average supplier payment period	63	62
Transactions paid ratio	70	69
Transactions payable ratio	41	40
	Expressed in thousands of Euros	
Total payments made	799,612	786,415
Total payments outstanding	202,148	206,862

The payments to suppliers of the Spanish consolidated companies reflected in the above table are trade payables as they relate to goods and services. They therefore include the trade and other payables - trade payables for purchases or services recognised under current liabilities in the consolidated statement of financial position.

31. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2017, Barcaldine Remote Solar Farm was sold for AUD 33.4 million. This company operates the Group's solar PV farm in Australia and its sale will have a positive effect on the 2017 income statement.

Appendix I:

2016 COMPANY INFORMATION

(Thousands of Euros)

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Subsidiary of:				
ELECNOR,S.A.				
Elecven Construcciones, S.A.	Venezuela	Deloitte	Construction and assembly	96.20%
Elecdor ,S.A.	Ecuador	Atig Auditores	Construction and assembly	100.00%
Elecnor Do Brasil , L.T.D.A.	Brazil	KPMG	Construction and assembly	100.00%
IDDE,S.A.	Madrid	***	Sales	100.00%
Omninstal Electricidade, S.A.	Portugal	KPMG	Construction and assembly	100.00%
Elecnor Argentina , S.A.	Argentina	SMS	Construction and assembly	99.90%
Rasacaven ,S.A.	Venezuela	Deloitte	Construction and assembly	93.72%
Electrolineas de Ecuador , S.A.	Ecuador	Atig Auditores	Construction and assembly	100.00%
Elecnor Peru, S.A.	Peru	KPMG	Construction and assembly	100.00%
Corporacion Electrade, S.A.	Venezuela	***	Construction and assembly	100.00%
Elecnor Chile, S.A.	Chile	Armando Vergara Gutierrez	Construction and assembly	100.00%
Hidroambiente, S.A.U.	Getxo (Vizcaya)	KPMG	Environmental activities	100.00%
Deimos Engenharia, S.A.	Portugal	ESAC Espirito Santo Associados	Services in the areas of telecommunications and aeronautic and space energy	100.00%
Celeo Concesiones E Inversiones,S.L.U.	Madrid	KPMG	Management and administration of companies	100.00%
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	Madrid	***	Interior design	100.00%
Celeo Termosolar,S.L.	Madrid	KPMG	Construction and subsequent operation of solar thermal plants	100.00%
Audeca, S.L.U.	Madrid	KPMG	Environmental restoration and reforestation and operation of roads	100.00%
Deimos Castilla la Mancha, S.L.U.	Ciudad Real	KPMG	Software development, engineering and technical assistance in the field of remote sensing	100.00%
Elecfrance,SASU	France	Excelia Conseil	Study and performance of electricity activities	100.00%
Ditra Cantabria,S.A.U.	Santander	***	Installation of power grids	100.00%
Jomar Seguridad, S.L.U.	Guadalajara	***	Sale, installation and maintenance of fire prevention and safety systems	100.00%
Elecnor Energie and Bau, GmbH	Germany	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies	100.00%
IQA Operatios Group LTD	Scotland	KPMG	Electrical installations	96.88%
Elecnor Australia PTY LTD	Australia	ESV	Management and administration of companies	100.00%
Elecnor South Africa (PTY) LTD	South Africa	***	Construction and assembly	100.00%
Elecnor Angola Group	Angola	***	Activities in the areas of public works and civil engineering	55.00%
BETONOR,S.L. (****)	Angola	***	Dormant	51.00%
Montelecnor, S.A.	Uruguay	Ernst & Young	Construction and assembly	100.00%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Elecnor de Mexico, S.A.	Mexico	KPMG	Construction and assembly	100.00%
Enertel, S.A. de C.V.	Mexico	KPMG	Construction and assembly	99.99%
Ehisa Construcciones y Obras, S.A.	Zaragoza	Luis Ruiz Apilanez	Construction and assembly	100.00%
Deimos Space, S.L.U.	Madrid	KPMG	Analysis, engineering and development of space missions and software	100.00%
Elecen, S.A.	Honduras	***	Construction and assembly	100.00%
Elecnor Seguridad, S.L.	Madrid	***	Installation and maintenance of fire prevention and safety systems	100.00%
Elecnor, INC	Delaware (USA)	RP&B	Installations	100.00%
Aplicaciones Técnicas de la Energia, S.L.(ATERSA)	Valencia	Deloitte	Solar energy	100.00%
Elecnor Montagens Eletricas.Ltda.	Brazil	***	Construction and assembly	100.00%
Enerfin Sociedad de Energía,S.L.	Madrid	Deloitte	Management and administration of companies	99.99%
Sociedad Aragonesa De Aguas Residuales,S.A.U.	Zaragoza	KPMG	Construction and operation of plants under the special water treatment plan	100.00%
Montagens Eletricas Da Serra, Ltda	Brazil	***	Construction and assembly	100.00%
Barcaldine Remote Community Solar Farm PTY, LTD (*)	Australia	ESV	Development, construction and operation of PV farms	100.00%
Elecdal, URL	Algeria	***	Construction and assembly	100.00%
CELEO CONCESIONES E INVERSIONES,S.L.U.				
Celeo Redes,SLU (*)	Madrid	KPMG	Management and administration of companies	51.00%
Celeo Energía S.L. (*)	Spain	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Helios Inversión Y Promoción Solar,S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
CELEO ENERGIA,S.L.				
Celeo Energía Chile,SPA (*)	Chile	KPMG	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Energía Brasil,LTDA (*)	Brazil	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO REDES BRASIL,S.A.				
Encruzo Novo Transmissora De Energia,Ltda (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Integraçao Maranhense Tranmissora De Energia,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Linha De Transmissao Corumba,Ltda (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Caiua Transmissora De Energia,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Cantareira Transmissora De Energía,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Coqueiros Transmissora De Energía, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Pedras Transmissora De Energía, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Vila Do Conde Transmissora De Energia SA (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Jauru Transmissora De Energia,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	16.99%
Lt Triangulo,S.A (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Vilhena Montagens Elétricas,Ltda (*)	Brazil	***	Construction and assembly	100.00%
CELEO REDES CHILE Ltda				
Celeo Redes Operación Chile,S.A. (*)	Chile	KPMG	Operation of power plants	51.00%
CELEO REDES CHILE OPERACIÓN, S.A				
Diego de Almagro Transmisora de Energía,S.A. (*)(****)	Chile	KPMG	Development, construction and operation of electrical facilities	51.00%
Alto Jahuel Transmisora de Energia,S.A. (*)	Chile	KPMG	Development, construction and operation of electrical facilities	50.99%
Charrua Transmisora De Energia,S.A. (*)	Chile	KPMG	Assembly, installation, operation of the new 2 x 500 Charrua – Ancoa line	51.00%
Celeo Redes,S.L.U.				
Celeo Redes Brasil,S.A. (*)	Brazil	KPMG	Development, construction and operation of electrical facilities	51.00%
Corporación Electrade				
Electrade Investment, Ltda (*)	Barbados	***	Sale of materials	100.00%
Deimos Space, S.L.U.				
Deimos Space UK,Limited (*)	United Kingdom	KPMG	Analysis, engineering and development of space missions and software	100.00%
S.C. Deimos Space,S.R.L. (*)	Romania	***	Analysis, engineering and development of space missions and software	100.00%
ELECNOR FINANCIERA ,S.L.				
Parque Eólico Malpica,S.A. (*)	La Coruña	Deloitte	Construction and operation of power plants	87.80%
Elecnor Australia				
Green Light Contractors PTY, LTD (*)	Australia	ESV	Construction of a PV farm	100.00%
Elecnor Inc				
Belco Elecnor Electric, INC (*)	USA	RP&B	Electrical installations	100.00%
Elecnor Hawkeye, LLC (*)	USA	***	Electrical installations	100.00%
Electrol, S.A.				
Zogu,S.A. (*)	Ecuador	Atig Auditores	Construction and assembly	100.00%
ENERFIN ENERVENTO EXTERIOR,S.L.U				
Ventos do Sul, S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%
ENERFIN DO BRASIL- SDAD DE ENERGIA LTDA				
Ventos de Cabo Verde I, S.A. (*)	Brazil	***	Operation of power plants	100.00%
Ventos de Cabo Verde II, S.A. (*)	Brazil	***	Operation of power plants	100.00%
Ventos de Cabo Verde III, S.A. (*)	Brazil	***	Operation of power plants	100.00%
Ventos de Granjas Vargas Energía, S.A. (*)	Brazil	***	Operation of power plants	100.00%
Ventos de Granjas Vargas II Energía, S.A. (*)	Brazil	***	Operation of power plants	100.00%
Parques Eólicos Palmares,S.A. (*)	Brazil	Deloitte	Operation of electricity transmission service concessions	80.00%
Ventos da Lagoa,S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%
Ventos do Litoral Energía,S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
ENERFIN ENERGY CO OF CANADA, INC				
LAMBTON ENERWIND LIMITED PARTNERSHIP (SEC) (*)(****)	Canada	***	Wind farm development	100.00%
LAMBTON ENERWIND GENERAL PARTNER INC (GP) (*)(****)	Canada	***	Administration and advisory services	100.00%
Investissements Eoliennes de L´Érable, SEC. (*)	Canada	***	Administration and advisory services	100.00%
Investissements Eoliennes de L´Érable, INC. (*)	Canada	***	Administration and advisory services	100.00%
ENERFIN ENERGY COMPANY OF AUSTRALIA PTY,LTD				
Bulgana Wind Farm PTY LTD (*)	Australia	***	Operation of power plants	100.00%
ENERFIN ENEVENTO EXTERIOR				
GUAJIRA EOLICA,S.A.S. (*)	Colombia			100.00%
ENERFIN SOCIEDAD DE ENERGÍA,S.L.				
Muiño do Vicedo, S.L. (*)	La Coruña	***	Operation of power plants	94.00%
Enerfera, S.R.L. (*)	Italy	***	Construction, operation and use of wind farm resources	100.00%
Enerfin Rodonita Galicia,S.L. (*)	La Coruña	***	Operation of power plants	80.00%
Parque Eólico Cofrentes,S.L.U. (*)	Valencia	***	Operation of power plants	100.00%
Enerfin Energy Company INC (*)	USA	***	Development and management of wind farm activities	100.00%
Zaragua 2005,S.L.U. (*)	Zaragoza	***	Operation of power plants	100.00%
Enerfin Québec Services,INC (*)	Canada	***	Development and management of wind farm activities	100.00%
Enerfin Energy Company of Australia PTY,LTD (*)	Australia	***	Development and management of wind farm activities	100.00%
EnerfinDevelopments British Columbia,Inc (*)	Canada	***	Development and management of wind farm activities	100.00%
Enerfin Energy Company of Canada, INC (*)	Canada	***	Operation of power plants	100.00%
Elecnor Financiera ,S.L. (*)	Bilbao	Deloitte	Administration and advisory services	100.00%
Enerfin Enervento,S.A. (*)	Madrid	Deloitte	Management and administration of companies	70.00%
Enerfin do Brasil Sociedad de Energía LTDA (*)	Brazil	Deloitte	Operation of electricity transmission service concessions	100.00%
Enerfin Enervento Exterior,S.L.U (*)	Madrid	***	Management and administration of companies	100.00%
ENERFIN, ENERVENTO,S.A.				
Galicia Vento II, S.L. (*)	Lugo	***	Operation of power plants	69.44%
Aerogeneradores del Sur , S.A. (*)	Seville	Deloitte	Construction, operation and use of wind farm resources	76.00%
Eólica Montes de Cierzo , S.L. (*)	Tudela	Deloitte	Operation of power plants	70.00%
Eólica Páramo de Poza , S.A. (*)	Madrid	Deloitte	Operation of power plants	55.00%
Galicia Vento, S.L. (*)	Lugo	Deloitte	Operation of power plants	69.44%
Enervento Galicia,S.L	La Coruña	***	Construction, installation, sale and management of wind farms and facilities in Galicia	58.80%
ENERVENTO EXTERIOR,S.L.				
RIO SUL 1 ENERGIA,LTDA (*)(****)	Brazil	Deloitte	Management and administration of companies	100.00%
RIO SUL 2 ENERGIA,LTDA (*)(****)	Brazil	***	Management and administration of companies	100.00%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
EOLIENNES DE L'ÉRABLE COMANDITAIRE, INC				
EOLIENNES DE L'ERABLE COMMANDITE INC (*)	Canada	***	Administration and advisory services	100.00%
Eoliennes de L´Érable, SEC. (*)	Canada	Deloitte	Operation of power plants	51.00%
Helios Inversión Y Promoción Solar,S.L.U.				
Celeo Fotovoltaico,S.L.U. (*)(****)	Spain	KPMG	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Elc,S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Aascv, S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Aascv 2, S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Antequera,S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Hae,S.L.U. (*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Siberia Solar,S.L. (*)	Madrid	KPMG	Development, construction and operation of PV farms	100.00%
Helios Almussafes, S.L.U. (*)	Valencia	***	Operation of renewable energy facilities	100.00%
Helios Almussafes II, S.L.U. (*)	Valencia	***	Operation of renewable energy facilities	100.00%
Hidroambiente, S.A.U.				
Everblue Private Limited (*)	India	***	Environmental activities	100.00%
Sdad Aragonesa De Estaciones Depuradoras,S.A. (*)	Zaragoza	KPMG	Construction and operation of plants under the special water treatment plan	60.00%
INVESTISSEMENTS EOLIENNES DE L'ÉRABLE SEC				
EOLIENNES L'ERABLE COMMANDITAIRE INC (*)	Canada	***	Operation of power plants	100.00%
RIO SUL 1				
VENTOS DOS INDIOS ENERGIA,S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%
Zogu,S.A.				
CLN,S.A. (*)	Venezuela	***	Dormant	100.00%
Consolidated investees				
Equity-accounted investees (note 10)				
Subsidiary of:				
ELECNOR,S.A.				
Sdad. Aguas Residuales Pirineos,S.A.	Zaragoza	***	Construction and operation of plants under the special water treatment plan	50.00%
Gasoducto de Morelos, S.A.P.I.(Sdad Anónima Promotora de Inversión) de C.V.	Mexico	Deloitte	Operation and maintenance of the Morelos gas pipeline	50.00%
MORELOS EPC S.A.P.I. de CV	Mexico	Deloitte	Construction, engineering and supply of the Morelos gas pipeline	50.00%
MORELOS O&M, SAPI,CV	Mexico	***	Maintenance of the Morelos gas pipeline	50.00%
Cosemel Ingenieria,Aie	Madrid	***	Development, construction and operation of installations and electrifications of high-speed railway lines	33.33%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
CELEO REDES BRASIL,S.A.				
Brilhante Transmissora De Energia SA (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Brilhante II Transmissora De Energia SA (*)	Brazil	KPMG	Operation of public service concessions for for electricity transmission	25.50%
Celeo Termosolar,S.L.				
Dioxipe Solar,S.L. (*)	Madrid	KPMG	Development, construction and operation of thermosolar plants	55.00%
Aries Solar Termoelectrica,S.L. (*)	Madrid	KPMG	Development, construction and operation of thermosolar plants	55.70%
ELECNOR FINANCIERA ,S.L.				
Parque Eólico La Gaviota,S.A. (*)	Canary Islands	Ernst & Young	Operation of power plants	34.53%
ENERFIN, ENERVENTO,S.A.				
Consorcio Eólico Marino Cabo Trafalgar, S.L. (*)	La Coruña	***	Operation of power plants	35.00%
Ventos do Faro Farelo,S.L. (*)	Galicia	***	Operation of power plants	37.50%

