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FINANCIAL STATEMENTS AND DIRECTORS' REPORT 2017

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FINANCIAL STATEMENTS AND DIRECTORS' REPORT 2017

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AUDITING

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KPMG Auditores, S.L.
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Auditor's Report on the Consolidated Annual Accounts issued by an Independent Auditor

To the shareholders in Elecnor, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Elecnor, S.A. (the parent Company) and its dependent companies (the Group), comprising the balance sheet as of December 31st, 2017, the profit and loss statement, the statement of the global profit or loss, the statement of changes in net equity, the cash flow statement and the annual report, all consolidated, corresponding to the financial year closed on the said date.

In our opinion, the attached consolidated annual accounts express, in all significant respects, the true and faithful image of the Group's net equity and financial situation as of December 31st, 2017, as well as its results and cash flows, all consolidated, corresponding to the financial year closed on that date, in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU), and other provisions of the regulatory framework for financial reporting applicable in Spain.

Basis of the opinion

We have conducted our audit in accordance with the regulations governing auditing activities in force in Spain. Our responsibilities pursuant to the said regulations are described below in the section entitled Responsibilities of the auditor in connection with the audit of the consolidated annual accounts in our report.

We are independent of the Group in accordance with the ethical requirements, including the requirements of independence applicable to our audit of the consolidated annual accounts in Spain, as demanded under the regulations governing auditing activities. In this sense, we have not rendered any services other than auditing services and there have been no situations or circumstances that, pursuant to the provisions contained in the said governing regulations, might have affected the necessary independence in such a way as to have compromised it.

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

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KPMG Auditores S.L., a Spanish limited liability company and a member firm of the KPMG network of independent firms affiliated to KPMG International Cooperative ("KPMG International"), a Swiss company.

Entered on the Official Register of Auditors under nº S0702 and on the Register of Companies of the Institute of Chartered Auditors under nº 10.

Madrid Companies' Registry, Vol. 11,961, Sheet 90, Section 8, Page M-188,007, Entry nº 9, Tax ID card nº B-78510153.

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Key issues in the audit

The key issues in the audit are those matters that, in our professional judgement, have been the most significant in our audit of the consolidated annual accounts for the current period. These matters have been discussed in the context of our audit of the consolidated annual accounts as a whole, and in the formation of our opinion of the said annual accounts, and we do not express any opinion separately on these matters.

Construction contracts

Please refer to **Note 3.v** in the consolidated annual accounts

Key issue in the audit	*How the issue was approached in our audit*
A large portion of the revenue of the Elecnor Group is generated by construction and service provision contracts in which the revenue is recognized using the percentage progress method, i.e. on the basis of the degree of fulfilment of the contract at the end of each accounting period, requiring the Group to make estimates of the costs, revenues and results foreseen in each of the contracts in order to determine the revenue to be recognized. The application of this method therefore requires a high degree of judgment on the part of the Directors and comprehensive checks on the estimates made and any deviations that may arise in the course of the contract's duration. These estimates must take into account all of the costs and revenues associated with the contracts, including any cost over and above those initially budgeted, the risks for disputed claims, as well as any revenue in the process of negotiation or claims with clients. In this sense, revenue is only recognized when it can be reliably estimated, the company is likely to receive a financial benefit from the transaction and the costs incurred and pending, as well as the degree of execution of the contract, as of the date of the close of the period, can be reliably estimated. Due to the uncertainty associated with the said estimates and the fact that changes in the same might give rise to material differences in the revenue posted, it has been considered a key issue in the audit.	Our audit procedures have included the following measures, among others: – Evaluation of the design and implementation of checks and balances related to the revenue valuation and recognition process using the percentage progress method and to the process for budget control and testing of the key controls identified; – Verification that the methodology used by the Group to determine revenue, calculated on the basis of the proportion of the services performed with respect to the total of the services to be rendered, is one of the methodologies accepted by the applicable financial reporting regulatory framework; – Evaluation of the hypotheses used for the preparation of contract estimates; – Starting from certain quantitative and qualitative selection criteria, we selected a sample of the construction contracts to evaluate the estimates made in the drafting of the forecasts of the results of the contract and in the recognition of revenue. In this sense, we have obtained the contracts and the additional supporting documentation on which these estimates and judgment calls applied by the Group were based in each case; – Comparative analysis of the outcome of completed contracts with the budgeted result, analysing their historical trends,

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Construction contracts Please refer to **Note 3.v** in the consolidated annual accounts	
Key issue in the audit	*How the issue was approached in our audit*
	the budget controls applied by the Group and judgements applied, and evaluating whether the budgets represent, in general, the best estimates considering the risks that exist from time to time; – Evaluation of whether the allowances recognized regarding each of the contracts at the close of the financial year reasonably reflect present obligations that are likely to generate a future outflow of economic fruits, in accordance with the provisions contained in the contracts and obtaining supporting documentation to justify their recognition and evaluating the judgement applied by the Group in its estimates; and – Evaluation of whether the information disclosed in the consolidated annual accounts comply with the requirements of the financial reporting regulatory framework applicable to the Group.

Other information: Consolidated Management Report

The other information comprises solely and exclusively the consolidated management report for the 2017 financial year, the formulation of which is the responsibility of the Directors of the parent company, and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not extend to the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the regulations governing auditing activities, which establishes two distinct levels of the same:

a) A specific level applicable to the status of the consolidated non-financial information, as well as to certain information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of the Auditing Act (Law 22/2015), consisting in verifying only that the said information has been provided in the consolidated management report or, where appropriate, that the said report has included the reference corresponding to the separate report on non-financial information in the manner foreseen in the regulations and, if not, to report on this circumstance.

b) A general level applicable to the rest of the information included in the consolidated management report, consisting in evaluating and reporting on the concordance between the aforesaid information and the consolidated annual accounts, starting from knowledge of the Group obtained through the performance of the audit of the said accounts and without including information other than that obtained as audit evidence during the engagement, as well as to evaluate and report on whether the contents and presentation of this part of the consolidated management report comply with the applicable regulations. Should we conclude, on the basis of the work carried out, that there are material inaccuracies, we are obliged to report on this circumstance.

On the basis of the work carried out, as described above, we have verified that the information mentioned in section a) above is furnished in the consolidated management report and that the rest of the information contained in the consolidated management report agrees with that in the consolidated annual accounts for the 2017 financial year and that the contents and presentation of the same comply with the applicable regulations.

Responsibility of the directors and the audit committee regarding the consolidated annual accounts

The directors of the parent company are responsible for drafting the attached consolidated annual accounts in such a way as to express the true and faithful image of the Group's net equity, financial situation and consolidated profits or losses, in accordance with the IFRS-EU and other provisions contained in the financial reporting regulations applicable to the Group in Spain, and for the internal checks and balances they consider necessary to enable them to prepare the consolidated annual accounts free of material inaccuracy due to fraud or error.

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In the preparation of the consolidated annual accounts, the directors of the parent company are responsible for the valuation of the Group's ability to continue as a going concern, disclosing, where appropriate, those issues related to going concerns and using the accounting principles on going concerns except if the said directors intend to wind up the Group or cease its operations, or else there is no other realistic option.

The audit committee of the parent company is responsible for overseeing the process for the drafting and presentation of the consolidated annual accounts.

Responsibilities of the auditor in connection with the audit of the consolidated annual accounts

Our aim is to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material inaccuracy due to fraud or error and to issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but it does not guarantee that an audit performed in accordance with the regulations governing auditing activities in force in Spain will always detect a material inaccuracy where this exists. Inaccuracies may be due to fraud or error and are considered material if, individually or in the aggregate, they can reasonably be foreseen to influence the economic decisions taken by users on the basis of the consolidated annual accounts.

As part of an audit pursuant to the regulations governing auditing activities in force in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the entire audit. In addition:

– We identify and assess the risks of material inaccuracy in the consolidated annual accounts due to fraud or error, we design and apply audit procedures to respond to these risks and we obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material inaccuracy due to fraud is higher than in the case of a material inaccuracy due to error, as fraud may imply collusion, falsification, deliberate omissions, intentionally misleading statements, or the evasion of internal controls.

- We obtain an understanding of the relevant internal controls for the audit in order to design audit procedures that are appropriate in the light of the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal checks and balances.
- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the directors of the parent company.
- We reach a conclusion on whether or not adequate use is made by the directors of the parent company of the going concern accounting principio and, on the basis of the audit evidence obtained, we conclude on whether or not there is any material uncertainty related to facts or constraints that might generate significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are required to call attention in our audit report to the corresponding information disclosed in the consolidated annual accounts or, if such disclosures are not adequate, to express an amended opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. Nonetheless, future facts or conditions may cause the Group to cease being a going concern.
- We evaluate the global presentation, structure and contents of the consolidated annual accounts, including the information disclosed, and whether the consolidated annual accounts represent the underlying transactions and facts in such a way as to manage to represent the true and faithful image.
- We obtain sufficient and adequate evidence in connection with the financial information of the business activities or entities in the Group in order to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group audit. We are the sole parties responsible for our audit opinion.

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We communicate with the audit committee of the parent company with respect, among other matters, to the scope and timing of the performance of scheduled audits and the significant findings of the audit, as well as any significant shortcoming in the internal checks and balances we identify in the course of the audit.

We also provide the audit committee of the parent company with a statement that we have complied with the applicable ethical requirements, including the requirement of independence, and we have communicated with the said committee to report on those matters that might reasonably imply a threat to our independence and, where appropriate, the safeguards.

Among the matters that have been discussed in these communications to the audit committee of the parent company, we have determined which ones have been most significant in the audit of the consolidated annual accounts for the current period and that are, in consequence, the key audit issues.

We describe these issues in our audit report except where the statutory or regulatory constraints prohibit the public disclosure of such issues.

INFORMATION ON OTHER STATUTORY OR REGULATORY REQUIREMENTS

Additional information for the parent company's audit committee

The opinion expressed in this report is consistent with the contents set out in our additional report to the audit committee of the parent company dated February 26th, 2018.

Engagement period

The Annual General Meeting of Shareholders held on May 16th, 2017, appointed our firm as the Auditors of the Group for the term of one year, starting from January 1st, 2017.

We were previously designated by means of a resolution adopted by the Annual General Meeting of Shareholders for the period of 3 years with annual renewals, so we have been performing audit work without interruption since the financial year closed on December 31st, 2013.

KPMG Auditores, S.L.

Entered on the R.O.A.C nº S0702

[Illegible signature]

Cosme Carral López Tapia

Entered on the R.O.A.C nº 18961

February 26th, 2018

[Stamp:] AUDITORS

INSTITUTE OF CHARTERED AUDITORS IN SPAIN

KPMG AUDITORES, S.L.

2018 Nº 03118101100

96,00 EUR

CORPORATE SEAL:

Audit Report subject to Spanish
or international auditing regulations.

CERTIFICATION

I, Edward EWING, as Official Translator of Spanish and English duly appointed by the Spanish Ministry of Foreign Affairs and Co-operation, hereby certify that the foregoing text is a true and complete translation in English of its original in Spanish.

In Madrid on February 28th, 2018.

CERTIFICACIÓN

Don Edward EWING, Traductor Intérprete Jurado de inglés nombrado por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al inglés de un documento redactado en lengua española.

En Madrid, a veintiocho de febrero de 2018.

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ECONOMIC PROFILE OF THE ELECNOR GROUP

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

Consolidated Statements of Financial Position

At 31 December 2017 and 2016

(Thousands of euros)

ASSETS	2017	2016
Non-current assets:		
Intangible assets-		
Goodwill (note 7)	28,826	32,107
Other intangible assets, net (note 8)	114,698	112,788
	143,524	**144,895**
Property, plant and equipment, net (note 9)	**1,149,941**	**1,207,606**
Equity-accounted investees (Note 10)	**155,997**	**165,615**
Non-current financial assets (Note 11)		
Investments	2,687	4,432
Other investments	782,620	778,629
Derivatives (note 15)	1,036	523
	786,343	**783,584**
Deferred tax assets (note 18)	**106,200**	**98,427**
Total non-current assets	**2,342,005**	**2,400,127**
Current assets:		
Inventories (note 3.q)	**8,703**	**14,947**
Trade and other receivables (note 12.a)	**931,514**	**1,031,068**
Trade receivables from related companies (note 26)	**12,645**	**18,890**
Public entities (note 19)	**61,067**	**59,103**
Taxation authorities, income tax (note 19)	**13,626**	**7,314**
Other receivables	**19,826**	**13,311**
Current investments in related companies (note 26)	**1**	**15**
Derivatives (note 15)	**4,031**	**458**
Other current assets	**10,909**	**10,550**
Cash and cash equivalents (note 12.b)	**398,161**	**317,350**
Non-current assets held for sale (note 3.g)	**423**	**47,143**
Total current assets	**1,460,906**	**1,520,149**
Total assets	**3,802,911**	**3,920,276**

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

EQUITY AND LIABILITIES	2017	2016
Equity (note 13):		
Parent-		
Share capital	8,700	8,700
Other reserves	733,439	699,166
Translation differences (note 13)	(223,487)	(150,368)
Valuation adjustments to equity (note 13)	(61,244)	(71,796)
Profit for the year attributable to the Parent	71,227	68,465
Interim dividend (note 5)	(4,611)	(4,481)
	524,024	549,686
Non-controlling interests (note 13)	380,037	430,354
Total equity	904,061	980,040
Non-current liabilities:		
Grants (note 3.s)	5,947	7,578
Deferred income	1,882	2,160
Provisions for other liabilities and charges (note 16)	15,236	18,719
Bonds and other marketable securities (note 14)	538,796	38,689
Financial debt (note 14)	910,709	1,139,319
Derivatives (notes 14 and 15)	9,077	28,920
Other non-current liabilities	27,052	19,644
Deferred tax liabilities (note 18)	87,750	87,384
Total non-current liabilities	1,596,449	1,342,413
Current liabilities:		
Provisions for other liabilities and charges (note 16)	44,872	26,621
Bonds and other marketable securities (note 14)	113,350	74,298
Financial debt (note 14)	90,059	190,940
Derivatives (notes 14 and 15)	1,140	5,821
Trade payables to associates and related companies (note 26)	2,474	2,437
Trade and other payables-		
Purchases and services received	498,869	514,472
Customer advances and advance billings (note 17)	371,442	583,925
	870,311	1,098,397
Other payables-		
Public entities (note 19)	63,409	61,417
Taxation authorities, income tax (note 19)	19,076	26,716
Current liabilities (note 13 and 21)	97,710	86,839
	180,195	174,972
Liabilities associated with non-current assets held for sale (note 3.g)	-	24,337
Total current liabilities	1,302,401	1,597,823
Total liabilities and equity	3,802,911	3,920,276

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 2017 and 2016

(Thousands of euros)

	(Debit) Credit	
	2017	2016
Continuing operations:		
Net sales (note 21)	2,316,786	2,035,136
Changes in inventories of finished goods and work in progress (note 3.q)	(4,064)	1,777
Materials consumed (note 21)	(1,148,654)	(1,038,781)
Other operating income (note 2.f, 3.i and 3.s)	88,197	132,224
Personnel expenses (note 21)	(620,054)	(551,345)
Other operating expenses (note 21)	(356,588)	(334,699)
Amortisation, depreciation, impairment and charges to provisions (note 21)	(93,875)	(77,584)
Results from operating activities	**181,748**	**166,728**
Finance income (notes 11 and 21)	80,592	67,856
Finance costs (note 21)	(91,431)	(100,711)
Exchange gains/(losses) (note 3.e)	(39,694)	(6,946)
Impairment and gains/(losses) on disposal of financial instruments	64	(314)
Changes in the fair value of financial instruments	(517)	486
Share of profit of equity-accounted investees (note 10)	587	2,210
Profit before income tax	**131,349**	**129,309**
Income tax (note 19)	(35,504)	(43,573)
Profit from continuing operations	**95,845**	**85,736**
Profit for the year	**95,845**	**85,736**
Attributable to:		
Shareholders of the Parent	71,227	68,465
Non-controlling interests (note 13)	24,618	17,271
Earnings per share (in euros) (note 28)		
Basic	0.84	0.81
Diluted	0.84	0.81

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 2017 and 2016

(Thousands of euros)

	Notes	2017	2016
Consolidated Profit (I)		**95,845**	**85,736**
Other comprehensive income			
Items to be reclassified to profit or loss			
Income and expense recognised directly in equity:			
- Cash flow hedges	Note 15	(17,275)	(9,581)
- Translation differences	Note 13	(124,114)	153,328
- Share of other comprehensive income of equity-accounted investees	Note 10	1,591	(12,305)
- Tax effect	Notes 15 & 18	(587)	2,592
Total income and expense recognised directly in consolidated equity (II)		**(140,385)**	**134,034**
Transfers to the consolidated income statement:			
- Cash flow hedges	Note 15	10,634	9,325
- Share of other comprehensive income of equity-accounted investees	Note 10	8,802	11,056
- Tax effect	Notes 15 & 18	(1,903)	(2,331)
Total transfers o the consolidated income statement (III)		**17,533**	**18,050**
Total consolidated recognised income and expense (I+II+III)		**(27,007)**	**237,820**
a) Attributable to the Parent		8,660	155,628
b) Attributable to non-controlling interests		(35,667)	82,192

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 2017 and 2016

(Thousands of euros)