(*) Companies indirectly held by Elecnor, S.A.
(***) Companies not legally required to audit their annual accounts.
(****) Companies consolidated for the first time in 2016.

Appendix I:

2015 COMPANY INFORMATION

(Thousands of Euros)

2015	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Aerogeneradores del Sur , S.A. (*)	Seville	Deloitte	Construction, operation and use of wind farm resources	76.00%
Alto Jahuel Transmisora de Energia, S.A. (*)	Chile	KPMG	Development, construction and operation of electrical facilities	50.99%
Aplicaciones Técnicas de la Energia, S.L.(ATERSA)	Valencia	Deloitte	Solar energy	100.00%
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	Madrid	***	Interior design	100.00%
Audeca, S.L.U.	Madrid	KPMG	Environmental restoration and reforestation and operation of roads	100.00%
Barcaldine Remote Community Solar Farm PTY, LTD	Australia	ESV	Development, construction and operation of PV farms	100.00%
Belco Elecnor Electric, INC (*)	USA	RP&B	Electrical installations	100.00%
Bulgana Wind Farm PTY LTD (*)	Australia	***	Operation of power plants	100.00%
Caiua Transmissora De Energia,S.A.(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Cantareira Transmissora De Energía,S.A.(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Celeo Concesiones E Inversiones,S.L.U.	Madrid	KPMG	Management and administration of companies	100.00%
CELEO ENERGIA BRASIL,LTDA (*) (****)	Brazil	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO ENERGIA CHILE,SPA (*) (****)	Chile	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO ENERGÍA S.L. (*) (****)	Spain	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO REDES BRASIL,S.A. (*)	Brazil	KPMG	Development, construction and operation of electrical facilities	51.00%
Celeo Redes Chile Ltda (*)	Chile	KPMG	Operation of power plants	51.00%
Celeo Redes,SLU (*)	Madrid	KPMG	Management and administration of companies	51.00%
Celeo Termosolar,S.L. (*)	Madrid	KPMG	Construction and subsequent operation of thermosolar plants	100.00%
Charrua Transmisora De Energia,S.A. (*)	Chile	KPMG	Assembly, installation, operation of the new 2 x 500 Charrua – Ancoa line	51.00%
CLN,S.A. (*)	Venezuela	***	Dormant	100.00%
Coqueiros Transmissora De Energía, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Corporacion Electrade, S.A.	Venezuela	Olivier D. Baylone Garrido	Construction and assembly	100.00%
Deimos Castilla la Mancha, S.L.U.	Ciudad Real	KPMG	Software development, engineering and technical assistance in the field of remote sensing	100.00%
Deimos Engenharia, S.A.	Portugal	ESAC Espirito Santo Associados	Services in the areas of telecommunications and aeronautic and space energy	80.00%

2015	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Deimos Space UK,Limited (*)	United Kingdom	KPMG	Analysis, engineering and development of space missions and software	100.00%
Deimos Space, S.L.U.	Madrid	KPMG	Analysis, engineering and development of space missions and software	100.00%
Ditra Cantabria,S.A.U.	Santander	***	Installation of power grids	100.00%
Ehisa Construcciones y Obras, S.A.	Zaragoza	Luis Ruiz Apilanez	Construction and assembly	100.00%
Elecdal, URL	Algeria	***	Construction and assembly	100.00%
Elecdor ,S.A.	Ecuador	Atig Auditores	Construction and assembly	100.00%
Elecen, S.A.	Honduras	***	Construction and assembly	100.00%
Elecfrance,SASU	France	Excelia Conseil	Study and performance of electricity activities	100.00%
Elecnor Argentina , S.A.	Argentina	KPMG	Construction and assembly	99.89%
Elecnor Chile, S.A.	Chile	Armando Vergara Gutierrez	Construction and assembly	100.00%
Elecnor Do Brasil , L.T.D.A.	Brazil	KPMG	Construction and assembly	100.00%
Elecnor Financiera ,S.L. (*)	Bilbao	Deloitte	Administration and advisory services	100.00%
Elecnor Peru, S.A.	Peru	***	Construction and assembly	100.00%
Elecnor Australia PTY LTD	Australia	ESV	Management and administration of companies	100.00%
Elecnor de Mexico, S.A.	Mexico	KPMG	Construction and assembly	100.00%
Elecnor Energie and Bau, GmbH	Germany	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies.	100.00%
Elecnor Hawkeye, LLC (*)	USA	***	Electrical installations	100.00%
Elecnor Montagens Eletricas.Ltda.	Brazil	***	Construction and assembly	100.00%
Elecnor Seguridad, S.L.	Madrid	***	Installation and maintenance of fire prevention and safety systems	100.00%
Elecnor South Africa (PTY) LTD	South Africa	***	Construction and assembly	100.00%
Elecnor, INC	Delaware (USA)	RP&B	Installations	100.00%
Encruzo Novo Transmissora De Energia,Ltda (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Enerfera, S.R.L. (*)	Italy	***	Construction, operation and use of wind farm resources	100.00%
Enerfin Developments British Columbia,Inc (*)	Canada	***	Development and management of wind farm activities	100.00%
Enerfin do Brasil Sociedad de Energía LTDA (*)	Brazil	Deloitte	Operation of electricity transmission service concessions	100.00%
Enerfin Energy Company of Australia PTY,LTD (*)	Australia	***	Development and management of wind farm activities	100.00%
Enerfin Energy Company of Canada, INC (*)	Canada	***	Operation of power plants	100.00%
Enerfin Energy Company INC (*)	USA	***	Development and management of wind farm activities	100.00%
Enerfin Enervento Exterior,S.L.U (*)	Madrid	***	Management and administration of companies	100.00%
Enerfin Québec Services,INC (*)	Canada	***	Development and management of wind farm activities	100.00%
Enerfin Rodonita Galicia,S.L. (*)	La Coruña	***	Operation of power plants	80.00%
Enerfin Sociedad de Energía,S.L.	Madrid	Deloitte	Management and administration of companies	100.00%
Enerfin Enervento,S.A. (*)	Madrid	Deloitte	Management and administration of companies	70.00%
Enertel, S.A. de C.V.	Mexico	KPMG	Construction and assembly	99.99%
Enervento Galicia,S.L (*)	La Coruña	***	Construction, installation, sale and management of wind farms and facilities in Galicia	59.50%

2015	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Eólica Montes de Cierzo , S.L. (*)	Tudela	Deloitte	Operation of power plants	70.00%
Eólica Páramo de Poza , S.A. (*9	Madrid	Deloitte	Operation of power plants	55.00%
EOLIENNES L'ERABLE COMMANDITAIRE INC (*)	Canada	***	Operation of power plants	100.00%
EOLIENNES DE L'ERABLE COMMANDITE INC (*) (****)	Canada	***	Administration and advisory services	100.00%
Eoliennes de L´Érable, SEC. (*)	Canada	Deloitte	Operation of power plants	51.00%
Galicia Vento II, S.L. (*)	Lugo	***	Operation of power plants	69.44%
Galicia Vento, S.L. (*)	Lugo	Deloitte	Operation of power plants	69.44%
Green Light Contractors PTY, LTD (*)	Australia	***	Construction of a PV farm	100.00%
Elecnor Angola Group	Angola	***	Activities in the areas of public works and civil engineering	55.00%
Helios Almussafes II, SLU (*)	Valencia	***	Operation of renewable energy facilities	100.00%
Helios Almussafes, SLU (*)	Valencia	***	Operation of renewable energy facilities	100.00%
Helios Inversión Y Promoción Solar, S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Hidroambiente, S.A.U.	Getxo (Vizcaya)	KPMG	Environmental activities	100.00%
IDDE,S.A.	Madrid	***	Sales	100.00%
Infraestructuras Villanueva,S.L. (*)	Valencia	***	Operation of power plants	59.47%
Integraçao Maranhense Tranmissora De Energia,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	26.01%
Investissements Eoliennes de L´Érable, INC. (*)	Canada	***	Administration and advisory services	100.00%
Investissements Eoliennes de L´Érable, SEC. (*)	Canada	***	Administration and advisory services	100.00%
IQA Operatios Group LTD	Scotland	KPMG	Electrical installations	96.88%
Jauru Transmissora De Energia,S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	16.99%
Jomar Seguridad, S.L.U.	Guadalajara	***	Sales, installation and maintenance of fire prevention and safety systems	100.00%
LAMBTON ENERWIND GENERAL PARTNER INC (GP) (*) (****)	Canada	***	Administration and advisory services	100.00%
LAMBTON ENERWIND LIMITED PARTNERSHIP (SEC)(*) (****)	Canada	***	Wind farm development	100.00%
Linha De Transmissao Corumba,Ltda (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Lt Triangulo,S.A (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Montagens Eletricas Da Serra, Ltda	Brazil	***	Construction and assembly	100.00%
Montelecnor, S.A.	Uruguay	Ernst & Young	Construction and assembly	100.00%
Muiño do Vicedo, S.L. (*)	La Coruña	***	Operation of power plants	94.00%
Omninstal Electricidade, S.A.	Portugal	KPMG	Construction and assembly	100.00%
Parque Eólico Cofrentes,S.L.U. (*)	Valencia	***	Operation of power plants	100.00%
Parque Eólico Malpica,S.A.(*)	La Coruña	Deloitte	Construction and operation of power plants	68.64%
Parques Eólicos Villanueva,S.L.U.(*)	Valencia	Deloitte	Operation of power plants	100.00%
Parques Eólicos Palmares,S.A.(*)	Brazil	Deloitte	Operation of electricity transmission service concessions	80.00%
Pedras Transmissora De Energía, S.A.(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Rasacaven ,S.A.	Venezuela	Deloitte	Construction and assembly	93.72%
S.C. Deimos Space,S.R.L. (*)	Romania	***	Analysis, engineering and development of space missions and software	100.00%
Sdad Aragonesa De Estaciones Depuradoras,S.A.(*)	Zaragoza	KPMG	Construction and operation of plants under the special water treatment plan	60.00%
Siberia Solar,S.L.(*)	Madrid	KPMG	Development, construction and operation of PV farms	100.00%

2015	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Sociedad Aragonesa De Aguas Residuales,S.A.U.	Zaragoza	KPMG	Construction and operation of plants under the special water treatment plan	100.00%
Ventos da Lagoa,S.A.(*)	Brazil	Deloitte	Operation of power plants	80.00%
Ventos de Granjas Vargas Energía,S.A.(*)	Brazil	***	Operation of power plants	100.00%
Ventos de Granjas Vargas II Energía,S.A.(*)	Brazil	***	Operation of power plants	100.00%
Ventos de Cabo Verde I, S.A.(*)	Brazil	***	Operation of power plants	100.00%
Ventos de Cabo Verde II, S.A.(*)	Brazil	***	Operation of power plants	100.00%
Ventos de Cabo Verde III, S.A.(*)	Brazil	***	Operation of power plants	100.00%
Ventos do Litoral Energía,S.A.(*)	Brazil	Deloitte	Operation of power plants	80.00%
Ventos do Sul, S.A.(*)	Brazil	Deloitte	Operation of power plants	80.00%
Vila Do Conde Transmissora De Energia SA(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%
Vilhena Montagens Elétricas,Ltda(*)	Brazil	***	Construction and assembly	100.00%
Zaragua 2005,S.L.U.(*)	Zaragoza	***	Operation of power plants	100.00%
Zinertia Antequera,S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Aascv 2, S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Aascv, S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Elc,S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zinertia Renovables Hae,S.L.U.(*)	Madrid	***	Development, construction and operation of PV farms	100.00%
Zogu,S.A.(*)	Ecuador	Atig Auditores	Construction and assembly	100.00%
Equity-accounted investees (note 10)				
Aries Solar Termoelectrica,S.L. (Aste)(*)	Madrid	KPMG	Development, construction and operation of thermosolar plants	55.70%
Brilhante II Transmissora De Energia SA(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Brilhante Transmissora De Energia SA(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Consorcio Eólico Marino Cabo Trafalgar, S.L.(*)	La Coruña	***	Operation of power plants	35.00%
Cosemel Ingenieria,Aie	Madrid	***	Development, construction and operation of installations and electrifications of high-speed railway lines	33.33%
Dioxipe Solar,S.L.(*)	Madrid	KPMG	Development, construction and operation of thermosolar plants	55.00%
Gasoducto de Morelos, S.A.P.I.(Sdad Anónima Promotora de Inversión) de C.V.	Mexico	Deloitte	Operation and maintenance of the Morelos gas pipeline	50.00%
MORELOS EPC S.A.P.I. de CV	Mexico	Deloitte	Construction, engineering and supply of Morelos gas pipeline	50.00%
Parque Eólico La Gaviota,S.A.(*)	Canary Islands	Ernst & Young	Operation of power plants	34.53%
Sdad. Aguas Residuales Pirineos,S.A.	Zaragoza	***	Construction and operation of plants under the special water treatment plan	50.00%
Ventos do Faro Farelo,S.L.(*)	Galicia	***	Operation of power plants	37.50%

(*) Companies indirectly held by Elecnor, S.A.
(***) Companies not legally required to audit their annual accounts.
(****) Companies consolidated for the first time in 2015.

Appendix II:

LIST OF CONSOLIDATED UTES

(Thousands of Euros)

		2016		2015	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
Aeropuerto Lanzarote Sampol-Elecnor Ute	50.00%	-	-	-	-
Auditorio Torrevieja Ute	10.00%	-	-	-	-
Consorcio Efacec-Elecnor	50.00%	-	-	-	-
Consorcio Nueva Policlínica De Chepo	100.00%	1,932	2,587	2,305	3,897
Consorcio Nueva Policlínica De Chitre	100.00%	2,312	3,392	2,574	4,958
Elecnor Target Llc, Jv	60.00%	16,783	37,646	-	-
Groupement International Sante Pour Haiti	100.00%	21,611	9,766	2,758	31,377
Terminal Alicante, Ute	20.00%	-	-	-	-
UTE 2ª FASE NIÑO DE ORO	100.00%	-	-	-	-
Ute Abastecimiento Pedraza	100.00%	299	619	224	918
Ute Actuac Etaps Cyii Lote2	50.00%	36	459	-	-
Ute Adec Locales Cercanias	100.00%	278	-	134	278
Ute Aeropolis	50.00%	-	-	-	-
Ute Aeropuerto De Palma	100.00%	250	12	935	262
Ute Aeropuerto De Valencia	100.00%	45	1,259	309	1,304
Ute Aeropuerto Teruel	50.00%	1,350	-	-	1,350
Ute Aeropuerto Vigo Bancadas	100.00%	-	-		-
Ute Agente Urbanizador Sector 13 De La Playa De Tavernes	50.00%	-	-	-	-
Ute Alstom Renovables-Elecnor II	25.64%	-	-	-	-
Ute Ampliacion Museo Moreria	100.00%	8	-	-	-
Ute Anillo Galindo	25.00%	8,261	874	6,082	9,135
Ute As Somozas	50.00%	66	-	-	42
Ute Asegop Ibiza	65.00%	1,169	1,529	34	2,698
Ute Audio Barajas	50.00%	-	-	-	-
Ute Avele	22.00%	(6)	-	500	-
Ute Avele 2	22.00%	5	-	409	-
Ute Avele3	22.00%	-	-	322	79
Ute Avele4	22.00%	-	-	276	54
Ute Avesur	12.00%	347	-	821	210
Ute Ayto Segura De La Sierra	100.00%	-	-	-	-
Ute Biblioteca Castelldefels	100.00%	-	-	-	-
Ute Biomasa Huerta Del Rey	50.00%	-	2,136	-	-
Ute Bt Hospital De Zamora	50.00%	108	573	118	681
Ute Cal Paracuellos	50.00%	-	-	169	-
Ute Calanda	100.00%	-	-	-	-
Ute Campo Arañuelo	50.00%	-	-	-	-
Ute Campo De Vuelo Tf Norte	100.00%	67	102	829	169
Ute Campo De Vuelo Vigo	100.00%	49	-	629	49
Ute Campo De Vuelos Asturias	100.00%	2	1,648	-	-
Ute Can Colomer	50.00%	-	-	49	-
Ute Carpio Y Pollos	50.00%	38	337	-	-
Ute Casa De Las Artes	50.00%	-	-	-	-
Ute Castelflorite	100.00%	1,103	135	1,262	1,238
Ute Cauces Cordoba	50.00%	-	-	505	-
Ute Ceip Sobradiel	100.00%	-	2,626	-	-