	Share capital	Valuation adjustments	Legal reserve	Other non-distributable reserves	Other voluntary reserves	Reserves 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 2015	8,700	(71,781)	1,743	25,143	491,983	160,598	(22,341)	(237,546)	419,580	65,662	(4,350)	322,560	740,371
Total recognised income and expense for 2016	-	(15)	-	-	-	-	-	87,178	87,178	68,465	-	82,192	237,820
Distribution of profit:									0				
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)	548,798	68,465	(4,481)	430,354	980,040
Total recognised income and expense for 2017	-	10,552	-	-	-	-	-	(73,119)	(73,119)	71,227	-	(35,667)	(27,007)
Distribution of profit:									-				
Reserves	-	-	-	-	11,831	32,636	-	-	44,467	(44,467)	-	-	-
Supplementary dividend (notes 5 and 13)	-	-	-	-	-	-	-	-	-	(19,517)	-	(2,758)	(22,275)
2016 interim dividend	-	-	-	-	-	-	-	-	-	(4,481)	4,481	-	-
Acquisition of own shares	-	-	-	3,124	(3,124)	-	(3,124)	-	(3,124)	-	-	-	(3,124)
Sale of own shares	-	-	-	(3,881)	4,908	-	3,881	-	4,908	-	-	-	4,908
Interim dividend paid in 2017	-	-	-	-	-	-	-	-	-	-	(4,611)	-	(4,611)
Changes in interests in subsidiaries (note 13.e)	-	-	-	-	-	(9,162)	-	-	(9,162)	-	-	(19,911)	(29,073)
Other corporate transactions	-	-	-	-	-	-	-	-	-	-	-	5,006	5,006
Other	-	-	-	-	-	(2,816)	-	-	(2,816)	-	-	3,013	197
Balances at 31 December 2017	8,700	(61,244)	1,743	24,034	516,707	212,187	(21,232)	(223,487)	509,952	71,227	(4,611)	380,037	904,061

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

Consolidated statements of cash flow

for the years ended 31 December 2017 and 2016

(Thousands of euros)

	2017	2016
Cash flows from operating activities:		
Consolidated profit for the year	95,845	85,736
Adjustments for:		
Amortisation and depreciation	67,115	78,501
Impairment and net profit from disposals of property, plant and equipment and intangible assets	1,827	-
Changes in provisions for liabilities, risk and charges (note 21)	23,115	2,784
Allocation of deferred income	-	(138)
Capital grants taken to income	(492)	(596)
Share of profit of equity-accounted investees (note 10)	(587)	(2,210)
Change in fair value of financial instruments (note 15)	-	(486)
Impairment and net gains on disposal of financial instruments (notes 2.g and 13)	(16,348)	(21,715)
Finance costs (note 21)	10,839	32,855
Exchange gains/(losses)	39,694	6,946
Other income and expenses	1,415	-
Income tax	35,504	43,573
Funds generated from operations	**257,927**	**225,250**
Changes in operating assets and liabilities:		
Changes in trade receivables and other current assets	66,116	(65,839)
Changes in inventories	6,244	87
Changes in trade and other payables	(216,788)	83,911
Changes in other current assets and liabilities	(15,143)	(4,586)
Income tax paid	(55,637)	(40,761)
Net cash flows from operating activities (I)	**42,719**	**198,062**
Cash flows from investing activities:		
Acquisition of intangible assets (note 8)	(11,120)	(1,998)
Cash outflows due to contributions to associates (note 10)	-	(247)
Acquisition of equity instruments and other non-current investments (note 11)	(138,752)	(115,217)
Acquisition of property, plant and equipment (note 9)	(98,226)	(135,364)
Dividends received from associates (note 10)	8,399	2,989
Interest received	60,046	61,626
Proceeds from disposal of Group companies, associates and jointly-controlled entities (notes 2.g and 13)	24,011	33,754
Proceeds from disposal of property, plant and equipment, intangible assets and non-current assets (notes 8 and 9)	5,006	3,380
Proceeds from disposal of financial assets, net (note 11)	31,908	6,733
Other amounts received	-	(1,849)
Net cash flows used in investing activities (II)	**(118,728)**	**(146,193)**
Cash flows from financing activities:		
Cash inflows from financial debt and other non-current borrowings (note 14)	1,414,091	602,364
Interest paid (note 14)	(108,236)	(95,935)
Repayment of financial debt and other non-current borrowings (note 14)	(1,129,070)	(580,321)
Grants received	-	1,034
Dividends paid	(26,755)	(24,025)
Proceeds from contribution/return of funds by/to non-controlling shareholders, net (note 13)	5,006	25,217
Cash inflows due to disposal of own shares (note 13)	4,908	1,372
Cash outflows due to sale-purchase of own shares (note 13)	(3,124)	(1,214)
Net cash flows used in financing activities (III)	**156,820**	**(71,508)**
Effect of changes in the consolidated group (IV)	**-**	**-**
Net increase/decrease in cash and cash equivalents (I+II+III+IV)	**80,811**	**(19,639)**
Cash and cash equivalents at beginning of year	317,350	336,989
Cash and cash equivalents at year end	**398,161**	**317,350**

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

CONSOLIDATED ANNUAL REPORT 2017

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

Notes to the consolidated annual accounts

Notes to the consolidated annual accounts for the year ended 31 December 2017

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.com 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.

Annex I includes information on equity-accounted subsidiaries and associates included in the Elecnor Group's consolidated scope.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

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 2017 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 2017 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 2017, authorised for issue on 21 February 2018, will be approved with no changes by the shareholders at their annual general meeting.

The Elecnor Group's consolidated annual accounts for 2016 were authorised for issue by the shareholders of Elecnor, S.A. at their annual general meeting held on 16 May 2017.

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 01 January 2017 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 01 January 2018. 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

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 is assessing the impact of the new standard to be included in the financial statements for 2018.

IFRS 9 Financial instruments

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. They also simplify hedge accounting and render it more flexible.

The Elecnor Group estimates that regulation will not have a significant impact on the consolidated financial statements, considering the following:

- With regard to the new criteria for classifying and measuring financial assets, the bulk of these assets will continue to be valued at amortised cost with the sole exception of derivative financial instruments, which will be measured at fair value.
- In relation to the calculation of the impairment of financial assets, the Group will apply the simplified approach, considering the expected credit losses over the asset's entire lifetime. Given the high credit quality of the Group's financial assets, the probability of default in their connection is not estimated to be material. The Group has estimated an impact in this connection of approximately EUR 5 million of higher impairment in receivables.
- Hedge accounting may be applied to financial hedges that under IAS 39 do not meet the hedge criteria: primarily the designation of risk components in non-financial items and the consideration as hedge item of a combination of derivative and an exposure that could quality as a hedge item. There is no material impact on the Group's equity in this connection.

Furthermore, IFRS 9 establishes that if a Company revises its estimated payments of a financial liability, the amount of the financial liability must be adjusted to reflect the new flows discounted at the original effective interest rate, recognising the effect on profit in the year. This is a different criterion to the one applied hitherto, whereby in financial liabilities in which the modification was not substantial the effective interest rate was modified going forward with no impact on the income statement at that time.

This modification will imply a positive impact on the Group's net equity of EUR 10-15 million, under the heading "Financial debt" in non-current liabilities and "Equity-accounted investments" in non-current assets (due to refinancing by equity-accounted companies).

IFRS 15 Revenue from Contracts with Customers

IFRST 15 "Revenue from Contracts with Customers" determines the criteria for recognising revenue from contracts with customers. This standard replaces IAS 18 "Revenue" and IAS "Construction Contracts".

The new standard establishes that revenue should be recognised as a function of the amount expected to be received from the customer when control of the good or service is transferred to the customer. The transfer of control may take place at a specific time or over a period of time. When a single contract includes more than one obligation for compliance in respect of the customer, the revenue shall be recognised based on the independent sale prices relating to the various compliance obligations.

The main change in the accounting principles which the Elecnor Group estimates will ensue form this new standard in connection with its consolidated financial statements is relative to the change in the criterion for recognising revenue resulting from changes to contracts and transactions subject to variable consideration.

In this regard, in the case of revenue from contractual modifications, IFRS 15 requires the customer's approval, a more stringent criterion than the requirements of probability and reliability in the estimate of the current standard (IAS 11 and IAS 18) and, likewise, in transactions subject to variable consideration more stringent requirements are established for recognising revenue, including high probability.

The Elecnor Group will adopt IFRS 15 retroactively, which implies adjusting for the cumulative effect in 2018 against reserves.

The Elecnor Group has assessed the impact of this regulatory change, estimating that it will amount to a negative adjustment of approximately euros 24 million in the Group's net equity recognised under Trade and other accounts receivable (note 12).

c) Functional currency and presentation currency-

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

d)Material accounting estimates and significant assumptions and judgements in applying accounting policies-

The information in these consolidated annual accounts is the responsibility of the Board of Directors of Elecnor.

The preparation of consolidated annual financial statements in accordance with EU-IFRS requires the application of material accounting estimates and significant judgements, estimates and assumptions in the process of applying the Group's accounting policies. In this connection, there follows a detailed summary of the aspects that have involved the greatest degree of judgement, complexity or in which the assumptions and estimates are not material for preparing the consolidated annual financial statements.

- The Group tests goodwill for impairment annually. Determining the recoverable value of a division to which goodwill has been assigned implies using estimates. The recoverable value is higher than the fair value less costs to sell or otherwise dispose of the item and value in use. Generally, the Group uses discounted cash flow methods to determine these values. Discounted cash flow calculations are based on 5-year projections of the budgets approved by the Group for infrastructure assets and projections over the entire regulatory useful life for concession assets. The flows take into account past experience and represent the best estimate on future market performance. Cash flows from the fifth year for infrastructure assets are extrapolated using individual growth rates. The key assumption to measure fair value less costs to sell or otherwise dispose of the item and value in use include growth rates, the discount rate and tax rates. The estimates, including the methodology used, may have a material impact on the values and on impairment losses (note 7).
- The Group performs a significant portion of its activities in construction contracts with customers. The Group recognises construction contracts considering the degree of completion. This method implies the need to estimate the total cost and total income from each project, including any claims and incentives and to allocate provisions in the event that losses are estimated in the contract (note 16). The Group continually reviews all the contract estimates and adjusts them accordingly.
- The calculation of provisions for customer claims, guarantees and litigation is subject to considerable uncertainty.

Moreover, although the estimates performed by the Company's Directors were calculated based on the best information available at 31 December 2017, it is possible that future events might oblige their modification in the next few years. The effect on the consolidated annual financial statements of modifications that, in the event, may derive from adjustments over the next few years would be recognised prospectively.

e) Comparative information-

As required by IAS 1, the information contained in the notes to the accompanying consolidated annual accounts for 2017 includes comparative figures for 2016, which do not constitute the consolidated annual accounts of the Elecnor Group for 2016.

Certain amounts for 2016 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, reclassifications correspond to the reclassification of property, plant and equipment to intangible assets – other intangible assets in the amount of euros 60,381 thousand and the reclassification of trade and other accounts payable to provisions for liabilities and charges under current liabilities in the amount of euros 26,621 thousand.

f) Changes to the consolidated Group-

The most significant changes in the scope of consolidation in 2017 were as follows:

- The Group sold its investment in Bulgana Wind Farm PTY LTD for an amount of approximately euros 15 million, recognising the resulting gain as other operating income in the accompanying consolidated income statement.

- The Group sold its investment in Barcaldine Remote Community Solar Farm PTY LTD for an amount of approximately AUD 33.4 million, recognising the resulting gain as other operating income in the accompanying consolidated statement of profit and loss. At 31 December 2016, all the assets and liabilities associated with this company as non-current assets held for sale and liabilities associated with non-current assets held for sale based on the agreements adopted as per the minutes of the Board of Directors' meeting of 19 October 2016.

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.

3. ACCOUNTING PRINCIPLES

a) Subsidiaries-

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.

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.

Transactions and balances with Group companies and unrealised profit or loss were eliminated in the consolidation process. However, unrealised losses were considered to be an indicator of the impairment of the assets transferred.

The accounting policies of subsidiaries were adapted to the Group's accounting policies, for transactions and other events that are similar and took place in comparable circumstances.

The annual financial statements of subsidiaries used in the consolidation process refer to the same presentation date and the same period as those of the Parent company.

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.

b) 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 applied IFRS 3 "Business combinations" revised in 2008 to transactions conducted from 1 January 2010 onwards.

In business combinations, the Group applies the acquisition method.

The acquisition date is the date on which the Group obtains the control of the acquired business.

The consideration paid for the business combination is determined on the acquisition date based on the sum of the fair values of the assets delivered, liabilities incurred or assumed, equity instruments issued and any contingent liabilities that depend on future events or compliance with certain conditions in exchange for the control of the acquired business.

Cost relating to the acquisition are recognised as an expense as they are incurred.

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. Liabilities assumed include contingent liabilities insofar as they represent present obligations arising from past events and their fair value may be reliably measured.

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.

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.

Non-controlling interests

Non-controlling interests in subsidiaries acquired from 1 January 2004 onwards are recognised on acquisition date by their percentage share of the fair value of identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Non-controlling interests are presented in consolidated net equity separately from equity attributed to the shareholders of the Parent. 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 (Consolidated Statements of Comprehensive Income).

The Group's interest and non-controlling interests in consolidated profit and loss in the year (the global total consolidated profit and loss in the year) and in changes in the net equity of subsidiaries, having considered adjustments and eliminations deriving from consolidation, are determined on the basis of the ownership interest at year-end, not taking into account the possible exercise or conversion of potential voting rights and after discounting the dividend effect, agreed or not, of preferred shares with cumulative rights that have been classified in net equity. Nevertheless, the Group's interest and non-controlling interests are determined considering the eventual exercise of potential voting rights and other derivative financial instruments which substantially provide current access to the economic benefits associated with the ownership interests, in other words, the right to participate in future dividends and changes in the value of subsidiaries.

From 1 January 2010, profit and loss and each component of other comprehensive income are allocated to net equity attributed to the shareholders of the Parent company in proportion to its interest, although this implies a payable from non-controlling interests. The agreements between the Group and non-controlling interests are recognised as a separate transaction.

c) 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 excess between the cost of the investment and the percentage corresponding to the Group in fair values of identifiable net assets is registered as goodwill and included in the accounting value of the investment. The defect, having measured the amounts of the cost of the investment and the identification and measurement of the net assets of the associate, is recognised as income when determining the investors interest in the associate's profit and loss in the year in which it is acquired.

If the investment is the result of a loss of control of a subsidiary that did not constitute a business, the cost of the investment is the fair value, net of the derecognitions deriving from the loss of control.

The accounting policies of associates were harmonised in time and valuation terms in line with those used at subsidiaries.

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.

The Group's share in the profit and loss of associates and in changes to net equity is determined based on the ownership interest at the end of each year, not taking into account the potential exercise of conversion of potential voting rights. Nevertheless, the Group's interest is determined considering the eventual exercise of potential voting rights and other derivative financial instruments which substantially provide current access to the economic benefits associated with the ownership interests, in other words, the right to participate in future dividends and changes in the value of associates.

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.

Profit and loss not realised in transactions between the Group and associates are only recognised insofar as they correspond to the holdings of other unrelated investors. The exception in the application of this criterion is the recognition of unrealised losses that constitute evidence of the impairment of the transferred asset. Nevertheless, profit and loss deriving from transactions between the Group and associates involving net assets that constitute a business are recognised in their entirety.

Impairment

The Group applies the impairment criteria stipulated in IAS 39: Financial instruments: Recognition and Measurement, so as to determine whether it is necessary to recognise impairment losses in addition to those already recognised in the net investment in the associate or any other financial asset held with it as a result of applying the equity method.

Calculation of impairment is determined as a result of the comparison between the carrying value linked to the net investment in the associate and its recoverable value, understood as the higher between value in use and fair value less the costs to sell or otherwise dispose of the item. In this connection, value in use is calculated as a function of the Group's interest in the current value of estimated cash flows in ordinary activities and the amounts potentially resulting from the final disposal of the associate.

d) 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 in the letter 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.

e) Foreign currency transactions and balances-

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.

The translation differences recognised in other comprehensive income are recognised as an adjustment in the profit/loss on the sale, based on the criteria set forth in the sections on subsidiaries and associates.

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.

The impact on these consolidated annual financial statements of the translation of these businesses as outlined above is not material.

f) Borrowing costs-

The Group recognises interest expenses directly attributable to the acquisition, construction or production of qualifying assets as higher value thereof. Qualifying assets are those that require a substantial period before being used or disposed of. To the extent that the financing was obtained specifically for the qualifying asset, the amount of interest to capitalise is determined as a function of the actual costs incurred during the year less the returns obtained on temporary investments with said funds (note 3.i).

Capitalisation of interest starts when expenses related with the assets are incurred, interest is accrued and the necessary activities to prepare the assets or a portion thereof for their intended use or sale are being performed and ends when all or practically all of the activities necessary to prepare the assets or portions thereof for their intended use or sale. Nevertheless, the capitalisation of interest is suspended during periods in which active development is interrupted over a significant period of time, unless the delay is necessary to place the asset in operating condition or prepare it for sale.

g) Non-current assets held for sale-

Non-current assets or disposal groups whose carrying value will be recovered primarily through a sale transaction, rather than through continuing use, are classified as non-current assets held for sale. To be classified as non-current assets or disposable groups as held for sale, they must available in their current state for disposal, subject only to the usual and widely accepted terms of sale transactions, and the transaction must also be considered to be highly probable.

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 Group 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. In 2017, this company was sold (see note 2.f).

h) Intangible assets-

Goodwill

Goodwill is measured using the criteria outlined in the section on business combinations.

Goodwill is not amortised, but is impairment tested annually or sooner if there are signs of a potential impairment in the asset's value. In this connection, the goodwill resulting from a business combination is allocated to each cash generating unit (CGU) or group of CGUs in the Group that are expected to benefit from the synergies of the combination and the criteria to which section j) impairment refers. After initial recognition, goodwill is measured at cost less cumulative impairment losses.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

Internally generated goodwill is not recognised as an asset.

Other intangible assets

Intangible assets are presented in the consolidated statement of financial position at cost less amortisation and cumulative impairment losses.

Intangible assets are amortised on a straight-line basis over their useful lives.

Impairment

The Group measures and determines the intangible asset's impairment losses and reversals in accordance with the criteria set forth in section j.

i) Property, plant and equipment-

Initial recognition

Property, plant and equipment is measured at cost, less cumulative depreciation and, in the event, cumulative impairment losses. 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.

The cost of property, plant and equipment includes the estimated decommissioning or removal costs, as well as the cost of restoring the location, provided these are obligations incurred as a consequence of its use and for purposes other than the production of inventories. In this regard, 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 (note 16).

Capitalised costs include borrowing costs on external financing accrued during the construction period on construction work exceeding one year. In 2017 total gross accumulated borrowing costs capitalised under property, plant and equipment, net on the consolidated statement of financial position amounted to euros 75,034 thousand (euros 63,298 thousand in 2016).

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 2017, euros 57,528 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 98,678 thousand in 2016).

Subsequent costs

Subsequent to the initial recognition of the asset, only those costs that will generate future economic benefits that may reasonably be described as probable, and whose amount can be measured reliably, are capitalised. In this connection, the costs deriving from the daily upkeep of property, plant and equipment are recognised as they are incurred.

The replacement of items of property, plant and equipment that may potentially be capitalised implies reducing the carrying value of the items replaced. In those cases in which the cost of the replaced items has not been independently depreciated and it is not feasible to determine their carrying value, the replacement cost is used to indicate the cost of the items at the time of their acquisition or construction.

Depreciation and amortisation

Property, plant and equipment is depreciated by distributing the depreciable amount using the straight-line method over its useful life.

Depreciation of property, plant and equipment is determined by applying the following criteria:

	Years of useful life	
	2017	**2016**
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 Group reviews the residual value, useful life and depreciation method of the property, plant and equipment at the end of each financial year. Any changes to the initially established criteria are recognised as a change in estimate.

Impairment

The Group measures and determines the property, plant and equipment's impairment losses and reversals in accordance with the criteria set forth in section j.

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.j).

j) Impairment of non-financial assets carried at amortised or depreciated cost-

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.

Likewise, regardless of the existence of any indication of impairment, the Group reviews, at least once yearly, the potential impairment that might affect goodwill and intangible assets with an indefinite useful life.

The recoverable amount of the assets is the higher amount between fair value less costs to sell and value in use.

The asset's value in use is calculated as a function of the estimated future cash flows deriving from the use of the asset, the expectation about possible changes in timing of those cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows expected to derive from the asset.

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.

At each closing date, the Group tests for any signs that the impairment recognised in previous years no longer exists or may have diminished. Impairment losses corresponding to goodwill are not reversible. Impairment losses from the rest of assets are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

k) Leases-

The Group classifies as financial leases those contracts whose terms transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

The Group has been assigned the right to use certain assets under lease agreements.

Finance leases

At the start of the lease period, the Group recognises an asset and liability as the lower of the fair value of the leased asset or the current value of the minimum lease payments. Initial direct costs are included as the higher asset value. Minimum payments are divided between the financial charge and the reduction of the outstanding debt. Finance expenses are imputed to consolidated income, by applying the effective interest rate method.

The accounting principles applied to the assets used by the Group pursuant to lease agreements classified as finance leases are those outlined in section i). Nevertheless, if there is no reasonable certainty that the Group will obtain ownership at the end of the asset lease period, they are amortised over the lower of the useful life or the term thereof.

Operating leases

The instalments of operating leases are recognised as an expense under the heading "Other operating expenses" of the consolidated income statement using the straight-line method over the lease period unless another basis of distribution is more representative to better reflect the timing of the rewards of the lease.

In 2017 and 2016 the lease expenses included under other operating expenses in the accompanying consolidated income statement amounted to approximately euros 63,894 thousand and euros 48,851 thousand, respectively. At the end of 2017 and 2016 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 2017 and 2016 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	**2017**	**2016**
Less than one year	16,270	16,406
Between 1 and 5 years	30,259	17,902
More than 5 years	37,308	23,241
TOTAL	**83,837**	**57,549**

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.

l) Administrative concessions-

The Group operates various assets under service concession contracts awarded by different public entities.

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 section v).

Maintenance and operation services

These services are accounted for as set forth in section v.

m) Financial instruments-

Classification of 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 most of 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:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.
- Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the capacity to hold until their maturity, except those classified in other categories. The measurement criteria applicable to financial instruments classified in this category are the same as those applicable to loans and receivables.
- Available-for-sale financial assets: The Group classifies in this category non-derivative financial instruments that are designated as such or that do not meet the requirements for inclusion in the previous categories and that are almost entirely financial investments in capital. Available-for-sale financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, recognising the profit or loss in other comprehensive income, with the exception of impairment losses and exchange gains and losses in debt instruments. The amounts recognised in other comprehensive income are taken to profit and loss when the financial assets are derecognised and, in the event, by impairment losses. Nevertheless, the interest calculated using the effective interest method and dividends are recognised in profit and loss following the criteria set forth in section v) Recognition of revenue.

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 2017 and 2016 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 2017			
Thousands of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current financial assets				
Derivative financial instruments (notes 11 & 15)	-	1,036	-	1,036
Net equity investments (note 11)	-	-	2,687	2,687
Current financial assets				
Derivative financial instruments (note 15)	-	4,031	-	4,031
Non-current liabilities				
Derivative financial instruments (note 15)	-	(9,077)	-	(9,077)
Current liabilities				
Derivative financial instruments (note 15)	-	(1,140)	-	(1,140)
	-	**(5,150)**	**2,687**	**(2,463)**

	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)**

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 amount of the impairment loss of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The impairment loss of financial assets measured at amortised cost is recognised against profit and loss and is reversible in subsequent years, if the reduction may objectively be linked to an event subsequent to its recognition. However, the reversal is capped at the amortised cost of the assets had the impairment loss not been recognised. The reversal is recognised against the amount of the allowance account.

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.

Financial liabilities

Financial liabilities, including trade and other payables, that are not classified at fair value through changes in profit and loss are initially recognised at fair value less, in the event, transaction costs that are directly attributable to their issuance. Subsequent to initial recognition, liabilities classified under this heading are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability or a portion thereof when it has fulfilled the obligation contained in the liability or when it is legally released from the principal responsibility contained in the liability either pursuant to judicial proceedings or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications to initially recognised liabilities are recognised as an extinguishment of the original financial liability and recognition of a new financial liability, provided the instruments have substantially different terms.

The Group considers that the terms are substantially different if the current value of the cash flow discounted under the new terms, including any fees paid net of any fees received, and using for the purpose of the discount the original effective interest rate, differs by at least 10 per cent from the current discounted value of the remaining cash flows of the original financial liability.

If the exchange is recognised as the extinguishment of the original financial liability, the costs or fees are recognised in profit and loss. Otherwise, the costs or fees adjust the liability's carrying value and are amortised using the amortised cost method during the remaining life of the modified liability.

The Group has arranged confirming lines with various financial institutions to manage supplier payments. The Group applies the aforementioned criteria to assess whether the original liability should be extinguished with trade creditors and a new liability should be recognised with the financial institutions. Trade payables the settlement of which is managed by the financial institutions are shown under trade and other accounts payable, insofar as the Group has only assigned the management of payment to the financial institutions, but remains the primary party obliged to pay the debts to trade creditors.

Hedge accounting

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.

Derivative financial instruments that do not meet the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair value through changes in profit and loss.

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.

n) Own shares-

Equity instruments of the Parent acquired by the Group are presented at acquisition cost and recognised at total cost as a separate component, reducing Net Equity – Other reserves in the consolidated statement of financial position; they amounted to approximately euros 21,232 thousand (euros 21,989 thousand at 31 December 2016), . At 31 December 2017 they represented 2.66 % of the share capital outstanding at that date (2.83% at 31 December 2016) (see note 13).

No profit or loss was recognised in transactions with own equity instruments.

The subsequent amortisation of the Parent's instruments leads to a capital reduction in the nominal amount of said shares and the positive or negative difference between the acquisition price and the nominal share price is charged or credited to reserves.

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) Distributions to Shareholders-

Dividends, whether in cash or in kind, are recognised as a reduction in net equity when they are approved by the Shareholders in a General Meeting.

In this regard, the interim dividend approved by the Board of Directors in 2017 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.

p) 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 2017 and 2016, basic earnings per share are the same as diluted earnings per share, since there were no potential shares outstanding during the years then ended.

q) 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 section v.1; 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 2017 and 2016 are as follows:

	Thousands of euros	
	12/31/17	12/31/16
Raw materials and other supplies	6,318	8,551
Goods for resale	291	710
Semi-finished and finished goods	2,094	5,686
	8,703	14,947

r) Cash and cash equivalents-

Cash and cash equivalents include cash on hand and sight bank deposits placed with credit institutions. This heading also includes other highly liquid short term investments which can be readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Accordingly, this heading includes investments that are redeemable within less than three months from their acquisition date.

The Group classifies cash flows corresponding to interest received and paid and dividends received and paid as financing and investment activities.

s) Official grants from Public Administrations-

Official grants from Public Administrations are recognised when there is reasonable certainty of compliance with the conditions associated with their being awarded and received.

Capital grants

Capital grants awarded in the form of monetary assets are recognised as a credit entry under "Non-current liabilities – grants", in the consolidated statement of financial position and are imputed to other income as the related financed assets are amortised.

At 31 December 2017, the Elecnor Group had received capital grants amounting to euros 5.9 million (euros 7.6 million in 2016), which had not yet been recognised as income. Government capital grants recognised in 2017 amount to approximately euros 492 thousand (euros 596 thousand in 2016) and are recognised as other operating income.

Operating grants

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 2017 and 2016 includes approximately euros 3,361 thousand and euros 3,849 thousand, respectively. Most operating grants received by the Elecnor Group in 2017 related to the costs borne by Deimos Space, S.L.U. and its subsidiaries in carrying out their activities.

t) 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.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at year-end of the disbursements necessary to extinguish the present obligation, having taken into account the risks and uncertainties linked to the provision.

One-off obligations are measured by the most probable individual outcome. If the obligation implies a significant population of homogeneous items, it shall be measured weighting the potential outcomes by their probabilities.

Provisions do not include the tax effect.

Provisions are reversed against profit and loss when there is not likely to be an outflow of resources to extinguish the obligation. The reversal is performed against the item of profit and loss in which the relevant expense was recognised, and the excess, where applicable, is recognised under other income.

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 notes 16 and 20).

Decommissioning provisions

The provisions to which this section refers are recognised based on the general criteria for recognising provisions and are booked as higher cost value of the items of property, plant and equipment to which they relate (see section i).

u) 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.

v) 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.

v.1 Construction contracts

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.

Ordinary revenue from construction contracts include the initial amount of the agreed revenue, any changes to the scope of the contractual wok and the amounts linked to claims that are considered to be probable, provided these can be reliably measured.

Moreover, the costs of construction contracts include costs directly linked to the contract, those relating to the contract activity in general that might be imputed thereto and any other cost that may be passed on to the customer on the basis of the contract terms. Contract costs include those incurred during the contract's negotiation if they are identifiable and can be reliably measured, provided it is considered probable that the customer will accept the contract.

Potential losses on projects in progress are recognised in full when they become known or can be estimated.

The Group presents separately in the consolidated statement of financial position a single gross amount—asset or liability—corresponding to credit or debt positions in respect of customers. Said amount represents the positive (asset) or negative (liability) difference between costs incurred plus profits recognised in profit and loss and the sum of losses recognised in profit and loss and the certifications performed and invoiced.

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 332,313 thousand at 31 December 2017 (euros 468,496 thousand at 31 December 2017 and 2016) (see note 17).

At 31 December 2017 the Elecnor Group recognised revenue in relation to the various stages of completion of its contracts and rendering of services amounting to approximately euros 2,172 million (31 December 2014: euros 1,866 million in 2016) (see note 21). In addition, the costs incurred on the construction and service contracts amounted to approximately euros 1,858 million in 2017 (euros 1,583 million in 2016).

Lastly, retentions on payments made by customers in 2017 amount to euros 33,369 thousand (euros 30,725 thousand in 2016) and are recognised in "Trade and other receivables" under assets on the accompanying consolidated statement of financial position.

v.2 Rendering of services

Ordinary income from rendering services is recognised considering the degree of completion of the rendering at the balance sheet date, providing that the result of the transaction may be reliably estimated. This is the case when the amount of revenues, degree of completion, costs already incurred and those pending can be reliably measured and it is likely that the economic rewards deriving from rendering the service will be received.

v.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.

w) Income tax-

Income tax revenue or expenses include both current and deferred taxes.

Current tax is the amount payable or recoverable for taxes on consolidated fiscal profit or loss in the year. Current tax assets or liabilities are measured by the amounts expected to be paid to or recovered from the tax authorities, based on the tax rules and rates that have been approved or are about to be approved as of year-end.

Deferred tax liabilities are corporate income tax amounts payable in the future relating to temporary differences, while deferred tax assets are corporate income tax amounts recoverable due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application. In this connection, a temporary difference is understood to mean the difference between carrying the value of assets and liabilities and their taxable base.

Current or deferred income tax is recognised in profit and loss unless there is a transaction or economic event that has been recognised in the same financial year or another year, against net equity or from a business combination.

If there is uncertainty as to whether a tax treatment will be accepted by the tax authority, the Group recognises the potential asset or liabilities in accordance with rules on contingent assets and provisions.

Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases.

Recognition of deferred tax assets

The Group recognises deferred tax assets provided that:

- it is likely that sufficient taxable profits will be obtained in the future to offset those items, or when tax legislation allows for the future conversion of deferred tax assets into an enforceable credit in respect of the Public Administration. However, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income are not recognised;
- they correspond to temporary differences relating to investments in subsidiaries, associates and joint arrangements insofar as the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

It is considered likely that the Group will obtain sufficient taxable profits in the future to offset deferred tax assets, provided there are sufficient deductible temporary differences, relating to the same tax authority and referring to the same taxpayer, the reversal of which is expected in the same tax year as the deductible temporary differences are expected to be reversed or in years in which a tax loss emanating from a deductible temporary difference may be offset against prior or subsequent profit.

In determining future taxable profit, the Group takes into account tax planning opportunities, provided it intends to adopt them or is likely to adopt them.

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by the applicable tax rates in the years in which the assets are expected to be realised or the liabilities paid, based on rules and rates that are approved or about to be approved and having considered the fiscal consequences deriving from the manner in which the Group expects to recover the assets or settle the liabilities. In this connection, the Group has considered the deduction due to the reversal of temporary measures pursuant to transitory provision thirty-seven of Corporate Income Tax Law 27/2014, dated 27 November, as an adjustment in the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisations performed in 2013 and 2014 and the updating of balances under Law 16/2012, of 27 December.

At the end of each year, the Group reviews the carrying value of deferred tax assets with a view to reducing that value to the extent that it is not likely that there will be sufficient future tax credit carryforwards to offset them.

Deferred tax assets that do not meet the aforementioned criteria are not recognised in the consolidated statement of financial position. At the end of each year, the Group reviews whether or not the conditions have been fulfilled to recognise deferred tax assets that have not previously been recognised.

Classification

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

x) 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 cash flows from operating activities relate to the Group's routine operations. In this connection, in 2017 projects were executed for which advances were received in 2016, with their related impact on changes to working capital. With an impact on this same heading, the Parent company has a substantially lower amount of discounted customer invoices in its factoring lines at 2017 year-end than at the end of the previous year.

The 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.f).

In addition, the net cash flows from financing activities relate mainly to the amount of promissory notes issued and cancelled on the Alternative Fixed-Income Market in 2017 compared to 2016, and the issuance of project bonds for financing transmission lines in Chile (see note 14).

y) 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.

z) Environment-

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.

Items of property, plant and equipment acquired by the Group for consistent use in its activity and whose main purpose is 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 section i).

aa) 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 2017 and 2016 reporting dates the aforementioned financial statements were restated using the measuring unit current at 31 December 2017 and 2016. The financial statements of Venezuela were prepared using the historical cost method and were restated applying a general price index of 2,873.96% (700% in 2016). At 31 December 2017, the cumulative impact of this restatement on equity amounts to approximately euros 6,483 thousand (approximately euros 2,496 thousand at 31 December 2016).

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

Exchange 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 against the functional currency 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.

At 31 December 2017, if the euro had depreciated/appreciated by 10% against the US dollar, with all other variables remaining constant, consolidated profit after tax would have been euros 14,885 thousand higher or euros 12.179 thousand lower, respectively (euros 16,425 thousand and euros 13,439 thousand, respectively in 2016), due mainly to the translation of trade receivables and accounts payable.

The Group is exposed primarily to foreign exchange risk from operations involving US dollars.

The Group's main exposures to foreign exchange risk at 31 December 2017 and 2016 are detailed below. The attached tables reflect the carrying values of the Group's financial instruments or classes of financial instruments denominated in foreign currencies:

2017

Thousands of euros	Long-term credits to Group companies	Trade and other receivables	Short-term investments in Group companies	Cash and cash equivalents	Trade and payables-
MXN	-	2,034	-	-	-
USD	29,655	107,967	42,285	3,226	(4,510)
DZD	-	21,184	-	-	(12,255)
GBP	5,099	-	-	-	-
HTG	-	10,050	-	-	(9,255)
JOD	-	5,950	-	-	(6,747)
OMR	-	7,347	-	2,792	-
AOA	-	1,125	-	1,069	-
HNL	-	-	-	-	(5,320)
TOTAL	34,754	155,657	42,285	7,087	(38,087)

2016

Thousands of euros	Long-term credits to Group companies	Trade and other receivables	Short-term investments in Group companies	Cash and cash equivalents	Trade and payables-
MXN	-	4,799	13,477	165	(4,285)
USD	31,451	162,586	3,287	8,687	(8,907)
DZD	-	25,480	-	845	(17,473)
GBP	8,214	857	-	-	-
HTG	-	7,624	-	-	(3,875)
JOD	-	23,846	-	105	(39,606)
PEN	-	15,350	8,487	-	-
BRL	-	2,083	-	-	-
OMR	-	8,674	-	1,199	(5,444)
AOA	-	335	-	6,875	-
AUD	-	1,372	7,912	-	-
TOTAL	39,665	253,006	33,163	17,876	(79,590)

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. This kind of arrangement requires under contract that interest rate risk be covered using hedging instruments.

In the case of both project and corporate financing, borrowings are arranged mainly 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 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:

Year	Thousands of euros		
	Increase/decrease in interest rate (basis points)	Effect on pre-tax profit or loss	Effect on pre-tax equity
	+50	(1,730)	(1,730)
2017	-50	1,431	1,431

Year	Thousands of euros		
	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

Other price risks

The Group is also exposed (to a lesser degree) 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.

Note 14 provides details of the maturities of financial liabilities.

Credit risk

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. Furthermore, Éoliennes de L'Érable has signed a 20-year contract to sell the electricity it generates to Canadian electric utility Hydro-Québec.