		2016		2015	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
Ute Centro De Prospectiva Rural	100.00%	-	-	-	-
Ute Centro Log. Iberebro	41.90%	29,818	636	-	30,454
Ute Centro Mayores Baena	100.00%	-	-	-	-
Ute Centro Oupacional Ferrol	50.00%	-	-	-	-
Ute Cintas	100.00%	-	-	-	-
Ute Comasa - Elecnor Ies San Agusti	50.00%	8	-	-	-
Ute Comunicacions Sant Cugat	100.00%	68	-	94	-
Ute Contar	100.00%	194	157	2	351
Ute Cra Enagas	100.00%	106	-	300	74
Ute Cueto Del Moro	25.00%	-	12	415	12
Ute Deinor Noain	100.00%	-	-	402	70
Ute Demolicion Cine Invierno	100.00%	-	-	-	-
Ute Desvios Lav Sevilla	28.85%	77	227	-	810
Ute Edares Segovia	70.00%	1,550	-	2,100	1,494
Ute Edificio 7000	100.00%	-	-	-	-
Ute Edificio Estancia Diurna	100.00%	-	-	-	-
Ute Elecnor - Comasa Ies Sant Joan	25.00%	-	-	-	-
Ute Elecnor - Deimos Sipa	100.00%	1,479	-	1,489	-
Ute Elecnor - Eurofinsa	50.00%	-	-	1,780	-
Ute Elecnor Alghanim	60.00%	14,241	2,165	680	20,754
Ute Elecnor Butec Bellara	60.00%	13,265	139,744	12,371	529
Ute Elecnor Gonzalez Soto	50.00%	75	-	173	57
Ute Elecnor Onilsa	85.00%	-	-	9	-
Ute Elecnor Osepsa	50.00%	-	-	-	-
Ute Elecnor-Ondoan Servicios	50.00%	827	-	695	-
Ute Elnr-Constucsa E. Hidrogeno	50.00%	-	-	-	-
Ute Embarque Desembarque T4	100.00%	35	31	362	66
Ute Empalme II	50.00%	81,725	58,005	8,556	60,899
Ute Energia Galicia	20.00%	14,304	51,416	14,384	65,720
Ute Energia Galicia Mantenimiento	20.00%	1,288	50,260	-	-
Ute Energia Granada	33.34%	1,532	450	2,735	1,982
Ute Energía Línea 9	20.00%	4,629	-	16,940	925
Ute Equipamiento Ampliacion T2 Valencia	100.00%	-	-	-	-
Ute Equipamiento Terminal Gran Canaria	100.00%	-	-	-	-
Ute Espacios Verdes San Vicente Del Raspeig	100.00%	925	-	720	94
Ute Eurocat Sur Av	41.20%	(12)	-	2,024	-
Ute Explotacion Zona 07-A	60.00%	945	-	1,052	-
Ute Explotacion Zona P2	50.00%	621	-	612	-
Ute Feria Requena	100.00%	-	-	-	-
Ute Figueres Wifi	50.00%	7	7	7	14
Ute Fira Pavello 2	70.00%	1,096	29	-	-
Ute Foc Elecnor	50.00%	-	-	-	-
Ute Fornillos	100.00%	-	-	-	-
Ute Fotovoltaica Fira	50.00%	-	-	-	-
Ute Galindo	100.00%	1,139	-	1,255	1,180
Ute Hernani-Irun	50.00%	1	4,892	-	-
Ute Hormigones Mtnez-Elecnor,Casco Antiguo Alicante	30.00%	-	55	-	55
Ute Imdea Mobiliario Lote 2	100.00%	-	-	-	-
Ute Inst. Mercat De Sant Antoni	60.00%	2,408	6,891	-	9,299
Ute Inst. Recerca Sant Pau	50.00%	730	4,384	-	5,114
Ute Instalaciones Electricas Sincrotron Alba	50.00%	-	-	-	-

	Percentage ownership	2016 Construction work settled	2016 Backlog not yet settled	2015 Construction work settled	2015 Backlog not yet settled
Ute Instalaciones Loiola	50.00%	226	535	-	-
Ute Installacions Tecnocampus	50.00%	-	-	244	-
Ute Jardines Mogan	100.00%	1,057	-	1,045	-
Ute La Harinera	100.00%	-	-	-	-
Ute Laboratorio Aitex-Ite	100.00%	-	-	-	-
Ute Led Mollet	70.00%	-	-	-	-
Ute Linea 1	20.00%	11,845	1,316	-	-
Ute Llanera Elecnor Sector Tulell	50.00%	-	-	-	-
Ute Los Carambolos	100.00%	-	-	-	-
Ute Mancomunidad De Durango	60.00%	18	-	16	-
Ute Mantenimiento Aeropuerto De Palma	50.00%	1,604	29	448	1,067
Ute Mantenimiento Ave Energia	12.37%	15,623	134,656	4,809	150,279
Ute Mantenimiento Valebu	50.00%	445	2,803	94	3,248
Ute Marina Baixa	40.00%	92	-	537	92
Ute Matiko	20.00%	4,820	3,375	1,415	8,195
Ute Metro San Inazio	100.00%	43	-	-	-
Ute Mobiliario Huca	100.00%	5	-	-	-
Ute Mobiliario Terminal Gran Canaria	100.00%	-	-	-	-
Ute Montes Sevilla Sur	100.00%	-	-	-	-
Ute Mto. Seg. Y Emerg. Madrid	100.00%	-	-	1	-
Ute Muvim	30.00%	-	-	-	-
Ute Nave Logistica Del Ctms	100.00%	-	-	-	-
Ute Nave Sestao	50.00%	3,446	245	-	-
Ute Niño De Oro	100.00%	-	-	-	-
Ute Oficinas Gencat	60.00%	-	353	-	-
Ute Oficinas Iberebro	100.00%	5,181	4,689	-	-
Ute Overtal - Elecnor	24.00%	308	52	-	360
Ute Parquesur Ocio	90.00%	-	-	-	-
Ute Patrimonio Seguridad	66.66%	372	-	488	-
Ute Pcth	100.00%	-	-	-	-
Ute Pif Algeciras	100.00%	11	-	581	-
Ute Planta Rsu Acahualinca	70.00%	-	-	-	-
Ute Plazas Comerciales T4	100.00%	-	-	-	-
Ute Puente Mayorga	50.00%	-	-	-	-
Ute Quevedo	50.00%	144	215	-	-
Ute Recintos Feriales	100.00%	-	-	48	-
Ute Red De Telecomunicaciones	50.00%	-	-	-	-
Ute Red Energia At	70.00%	-	-	-	-
Ute Red.Es	100.00%	-	-	-	-
Ute Reforma Pavello 4 Clinic	25.00%	-	-	-	-
Ute Remolar	23.51%	-	-	-	-
Ute Reubic Equip Nav Barajas	100.00%	110	38	1,455	-
Ute Rota High School	50.00%	-	-	-	-
Ute S/E Blanes	33.34%	-	-	-	-
Ute S´Olivera Comasa-Elecnor	33.33%	-	-	-	-
Ute San Crispin	100.00%	304	-	341	24
Ute San Jeronimo	100.00%	103	-	104	9
Ute San Jose Tecnologias - Elecnor	50.00%	-	-	-	-
Ute Sancho Abarca	100.00%	-	-	-	-
Ute Serrano - Elecnor Cansalades	40.00%	-	114	-	114
Ute Sica	100.00%	601	1,674	-	2,275
Ute Sica Bcn	100.00%	853	-	689	162

	Percentage ownership	2016 Construction work settled	2016 Backlog not yet settled	2015 Construction work settled	2015 Backlog not yet settled
Ute Ssaa Eix Diagonal	50.00%	-	-	-	-
Ute Subestacion Juncaril	50.00%	209	-	-	130
Ute Taraguilla	25.00%	-	-	-	-
Ute Tarazona	100.00%	-	-	-	-
Ute Terminal De Carga	50.00%	-	-	-	-
Ute Terminal De Carga Tf Norte	50.00%	766	1,649	-	-
Ute Terminal E	50.00%	1,409	15,436	-	-
Ute Torrente - Xativa	50.00%	8,067	1,102	-	9,169
Ute Tranvia Ouargla	33.00%	57,961	57,850	53,292	115,811
Ute Tuneles Abdalajis	100.00%	589	1,350	32	1,939
Ute Ube La Isla	100.00%	106	-	123	-
Ute Urbanizacion Pedro III	100.00%	2	-	145	2
Ute Urbanizadora Riodel	50.00%	194	-	-	194
Ute Urduliz Barria	50.00%	74	642	-	-
Ute Urtegi	60.00%	362	-	425	-
Ute Valdelinares	100.00%	-	-	-	-
Ute Valdespartera	100.00%	-	-	-	-
Ute Vencillon	100.00%	-	-	-	-
Ute Via La Cartuja	20.00%	-	-	-	-
Ute Vigilancia Boadilla	100.00%	166	-	-	166
Ute Villagonzalo, Z - 3	35.00%	-	-	-	-
Ute Villasequilla - Villacañas	21.00%	-	-	-	-
Ute Vopi4-Elnr Ca L´Alier	50.00%	-	3,497	943	3,777
Ute Zona 07 A	60.00%	-	-	-	-
Ute Zona P-2	50.00%	-	-	-	-
Ute Karrantza	41.50%	--	--	140	--
Ute Lekunberri	50.00%	--	--	--	--
Ute Ultzanueta	50.00%	--	--	139	--
Ute Pedrera	50.00%	--	--	1,768	19
Ute Binaced	50.00%	--	--	--	--
Ute Saica	50.00%	15	--	27	--
Ute Amc5 Ehisa	50.00%	--	--	--	--
Ute Roea Ebro	34.00%	--	--	--	--
Ute Transdina	50.00%	--	--	--	--
Ute Caleta Olivia	100.00%	--	115	1,100	(1.100)
Ute Enarsa Ear-Bmsa	50.00%	--	--	2,835	--
Consorcio Ute Elecdor Electrol	100.00%	12,964	(904)	4,785	(4.785)
Consorcio Elecven Elecdor	100.00%	2,618	18,431	--	--
Ute Isdefe	21.59%	--	--	--	--
Ute Pita	100.00%	--	--	--	--
UTE Deimos Y Navento	27.46%	--	--	195	--
Ute Seg. Estaciones Locales	100.00%	--	--	5	--
Ute Aeronave Tierra	20.00%	--	300	--	--
Ute Melialabs	55.00%	--	75	--	--
Algete Ute	50.00%	--	--	(66)	--
Aucosta Conservacion Ute	50.00%	1,218	--	1,363	--
Audevi C.Real II Ute	60.00%	--	--	--	--
Conservación Leon 3 Ute	80.00%	--	--	548	4,162
Conservación Maqueda Ute	50.00%	1,458	2,239	1,356	3,633
Cordoba Norte II Ute	50.00%	1,196	705	83	1,901
Cordoba Norte Ute	50.00%	81	--	647	--
Huelva Sureste II Ute	50.00%	1,133	2,426	977	1,291

		2016		2015	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
Huelva Sureste Ute	50.00%	-	-	244	110
Jerez Ute	75.00%	-	-	380	-
Lugo Sur Ute	50.00%	-	-	1,593	-
Madrid Noroeste Ute	50.00%	-	-	32	-
Madrid Oeste Ute	50.00%	-	-	-	-
Malaga Este II Ute	50.00%	-	-	-	51
Malaga Este U.T.E.	50.00%	-	-	4	-
Manzanares Ute	60.00%	2,250	2,603	1,770	1,605
Murcia San Javier Ute	50.00%	-	-	39	250
Pontesur Ute	50.00%	-	-	350	6,728
Pontevedra Sur Ute	50.00%	1,847	4,881	2,208	-
Puerto Gandia Ute	50.00%	69	30	63	58
Riaño Ute	50.00%	-	-	1,190	-
Acciona Infraestructuras-Elecnor Hospital David, S.A.	25.00%	7,997	17,743	22,209	49,731
Proyectos Electricos Aquaprieta, Sapi De Cv	50.00%	-	(10,218)	40,644	14
Dunor Energia	50.00%	-	107,342	4,187	353,437
León-3 Ute	80.00%	1,915	2,247	-	-
Ute Murcia-San Javier	50.00%	279	260	-	-
Sma Olvega Ute	60.00%	292	5,458	-	-
Guadix-Baza Ute	51.00%	81	2,023	-	-
Ute Til Til	50.00%	28	77,068	-	-

Appendix III:

ELECNOR, S.A. AND SUBSIDIARIES

Condensed financial information of equity-accounted companies 31 December 2016

31 December 2016	(Expressed in thousands of Euros)					
	Gasoducto de Morelos, S.A. Promotora de Inversión de C.V.	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.	Brilhante Transmissora de Energía, S.A.	Jauru Transmissora de Energía, S.A.	Morelos EPC, S.A.P.I. de CV
Information from the statement of financial position						
Non-current assets	297,821	268,739	498,980	93,131	135,663	2
Non-current liabilities	218,444	230,477	453,319	22,852	64,107	-
Non-current financial liabilities (*)	218,444	228,400	447,586	21,221	63,556	-
Total non-current net assets	79,377	38,262	45,661	70,279	71,556	2
Current assets	55,566	8,928	16,737	6,852	13,348	44,730
Cash and cash equivalents	47,900	2,342	3,514	11	41	11,454
Current liabilities	106,123	19,622	19,357	6,274	8,208	8,899
Current financial liabilities (*)	10,268	10,708	11,471	3,266	6,052	-
Total current net assets	**(50,557)**	**(10,694)**	**(2,620)**	**578**	**5,140**	**35,831**
Net assets	**28,820**	**27,568**	**43,041**	**70,857**	**76,696**	**35,833**
Percentage ownership	50%	55%	55.7%	50%	33%	50%
Share of net assets	14,410	15,162	23,974	35,429	25,310	17,917
Goodwill	-	-	-	-	-	-
Carrying amount of the investment (**)	13,762	25,490	36,880	37,212	24,194	17,914
Information from the income statement						
Revenue	29,068	26,949	54,912	11,122	15,037	21,443
Depreciation and amortisation	(10,761)	(12,114)	(25,061)	(2,885)	(3,776)	-
Interest income	-	-	-	338	1,251	-
Interest expense	(11,704)	(13,128)	(26,565)	(2,229)	(6,673)	-
Income tax expense/(income)	(974)	(350)	(1,033)	(1,195)	(488)	(3,268)
Profit/(loss) from continuing operations	2,108	(6,911)	(12,813)	1,810	889	7,591
Income tax expense/(income) of discontinued operations						
Profit/(loss) from discontinued operations	-	-	-	-	-	-
Profit/(loss) for the year	2,108	(6,911)	(12,813)	1,810	889	7,591
Other comprehensive income	1,444	(573)	(2,974)	-	-	-
Total comprehensive income	3,552	(7,484)	(15,787)	1,810	889	7,591
Dividends received	-	-	-	485	-	2,504

ELECNOR, S.A. AND SUBSIDIARIES

Condensed financial information of equity-accounted companies

31 December 2015	(Expressed in thousands of Euros)					
	Gasoducto de Morelos, S.A. Promotora de Inversión de C.V.	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.	Brilhante Transmissora de Energía, S.A.	Jauru Transmissora de Energía, S.A.	Morelos EPC, S.A.P.I. de CV
Information from the statement of financial position						
Non-current assets	261,625	278,991	517,873	75,444	110,254	6
Non-current liabilities	215,058	328,775	454,148	20,168	52,251	-
Non-current financial liabilities (*)	215,058	326,851	448,998	19,551	52,251	-
Total non-current net assets	46,567	(49,784)	63,725	55,276	58,003	6
Current assets	55,859	7,392	14,721	5,236	9,354	42,358
Cash and cash equivalents	39,403	1,635	3,461	18	47	5,240
Current liabilities	77,647	25,779	19,618	5,156	7,474	13,492
Current financial liabilities (*)	12,123	12,258	14,996	2,559	4,829	-
Total current net assets	**(21,788)**	**(18,387)**	**(4,897)**	**80**	**1,880**	**28,866**
Net assets	**24,779**	**(68,171)**	**58,828**	**55,356**	**59,883**	**28,872**
Percentage ownership	50%	55%	55.7%	50%	33%	50%
Share of net assets	12,390	(37,494)	32,767	27,987	19,961	14,436
Goodwill	-	-	-	-	-	-
Carrying amount of the investment (**)	9,901	-	43,770	28,201	18,221	15,825
Information from the income statement						
Revenue	14,602	29,146	59,889	10,875	14,365	63,845
Depreciation and amortisation	(4,404)	(12,016)	(25,012)	(3,027)	(4,020)	-
Interest income	-	-	-	351	897	-
Interest expense	(5,243)	(19,516)	(33,236)	(2,307)	(7,078)	-
Income tax expense/(income)	(1,353)	(648)	(1,792)	(1,180)	-	(4,189)
Profit/(loss) from continuing operations	(2,752)	(12,049)	(16,199)	1,380	(136)	20,877
Income tax expense/(income) of discontinued operations						
Profit/(loss) from discontinued operations	-	-	-	-	-	-
Profit/(loss) for the year	(2,752)	(12,049)	(16,199)	1,380	(136)	20,877
Other comprehensive income	(2,455)	4,236	9,216	-	-	
Total comprehensive income	(5,207)	(7,813)	(6,983)	1,380	(136)	20,877
Dividends received	-	-	-	-	-	-

(*) Excluding trade and other payables and provisions.
(**) The difference compared with the share of net assets/reconciliation is due to harmonisation with international standards and Group policies.

2016 DIRECTORS' REPORT

Elecnor Group

2016 DIRECTORS' REPORT

For the year ended 31 December 2016

1. INTRODUCTION

In 2016 the Elecnor Group earned attributable net profit of **Euros 68.5 million**, which represented **4.3%** growth on the Euros 65.7 million earned in 2015.

In terms of **adjusted EBITDA,** calculated on the basis of consolidated EBITDA and neutralising the effect of application of IFRIC 12 Service Concession Arrangements to the transmission lines operated by the Group in Brazil, the Elecnor Group earned **Euros 291.7 million**, up **6.7%** on adjusted EBITDA for 2015.

These positive figures were achieved in an economic climate that, albeit stable in overall terms, masks certain differences, with greater growth seen in the more advanced economies.

In this context, Elecnor has continued to internationalise, whilst simultaneously maintaining its leadership in the domestic market, in which it continues to grow and create jobs despite the timid recovery in the sectors in which it operates. The impact of this internationalisation strategy can be observed in the structure of the Group's revenues of **Euros 2,035 million** at 31 December, **55%** of which originated from foreign markets, and in the order backlog, standing at **Euros 2,339 million**, **82%** of which originated from **foreign markets**.

As mentioned, sales totalled Euros 2,035.1 million at 31 December, reflecting an **increase of 8.2%** on the Euros 1,881.1 million in 2015.

The overview of the Group for the year would not be complete without mentioning several events that occurred in the Elecnor Group in 2016.

Elecnor, through its wind-power subsidiary Enerfin Sociedad de Energía, sold Parques Eólicos de Villanueva to Cubico Naranja Wind Spain for Euros 34 million, which positively contributed to the Group's results in 2016. With this transaction, Elecnor continues to pursue its strategy to profit from the development and construction of projects until they are put into operation.

Also, taking advantage of the current low interest rate environment, Elecnor entered into a novation agreement last June to change the term of the Euro 600 million syndicated loan, which was arranged in July 2014 with 19 domestic and international banks and novated in July 2015 by extending the term by one year and substantially improving the original margin-related covenants.

Effective immediately, this novation extends the term by one year until July 2021, and maintains the margin-related conditions that were agreed for the financing in 2015.

Also, the board of directors of Elecnor, S.A., at its meeting held on 21 September 2016 and within the framework of its orderly succession policy, unanimously resolved, effective 1 January 2017, to appoint the former vice chairman, Mr Jaime Real de Asúa Arteche, as non-executive chairman of the board of directors and of the executive committee, in replacement of Mr Fernando Azaola, who had voluntarily tendered his resignation as executive chairman as from that date. Following the change in chairman, Mr Fernando Azaola continues to sit on the Company's board of directors and its executive committee. In addition, Mr Fernando Azaola remains Chairman of Fundación Elecnor.

2. BUSINESS MODEL AND ECONOMIC BACKDROP

2.1. Business model

Elecnor is a global corporation based in Spain, with sales in over 50 countries and two key businesses which complement and enrich each other:

- Infrastructure: engineering, construction and service projects, focusing on the electricity, power generation, telecommunications and systems, facilities, gas, construction, maintenance, environment and water, rail and space sectors.
- Concessions and Investments: rendering services by investing in power generation assets, primarily in the wind and solar thermal segments, energy transmission systems and other strategic assets.