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. Accordingly, the concessionaire has the guaranteed payment from the national power grid system. In this connection, in the years in which the Group has been operating these lines, there has been no non-payment by users thereof.

The transmission lines Chile belong to that country's national grid (previously known as the backbone system), in which Coordinador Eléctrico Nacional (CEN) coordinates the flow of payments to transmission companies. The current system will remain in force until December 2018, whereby those responsible for paying the transmission companies are the generating companies. From 2019 onwards, distributors will also be liable for payments, so the portfolio of payers will be more diversified from that date on. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Elecnor seeks always to implement the strictest measures to mitigate this risk and conducts periodic analyses of its exposure to credit risk, making the relevant impairment corrections where necessary. Note 12.a includes a breakdown of the amount of trade and other receivables past due and the amount impaired at 31 December 2017.

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 2017, stipulating the portion that will be paid as a supplementary dividend and the amount that will be appropriated to voluntary reserves.

At the general meeting held on 16 May 2017 a supplementary dividend of euros 19,517 thousand (euros 0.28 per share) was approved, taking into account the interim dividend of euros 4,481 thousand out of 2016 profit paid in January 2017.

At the meeting held on 22 November 2017, the Board of Directors of the Parent agreed to distribute an interim dividend for 2017 of euros 4,611 thousand, 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 17 January 2018.

These distribution amounts did not exceed the profit obtained in the last year by the Parent company, having deducted the estimated corporate income tax payable on said profit, in accordance with the provisions of article 277 of the Revised Spanish Companies Act.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividend was as follows:

WORKING CAPITAL POSITION AT 31 OCTOBER 2017
(Excluding inventories and prepayments)

	Thousands of euros
Realisable values -	
Trade receivables	747,616
Other accounts	127,968
	875,584
Current payables -	
Suppliers	268,393
Current loans	259,293
Other accounts	138,759
	666,445
TOTAL WORKING CAPITAL	**209,139**
Liquidity available:	
Cash on hand and at banks (including foreign currency)	69,168
TOTAL LIQUIDITY AVAILABLE	**69,168**
Gross interim dividend proposed -	
(euros 0.053 for 87,000,000 shares)	4,611
% of net profit at 31/10/2016 and 30/10/2015	23.24%
% of working capital + liquidity available	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 2017 and 2016 are as follows:

2017

	Thousands of euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 12/31/17
Income statement					
Revenues	2,119,434	232,018	-	(34,666)	2,316,786
Results from operating activities	117,612	86,529	(22,351)	(42)	181,748
Finance income	17,212	63,380	-	-	80,592
Finance costs	(15,738)	(75,770)	-	77	(91,431)
Change in fair value of financial instruments	(97)	(420)	-	-	(517)
Exchange gains/(losses)	(41,588)	2,536	(607)	(35)	(39,694)
Impairment and gains/(losses) on disposal of financial instruments	75	(11)	-	-	64
Share in net profit of associates	653	(66)	-	-	587
Income tax	(15,925)	(26,865)	7,861	(575)	(35,504)
Attributable to non-controlling interests	70	(25,345)	-	657	(24,618)
Consolidated profit/(loss) attributable to the Parent	62,274	23,968	(15,097)	82	71,227

2016

	Thousands of euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 12/31/16
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

b) Details of assets and liabilities by segment at 31 December 2017 and 2016 are as follows:

2017

	Thousands of euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 12/31/17
Assets					
Property, plant and equipment	116,072	1,033,946	-	(77)	1,149,941
Intangible assets	34,881	108,643	-	-	143,524
Deferred tax assets	63,642	36,312	2,147	4,099	106,200
Inventories	7,371	1,332	-	-	8,703
Trade receivables	973,900	63,241	12,645	(198)	1,049,588
Equity-accounted investees	68,637	84,491	18,969	(16,100)	155,997
Non-current financial assets	38,914	743,693	3,736		786,343
Non-current liabilities held for sale	423	-	-	-	423
Other assets (*)	137,596	226,131	45,203	(6,738)	402,192
TOTAL ASSETS	**1,441,436**	**2,297,789**	**82,700**	**(19,014)**	**3,802,911**
Liabilities and equity					
Non-current financial debt	19,875	1,069,095	369,612	-	1,458,582
Provisions for liabilities and charges	6,479	5,104	-	3,653	15,236
Deferred income and grants	5,896	1,933	-	-	7,829
Other non-current liabilities	14,072	12,980	-	-	27,052
Deferred tax liabilities	22,193	65,373	-	184	87,750
Current financial debt	129,347	72,847	2,356	-	204,549
Current non-financial debt	989,155	102,010	6,829	(142)	1,097,852
Non-current liabilities held for sale	-	-	-	-	-
Equity	121,530	950,186	506,073	(673,729)	904,061
TOTAL LIABILITIES	**1,308,547**	**2,279,528**	**884,870**	**(670,034)**	**3,802,911**

(*) Includes mainly cash and cash equivalents.

2016

	Thousands of euros				
	Infrastructure	Concessions & Investments	Corporate	Intersegment	Total at 12/31/16
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.

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 operation.

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.
- Moreover, for those facilities with the right to the premium financial regime upon the entry into force of the royal decree-law, a reasonable pre-tax profitability shall be determined, which may be revised 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.

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 2017.

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 2017 and 2016:

Revenue

Thousands of euros

Country	2017	2016
Spain	938,520	915,826
Brazil	303,668	205,983
Angola	83,780	82,624
USA	161,378	143,869
Australia	52,395	1,921
Chile	133,930	104,583
Mexico	94,927	138,883
Other	548,188	441,447
	2,316,786	2,035,136

Non-current assets

2017

	Thousands of euros		
Country	Intangible assets	Goodwill	Property, plant and equipment
Canada	-	-	192,282
Brazil	204	-	305,251
Chile	64,843	-	394,468
Portugal	-	4,385	-
UK	-	5,690	89
USA	1,206	296	-
Spain	48,358	17,861	240,979
Other	87	594	16,872
	114,698	28,826	1,149,941

Non-current assets

2016

Country	Intangible assets	Goodwill	Property, plant and equipment
	Thousands of euros		
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

7. GOODWILL

Details, by company, of intangible assets - goodwill in the consolidated statements of financial position at 31 December 2017 and 2016 and of the changes therein in those years are as follows:

2017

	Balance at 12/31/16	Impairment (note 21)	Disposals	Other	Balance at 12/31/17
	Thousands of euros				
Fully consolidated companies:					
Wind farms:					
- Eólicas Páramo de Poza, S.A.	513	(513)	-	-	-
- Galicia Vento, S.L.	8,702	-	-	-	8,702
- Aerogeneradores del Sur, S.A.	3,630	-	-	-	3,630
- Bulgana Wind Farm Pty, LTD	349	-	(349)	-	-
Other businesses:					
- Deimos Space, S.L.U.	158	-	-	-	158
- Deimos Engenharia, S.A.	4,227	-	-	-	4,227
- Ehisa Construcciones y Obras, S.A.	1,932	-	-	-	1,932
- Hidroambiente, S.A.U.	388	-	-	-	388
- Instalaciones y Proyectos de Gas, S.A.U. (*)	1,031	-	-	-	1,031
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	-	-	1,125
- Zaragua 2005, S.L.U	290	(290)	-	-	-
- Ditra Cantabria, S.A.U	2,096	(2,096)	-	-	-
- Jomar Seguridad, S.L.U.	1,647	-	-	-	1,647
- Belco Elecnor Electric, Inc.	329	-	-	(33)	296
- IQA Operations Group Limited	5,690	-	-	-	5,690
	32,107	(2,899)	(349)	(33)	28,826

2016

	Thousands of euros					
	Balance at 12/31/15	Additions	Impairment (note 21)	Transfers to non-current assets held for sale	Other	Balance at 12/31/16
Fully consolidated companies:						
Wind farms:						
- Eólicas Páramo de Poza, S.A.	1,104	-	(591)	-	-	513
- Galicia Vento, S.L.	8,702	-	-	-	-	8,702
- Aerogeneradores del Sur, S.A.	3,630	-	-	-	-	3,630
- Bulgana Wind Farm Pty, LTD	85	264	-	-	-	349
Other businesses:						
- Deimos Space, S.L.U.	158	-	-	-	-	158
- Deimos Engenharia, S.A.	4,227	-	-	-	-	4,227
- Ehisa Construcciones y Obras, S.A.	1,932	-	-	-	-	1,932
- Hidroambiente, S.A.U.	388	-	-	-	-	388
- Instalaciones y Proyectos de Gas, S.A.U. (*)	1,031	-	-	-	-	1,031
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	-	-	-	1,125
- Zaragua 2005, S.L.U	290	-	-	-	-	290
- Ditra Cantabria, S.A.U	2,096	-	-	-	-	2,096
- Jomar Seguridad, S.L.U.	1,647	-	-	-	-	1,647
- Belco Elecnor Electric, Inc.	331	-	-	-	(2)	329
- IQA Operations Group Limited	5,690	-	-	-	-	5,690
- Barcaldine Remote Community Solar Farm Pty LTD	936	-	-	(936)	-	-
	33,372	**264**	**(591)**	**(936)**	**(2)**	**32,107**

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

As indicated in note 3.j, 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 94 million (euros 101 million in 2016) (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. The main assumptions used by the Parent's directors when testing for impairment in 2017 and 2016 are as follows:

- Revenues: based on internal estimates and, where applicable, external sources. The pool price applied for 2018 has been estimated at EUR 42.16/MWh.
- Discount rate: 5.54% (*)
- Projection period; depending on the remaining useful life of the asset (note 3.j.).

(*) 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 513 thousand 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, the discount rates applied were between 5% and 8%. 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 8%. When these calculations include the estimated perpetual return, growth rates of 2% are considered.

Neither have these analyses revealed any additional impairment, although the sensitivity analysis on goodwill at Deimos Engenharia, S.A., implying an estimated reduction of 10% in the margin, reflects an impairment of some euros 1 million.

The analysis also reveals that, although Group company IQA Operations Group Ltd is loss-making and has logged negative equity, the estimated flows do not reveal any impairment. Note that these flows are based on an improvement in the short term due to new contract arrangements.

In relation to the derecognition of goodwill from the company Ditra Cantabria, S.A., this corresponds to the liquidation of that company in the year, implying a loss of euros 2 million recognised under "Amortisation and depreciation, impairment and charges to provisions" in the attached consolidated statement of profit and loss.

8. OTHER INTANGIBLE ASSETS

Movement in 2017 and 2016 is as follows:

	Thousands of euros					
	Development expenses	Industrial property	Computer software	Administrative concessions	Other intangible assets	Total
Balance at 01/01/16	**1,084**	**3,211**	**8,658**	**56,335**	**88,290**	**157,578**
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 12/31/16	**1,219**	**3,207**	**10,134**	**51,480**	**87,888**	**153,928**
Additions	190	-	3,188	-	7,742	11,120
Disposals	-	-	(30)	-	-	(30)
Transfers	-	-	(23)	-	-	(23)
Translation differences (note 13)	-	(97)	(71)	-	(3,030)	(3,198)
Balance at 12/31/17	**1,409**	**3,110**	**13,198**	**51,480**	**92,600**	**161,797**
Accumulated amortisation						
Balance at 01/01/16	**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 12/31/16	**952**	**2,516**	**7,934**	**18,989**	**10,749**	**41,140**
Charge for the year (note 21)	147	136	1,199	2,578	1,972	6,032
Disposals	-	-	(23)	-	-	(23)
Transfers	-	-	(19)	-	-	(19)
Translation differences (note 13)	-	(34)	3			(31)
Balance at 12/31/17	**1,099**	**2,618**	**9,094**	**21,567**	**12,721**	**47,099**
Total other intangible assets, net	**310**	**492**	**4,104**	**29,913**	**79,879**	**114,698**

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 2017 and 2016 amounted to approximately euros 1,972 thousand, respectively.

Furthermore, "Other intangible assets" in the above table includes at 31 December 2017 a gross amount of euros 64,718 thousand (euros 60,381 thousand in 2016) relating to easements in the transmission lines in Chile whose useful life is indefinite, so that they are not subject to amortisation, but are impairment tested annually. These tests allow the Group to conclude that there is no impairment risk since, when subjected to very far-reaching sensitivity analyses, no impairment was revealed.

Administrative concessions include approximately euros 29,721 thousand (euros 32,282 thousand in 2016) 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 2017, 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 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 2017, the income generated by these concessions amounted to approximately euros 6,373 thousand (euros 6,433 thousand in 2016), and was recognised under revenues in the accompanying consolidated income statement.

The cost of fully amortised intangible assets in use at 31 December 2017 and 2016 amounts to approximately euros 9,389 thousand and euros 8,544 thousand, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

Movement in 2017 and 2016 is as follows:

	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
	Thousands of euros								
COST:									
Balance at 01 January 2016	**24,871**	**1,471,457**	**13,835**	**8,240**	**13,669**	**23,222**	**9,965**	**71,346**	**1,636,605**
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	105,810	141,121
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	(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**	**63,923**	**1,777,245**
Changes in the consolidated Group (note 2.g)	-	(756)	-	-	-	-	-	-	(756)
Additions	-	14,715	4,414	530	1,678	4,308	1,721	87,530	114,896
Disposals	-	(26,291)	(2,768)	(1,323)	(630)	(2,638)	(384)	(2,118)	(36,152)
Transfers	1,274	93,193	59	191	(941)	139	(123)	(93,792)	-
Translation differences (note 13)	931	(110,311)	(651)	28	4	5,925	(157)	(9,724)	(113,955)
Balance at 31 December 2017	**29,236**	**1,583,735**	**16,593**	**9,054**	**14,338**	**34,457**	**8,046**	**45,819**	**1,741,278**
ACCUMULATED DEPRECIATION:									
Balance at 01 January 2016	**-**	**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**
Changes in the consolidated Group (note 2.g)	-	(24)	-	-	-	-	--	-	(24)
Charge for the year (note 21)	-	53,895	1,239	678	1,500	2,920	851	-	61,083
Disposals	-	(19,863)	(259)	(373)	(337)	(2,055)	(212)	-	(23,099)
Transfers	-	(916)	224	(96)	(932)	267	105	-	(1,348)
Translation differences (note 13)	-	(18,638)	(319)	164	111	6,733	(101)	-	(12,050)
Balance at 31 December 2017	**-**	**537,823**	**4,256**	**6,474**	**9,887**	**24,512**	**5,240**	**-**	**588,192**
IMPAIRMENT:									
Balance at 01 January 2016	**-**	**2,056**	**-**	**-**	**-**	**-**	**-**	**-**	**2,056**
Transfers	1,278	2,675	-	-	-	-	-	-	3,953
Balance at 31 December 2016	**1,278**	**4,731**	**-**	**-**	**-**	**-**	**-**	**-**	**6,009**
Disposals		(3,476)	-	-	-	-	-	-	(3,476)
Transfers	155	457	-	-	-	-	-	-	612
Balance at 31 December 2017	**1,433**	**1,712**	**-**	**-**	**-**	**-**	**-**	**-**	**3,145**
Net cost at 31 December 2017	**27,803**	**1,044,200**	**12,337**	**2,580**	**4,451**	**9,945**	**2,806**	**45,819**	**1,149,941**

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 2017, "Assets under construction" in the above table includes mainly the investments in 2017 in transmission lines in Chile amounting to euros 27 million (euros 58 million at 31 December 2016), which are expected to enter into service in February 2018 and Investment in a Spanish wind farm amounting to euros 17 million.

The main additions to property, plant and equipment in 2017 comprised the aforementioned investments in transmission lines in Chile, which are expected to enter into service in February 2018, as well as Investments in a Spanish wind farm and the construction of a solar PV farm in Australia (investments in transmission lines in Chile and the construction of a solar PV farm in Australia in 2016).

Asset retirements due to changes in the consolidated group in 2016 fully comprised 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.f).

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.

At 31 December 2017, 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 920 million (euros 1,068 million in 2016) (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 2017 and 2016, the cost of the Group's fully depreciated property, plant and equipment in use amounted to euros 68,606 thousand and euros 69,717 thousand, respectively. Of these amounts, euros 56,459 thousand and euros 55,948 thousand relate to the Parent. Details of the cost of the Parent's fully depreciated property, plant and equipment at the end of 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Buildings, technical installations and machinery	51,047	51,070
Furniture and fixtures	1,885	1,568
Information technology equipment	3,064	2,836
Motor vehicles	463	474
	56,459	**55,948**

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 2017 and 2016, which are accounted for using the equity method (see note 3.c), are as follows:

Thousands of euros

Company	2017	2016
Cosemel Ingeniería, A.I.E	78	119
Parque Eólico Gaviota, S.A.	36	181
Jauru Transmissora de Energía, S.A.	22,305	24,194
Brilhante Transmissora de Energia, S.A.	32,045	37,212
Sociedad Aguas Residuales Pirineos, S.A.	3,851	4,934
Gasoducto de Morelos, S.A.P.I. de C.V.	14,089	13,762
Dioxipe Solar, S.L.	27,310	25,490
Aries Solar Termoeléctrica, S.L.	40,112	36,880
Brillhante Transmissora de Energia, S.A. II	3,873	4,752
Morelos O&M, SAPI de C.V.	209	177
Morelos EPC, SAPI de C.V.	12,089	17,914
	155,997	165,615

Movement in equity-accounted investees in 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Opening balance	165,615	124,632
Profit/(loss) for the year	587	2,210
Capital increases	-	60,870
Translation differences	(12,107)	14,111
Dividends received	(8,399)	(2,989)
Changes to the consolidated Group	-	122
Change in fair value of hedging derivatives (net of tax effect)	10,393	(1,249)
Other movements	(92)	57
Transfer of financial assets (*)	-	(32,149)
CLOSING BALANCE	155,997	165,615

(*) Reclassification of impairment booked at 31 December 2016 in loans granted to Dioxipe Solar, S.L. as a result of the capitalisation of the participation loan (note 11).

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

Capital increases in 2016 largely reflected 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%.