2.2. Economic backdrop

2.2.1. Global economy

The International Monetary Fund (IMF) estimated at the beginning of 2017 that world growth in 2016 would stand at 3.1%, one tenth of a percent less than in 2015, showing great stability throughout the year. However, this stability masks differences between different groups of countries. As such, growth rallied more vigorously than anticipated in the advanced economies, led by the United States, while there was an unexpected slowdown in certain emerging market economies, such as Mexico, Argentina and Brazil. China, the world's second largest economic power, slightly exceeded expectations thanks to continued policy stimulus.

In 2016 two phenomena were observed, the macroeconomic impact of which was still in its infancy at the end of the year: Brexit's triumph in the British referendum on 23 June and Donald Trump's victory in the US presidential election on 8 November. Both factors are expected to substantially transform the international trade map, with an announced return to protectionism.

As regards the Eurozone, of particular note was the resistance to several adverse effects, among them the Italian banking crisis and weakening of several non-EU markets to which countries such as Germany and France export significant volumes. Thus, the region ended 2016 with slight acceleration compared to initial expectations and estimated growth of 1.7%, according to the IMF.

2.2.2. Elecnor's key markets

2.2.2.1. Spain

In Spain, the standstill on the political front until nearly the end of the year did not prevent the economy's growth, with rates higher than 3%. The latest calculation puts the GDP increase at 3.2%, the same percentage as in 2015.

However, the central issue of the Spanish economy remains, due to its influence on setting all the other macroeconomic targets, public deficit cuts that had been committed to the EU. The 2016 target, set at 4.6% of GDP after an upward revision in the midst of this interim political situation, was attained at the end of the year, although this came about from an extraordinary measure adopted in September - the settlement of corporate income tax by major entities. The other major pillar of the Spanish macroeconomic situation, public debt, performed as projected in 2016, approaching a rate of 100% of GDP.

Capital goods: The positive performance of the Spanish economy in 2016 is reflected in the fact that capital investments closed the year with 6.7% growth, according to preliminary estimates from Instituto de Estudios Económicos (IEE).

Infrastructure: According to provisional data, the Spanish Ministry of Public Works entered into new construction contracts amounting to Euros 1,300 million in 2016, down 23% from Euros 1,693 million in 2015. Drops have now been recorded in three consecutive years. This is also the lowest amount since the Euros 908 million recorded in 2009.

The decrease in the awarding of contracts is a consequence of the drop in contract tendering processes. The completion of several high-speed AVE lines in recent years, the prolonged interim status of the government and the requirement to meet the deficit target are some of the factors for this halt in public works.

Energy: In 2016, electricity demand in Spain grew slightly by 0.8%, according to a study by Red Eléctrica de España (REE) using estimated data at the end of the year. Electricity generation recorded a 1.9% fall on 2015, affecting mainly coal production, which fell by 29.8%.

Electricity generated in Spain slipped in 2016 after a long period of continued growth. Specifically, a 0.9% decrease on 2015 was seen due to the closure of several coal-fired power plants, which together totalled 932.2 MW. The other technologies of the generation facilities have not undergone any changes, with the only exception of solar PV, which registered a slight increase of 0.3%.

2.2.2.2. Latin America

Latin America, according to the IMF's latest update of global economic figures, passed the recession in 2016, with growth of 1.2%, although this is lower than expected at the start of the year.

For key markets in Latin America, special mention should be made of **Brazil**, which, after contracting in 2015 by 3.8%, notched its second consecutive year in recession in 2016 (-3.5%, according to IMF estimates), reflecting greater-than-expected difficulties in the recovery of private spending.

Among the key sectors in the country is the energy sector, which continues to show special dynamism. According to the Brazilian National Electricity Agency (Aneel), 2016 saw 9,526 MW added to the national system, of which 53% related to large hydroelectric power plants. The second source with a greater additional installed capacity was wind power, with 2,564 MW, followed by thermoelectric plants (1,758 MW).

In **Mexico**, GDP growth slowed in 2016, standing at 2.2% as estimated by the IMF, compared to 2.6% in 2015. The country continues to progress in the plans designed by President Enrique Peña Nieto in infrastructure. The 2014-2018 National Infrastructure Plan (PNI) is in full effect, providing for the mobilisation of approximately Euros 400,000 million in six major sectors of the Mexican economy (communications, healthcare, urban development, housing, tourism and energy, with special emphasis in the latter on the development of renewable energy).

Chile is another country in the region that saw the pace of activity slow down in 2016 to 1.6%, from 2.3% in 2015.

Among the sectors that are undergoing a major transformation in the country is the energy sector, with the launch of "Energy 2050", an ambitious programme that includes implementing the measures necessary to ensure that renewable energy constitutes 60% of electricity generation in 2035 and at least 70% in 2050, as well as a clear commitment to energy efficiency.

In **Venezuela**, according to preliminary data from the IMF, the economy suffered a 12% contraction in 2016, nearly twice as much as in 2015. The 2016 figure is the worst in 13 years. The country has not been able to emerge from the recession it fell into in early 2014. On the contrary, the drop in production has sharpened and inflation continues to accelerate to what international organisations consider to be the highest in the world (approximately 800% in 2016).

2.2.2.3. North America

United States: According to the IMF, in 2016 US GDP stood at 1.6%, far lower than the 2.1% seen in 2015, although it followed an upward trend throughout the twelve months of the year. In terms of employment, Barack Obama's outgoing administration left with a 4.7% unemployment rate, compared to 7.8% at the beginning of his first term in January 2009.
The year ended with the prospect of profound changes in the country's economy under the incoming President Trump, particularly in energy and the environment, with the promotion of fossil fuels over renewable energy, and international trade, with the abandonment or restructuring of its role in several international alliances. A strong push for numerous infrastructure projects has also been announced.

Canada: The IMF estimates that the Canadian economy grew by 1.3% in 2016, four tenths of a percent more than in 2015, providing glimpses of an upward trend that will continue in the coming years. A leading component of the country's upturn is the 2015 launch of a ten-year infrastructure plan that provides for the mobilisation of CAD 10,000 million. In addition, Canada is making a very strong push to boost the renewable energy sector, especially wind power. At the end of 2016 wind power had an installed capacity of more than 11,200 MW, placing it in seventh place in the world, although the long-term goal (2025) is even more ambitious: 55,000 MW.

2.2.2.4. Africa

Geopolitical risks and a variety of non-economic factors continue to dampen prospects in regions such as the Middle East and Africa, affected primarily by the conflict with the so-called Islamic State. This is compounded by the prolonged effects of drought in eastern and southern Africa.
In 2016, according to the IMF, sub-Saharan Africa suffered a sharp correction of its growth, standing at only 1.6%, compared to 3.4% in 2015. Crucial to this figure are the fall into recession of the region's main oil producer and exporter, Nigeria, and the stagnation of South Africa.
Stagnation was also seen in Angola, which barely grew by one tenth of a percent and was also affected by low oil prices during the first nine months of the year. However, the country has launched various initiatives to diversify its economy and make it less dependent in the future on oil.

2.2.2.5. Australia

The most recent known figure for Australian GDP in 2016 was from the end of the third quarter, when activity slipped 0.5%, putting year-on-year growth at 1.8%, which in any case reflects the clear slowdown that the country is undergoing after having successfully dodged the worst years of the global financial crisis. The main reason for this relative decline is in the commodities market, with declining prices for the products of the powerful Australian mining industry. However, the market ended the year in recovery, which supports the idea that the country will return to higher growth rates and thus backs the infrastructure and renewable energy expansion plans in which it is involved.

3. ANALYSIS OF THE KEY PERFORMANCE INDICATORS FOR THE YEAR

3.1. Consolidated data

Elecnor Group
At 31 December for each year and in thousands of Euros

Results	2016	2015	Variation
Results from operating activities	166,727	124,433	+34%
EBITDA	244,312	224,310	+9%
ADJUSTED EBITDA (1)	**291,722**	**273,466**	**+7%**
Profit before tax	129,309	128,760	+1%
Profit for the year	85,736	90,333	-5%
Profit attributable to non-controlling interests	17,271	24,671	-30%
Profit attributable to the Parent	**68,465**	**65,662**	**+4%**

(1) Excluding the effect of applying IFRIC 12 to concessions in Brazil

Equity			
Equity	980,040	740,371	+32%

Revenue			
Sales	2,035,136	1,881,143	+8%
Domestic	915,826	851,500	+8%
International	1,119,310	1,029,643	+9%

Elecnor Group – Segment Reporting

At 31 December for each year and in thousands of Euros

Results	2016	2015	Variation
Infrastructure business	52,989	44,216	+20%
Concessions & Investments business	19,834	21,075	-6%
Corporate	(4,895)	959	
Inter-segment transactions	537	(588)	
Profit attributable to the Parent	**68,465**	**65,662**	**+4%**
Revenue			
Infrastructure business	1,891,910	1,767,035	+7%
Concessions & Investments business	211,213	200,352	+5%
Corporate	200	-	-
Inter-segment transactions	(68,187)	(86,244)	-21%
Sales	**2,035,136**	**1,881,143**	**+8%**

3.1.1. Net profit

Profit before tax earned by the Elecnor Group in 2016 amounted to **Euros 68.5 million**, representing an **increase of 4.3%** on the same period in 2015. This progress was based mainly on the Group's infrastructure business.

The key factors that contributed to the positive performance of the consolidated result for 2016 compared to the prior year are:

- The positive contribution of some of the Group's companies that operate in foreign markets, especially in Chile, due, among other projects, to the work to build the country's largest wind farm for Latin American Power.
- The contribution of the important projects relating to renewable energies and the transmission and transformation of energy that the Group undertakes in Latin America (Dominican Republic, Chile and Mexico), Africa (Angola and Algeria) and Australia.
- The results obtained in the domestic infrastructure market, where Elecnor holds a solid leadership position.
- The sale of the wind-power company Parques Eólicos de Villanueva to Cubico Naranja Wind Spain for Euros 34 million.
- The positive results generated by the Brazilian wind farms, buttressed by the high production figures achieved.

In 2016 the Group continued to bear the implementation costs incurred in those countries in which it has commenced its operations in recent years, especially in the United States and the United Kingdom. However, 2017 forecasts project substantial improvement in the results of these countries. Also, the performance of certain local currencies in which project finance is structured, vis-à-vis the related functional currencies, had an adverse impact on the Group's income statement.

The Group has also continued to place special emphasis on its policies for the control and restriction of costs, on which all the Group companies are working on an ongoing basis, but particularly under current market conditions. This has also contributed to mitigating the impact of the aforementioned factors. In this context, the Group has made a significant effort to adapt the use of resources in its activities to the current economic climate.

By segment, significant progress was seen in the Group's infrastructure business, pushing 20% past 2015 results, backed by the aforementioned factors, except for those relating to the wind-power businesses. The property business, however, contracted 6% as a result, as mentioned, of the performance of certain local currencies in which project finance is structured, vis-à-vis the related functional currencies.