In 2017 the depreciation of the Brazilian real against the Euro led to a reduction in the equity of the equity-accounted Brazilian companies during the translation of their financial statements to the Group's functional currency (increase in equity of the equity-accounted Brazilian companies during the translation process of their financial statements to the Group's functional currency in 2016, due to the appreciation of the Brazilian real against the Euro).

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 3.c, 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.

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.

At 31 December 2017 and 2016, there were no changes in the main assumptions of the previous analyses, so additional tests were not conducted in the absence of signs of impairment.

In this regard, 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 2017 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 18.3 million having been repaid at 31 December 2017:

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:

	Financial assets available for sale		Loans and receivables			
	Net equity investments	Derivative financial instruments (note 15)	Non-current loans (note 26)	Administrative concessions	Other non-current assets	Total
Balance at 31 December 2015	**4,401**	**7,958**	**57,555**	**467,066**	**48,099**	**585,079**
Changes in the consolidated Group (note 2.g)	57	-	-	-	(4,257)	(4,200)
Additions	125	-	1,950	89,495	22,649	114,219
Disposals	(151)	(7,736)	-	(5,476)	(9,891)	(23,254)
Transfers (note 10)	-	-	(28,160)	-	-	(28,160)
Impairment	-	-	(250)	-	-	(250)
Translation differences	-	-	481	131,085	8,283	139,849
Change in market value	-	301	-	-	-	301
Balance at 31 December 2016	**4,432**	**523**	**31,576**	**682,170**	**64,883**	**783,584**
Changes in the consolidated Group (note 2.g)	-	-	-	-	3,598	3,598
Additions	1,150	513	875	119,774	10,974	133,286
Disposals	-	-	-	(6,640)	(25,268)	(31,908)
Transfers (note 10)	(2,895)	-	-	-	2,895	-
Impairment	-	-	-	-	-	-
Other	-	-	(2,665)	-	-	(2,665)
Translation differences	-	-	-	(94,375)	(5,177)	(99,552)
Change in market value	-	-	-	-	-	-
Balance at 31 December 2017	**2,687**	**1,036**	**29,786**	**700,929**	**51,905**	**786,343**

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.

b) Non-current loans-

Non-current loans in the above table at 31 December 2017 basically include various loans extended to associates of the Elecnor Group (see notes 10 and 26).

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). 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 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 some euros 32,149 thousand, and in 2016 this loan was capitalised in its entirety.

In 2012, the Company made various contributions to subsidiary Gasoducto de Morelos S.A.P.I. de C.V. for future capital increases amounting to a total of approximately USD 33,483 thousand, some of which were instrumented through various loans whose balance on 31 December 2017 and 2016 amounted to euros 21,674 thousand and euros 24,340 thousand, respectively (USD 25,588 thousand at 31 December 2017 and 2016, respectively), and which accrue interest at an annual rate of 7.5%. In addition to these amounts are accrued and unpaid interest totalling euros 7,981 thousand and euros 7,111 thousand, respectively.

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 4.l, 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 2017 the Group credited approximately euros 48,264 thousand to finance income in the consolidated income statement for the financial effect of applying this method (euros 45,229 thousand in 2016).

Additions in 2017 correspond mainly to a new concession in Brazil.

The expected collection schedule for non-current balances at 31 December 2017 and 2016 is as follows:

Thousands of euros

	12/31/17
2019	6,343
2020	9,350
2021	6,573
2022	7,007
2023 and thereafter	671,656
TOTAL	700,929

Thousands of euros

	12/31/16
2018	4,011
2019	7,265
2020	10,708
2021	7,528
2022 and thereafter	652,658
TOTAL	682,170

d) Other non-current assets-

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

Thousands of euros

	2017	2016
Debt service reserve account	25,173	32,648
Guarantees	3,072	2,368
Other	23,660	28,808
	51,905	63,824

The "Debt service reserve account" includes the amounts which the subsidiaries Parque Eólico Malpica S.A., Ventos Do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A and Ventos dos Indios Energía, S.A. must keep in bank deposits pursuant to financing agreements they have signed (note 14), totalling euros 1,211 thousand, euros 5,245 thousand, euros 1,693 thousand, euros 1,693 thousand, euros 1,489 thousand and euros 1,398 thousand, respectively, at 31 December 2017 (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).

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 for approximately euros 12,444 thousand (approximately euros 11,280 thousand at 31 December 2016).

The deposits accrue interest at market rates.

In addition, at 31 December 2017, Elecnor, S.A. holds security and other deposits mainly relating to leases amounting to approximately euros 3,025 thousand (euros 2,321 thousand at 31 December 2016).

At 31 December 2017 and 2016, 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 2017, this item includes an amount of approximately euros 24 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 3.1 million. Claims totalling euros 17.8 million were documented and judicial proceedings are underway.
- Santa Mónica Community College project: this claim amounts to euros 4.9 million due to changes in the scope of the original contract.
- Integraçao Maranahense TE and Caiua TE concession projects: the amount claimed totals euros 16 million; euros 19 million has been claimed in connection with independent surveys and arbitration is underway.

At 31 December 2017, trade and other receives includes approximately euros 303.6 million in relation to work in progress (euros 285.3 million at 31 December 2016).

At 31 December 2017 and 2016 the Group had no construction contracts with negative margins the loss of which could be deemed significant.

At 31 December 2017, the Group holds collection rights formalised through promissory notes and received as advances for a project it is executing in Venezuela for a nominal amount of USD 166,250 thousand. These promissory notes accrue interest at a rate of 6.5% and mature in 2018 and 2019. Due to the country's current circumstances and the potential consequences of these on this specific project, the Directors of the Parent company have not allocated these promissory notes value and the progress and definitive scope of this project are dependent on their being effectively collected. In this connection 2017, payments on promissory notes maturing in the year were collected in the amount of USD 23,750 thousand, and the Group recognised operating revenue amounting to euros 21,740 thousand relating to production in the year. Interest amounting to USD 12,350 thousand was also collected, and finance revenue of euros 11 million was recognised (see note 21).

At 31 December 2017 and 2016, unimpaired past-due receivables amounted to euros 150,853 thousand and euros 130,093 thousand, respectively. An ageing analysis of these balances is as follows:

Thousands of euros

Description	2017	2016
Unmatured balances	780,661	900,975
Up to six months past due	82,552	54,772
Between six and twelve months past due	20,354	25,868
Over twelve months past due	47,947	49,453
TOTAL	**931,514**	**1,031,068**

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 2017 and 2016 and movement in 2017 and 2016 are as follows:

Thousands of euros						
	12/31/16	Charge	Unrecoverable balances written off	Reversal	Translation differences	12/31/17
Impairment	70,720	4,577	(506)	(6)	(313)	75,098

Thousands of euros						
	12/31/15	Charge	Unrecoverable balances written off	Reversal	Translation differences	12/31/16
Impairment	76,796	2,640	(1,379)	(7,337)	-	70,720

b) Cash and cash equivalents-

Details of cash and cash equivalents are as follows:

	Thousands of euros	
	2017	2016
Cash equivalents	49,181	82,446
Cash	348,980	234,904
	398,161	317,350

Cash equivalents at 31 December 2017 and 2016 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 2017, this item includes approximately euros 96 million contributed by wind farms and concession operators (euros 78 million at 31 December 2016).

13. EQUITY

a) Share capital-

At 31 December 2017 and 2016, 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 2017 and 2016, the Parent's shares were held as follows:

	% Stake	
	2017	2016
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 2.66% in 2017 and 2.83% in 2016 (see note 3.n).

b) Valuation adjustments to equity-

Movement in 2017 and 2016 was as follows:

	Thousands of euros								
	12/31/15	Contracts	Change in market value	Settlement of derivatives	12/31/16	Contracts	Change in market value	Settlement of derivatives	12/31/17
Fully consolidated companies									
Cash flow hedges:									
Interest rate swaps (note 15)	(38,190)	-	(8,524)	17,061	(29,653)	-	892	6,192	(22,569)
Other accounting hedges	-	-	-	-	-	(19,622)	-	-	(19,622)
Exchange rate insurance (note 15)	3,064	(2,499)	-	(4,672)	(4,107)	2,313	-	4,442	2,648
Other (note 11)	1,636	-	-	-	1,636	-	-	-	1,636
	(33,490)	**(2,499)**	**(8,524)**	**12,389**	**(32,124)**	**(17,309)**	**892**	**10,634**	**(37,907)**
Deferred taxes for valuation adjustments to equity (note 19)	**8,143**	**625**	**2,331**	**(4,406)**	**6,693**	**(694)**	**(223)**	**(2,431)**	**3,345**
Total valuation adjustments arising from the full consolidation of companies	**(25,347)**	**(1,874)**	**(6,193)**	**7,983**	**(25,431)**	**(18,003)**	**669**	**8,203**	**(34,562)**
Equity-accounted investees	**(51,273)**	**-**	**(12,293)**	**11,056**	**(52,510)**	**-**	**1,591**	**8,802**	**(42,117)**
Non-controlling interests	**4,839**	**-**	**2,098**	**(792)**	**6,145**	**9,615**	**575**	**(900)**	**15,435**
Total valuation adjustments	**(71,781)**	**(1,874)**	**(16,388)**	**18,247**	**(71,796)**	**(8,388)**	**2,835**	**16,105**	**(61,244)**

The heading "Other accounting hedges" refers to the designation of a hedge set up by the Group to cover debt in UF of the Celeo Redes group, whose functional currency is the US dollar. The risk covered by this hedge is of fluctuation in the value in USD of future revenue inflows denominated in UF and the transaction hedged are highly probable revenue estimated in UF. The hedge instrument is the foreign currency component of the financial debt denominated in UF in respect of the total debt.

c) Other reserves-

Details are as follows:

	Thousands of euros	
	2017	**2016**
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)	21,232	21,989
	25,777	**26,534**
Other reserves	**516,707**	**503,092**
Parent reserves	**542,484**	**529,626**
Reserves in consolidated companies (*)	**212,187**	**191,529**
Translation differences	**(223,487)**	**(150,368)**
Reserve for own shares (note 3.n)	**(21,232)**	**(21,989)**
TOTAL	**509,952**	**548,798**

(*) Includes consolidation and harmonisation adjustments.

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 2017 and 2016, 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, provided that the purchase price of the shares is not 30% higher or lower than their market price.

According to the minutes of the general meeting of 16 May 2017, the Board of Directors is authorised to acquire own shares in the Parent company on behalf of the latter or of subsidiaries, up to a maximum established by law and in mandatory legal provisions at each given time and which, at present, in combination with those already held by the Company, may not exceed 10% of its share capital, with a minimum acquisition price of the nominal value of the shares and a maximum price that may not exceed 30% of its share price, over a period of five years, superseding and leaving without effect the authorisation granted in the general meeting of 23 May 2012.

At 31 December 2017 and 2016, the Parent company held own shares amounting to euros 21,232 thousand and euros 21,989 thousand, respectively, which are booked reducing the item "Other reserves" of net equity in the consolidated statement of financial position.

Details of own shares and movement in 2017 and 2016 are as follows:

	No. of shares
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**
Acquisition of own shares	275,341
Sale of own shares	(428,723)
OWN SHARES AT 31 DECEMBER 2017	**2,310,650**

The purchase and sale of own shares amounted to approximately euros 3,124 thousand and euros 4,908 thousand, respectively (approximately euros 1,215 thousand and euros 1,372 thousand, respectively at 31 December 2016), giving rise to a capital gain of euros 1,027 thousand, recognised directly in reserves (loss of euros 194 thousand in 2016).

All the own shares held by the Parent at 31 December 2017 represented 2.66 % of the total share capital of Elecnor, S.A. at that date (2.83 % at 31 December 2016).

At 31 December 2017 and 2016, 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 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Elecven Construcciones, S.A.	97	(49)
Rasacaven, S.A.	-	160
Sociedad Aragonesa de Estaciones Depuradoras, S.A.	1,282	1,234
Elecnor Argentina, S.A.	2	(4)
IQA Operations Group Limited	-	(27)
Ventos Do Sul Energía, S.A.	12,981	12,586
Enerfin Enervento subgroup	-	22,468
Parque Eólico Malpica, S.A.	434	961
Galicia Vento, S.L. (*)	1,774	-
Páramo de Poza, S.A. (*)	2,639	-
Parques Eólicos Palmares, S.A.	7,124	8,817
Ventos do Litoral Energia, S.A.	6,193	6,748
Ventos da Lagoa, S.A.	5,836	6,324
Eoliennes de L'erable, SEC.	10,658	16,138
Ventos dos Indios Energia, S.A.	4,335	5,014
Celeo Redes sub-group	325,664	349,154
Betonor, Ltda.	507	563
Elecnor Angola Group	541	602
Other	(30)	(335)
	380,037	**430,354**

(*) At 31 December 2016, these shareholdings were included in the non-controlling interests of the Enerfin Enervento sub-group.

In 2017, the Group acquired 30% of the Enerfin Enervento sub-group for euros 29 million, with the maximum amount of non-controlling interests on acquisition date totalling approximately euros 20 million. This transaction had an impact of some euros 9 million on the Group's net equity. At 31 December 2017, the previous amount payable is pending payment under other current liabilities in the consolidated statement of financial position.

No transactions of this type were carried out in 2016.

At 31 December 2017 and 2016, the investment fund APG held 49% of the Celeo Redes sub-group.

Movement in non-controlling interests in 2017 and 2016 is as follows:

	Thousands of euros
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**
- Profit for the year	24,618
- Change in fair value of hedging instruments (*)	(9,290)
- Dividends paid	(2,758)
- Translation differences (**)	(50,995)
- Capital reduction	(4,873)
- Capital increase	9,879
- Change in equity investments	(19,911)
- Other	3,013
BALANCE AT 31 DECEMBER 2017	**380,037**

(*) Reflects the changes in the value of the hedging swaps used by the Elecnor Group (see note 15).

(**) Primarily reflecting translation differences arising in the Celeo Redes Brasil sub-group as a result of its holdings in Brazil.

The information relating to significant non-controlling interests in subsidiaries at 31 December 2017 and 2016 is as follows (financial information is disclosed prior to carrying out intragroup eliminations):

	2017 Thousands of euros	
	Celeo Redes sub-group	**Eoliennes de L'Erable**
Current assets	195,825	11,224
Non-current assets	1,200,613	192,253
Current liabilities	64,957	17,716
Non-current liabilities	766,298	159,004
Revenue	65,910	30,153
Profit/(loss) for the year	37,069	1,497
Total comprehensive income	(47,696)	(326)

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)

f) Translation differences-

The cumulative translation differences recognised in equity at 31 December 2017 and 2016 for each of the main currencies are as follows:

Translation differences	Thousands of euros	
	2017	2016
Brazil	(176,525)	(121,537)
Venezuela	(39,724)	(40,698)
Argentina	(3,493)	(3,215)
Canada	(7,833)	(6,707)
Chile	4,246	13,061
USA	(329)	2,876
Other	171	5,852
TOTAL	(223,487)	(150,368)

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	2017	2016
Non-current liabilities – Financial debt	395,502	332,821
Current liabilities – Financial debt	133,220	178,897
Current financial assets – Other investments	(53,192)	(78,955)
Cash and cash equivalents	(252,846)	(160,578)
NET FINANCIAL DEBT	**222,684**	**272,185**

At 31 December 2017 and 2016, current and non-current liabilities – financial debt relates mainly to total financial debt and derivatives in the following table, excluding all loans to concessions, wind farm syndicated loans, financial liabilities due to the issuance of bonds and other marketable securities (concessions and solar photovoltaic projects) and derivatives associated with wind farms, solar PV projects and concessions, and euros 7 million in loans granted by public entities that accrue interest booked under other current and non-current liabilities in the accompanying consolidated statement of financial position.

At 31 December 2017, 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 96 million (euros 78 million at 31 December 2016) (see note 12-b) and including the current amount of derivatives.

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 2017, this ratio stood at approximately 19.76 % (approximately 21.74 % at 31 December 2016).

Details of bonds and other marketable securities, financial debt and derivatives, under non-current and current liabilities in the accompanying consolidated statement of financial position at 31 December 2017 and 2016, are as follows:

	Thousands of euros			
	2017		2016	
	Non-current	Current	Non-current	Current
Syndicated loans and credit facilities	363,612	2,231	300,819	2,228
Loans to concessions	242,088	23,550	475,513	53,910
Syndicated loans – wind farms	285,787	34,381	340,479	47,875
Loans secured with personal guarantee	-	-	-	5,054
Mortgage loans	11,627	2,145	7,197	672
Financial liabilities from issuing bonds and other marketable securities-promissory notes	-	99,574	-	72,628
Financial liabilities from issuing bonds and other marketable securities–concessions	501,874	11,969	-	-
Financial liabilities from issuing bonds and other marketable securities-photovoltaic	36,922	1,806	38,689	1,670
VAT financing facility for wind farms and concessions	-	-	-	6,962
Credit facilities secured with personal guarantee	-	23,828	8,173	67,949
Unmatured bills and notes	-	-	-	2,710
Accrued interest payable	-	2,285	-	-
Finance lease payables (note 9)	7,595	1,640	7,138	1,596
Derivative hedging instruments (note 15):				
Wind and solar PV farms and concessions	2,424	1,140	19,427	1,256
Other	6,653	-	9,493	4,565
TOTAL	**1,458,582**	**204,549**	**1,206,928**	**271,059**

Details, by maturity, of the above debt for 2017 and 2016 are as follows:

Thousands of euros

Debts maturing in	12/31/17
2019	101,073
2020	112,295
2021	146,493
2022 and thereafter	1,098,721
TOTAL	1,458,582

Thousands of euros

Debts maturing in	12/31/16
2018	102,148
2019	131,525
2020	153,098
2021 and thereafter	820,157
TOTAL	1,206,928

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 assigned euros 22 million, of which euros 16 million were subscribed by Abanca and euros 6 million by Kutxabank, while Credit Agrícola assigned euros 25 million entirely to Abanca.

On 31 October 2017, Elecnor signed a third novation of this agreement, subscribed by 16 of the 17 lenders. This novation implied:

- a reduction in the available limit of the credit tranche (B) of the syndicated financing to euros 200,000 thousand,
- a new tranche in the margin scale applicable as a function of the net financial debt-EBITDA ratio,
- extension of 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 2022.