The profit before tax of the Parent of the Group, Elecnor, S.A., declined by 1.7% in 2016 to Euros 35.8 million. This is effect is due mainly to the fact that in 2015 Elecnor, S.A. recognised in its accounts a gain on the agreement reached with the Canadian company UrtheCast, which included the sale of two satellites owned by the two companies, one of which was a direct investee of Elecnor, S.A. This event was partially offset by an increase in dividends received, Euros 20.8 million compared to Euros 18.5 million in 2015.

3.1.2. EBITDA

In terms of **adjusted EBITDA,** calculated on the basis of consolidated EBITDA and neutralising the effect of application of IFRIC 12 Service Concession Arrangements to the transmission lines operated by the Group in Brazil, the Elecnor Group earned **Euros 291.7 million**, up **6.7%** on adjusted EBITDA for 2015. Based on this interpretation, operating revenues are only recognised in relation to maintenance and operation services of these transmission lines and, therefore, this EBITDA, which was eliminated for accounting purposes, was considered so as to reflect a more analysable figure for this aggregate.

Contributing primarily to this positive figure were the same factors describing the Group's net profit, except in relation to the performance of certain local currencies in which project finance is structured, vis-à-vis the related functional currencies.

The Elecnor Group's consolidated EBITDA amounted to **Euros 244.3 million, up 8.9%** on EBITDA for 2015.

3.1.3. Sales

Sales made by the Elecnor Group in 2016 amounted to **Euros 2,035 million, up 8.2%** on the Euros 1,881 million made in 2015. The reasons behind this are, among others, the following:

- The positive stage of completion of the projects that the Group has been carrying out in foreign markets, especially in Mexico, with the commencement of work on combined cycle plant that the Elecnor Group is building in that country, and in Chile, where, among other projects, work is being performed to build the country's largest wind farm for Latin American Power.
- The start-up of the Alto Jahuel transmission line in Chile and of its second circuit, the lines that serve the country's backbone transmission system.
- The positive figures relating to the electricity generated by the wind-power projects that the Group has in Brazil.
- The favourable performance of the Group's domestic infrastructure business thanks to the increasing efficiency of its operations.

By segment, the infrastructure business earned Euros 1,892 million, an increase of 7.1% on 2015, while the concessions and investments business saw an increase to Euros 211 million, up 5.4% on 2015.

With regard to the distribution of revenue by geographical area, the international market accounts for **55%** and the domestic market **45%.** These data reflect the Elecnor Group's commitment to internationalisation as a driver of growth in the coming years, without neglecting the domestic market.

3.1.4. Order backlog

At the end of 2016, the order backlog stood at **Euros 2,338.7 million**. By markets, international orders amounted to **Euros 1,917.4 million (82% of total),** while domestic orders accounted for **Euros 421.3 million** or 18% of the total backlog.

3.2. 2016 sales by activity

Elecnor Group

At 31 December for each year and in thousands of Euros

Geographical region	2016	2015	Variation
Domestic	915,826	851,500	+8%
International	1,119,310	1,029,643	+9%
	2,035,136	1,881,143	+8%

Activity	2016	2015	Variation
Electricity	651,953	540,512	20%
Facilities	165,778	127,779	30%
Gas	112,010	121,361	-8%
Power generation	452,911	471,281	-4%
Rail	46,250	43,025	8%
Construction, environment and water	198,415	160,924	23%
Telecommunications	261,006	251,355	4%
Maintenance	146,813	164,906	-11%
	2,035,136	1,881,143	+8%

The principal activity in the year in terms of turnover, as in prior years, was **electricity**, which generated Euros 652 million. However, it was closely followed by **power generation,** as a result of major projects relating to plants developed abroad.

Notably, the **facilities and construction, environment and water** activities, among others, grew significantly with respect to the prior year.

4. STOCK MARKET PERFORMANCE

	2016	2015
Closing share price (€)	8.98	8.23
Total number of shares traded (millions)	4.4	5.7
Total cash traded (€ millions)	34.4	50.2
Number of shares (millions)	87.0	87.0
Market capitalisation (€ millions)	781.3	716.0
Price to earnings ratio (PER)	11.4	10.9
Dividend yield	3.2%	2.9%

Elecnor closed at **Euros 8.98 per share**, up 9.1% on 2015, thereby outperforming the Ibex-35, which dropped 2.01%. The effective volume traded was Euros 34.4 million. Market capitalisation was Euros 781 million, and the price to earnings ratio (PER) was 11.4, 0.5 points higher than the 2015 figure.
The dividend yield was **3.2%**, compared to 2.9% in 2015.

5. CAPITAL MANAGEMENT POLICY

A fundamental part of Elecnor's policy is to observe a policy of financial prudence. The capital structure is defined by a commitment to solvency and the objective of maximising shareholder returns.

6. FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration, limitation and supervision systems. Financial risk management and containment is performed on a coordinated basis by corporate management and the various business units and subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.
The first risk to be mitigated arises from the transactions that the Group performs on the international markets in the course of its business, namely market risk due primarily to foreign currency risk. Certain income and procurement costs are denominated in currencies other than the Euro. For this reason, the risk of fluctuating exchange rates of these currencies could have an impact on the Group's profits. In order to manage and minimise this risk, Elecnor uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations. The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor and the bank exchange the cash flows arising from a loan denominated in Euros for the flows of another loan denominated in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.
Interest rate fluctuations change the fair value of assets and liabilities that bear interest at fixed rates and the future flows from assets and liabilities tied to floating interest rates. Elecnor has arranged borrowings to enable it to carry on its operations, mainly in connection with the development, construction and operation of wind farms, thermosolar projects and electricity infrastructure concessions, which it does under project financing arrangements. Under financing of this nature, interest rate risk must be mitigated. In the case of both project and corporate financing, borrowings are habitually arranged nominally at floating rates and, where appropriate, hedging instruments are used to minimise the related interest rate risk. The hedging instruments, which are specifically assigned to financial debt instruments and are limited to the same nominal value as the latter and the same maturity dates as the hedged items, are essentially IRSs, the aim of which is to convert loans originally arranged at variable rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.
The Group is also exposed to the risk that cash flows and profits may be affected by changes in energy prices, among other factors. In order to manage and minimise this risk, the Group occasionally uses hedging strategies.
Also, liquidity risk is mitigated through Elecnor's policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US dollar deposits, through leading banks in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.
The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor has customers with very high credit ratings. However, in the case of non-recurrent international sales to customers, mechanisms such

as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

In the case of wind farms, the power produced - in accordance with the legislative framework in force for the electricity industry - is sold in the Iberian Electricity Market (MIBEL) and income is collected from the operator of the Spanish Electricity Market (OMIE) through a payment-guarantee system and from the Spanish National Markets and Competition Commission (CNMC), which regulates energy markets in Spain and reports to the Ministry of Industry. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, Ltda., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Indios Energía, S.A. (Brazil) entered into long-term agreements with the corresponding Brazilian electricity distribution companies to sell the electric power that they will generate for a period of 20 years, while Éoliennes de l'Érable entered into a 20-year agreement with the electricity distributor in Quebec for the sale of electricity. Similarly, the Brazilian electricity infrastructure concession operators have electricity distribution agreements with customers with a high credit rating which, together with the restrictions imposed by the transmission system itself, eliminate the possibility of any non-payment.

With regard to transmission lines, specifically those operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made: generators, major consumers and transmission entities. Prior to connecting to the system these companies deposit a guarantee. In the event of non-payment this guarantee will be executed, they will be immediately disconnected from the system and the payment obligation will be shared among the remaining users of the system. The collection of amounts by the concession operator is therefore guaranteed by the Brazilian national electricity system.

The transmission lines in Chile are part of the backbone transmission system, where the Centro de Despacho Económico de Carga for the corresponding system, CDEC-SIC (Sistema Interconectado Central) or CDEC-SING (Sistema Interconectado del Norte Grande) is in charge of coordinating payments by generators to transmission entities. Payments are guaranteed in the system through a mechanism whereby the CDEC, in the case of non-payment, will disconnect the offending generator from the system and distribute the payment obligation among the remaining generators using the system. From 2017 onwards the CDEC-SIC and CDEC-SING will merge into the National Electricity Coordinator, which assumes the system's regulatory functions and distributes payment obligations between the generators and distributors to transmission entities.

In an economic scenario such as the present one, credit risk continues to be a main risk compared to other financial risks. Faced with this situation, Elecnor continues to step up the measures taken to mitigate this risk and regularly analyses its exposure to credit risk, including individualised analyses when so required by the transactions and recognising impairment as required.

Elecnor closely monitors regulatory risk, particularly that affecting renewable energy, to adequately reflect its impact on the income statement.

7. ENVIRONMENT

In response to the environmental impact that its activities can have, Elecnor has defined and applied remedial measures to limit said impact. Elecnor has also incorporated activities into its businesses which contribute to protecting the natural environment and its resources. These measures include generation of renewable power, treatment and recycling of water and energy efficiency in all its activities.

The Group's environmental management strategy, as a key part of its integrated management system, is governed by the following principles of action:

- Constantly seeking to balance financial profitability and environmental protection, resulting in focuses whereby the two concepts reinforce each other mutually.
- Considering environmental factors when making investment decisions regarding new projects and when studying activities to undertake.
- Improving awareness among employees through appropriate training and implementing efficient action protocols to minimise potential damage in the event of incidents.
- Involving other stakeholders (shareholders, customers, suppliers and society in general) in the ongoing search for useful solutions to the challenge of protecting the environment and energy resources.
- Improving environmental and energy management, quantifying and verifying emissions of greenhouse gases generated by its activities and designing business strategies that take this into account, including objectives to reduce greenhouse gas emissions, thus contributing to the fight against climate change.

8. HUMAN RESOURCES

Personnel

Elecnor Group

At 31 December each year	2016	2015	Variation
Domestic	7,866	7,535	4%
International	5,539	5,205	6%
	13,405	12,740	5%

People are Elecnor's main asset. Accordingly, the Group bases its general strategy on values such as talent, transparency and teamwork under conditions of the highest possible levels of safety. Occupational health and safety is therefore a part of all the activities carried out by the Group. Part of the Group's culture is its commitment to health and safety. This commitment goes beyond legal requirements and customer requests, with clear and demanding objectives: no accidents and zero tolerance of breaches of health and safety measures established by the company.

At the end of 2016 the Group's workforce had increased by 665 (+5.2%), to **13,405 employees**. The main reason for the increase in the workforce in the domestic market relates to the Telecommunications Infrastructure and Maintenance activities. The foreign market grew by 334 people to respond mainly to the growth in activity in Angola and the Dominican Republic.

9. R&D&I

In 2016, the changes undertaken in 2015 were consolidated and new initiatives were launched in order to promote the performance of innovative projects to keep the company competitive and sustainable. Some of the initiatives undertaken throughout the year were:

- Certification of the R&D&i management systems of Elecnor and Audeca and adaptation to the new UNE 166.002:2014 standard.
- Definition of a business Vision of R&D&i.
- Implementation of a new system to improve the capture and broadcasting of technological surveillance.
- Improvement of the tools to measure the degree of satisfaction of collaborators and customers in R&D&i.

The following initiatives are planned for 2017:

- Launch of a new internal call for funding INNOVA projects with a more agile operation and prizes for the best ideas.
- Improvement of communication tools and dissemination of R&D&i results.
- Consolidation of the new system for the competitive intelligence process.

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 10 February 2017 Barcaldine Remote Solar Farm, which operates the solar PV plant that the Group had in Australia, was sold for AUD 33.4 million, which gave rise to a scantly material gain that will be included in the income statement for 2017. Except for the aforementioned transaction, no events have taken place between the end of the 2016 reporting period and the authorisation for issue of these annual accounts that could constitute a material change in the true and fair presentation of the financial statements of Elecnor, S.A. or of the subsidiaries that comprise the Group.

11. OUTLOOK FOR 2017

11.1. Economic backdrop

According to the "World Economic Outlook" report published on 13 January 2017 by the International Monetary Fund, a pickup in economic activity is forecast for advanced, emerging and developing economies for 2017 and 2018, in which global growth is projected at 3.4% and 3.6%, respectively. According to these forecasts, advanced economies will grow by 1.9% in 2017 and 2.0% in 2018, although this is clouded by the uncertainty arising from the changes that the new US administration could make to various policies. The US economy, according to the report, is projected to grow at 2.2% and 2.5% in 2016 and 2017, respectively, backed by fiscal stimulus. Also, data for the German, Spanish, Japanese and British economies is estimated to be better than the latest forecasts due to better-than-expected performance in the last part of 2016.

However, the factor most influencing the improvement in outlook for the coming years is rebounding emerging and developing economies, which are estimated to grow at 4.5% in 2017 and 4.8% in 2018.

11.2. Elecnor Group

With regard to 2017, assuming stability in the regulatory framework in both renewable energies and tax matters, the Elecnor Group is expected to continue with the solid and sustained growth of recent years. In the past years, agreements have been reached which include the entry of shareholders in certain concession projects who have sought to boost these businesses, mitigate the risks inherent to them and generate resources that contribute to improving the Group's financial position. However, the decrease in the Group's percentage share of these assets has affected attributable consolidated profit, which has been offset by a better performance of the Group's infrastructure business.

As regards debt, **corporate net financial debt at year end 2016 amounted to Euros 272 million**, compared to Euros 280 million at the end of the prior year. The **net financial debt/EBITDA ratio for the restricted group was 2.04**, well below the limits set by the financing covenants.

Looking at the **net financial debt/EBITDA ratio**, including the aggregates relating to projects and based on adjusted EBITDA, the **ratio is 3.98.**

Elecnor continues to base its strategy on growth in the international market through projects currently in its portfolio that require several years to fully develop. In addition – with the measure of circumspection required by the current situation – the recovery in the domestic market appears to have been confirmed, which should contribute to growth objectives being met. In light of this, the Group has continued to improve its corporate and productive structure, adapting it to the volume of activity in the various businesses it carries out in Spain and abroad. This will boost profitability, productivity and competitiveness within the aforementioned environments.

Based on the foregoing and supported by a robust backlog of projects, as explained in section 3.1.5., the Elecnor Group heads into 2017 with the goal of surpassing the revenues and results it achieved in 2016.

12. SHARE CAPITAL AND ACQUISITION OF OWN SHARES

At 31 December 2016 the share capital of Elecnor, S.A. was represented by Euros 87 million subscribed and fully paid ordinary shares of Euros 0.10 par value each.

The shares of Elecnor, S.A. are listed in the Spanish stock market interconnection system (SIBE), on which the shares of most of the largest Spanish companies with the highest trading volumes are listed.

At 31 December 2015 Elecnor, S.A. held 2,483,110 own shares. Over 2016 it acquired 156,011 shares and sold 175,089 shares. Consequently, at 31 December 2016 it held a total of 2,464,032 own shares. This means that own shareholdings have gone from 2.85% of total share capital at the beginning of the year to 2.83% at 2016 year end.

13. RELATED PARTY TRANSACTIONS

For information on related party transactions pursuant to article 15 of Royal Decree 1362/2007, we refer to the disclosures in the explanatory notes to the consolidated financial statements for the year ended 31 December 2016.

14. ANNUAL REPORT ON CORPORATE GOVERNANCE

In accordance with the statutory obligations issued by the CNMV and the form issued by it, the board of directors of Elecnor, S.A. has drawn up the annual report on corporate governance for the year ended 31 December 2016. This report is available on the website of the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores).

ECONOMIC PROFILE OF ELECNOR, S.A. 2016

Elecnor, S.A.

BALANCE SHEETS

at 31 december 2016 and 2015 (Thousands of Euros)

ASSETS	2016	2015
NON CURRENT ASSETS	1,013,775	983,217
Intangible Assets	2,466	2,176
Administrative Concessions	43	45
Goodwill	928	1,031
Software	1,474	928
Other intangible assets	21	172
Property, Plant and Equipment	49,472	44,842
Land and buildings	17,751	16,392
Plants and other Items fo Property, Plant and Equipment	31,721	28,450
Investments in group companies and associates	935,238	908,064
Equity instruments	895,248	872,622
Loans to companies	39,990	35,442
Non current financial investments	2,862	2,057
Loans to third parties	18	18
Financial Derivatives	523	222
Other financial assets	2,321	1,817
Deferred tax assets	23,737	26,078
CURRENT ASSETS	858,675	818,720
Non-current assets held for sale	9,348	3,766
Inventories	15,257	13,909
Raw materials and other supplies	4,048	4,565
Short cycle finished goods	978	1,361
Advances to suppliers	10,231	7,983
Trade and other receivables	720,137	657,308
Trade receivables	647,348	591,774
Receivable from group companies and associates	51,543	42,217
Other receivables	5,071	5,549
Personnel	32	62
Current income tax assets	6,640	6,335
Other receivables from Public Administrations	9,503	11,371
Investments in Group companies and associates	38,643	30,294
Loans to companies	32,384	28,447
Other financial assets	6,259	1,847
Current financial investments	1,323	2,752
Loans to companies	-	8
Financial Derivatives	76	-
Other financial assets	1,247	2,744
Accruals	377	462
Cash and cash equivalents	73,590	110,229
Cash	70,604	110,141
Cash equivalents	2,986	88
TOTAL ASSETS	1,872,450	1,801,937

The accompanying notes form an integral part of the annual accounts

EQUITY AND LIABILITIES	2016	2015
EQUITY	537,585	527,658
CAPITAL AND RESERVES-		
Share Capital	8,700	8,700
Issued Capital	8,700	8,700
Reserves	529,626	518,869
Legal and statutory reserves	1,743	1,743
Other reserves	527,883	517,126
Treasury shares and equity investments	(21,989)	(22,341)
Profit / loss of the year	35,829	36,432
Interim dividend	(4,481)	(4,350)
UNREALISED ASSET AND LIABILITY REVALUATION RESERVE-		
Hedging instruments	(10,100)	(9,652)
NON CURRENT LIABILITIES	313,081	312,384
Borrowings	307,191	306,695
Bank borrowings	292,056	291,113
Obligations under finance leases	5,644	6,037
Derivates	9,491	9,545
Borrowings from group companies and associates	2,000	2,000
Deferred tax liabilities	3,890	3,689
CURRENT LIABILITIES	1,021,784	961,895
Provisiones a corto plazo	26,267	27,371
Deudas a corto plazo	90,554	117,425
Obligations and other securities	72,628	99,419
Bank borrowings	7,243	8,829
Obligations under finance leases	373	368
Derivates	4,563	3,536
Other financial liabilities	5,747	5,273
Borrowings from group companies and associates	7,325	16,109
Trade and other payables	897,161	800,990
Suppliers	307,564	307,719
Suppliers group companies and associates	3,383	4,864
Other payables	31,102	30,648
Employee benefits payable	25,005	16,802
Current tax liabilities	1,319	2,533
Other payables to Public Administrations	32,774	30,263
Customer advances	496,014	408,161
Accruals	477	-
TOTAL PATRIMONIO NETO Y PASIVO	1,872,450	1,801,937

The accompanying notes form an integral part of the annual accounts

Elecnor, S.A.

INCOME STATEMENTS

for the yerars ended 31 december 2016 and 2015 (Thousands of Euros)

	2016	2015
CONTINUING OPERATIONS		
Net turnover	1,184,245	1,075,406
Revenues	1,184,245	1,075,406
Changes in inventories of finished goods	(382)	(739)
Work performed by the entity and capitalised	1,706	543
Supplies	(635,594)	(571,346)
Consumption of raw materials and other consumables	(277,747)	(319,902)
Work performed by third parties	(357,847)	(251,444)
Other operating income	6,451	6,825
Ancillary income	5,603	5,736
Grants related to income	848	1,089
Personnel expenses	(341,487)	(314,511)
Wages, salaries and other	(269,387)	(237,814)
Social security costs	(72,100)	(76,697)
Other operating expenses	(162,606)	(179,154)
External services	(154,255)	(144,778)
Taxes	(12,832)	(6,745)
Losses on, impairment of and change in trade provisions	6,616	(25,721)
Other operating expenses	(2,135)	(1,910)
Depreciation and amortisation	(5,840)	(5,703)
Impairment losses and gains/losses on disposal of non current assets	(317)	(100)
Gains/losses on disposals and other gains and losses	(317)	(100)
OPERATING PROFIT	46,176	11,221
Finance revenues	30,392	22,010
From equity investments		
- In group companies and associates	20,783	18,670
From trade securities and other equity instruments		
- In group companies and associates	3,826	2,654
- In third parties	5,783	686
Finance costs	(15,043)	(14,173)
Borrowings from group companies and associates	(269)	(367)
Third-party borrowings	(14,774)	(13,806)
Exchange differences	1,433	4,287
Impairment losses and gains/losses on disposal of financial instruments	(13,409)	14,973
Impairment and losses	(13,409)	(5,565)
Ganis/losses on disposal and others	-	20,538
FINANCIAL GAINS	3,373	27,097
PROFIT BEFORE TAX	49,549	38,318
Income tax	(13,720)	(1,886)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	35,829	36,432
PROFIT FOR THE YEAR	35,829	36,432

The accompanying notes form an integral part of the annual accounts

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