The Company analysed whether or not the conditions had been substantially modified. Modifications were less than 10% 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, eight new interest rate swaps were arranged with an initial notional amount of euros 15 million and a maximum notional amount of euros 145 million, as was a new basis swap. At 31 December 2017, Elecnor had arranged 31 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 2017.

At 31 December 2017, the drawn down amount of the syndicated financing contract totals euros 355 million and corresponds to euros 300 million of the loan tranche and euros 55 million of the credit tranche (euros 300 million at 31 December 2016 corresponding to the loan tranche).

During 2017 the Company arranged interest rate hedges associated with the syndicated financing for the same amount as that obtained due to the third novation. In 2016 the Company arranged interest rate hedges associated with the syndicated financing obtained in 2016. All of these agreements were maintained throughout the year.

Taking into account the effect of the hedges amounting to euros 2,771 thousand, the aforementioned syndicated financing agreement (loan tranche and credit facility tranche) accrued interest at a rate of 2.23%, totalling euros 7,462 thousand in 2017 (euros 7,618 thousand in 2016, including hedging finance costs amounting to euros 2,991 thousand), which the Company has recognised as finance costs in the accompanying consolidated statement of profit and loss for 2017.

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 was 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 accrued interest of 180-day Libor plus 1.65%, with the spread increasing by 0.25% every five years. At 31 December 2016, euros 110.6 million had been drawn down, 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.

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 was 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 nominal CPI plus 3.25% during the construction period and 3% during the operating period for the Pesos tranche. The amount drawn down at 31 December 2016 was euros 88 million.

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 was 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 nominal CPI 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 had been drawn down, 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 previous three loans were cancelled this year through project bonds issuance aimed at financing the transmission lines in Chile, as indicated in the section "Financial liabilities from issuing bonds – concessions".

On the date of arranging the previous syndicated loan of subsidiaries Charrua Transmisora de Energía, S.A. and Alto Jahuel Transmissora de Energía, S.A., the Group additionally arranged various hedges to cover potential upwards fluctuations in floating interest rates. Initially, these hedges were associated to the future financing needs of these companies, and therefore the cancellation of the previous debt did not imply a breach of the hedge relationship based on its strategy as outlined in the initial documentation. The Group maintains as "Valuation adjustments to equity" the fair value of these financial instruments at the time of the refinancing, transferring it to the consolidated statement of profit and loss throughout the duration of the new financing.

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 121 thousand in 2017 (approximately euros 266 thousand in 2016). The current and non-current amount outstanding at 31 December 2017 is approximately euros 13,803 thousand (euros 15,082 thousand at 31 December 2016). 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 289 thousand in 2017 (approximately euros 326 thousand in 2016). 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 2017 amounted to euros 10,243 thousand (euros 11,095 thousand at 31 December 2016).

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 2017, euros 29.9 million with current and non-current maturity had been drawn down on this loan (at 31 December 2016, euros 37.4 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 1.97%. At 31 December 2017, euros 18.3 million with current and non-current maturity had been drawn down on this loan (at 31 December 2016, euros 22.8 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 2017, the outstanding current and non-current balance of this loan was approximately euros 39.8 million (euros 53.2 million in 2016).

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, plus a market spread. At 31 December 2017, the outstanding current and non-current balance of this loan was approximately euros 6 million (approximately euros 12 million at 31 December 2016).

Likewise, on 28 December 2016 Cantareira Transmissora de Energia, S.A. arranged a credit facility of BRL 424.7 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 2.12%. At 31 December 2017, euros 115 million, maturing in the long term, had been drawn down on this loan (at 31 December 2016, there had been no draw-downs on this loan).

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 2017, the Group obtained financing to refurbish the Malpica wind farm for euros 11.95 million. Said financing, with a minimum maturity of 7 years, accrues interest at a rate equivalent to the 6-month EURIBOR plus a market spread. The annual debt service coverage ratios (ADSCR) for the principal loan must be higher than a minimum threshold throughout the term of the loan, pursuant to the loan deeds. The company undertakes to maintain a reserve account to service debt for a minimum amount equivalent to the amount of servicing the debt over the following twelve months. Furthermore, in order to reduce interest rate risk, Parque Eólico Malpica has arranged an interest rate swap contract at a fixed interest rate of 0.755% which covers 75% of the outstanding debt.

Also, on 28 April 2017, Galicia Vento S.L. repaid its bank borrowings which on 31 December 2016 amounted to euros 14,418 thousand.

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 2017, Eoliennes de L'Erable SEC had an outstanding payable amounting to euros 160.1 million (euros 178.9 million at 31 December 2016).

At 31 December 2017, the remaining bank borrowings under this item mainly reflected the outstanding balances of the syndicated loans and their associated swap contracts arranged by 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 34,048 thousand, euros 28,658 thousand, euros 27,420 thousand, euros 26,910 thousand and euros 31,327 thousand, under a project financing arrangement (euros 54,203 thousand, euros 35,531 thousand, euros 33,803 thousand, euros 33,078 thousand and euros 38,094 thousand, respectively, at 31 December 2016). These loans were obtained to finance the construction of the wind 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 syndicated loan extended 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.

For loans obtained in Brazilian reals the applicable interest rate is the result of adding a market spread to the country's long-term floating interest rate (TJLP). These loans entail an obligation to maintain coverage ratios within certain limits, and to deposit in a reserve account a sum covering at least three instalments of the principal and interest. The Parent's directors consider that there have been no problems as regards complying with the covenants.

To secure the loan of Parque Eólico Malpica, S.A., a real right of pledge was established on shares of the relevant subsidiary, as well as on any indemnities, compensation and/or penalty payments which may accrue in its favour, and in relation to the construction and operating management agreements, and all the cash accounts of the aforementioned company. 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 2017 Elecnor, S.A. had issued promissory notes on the Alternative Fixed-Income Market for an amount of euros 73 million. New issues in 2017 totalled euros 662 million while maturities totalled euros 635 million. The outstanding balance at 31 December 2017 was therefore euros 100 million, reflecting 1,000 securities with a nominal value of euros 100 thousand each.

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.

The promissory note programmes in force in 2017 and 2016 provided for a maximum of outstanding issues at all times of euros 250 million and euros 200 million, respectively.

In 2017, these promissory notes accrued interest of euros 1,418 thousand (euros 1,293 thousand in 2016) which the Group recognised under "Finance expenses" in the accompanying consolidated statement of profit and loss.

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.

At 31 December 2017, the amount pending payment, maturing in the short and long term, totalled euros 38.7 million, and in 2017 it accrued interest of euros 1,677 thousand which the Group recognised under "Finance expenses" in the accompanying consolidated statement of profit and loss.

Financial liabilities from issuing bonds and other marketable securities–concessions

On 11 May 2017, the Elecnor Group issued project bonds aimed at financing the transmission lines in Chile and replacing the previous bank financing.

This bond issue, which totalled USD 593.9 million and matures in 2047 (30Y term), comprises two tranches; an international tranche in USD amounting to USD 379 million, at a fixed annual interest rate of 5.2%, and a Chilean tranche in Unidades de Fomento (UF) amounting to UF 5,410,500 (around USD 214 million) at a fixed annual interest rate of 2.99%.

The funds from this bond issue are secured by the projects and were used for refinancing (the early repayment of existing financing) of power transmission line projects in Chile and the remainder for other corporate purposes of the issuer or its shareholders. At 31 December 2016, the bank borrowings associated with these projects amounted to euros 324 million.

Loans secured with personal guarantee

Elecnor did not contract any new bilateral bank loans secured with personal guarantees in 2017.

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 7,208 thousand at 31 December 2017 (euros 7,983 thousand at 31 December 2016).

Including tranche B of the syndicated loan, at 31 December 2017 Elecnor, S.A. had eight open credit facilities with financial institutions, with a maximum total limit of euros 311 million (at 31 December 2016, it had 9 credit facilities with a maximum total limit of euros 396 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. The amount of credit facilities drawn down at 31 December 2017 totalled euros 19 million, with a limit of euros 111 million not including tranche B of the syndicated loan.

This bank financing accrued interest of approximately euros 3,026 thousand, which the Group recognised under "Finance expenses" in the accompanying consolidated statement of profit and loss (approximately euros 2,236 thousand in 2016).

At 31 December 2017 and 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 2017 and 2016 are as follows:

Thousands of euros

	2017				2016			
	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	1,036	-	9,077	1,140	523	-	28,920	1,256
EXCHANGE RATE HEDGES								
Cash flow hedges:								
Exchange rate insurance	-	4,031	-		-	458	-	4,565
	1,036	**4,031**	**9,077**	**1,140**	**523**	**458**	**28,920**	**5,821**

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 2017 and 2016, the total nominal amount of the items for which exchange rate hedges had been arranged was as follows:

Currencies	12/31/17	12/31/16
Thousands of US Dollars	3,203	43,566
Thousands of Australian Dollars	157,010	-
Thousands of Chilean Pesos	12,660,875	-
Thousands of Pounds Sterling	297	-
Thousands of euros	-	532

Of the nominal total hedged at 31 December 2017:

- euros 87,249 thousand corresponds to sales insurance in Australian dollars to cover future payments to suppliers in US dollars and euros (euros 14,035 thousand in 2016),
- euros 16,259 thousand corresponds to purchases of Chilean Pesos against dollars to cover the risk of payments to suppliers in Chilean pesos,
- euros 18,440 thousand corresponds to forward sale transactions in US dollars to cover payments received in that currency,
- euros 5,508 thousand corresponds to forward sale transactions in US dollars to cover the risk of payments to suppliers in a contract in Jordan,
- euros 332 thousand corresponds to the purchase of sterling to cover foreign exchange risk in payments to suppliers in that currency.

Of the nominal total covered at 31 December 2016, euros 14,035 thousand corresponded to sales insurance in US dollars to cover future payments in that currency, and euros 31,766 thousand corresponded to sales insurance in US dollars to cover future payments received in that currency.

The equivalent Euro value of the nominal amount under exchange rate hedges at 31 December 2017 was approximately euros 47,799 thousand (approximately euros 46,333 thousand in 2016).

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 2017 the total nominal value of the liabilities hedged by interest rate hedges amounted to euros 324,621 thousand (euros 548,077 thousand in 2016).

Details of the maturities of the contractual cash flows of the derivative financial instruments at 31 December 2017 and 2016 are as follows:

12/31/17

	Thousands of euros					
	Maturity					
	2018	2019	2020	2021	2022 and thereafter	Total
Exchange rate hedge:						
AUD sales (*)	134,367	-	-	-	-	134,367
USD sales (*)	20,396	-	-	-	-	20,396
GBP purchases (*)	177	120	-	-	-	297
Chilean Peso purchases (*)	10,706,825	1,954,050	-	-	-	12,660,875
Interest rate hedges	850	770	690	250	1,107	3,667
Cross-currency swap:						
Flow in GBP (*)	4,500	-	-	-	-	4,500
Flow in USD (*)	42,500	-	-	-	-	42,500

(*) Figures expressed in the pertinent currency

12/31/16

	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

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

12/31/17

	Thousands of euros					
	Maturity					
	2018	2019	2020	2021	2022 and thereafter	Total
Interest rate hedges	2,077	37,028	46,852	81,951	156,713	324,621

12/31/16

	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

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 2017 or 2016 that required changing the hedge accounting policy initially adopted for recognising the derivatives. In 2017 and 2016 the Elecnor Group did not have any derivatives that do not qualify for hedge accounting.

Adjustments-

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 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Notional amount in foreign currency (USD)	42,500	(56,328)
Notional amount in foreign currency (GBP)	4,500	7,100
Notional amount in foreign currency (AUD)	-	24,100
Equivalent value in euros	41,098	(28,637)
Fair value at the reporting date	**291**	**309**

Swaps in force at 31 December 2017 came into effect on 28, 29 and 30 December 2017, and all expired in January 2018.

Swaps in force at 31 December 2016 came into effect on 28, 29 and 30 December 2016, and all expired in January 2017.

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 consolidated income statement.

16. PROVISIONS

The breakdown of provisions for liabilities and charges, and their classification as current or non-current at 31 December 2017 and 2016, is as follows:

	Thousands of euros			
	2017		2016	
	Non-current	Current	Non-current	Current
Litigation and liabilities	9,778	24,831	13,204	20,694
Decommissioning	4,985	-	4,966	-
Other	473	20,041	549	5,927
TOTAL	15,236	44,872	18,719	26,621

Details of provisions for liabilities and charges under non-current liabilities in the accompanying consolidated statement of financial position, and movement in 2017 and 2016, are as follows:

	Thousands of euros			
	Litigation and liabilities	Decommissioning	Other	Total
Balance at 31 December 2015	**26,605**	**4,989**	**7,858**	**39,452**
Provisions charged to profit and loss (note 21)	5,450	-	876	6,326
Reclassification	4,989	-	-	4,989
Translation differences	193	(23)	-	170
Payment	(1,472)	-	(1,118)	(2,590)
Reversals recognised in profit and loss (note 21)	(1,465)	-	(1,140)	(2,605)
Other	(402)	-	-	(402)
Balance at 31 December 2016	**33,898**	**4,966**	**6,476**	**45,340**
Provisions charged to profit and loss (note 21)	6,427	350	12,955	19,732
Reclassification	(59)	-	2,892	2,833
Translation differences	(1,200)	(331)	(31)	(1,562)
Payment	(3,057)	-	(1,734)	(4,791)
Reversals recognised in profit and loss (note 21)	(1,400)	-	(44)	(1,444)
BALANCE AT 31 DECEMBER 2017	34,609	4,985	20,514	60,108

The Group estimates the amount of the liabilities arising from litigation and similar events. With the exception of certain liabilities in which it can be estimated that the outflows will be in the short term, the Group cannot reliably estimate the precise timing of the outflows and, accordingly, does not include the updating effect.

Due to the nature of its activities, the Group is exposed to a number of claims and lawsuits. 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.

On 31 May 2017, Spain's competition watchdog (CNMC) notified the Parent company, that it was opening disciplinary proceedings against it and another 15 companies, for a potential infringement in the sphere of the construction and maintenance of electrification systems and electromechanical equipment in railway lines. These proceedings are currently in the investigation phase. In these circumstances, and based on the information available at the time of preparing these consolidated annual financial statements, the Directors of the Parent company cannot reliably estimate the amount of any eventual penalty, and they have not therefore allocated any provision in this connection, but in any event they consider that it would not have a material impact on the Group's equity.

17. ADVANCES FROM CUSTOMERS AND ADVANCE INVOICES

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

	Thousands of euros	
	2017	2016
Advance invoices (note 3.v)	332,313	468,496
Advances from customers	39,129	115,429
	371,442	583,925

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 2017 and 2016 are as follows:

	12/31/15	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	Departures from consolidated group	12/31/16	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	12/31/17
Deferred tax assets:												
Derivative financial instruments (note 15)	11,347	-	(2,652)	554	154	-	9,403	25	(5,236)	(1,497)	(291)	2,404
Property, plant and equipment and intangible assets	11,791	1,233	(2,768)	-	4	(541)	9,719	(37)	(1,270)	-	6	8,418
Tax credits	11,549	(1,037)	11,465	-	1,141	-	23,118	2,726	(1,517)	-	(1,703)	22,624
Deductions and credits pending application	4,015	1,208	207	-	193	(160)	5,463	432	1,132	-	(301)	6,726
Losses in external branches	8,831	-	(466)	-	-	-	8,365	-	(8,029)	-	-	336
Non-deductible provisions (note 16)	15,403	502	6,932	-	541	-	23,378	(450)	10,493	-	(874)	32,547
Other deferred tax assets	17,497	(549)	103	-	2,670	(740)	18,981	(2,803)	18,319	-	(1,352)	33,145
	80,433	**1,357**	**12,821**	**554**	**4,703**	**(1,441)**	**98,427**	**(107)**	**13,892**	**(1,497)**	**(4,515)**	**106,200**
Deferred tax liabilities:												
Property, plant and equipment and intangible assets	20,280	2,576	9,863	-	2,482	-	35,201	(25)	167	-	(2,253)	33,090
Goodwill	3,304	-	(1,060)	-	-	-	2,244	-	301	-	-	2,545
Derivative financial instruments (note 15)	2,691	-	-	(2,542)	-	-	149	-	-	1,035	(47)	1,137
Disposal of Enerfin Enervento, S.A.	6,796	-	(1,133)	-	-	-	5,663	-	-	-	-	5,663
Deduction of share premium	2,374	-	-	-	-	-	2,374	-	-	-	-	2,374
Other deferred tax liabilities	31,516	(1,392)	3,804	-	7,825	-	41,753	25	6,885	-	(5,722)	42,941
	66,961	**1,184**	**11,474**	**(2,542)**	**10,307**	**-**	**87,384**	**-**	**7,353**	**1,035**	**(8,022)**	**87,750**

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). Moreover, in 2017 the deferred tax asset relating to the adjustment for the effect of correcting revenue in connection with a project being executed in Venezuela was included under this heading in accordance with the criteria described in note 12.

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 2017 and 2016, the tax credits for capitalised tax loss carryforwards and the deferred tax assets and liabilities by entity/subgroup are as follows:

2017

	Thousands of euros		
	Tax credits	Deferred tax assets	Deferred tax liabilities
Elecnor, S.A.	1,641	40,830	3,714
Aplicaciones Técnicas de la Energía, S.A.	3,476	4,671	-
Celeo subgroup	2,280	18,959	58,713
Enerfin subgroup	7,282	18,228	20,512
Audeca	-	139	3,697
Elecnor do Brasil	3,374	5,644	-
IQA	-	698	-
Elecnor Chile	4,152	13,243	-
Other	419	3,788	1,115
TOTAL	**22,624**	**106,200**	**87,750**

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
TOTAL	**23,118**	**98,427**	**87,384**

Details of the amounts and expiry years of uncapitalised tax loss carryforwards of the most significant entities/tax groups at 31 December 2017 and 2016 are as follows: (in thousands of euros)

2017		
	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes	3,964	Unlimited
Celeo Concesiones	2,643	Unlimited
Atersa	3,381	Unlimited
Elecnor do Brasil	9,922	Unlimited
Montelecnor	16,703	2020-2021
Elecnor Argentina	4,637	2019-2021
Belco	-	-
IQA	6,150	Unlimited
Elecnor Inc	33,349	Unlimited
	80,749	

From this year onwards, the subsidiary Belco has been fiscally consolidated with Elecnor Inc.

2016	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes	3,681	Unlimited
Celeo Concesiones	1,158	Unlimited
Atersa	1,218	Unlimited
Elecnor do Brasil	13,067	Unlimited
Montelecnor	16,704	2020-2021
Elecnor Argentina	4,637	2019-2021
Belco	7,950	Unlimited
IQA	3,496	Unlimited
Elecnor Inc	29,524	Unlimited
	81,435	

19. TAXATION

Details of income tax receivables from and payables to public entities, under current assets and other payables, respectively, at 31 December 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Public entities, receivable		
Taxation authorities, VAT	30,769	21,349
Taxation authorities, personal income tax withholdings	187	-
Taxation authorities, withholdings and payments on account	5,522	10,489
Taxation authorities, income tax	13,626	7,314
Taxation authorities, sundry items (*)	16,970	21,993
Social Security	7,606	5,272
Grants	13	-
Total	**74,693**	**66,417**
Public entities, payable		
Taxation authorities, VAT	32,371	22,425
Taxation authorities, withholdings	9,315	11,563
Taxation authorities, income tax	19,076	26,716
Taxation authorities, sundry items (*)	11,476	15,690
Social Security	10,224	11,739
Other	23	-
TOTAL	**82,485**	**88,133**

(*) Arising mainly from UTEs and foreign subsidiaries.

At the 2017 year-end, the Group companies had all applicable taxes for 2013 and subsequent years open to inspection by the taxation authorities, except for income tax, which is open to inspection from 2012. 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 (see note 16).

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 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Consolidated profit before income tax	**131,349**	**129,309**
Non-deductible expenses	8,473	6,196
Non-taxable income (**)	(78,677)	(5,996)
Net profit of equity-accounted investees (note 10)	(587)	(2,210)
Other	585	(566)
Capitalisation reserve	-	(1,397)
Uncapitalised tax credits applied	(6,364)	(5,223)
Uncapitalised tax loss carryforwards (***)	33,381	34,502
Adjusted accounting profit	**88,160**	**154,615**
Gross tax calculated at the tax rate in force in each country (*)	31,167	44,582
Tax deductions for incentives and other	(728)	(1,162)
Adjustment to prior year's income tax expense	(523)	(1,685)
Capitalisation of tax loss carryforwards	(2,204)	-
Effect of tax rate changes on deferred taxes	(1,897)	-
Impairment of tax credits capitalised in prior years	8,532	-
Other adjustments	1,157	1,838
INCOME TAX EXPENSE	**35,504**	**43,573**

(*) 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 2017 and 2016 mainly reflected adjustments to the accounting profit for income from the sale of investments which are exempt from taxation (see notes 2.f and 13), and income from branches.
(***) In 2017 corresponds mainly to the companies Belco Elecnor Electric, INC (euros 4.5 million), IQA (euros 2.8 million), Celeo Redes Brasil, S.A. (euros 6 million) and Elecnor Perú (euros 10 million); in 2016: Belco Elecnor Electric, INC (euros 7.6 million), Montelecnor, S.A. (euros 9.7 million), Celeo Redes Chile, S.A. (euros 5 million) and Elecnor do Brasil, L.T.D.A. (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 2017 and 2016 were as follows:

Thousands of euros

	2017	2016
Current tax		
Present year	41,410	44,767
Prior year adjustments	(523)	(1,685)
Other adjustments	1,157	1,838
Deferred tax		
Amount of the deferred tax expense/income relating to the origination and reversal of temporary differences	(6,539)	(1,347)
INCOME TAX EXPENSE	35,505	43,573

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 2017 and 2016, are as follows (in thousands of euros):

Unused tax loss carryforwards

Expiry year:	12/31/17
2019	1,914
2020	8,273
2021	11,153
2022	830
2023	213
2026	142
Unlimited	65,134
TOTAL	87,659

Unused tax loss carryforwards

Expiry year:	12/31/16
2019	1,914
2020	8,273
2021	11,153
2022	1,405
2023	216
Unlimited	61,332
TOTAL	84,293

Unused tax credits for deductions and other items

Expiry year:	12/31/17
2018	141
2027	622
2028	890
2029	451
2030	124
2031	141
Unlimited	2,146
TOTAL	4,515

Unused tax credits for deductions and other items

Expiry year:	12/31/16
2018	141
2027	626
2028	890
2029	451
2030	124
2031	141
2033	117
2034	109
Unlimited	399
TOTAL	**2,998**

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 2017 and 2016, 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

	2017	2016
Completion bonds	596,037	602,268
Advances on contracts:		
Current	196,839	174,599
To be cancelled	67,304	16,782
Performance bonds	329,450	354,230
Bid bonds	60,356	64,947
Other	71,325	57,380
TOTAL	**1,321,311**	**1,270,206**

At 31 December 2017, the Parent company provided guarantees of euros 64 million to the customer Bungala in two different lines; these being the largest among its guarantees (euros 92 million to its customer EDC Electricidad Caracas for a construction execution guarantee and contract advance at 31 December 2016).

The remaining amount of the guarantees at 31 December 2017 and 2016 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 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Construction contracts and services rendered	2,172,046	1,866,515
Sale of goods and energy	144,740	168,621
TOTAL	2,316,786	2,035,136

Supplies

Details of this item in 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Purchases of raw materials and other supplies	1,146,002	1,037,551
Change in goods for resale, raw materials and other inventories	2,652	1,230
TOTAL	1,148,654	1,038,781

Other operating expenses

Details of this item in 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Leases	57,412	53,293
Repairs and maintenance	27,918	25,915
Independent professional services	82,953	77,002
Transportation	16,585	15,395
Insurance premiums	10,014	9,296
Banking services	9,112	8,458
Advertising and publicity	1,815	1,685
Utilities	35,908	33,332
Taxes	39,487	40,933
Other expenses	75,384	69,390
TOTAL	356,588	334,699

Personnel expenses

Details of this item in 2017 and 2016 are as follows:

Thousands of euros	2017	2016
Salaries and wages	468,040	420,905
Termination benefits	12,276	2,831
Social Security payable by the Company	92,828	84,414
Other employee benefits expenses	46,910	43,195
TOTAL	**620,054**	**551,345**

At 31 December 2017 euros 7,831 thousand was pending payment from the previous de termination benefits (euros 1,526 thousand in 2016).

Furthermore, at 31 December 2017, the heading "Other non-current liabilities" includes approximately euros 21 million in remuneration pending payment (euros 25 million at 31 December 2016).

The average headcount, by professional category (not including joint ventures), in 2017 and 2016 was as follows:

Professional category	Average headcount 2017	2016
Management	26	29
Technical area	3,838	3,198
Administration	1,483	1,497
Middle management	1,135	1,091
Supervisors	5,497	5,090
Specialists	954	1,034
Manual workers	923	828
Auxiliary staff	239	310
TOTAL	**14,095**	**13,077**

Of the Group's average headcount in 2017, a total of 6,219 employees had temporary employment contracts (5,646 employees in 2016).

The headcount by gender and professional category (not including joint ventures), at 31 December 2017 and 2016 is as follows:

Professional category	12/31/17		12/31/16	
	Male	Female	Male	Female
Management	24	2	25	2
Technical area	3,075	529	2,990	493
Administration	611	841	631	850
Middle management	1,057	102	1,055	39
Supervisors	5,095	67	5,100	78
Specialists	740	27	983	24
Manual workers	775	38	811	28
Auxiliary staff	115	46	242	54
TOTAL	11,492	1,652	11,837	1,568

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

Professional category	2017	2016
Technical area	11	9
Administration	7	8
Specialists	-	2
Middle management	3	4
Supervisors	17	14
Manual workers	1	1
Auxiliary staff	1	-
TOTAL	40	38

At the 2017 year end Elecnor, S.A. had a headcount of 7,347 employees in Spain, 40 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 2,189 thousand in 2017, which is equivalent to hiring an additional 8.42% of disabled employees. This would result in a total of 9.34%, thereby exceeding the mandatory quota (2%).

Depreciation, amortisation and provisions

Details of this item in 2017 and 2016 are as follows:

Thousands of euros

	2017	2016
Provisions for depreciation of property, plant and equipment (note 9)	61,083	70,089
Amortisation of intangible assets (note 8)	6,032	5,925
Changes in provisions for liabilities and charges (note 16)	18,288	3,721
Change in impairment of receivables (note 12)	4,571	(4,697)
Impairment of goodwill (note 7)	2,899	591
Change in other provisions	1,002	1,955
TOTAL	93,875	77,584

Finance income

Details of this item in 2017 and 2016 are as follows:

	Thousands of euros	
	2017	2016
Income from other marketable securities and loans to third parties	14,741	7,090
Other interest and similar income (notes 11 & 12)	65,851	60,766
TOTAL	80,592	67,856

During 2017 the Group capitalised interest of euros 11.7 million (euros 6 million in 2016), comprising a capitalisation rate of approximately 6% in both years.

Finance costs

Details of this item in 2017 and 2016 are as follows:

	Thousands of euros	
	2017	2016
Finance expenses from issuing bonds and other marketable securities	19,565	1,293
Finance costs on loans and borrowings (*)	68,051	94,536
Other finance costs	3,815	4,882
	91,431	100,711

(*) 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

In 2017 and 2016 the balance sheets and income statements of joint ventures (known in Spain as UTEs) in which Elecnor, S.A. or its subsidiaries hold interests were proportionately consolidated in the accompanying consolidated annual financial statements, in accordance with IAS 31.

Details of UTEs and the Group's percentage ownership therein at 31 December 2017 and 2016, the amount of revenues from construction work performed in 2017 and 2016 and the order book at year end are included in Appendix II to these consolidated annual accounts.

The contribution of UTEs to the various items in the accompanying consolidated statements of financial position and of profit and loss at 31 December 2017 and 2016 are as follows:

ASSETS	Thousands of euros		LIABILITIES	Thousands of euros	
	2017	2016		2017	2016
Intangible assets	35	1	Profit for the year	24,287	12,317
Property, plant and equipment	3,219	1,974	Bank borrowings	-	4,019
Financial assets	28	28	Non-current payables	7,459	4,055
Inventories	7,264	14,028	Current trade payables	143,519	188,568
Trade receivables	105,111	136,935			
Current investments	3,018	10,241			
Cash	53,210	41,304			
Prepayments	3,380	4,448			
TOTAL	175,265	208,959	TOTAL	175,265	208,959

Thousands of euros

Income statement	2017	2016
Revenues	250,397	255,174
Supplies	(183,999)	(197,300)
Non-trading income	(342)	333
Personnel expenses	(12,454)	(12,857)
External services	(18,841)	(23,081)
Taxes	(2,215)	(2,343)
Losses, impairment and changes in trade provisions	(1,222)	(437)
Other operating expenses	(144)	-
Depreciation and amortisation	(645)	(376)
Impairment and gains/(losses) on disposal of fixed assets	26	18
Excess provisions	2	-
Finance income	477	358
Finance costs	(4,144)	(5,938)
Exchange gains/(losses)	499	(820)
Foreign taxes	(3,108)	(414)
TOTAL	24,287	12,317

23. ORDER BOOK

Details, by line of business, of the Parent's order backlog at 31 December 2017 and 2016, excluding UTEs (see note 22), are as follows:

	Thousands of euros	
By geographical area	**2017**	**2016**
Domestic	319,310	338,280
International	1,167,944	1,270,621
TOTAL	**1,487,254**	**1,608,901**
By line of business		
Electricity	313,103	269,884
Facilities	15,502	32,345
Gas	35,168	147,870
Power generation	892,920	860,849
Railways	72,999	83,500
Construction	22,759	67,931
Environment and water	13,276	10,997
Telecommunications and systems	76,905	97,001
Maintenance	44,622	38,524
TOTAL	**1,487,254**	**1,608,901**

At 31 December 2017 the order backlog of subsidiaries amounts to euros 673,455 thousand (euros 729,830 thousand in 2016) and mainly comprises work for companies in the electricity sector.

24. REMUNERATION OF THE BOARD OF DIRECTORS

a) Remuneration and other benefits

In 2017 the members of the Parent's Board of Directors received remuneration amounting to euros 6,971 thousand (euros 7,225 thousand in 2016). This remuneration includes that earned in their capacity as management personnel.

The Parent has paid approximately euros 4 thousand for life insurance arranged for former or current members of its Board of Directors (euros 23 thousand in 2016).

At 31 December 2017 and 2016, 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 2017 and 2016, the Board of Directors of the Parent is formed by 14 individuals, one of whom is female.

At 31 December 2017 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.

In the first half of 2017, pursuant to the agreements adopted at the general meeting of 16 May 2017, extraordinary remuneration was paid to Mr. Fernando Azaola Arteche, as a Director, amounting to euros 2 million.

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 2017 and 2016 the directors of the Parent 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

Senior management duties are performed primarily by the Parent company's Managing Director.

26. RELATED PARTY BALANCES AND TRANSACTIONS

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 2017 and 2016 are as follows:

2017

	Thousands of euros	
	Sales and other operating income	Finance income
Equity-accounted investees:		
Dioxipe Solar, S.L.	5,011	-
Aries Solar Termoeléctrica, S.L.	9,600	-
Gasoducto de Morelos, SAPI de CV	502	1,649
Morelos EPC, SAPI de CV	1,573	3,583
TOTAL	**16,686**	**5,232**

2016

	Thousands of euros	
	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**

At 31 December 2017 and 2016, 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

	2017			2016		
	Accounts receivable		Accounts payable	Accounts receivable		Accounts payable
	Other financial investments (note 11)	Trade receivables, related parties	Trade payables, associates and related parties	Other financial investments (note 11)	Trade Receivables, related parties	Trade Payables, associates and related parties
Equity-accounted investees:						
Cosemel Ingeniería, A.I.E.	-	-	5	-	-	5
Dioxipe Solar, S.L.	-	7,573	-	-	7,605	-
Aries Solar Termoeléctrica, S.L.	131	2,227	-	125	5,646	-
Gasoducto Morelos S.A.P.I. de CV	29,655	2,173	-	31,451	2,207	-
Brilhante Transmisora de Energía, S.A.	-	-	-	-	67	-
Morelos EPC, SAPI de CV	-	361	(37)	-	3,145	-
Jaura Transmisora de Energía, S.A.		212				
Morelos O&M	-	53	-	-	220	-
Other companies:						
Centro Logístico Huerta del Peñón, S.L.	-	-	-	-	-	-
Enertel, S.A.	-	45	1	-	-	-
Cantiles XXI, S.L. (note 5)	-	-	2,499	-	-	2,432
Other	-	1	6	-	-	-
	29,786	**12,645**	**2,474**	**31,576**	**18,890**	**2,437**

In 2013, Elecnor, S.A. completed construction of solar-thermal plants for Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. At 31 December 2017 and 2016 no amounts remained pending payment to Elecnor, S.A. by these companies pursuant to construction contracts. All amounts pending from both companies at the end of both years relate to maintenance contracts.

At 31 December 2017 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 2017.

27. AUDIT FEES

The auditor (KPMG Auditores, S.L.) of the Group's annual financial statements invoiced the following net fees for professional services at 31 December 2017 and 2016:

Thousands of euros

Description	2017	2016
For audit services	276	264
For other accounting verification services	106	108
TOTAL	**382**	**372**

The above amount includes all fees relating to services provided in 2017 and 2016, regardless of when they were invoiced.

Other accounting verification services refer to the limited review of interim financial statements and procedural reports on the compliance with covenants and procedures in regard to ICSFR, provided by KPMG Auditores, S.L. to Elecnor and the companies it controls in the year ended 31 December 2017.

Moreover, other affiliates of KPMG International invoiced the Group in the years ended on 31 December 2017 and 2016 for net fees relating to professional services, as follows:

	Thousands of euros	
Description	**2017**	**2016**
For audit services	429	397
For other accounting verification services	126	79
For tax advisory services	35	66
For other services	1,080	667
TOTAL	**1,670**	**1,209**

Other auditors also invoiced the Group in the years ended on 31 December 2017 and 2016 for net fees relating to professional services, as follows:

	Thousands of euros	
Description	**2017**	**2016**
Audit services	509	445
Tax advisory services	373	70
Other services	207	56
TOTAL	**1,089**	**571**

28. EARNINGS PER SHARE

Details of basic earnings per share in 2017 and 2016 are as follows:

	2017	**2016**
Attributable net profit (thousands of euros)	71,227	68,465
Total number of shares outstanding	87,000,000	87,000,000
Less, own shares (note 13-d)	(2,310,650)	(2,464,032)
Weighted average number of shares outstanding	84,689,350	84,535,968
Basic earnings per share (euros)	0.84	0.81

At 31 December 2017 and 2016 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

Respect for the environment and sustainability are an integral part of Elecnor's core values and culture. The Group is committed to protecting the environment and fostering efficiency in the consumption of energy resources. Elecnor's Environmental Management System defines a procedure to identify, assess and record the environmental aspects originating in the company's activities in order to determine which are significant and apply the most efficient corrective measures to minimise their impact.

In 2017, the Group adapted its Multisite Certification to the latest modifications under ISO standards 9001:2015 and 14001:2015. 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.

The Quality Management (ER-0096/1995) and Environmental Management (GA-2000/0294) certification includes the following Group areas:

- 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 Equipamiento, Diseño e Interiorismo; Elecnor Infrastrutture S.R.L. (Italy); Ehisa Construcciones y Obras; and Aplicaciones Técnicas de la Energía.

Environmental Management certificates are also held for the following affiliates:

- Audeca, (GA-1999/0134)
- Deimos, (ES 028048-2)
- Hidroambiente, (SGI 1201167/12)
- Jomar Seguridad, (GA-2014/0085)
- Enerfín, (GA-2003/0416)

In 2017, 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. With 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.

In addition, implementation and certification by AENOR of the Energy Management System (GE-2013/0033) was consolidated under the UNE-EN ISO 50001:2011 standard, thereby reinforcing the Group's commitment to sustainability.

As part of efforts to combat climate change, the Elecnor Group continues to devise its own strategies that will help reduce GHG emissions, affording it an active role in the protection of the environment.

In this connection, the company has calculated its carbon footprint and has secured certified registration of Elecnor's carbon footprint in the National Register of Carbon Footprint, Carbon Offsetting and Carbon Dioxide Absorption Projects, dependent upon the Ministry for Agriculture, Food and the Environment.

Likewise, in 2017, Elecnor Group conducted an analysis of climate risk that, along with the carbon footprint, will enable it to define a climate change strategy to reduce its impact, boost its resilience and tap into the potential opportunities provided by climate change.

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

Information on the average supplier payment period of the Parent company in 2017 and 2016 is as follows:

	Days	
	2017	**2016**
Average supplier payment period	61	65
Transactions paid ratio	66	72
Transactions payable ratio	42	39
	Expressed in thousands of euros	
Total payments made	**811,700**	**746,641**
Total payments outstanding	**195,010**	**194,830**

The payments to suppliers reflected in the above table are trade payables as they relate to goods and services. They therefore include "Trade and other payables - trade payables for purchases or services".

Appendix I

2017 Company information

(Thousands of euros)

2017	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Elecnor, S.A.				
Aplicaciones Técnicas de la Energia, S.L. (ATERSA)	Spain	Deloitte	Solar energy	100.00%
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	Spain	***	Interior design	100.00%
Audeca, S.L.U.	Spain	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	20.00%
BETONOR, S.L.	Angola	***	Dormant	51.00%
Celeo Concesiones E Inversiones, S.L.U.	Spain	KPMG	Management and administration of companies	100.00%
Celeo Termosolar, S.L.	Spain	KPMG	Construction and subsequent operation of thermosolar plants	100.00%
Corporacion Electrade, S.A.	Venezuela	***	Construction and assembly	100.00%
Deimos Engenharia, S.A.	Portugal	ESAC Espirito Santo Associados	Services in the areas of telecommunications and aeronautic and space energy	100.00%
Deimos Space, S.L.U.	Spain	KPMG	Analysis, engineering and development of space missions and software	100.00%
Ehisa Construcciones y Obras, S.A.	Spain	Luis Ruiz Apilanez	Construction and assembly	100.00%
Elecdal, URL	Algeria	***	Construction and assembly	100.00%
Elecdor, S.A.	Ecuador	Batallas & Batallas 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	SMS	Construction and assembly	99.89%
Elecnor Australia PTY LTD	Australia	ESV	Management and administration of companies	100.00%
Elecnor Chile, S.A.	Chile	Armando Vergara Gutiérrez	Construction and assembly	100.00%
Elecnor de Mexico, S.A.	Mexico	KPMG	Construction and assembly	100.00%
Elecnor Do Brasil, L.T.D.A.	Brazil	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 Montagens Eletricas, Ltda.	Brazil	***	Construction and assembly	100.00%
Elecnor Peru, S.A.	Peru	KPMG	Construction and assembly	100.00%
Elecnor Seguridad, S.L.	Spain	***	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	USA	RP&B	Facilities	100.00%
Electrolineas de Ecuador, S.A.	Ecuador	Batallas & Batallas Auditores	Construction and assembly	100.00%
Elecven Construcciones, S.A.	Venezuela	Deloitte	Construction and assembly	100.00%

2017	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Enerfin Sociedad de Energía, S.L.	Spain	Deloitte	Management and administration of companies	99.99%
Enertel, S.A. de C.V.	Mexico	KPMG	Construction and assembly	99.99%
Elecnor Angola Group	Angola	***	Activities in the areas of public works and civil engineering	55.00%
Hidroambiente, S.A.U.	Spain	KPMG	Environmental activities	100.00%
IDDE, S.A.	Spain	***	Sales	100.00%
IQA Operatios Group, LTD	Scotland	KPMG	Electrical installations	100.00%
Jomar Seguridad, S.L.U.	Spain	***	Sales, installation and maintenance of fire prevention and safety systems	100.00%
Montagens Eletricas Da Serra, Ltda	Brazil	***	Construction and assembly	100.00%
Montelecnor, S.A.	Uruguay	Ernst & Young	Construction and assembly	100.00%
Omninstal Electricidade, S.A.	Portugal	KPMG	Construction and assembly	100.00%
Rasacaven, S.A.	Venezuela	Deloitte	Construction and assembly	96.99%
Sociedad Aragonesa De Aguas Residuales, S.A.U.	Spain	KPMG	Construction and operation of plants under the special water treatment plan	100.00%
Vilhena Montagens Elétricas,Ltda	Brazil	***	Construction and assembly	100.00%
CELEO CONCESIONES E INVERSIONES, S.L.U.				
Celeo Energía, S.L. (*)	Spain	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Redes, SLU (*)	Spain	KPMG	Management and administration of companies	51.00%
Helios Inversión Y Promoción Solar, S.L.U. (*)	Spain	***	Development, construction and operation of PV farms	100.00%
CELEO ENERGIA, S.L.				
Celeo Energía Brasil, LTDA (*)	Brazil	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Energía Chile, SPA (*)	Chile	KPMG	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO REDES BRASIL, S.A.				
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%
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%
Lt Triangulo, 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, S.A.(*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	51.00%

2017	Registered office	Auditor	Activity	Percentage direct or indirect ownership
CELEO REDES CHILE, Ltda				
Celeo Redes Operación Chile, S.A.	Chile	KPMG	Operation of power plants	51.00%
CELEO REDES CHILE OPERACIÓN, S.A.				
Alto Jahuel Transmisora de Energia, S.A.	Chile	KPMG	Development, construction and operation of electrical facilities	51.00%
Charrua Transmisora De Energia, S.A.	Chile	KPMG	Assembly, installation, operation of the new 2 x 500 Charrua – Ancoa line	51.00%
Diego de Almagro Transmisora de Energía, S.A. (*)	Chile	KPMG	Development, construction and operation of electrical facilities	51.00%
Celeo Redes, S.L.U.				
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%
Corporación Electrade				
Electrade Investment, Ltda (*)	Barbados	***	Sale of materials	100.00%
Deimos Space, S.L.U.				
Deimos Castilla la Mancha, S.L.U.(*)	Spain	KPMG	Software development, engineering and technical assistance in the field of remote sensing	100.00%
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.(*)	Spain	Deloitte	Operation of power plants	95.55%
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	Batallas & Batallas Auditores	Construction and assembly	100.00%
ENERFIN ENERVENTO EXTERIOR, S.L.				
Eólica la Vela (*) (****)	Colombia	***	Wind farm development	100.00%
Eólica los Lagos (*) (****)	Chile	***	Wind farm development	100.00%
Eólica Musichi (*) (****)	Colombia	***	Wind farm development	100.00%
Guajira Eólica I, S.A.S. (*)	Colombia	***	Wind farm development	100.00%
Guajira Eólica II, S.A.S. (*) (****)	Colombia	***	Wind farm development	100.00%
Parques Eólicos Palmares, S.A. (*)	Brazil	Deloitte	Operation of electricity transmission service concessions	80.00%
Río Sul 1 Energía, LTDA (*)	Brazil	Deloitte	Management and administration of companies	100.00%
Río Sul 2 Energía, LTDA (*)	Brazil	***	Management and administration of companies	100.00%
Ventos da Lagoa, S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%

2017	Registered office	Auditor	Activity	Percentage direct or indirect ownership
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%
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%
Vientos de Yucatán S.A. de C.V. (*) (****)	Mexico	***	Wind farm development	100.00%
Ventos dos Indios Energía, S.A.(*)	Brazil	Deloitte	Operation of power plants	80.00%
ENERFIN ENERGY CO OF CANADA, INC				
Lambton Enerwind General Partner INC (GP)(*)	Canada	***	Administration and advisory services	100.00%
Lambton Enerwind Limited Partnership (SEC)(*)	Canada	***	Wind farm development	100.00%
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%
ENERFIN SOCIEDAD DE ENERGÍA, S.L.				
Elecnor Financiera, S.L. (*)	Spain	***	Administration and advisory services	100.00%
Enerfera, S.R.L. (*)	Italy	***	Construction, operation and use of wind farm resources	100.00%
Enerfin do Brasil Sociedad de Energía, LTDA (*)	Brazil	***	Development and management of wind farm activities	100.00%
Enerfin Energy Company, INC (*)	USA	***	Development and management of wind farm activities	100.00%
Enerfin Energy Company of Canada, INC (*)	Canada	***	Management and administration of companies	100.00%
Enerfin Enervento Exterior, S.L. (*)	Spain	Deloitte	Management and administration of companies	100.00%
Enerfin Enervento, S.A. (*)	Spain	Deloitte	Management and administration of companies	100.00%
Enerfin Québec Services, INC (*)	Canada	***	Management and administration of companies	100.00%
EnerfinDevelopments British Columbia, Inc (*)	Canada	***	Development and management of wind farm activities	100.00%
Parque Eólico Cofrentes, S.L.U. (*)	Spain	***	Operation of power plants	100.00%
Sdad Eólica Corrales de Herrera, S.L. (*) (****)	Spain	***	Wind farm development	100.00%
ENERFIN, ENERVENTO, S.A.				
Aerogeneradores del Sur, S.A. (*)	Spain	Deloitte	Construction, operation and use of wind farm resources	100.00%
Eólica Montes de Cierzo, S.L. (*)	Spain	Deloitte	Operation of power plants	100.00%
Eólica Páramo de Poza, S.A. (*)	Spain	Deloitte	Operation of power plants	70.00%
Galicia Vento, S.L. (*)	Spain	Deloitte	Operation of power plants	90.60%
EOLIENNES DE L'ÉRABLE COMANDITAIRE, INC				
Eoliennes de l'Erable Commandité 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%
Hidroambiente, S.A.U.				
Everblue Private Limited (*)	India	***	Environmental activities	100.00%
Sdad Aragonesa De Estaciones Depuradoras, S.A. (*)	Spain	KPMG	Construction and operation of plants under the special water treatment plan	60.00%

2017	Registered office	Auditor	Activity	Percentage direct or indirect ownership
INVESTISSEMENTS EOLIENNES DE L'ÉRABLE SEC				
Eoliennes l'Erable Commanditaire, INC (*)	Canada	***	Operation of power plants	100.00%
Zogu, S.A.				
CLN, S.A.(*)	Venezuela	***	Dormant	100.00%
Consolidated investees **Equity-accounted investees (note 10)**				
Subsidiary of:				
Elecnor, S.A.				
Cosemel Ingenieria, Aie		***	Development, construction and operation of installations and electrifications of high-speed railway lines	33.33%
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%
Morelos O&M, SAPI,CV	Mexico	***	Maintenance of the Morelos gas pipeline	50.00%
Sdad. Aguas Residuales Pirineos, S.A.	Spain	***	Construction and operation of plants under the special water treatment plan	50.00%
CELEO REDES BRASIL, S.A.				
Brilhante II Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Brilhante Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Jauru Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	16.99%
Celeo Termosolar, S.L.				
Aries Solar Termoelectrica, S.L. (*)	Spain	KPMG	Development, construction and operation of thermosolar plants	55.70%
Dioxipe Solar, S.L.(*)	Spain	KPMG	Development, construction and operation of thermosolar plants	55.00%
Elecnor FINANCIERA, S.L.				
Parque Eólico La Gaviota, S.A.	Spain	Ernst & Young	Operation of power plants	37.33%

(*) Companies indirectly held by Elecnor, S.A.
(***) Companies not legally required to audit their annual accounts.
(****) Companies consolidated for the first time in 2017.

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 Gutiérrez	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 thermosolar 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. safety systems	Guadalajara 100.00%	***	Sales, installation and maintenance of fire prevention and	
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%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
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%
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	Facilities	100.00%
Aplicaciones Técnicas de la Energía, 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%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Vila Do Conde Transmissora De Energia, S.A. (*)	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%
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%
Charrúa 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%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Ventos do Litoral Energía, S.A. (*)	Brazil	Deloitte	Operation of power plants	80.00%
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%
EOLIENNES DE L'ÉRABLE COMANDITAIRE, INC				
EOLIENNES DE L'ERABLE COMMANDITE INC (*)	Canada	***	Administration and advisory services	100.00%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
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 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%
CELEO REDES BRASIL, S.A.				
Brilhante Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%
Brilhante II Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	25.50%

2016	Registered office	Auditor	Activity	Percentage direct or indirect ownership
Jauru Transmissora De Energia, S.A. (*)	Brazil	KPMG	Operation of public service concessions for electricity transmission	16.99%
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 II

List of consolidated UTEs

(Thousands of euros)

		2017		2016	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE PUENTE MAYORGA	50.00%	--	--	--	--
UTE ELNR-CONSTUCSA E. HIDROGENO	50.00%	--	--	--	--
UTE PARQUESUR OCIO	90.00%	--	--	--	--
UTE INSTALACIONES ELECTRICAS SINCROTRON ALBA	50.00%	--	--	--	--
UTE CAMPO ARAÑUELO	50.00%	--	--	--	--
UTE ZONA 07 A	60.00%	--	--	--	--
UTE MUVIM	30.00%	--	--	--	--
UTE ROTA HIGH SCHOOL	50.00%	--	--	--	--
UTE Elecnor OSEPSA	50.00%	--	--	--	--
UTE CAN COLOMER	50.00%	--	--	--	--
UTE SAN JOSE TECNOLOGIAS - Elecnor	50.00%	--	--	--	--
UTE VILLASEQUILLA - VILLACAÑAS	21.00%	--	218	--	--
UTE AVELE	22.00%	--	--	(6)	--
UTE AVELE 2	22.00%	--	--	5	--
AEROPUERTO LANZAROTE SAMPOL-Elecnor UTE	50.00%	--	--	--	--
UTE NIÑO DE ORO	100.00%	--	--	--	--
UTE RED ENERGIA AT	70.00%	--	--	--	--
UTE EUROCAT SUR AV	41.20%	--	--	(12)	--
UTE AVESUR	12.00%	--	--	347	--
UTE INSTALLACIONS TECNOCAMPUS	50.00%	--	--	--	--
UTE EXPLOTACION ZONA 07-A	60.00%	947	--	945	--
CONSORCIO Elecnor DYNATEC	100.00%	400	6,628	--	--
UTE DEMOLICION CINE INVIERNO	100.00%	--	--	--	--
UTE EDIFICIO ESTANCIA DIURNA	100.00%	--	--	--	--
UTE ZONA P-2	50.00%	--	--	--	--
UTE LA HARINERA	100.00%	--	--	--	--
UTE SUBESTACION JUNCARIL	50.00%	--	--	209	--
UTE AEROPOLIS	50.00%	--	--	--	--
UTE CASA DE LAS ARTES	50.00%	--	--	--	--
UTE 2ª FASE NIÑO DE ORO	100.00%	--	--	--	--
UTE NAVE LOGISTICA DEL CTMS	100.00%	--	--	--	--
UTE SSAA EIX DIAGONAL	50.00%	--	--	--	--
UTE MARINA BAIXA	40.00%	--	--	92	--
UTE AUDIO BARAJAS	50.00%	--	--	--	--
UTE RED DE TELECOMUNICACIONES	50.00%	--	--	--	--
UTE LOS CARAMBOLOS	100.00%	--	--	--	--
UTE CENTRO DE PROSPECTIVA RURAL	100.00%	--	--	--	--
UTE CENTRO MAYORES BAENA	100.00%	--	--	--	--
UTE TARAZONA	100.00%	--	--	--	--
UTE TERMINAL DE CARGA	50.00%	--	--	--	--
UTE PCTH	100.00%	--	--	--	--

		2017		2016	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE LED MOLLET	70.00%	--	--	--	--
UTE RED.ES	100.00%	--	--	--	--
UTE VIA LA CARTUJA	20.00%	--	--	--	--
UTE SANCHO ABARCA	100.00%	--	--	--	--
UTE GALINDO	100.00%	--	--	1,139	--
UTE LABORATORIO AITEX-ITE	100.00%	--	--	--	--
UTE DESVIOS LAV Sevilla	28.85%	734	--	77	227
UTE MTO. SEG. Y EMERG. MADRID	100.00%	--	--	--	--
UTE EDIFICIO 7000	100.00%	--	--	--	--
UTE AMPLIACION MUSEO MORERIA	100.00%	--	--	8	--
UTE BIBLIOTECA CASTELLDEFELS	100.00%	--	--	--	--
UTE EQUIPAMIENTO AMPLIACION T2 VALENCIA	100.00%	--	--	--	--
UTE EQUIPAMIENTO TERMINAL GRAN CANARIA	100.00%	--	--	--	--
UTE MOBILIARIO TERMINAL GRAN CANARIA	100.00%	--	--	--	--
UTE FIGUERES WIFI	50.00%	7	--	7	7
UTE PLANTA RSU ACAHUALINCA	70.00%	--	--	--	--
UTE CENTRO OUPACIONAL FERROL	50.00%	--	--	--	--
UTE Elecnor ONILSA	85.00%	--	--	--	--
UTE SAN CRISPIN	100.00%	305	305	304	--
UTE UBE LA ISLA	100.00%	103	103	106	--
UTE RECINTOS FERIALES	100.00%	--	--	--	--
UTE AEROPUERTO VIGO BANCADAS	100.00%	--	--	--	--
UTE EXPLOTACION ZONA P2	50.00%	592	600	621	--
UTE AS SOMOZAS	50.00%	1	--	66	--
UTE SAN JERONIMO	100.00%	107	107	103	--
UTE JARDINES MOGAN	100.00%	1,069	1,069	1,057	--
UTE URTEGI	60.00%	--	--	362	--
UTE ABASTECIMIENTO PEDRAZA	100.00%	--	--	299	619
UTE URBANIZACION PEDRO III	100.00%	--	--	2	--
UTE AYTO SEGURA DE LA SIERRA	100.00%	--	--	--	--
UTE Elecnor-ONDOAN SERVICIOS	50.00%	789	--	827	--
UTE IMDEA MOBILIARIO LOTE 2	100.00%	--	--	--	--
UTE Elecnor - DEIMOS SIPA	100.00%	204	--	1,479	--
UTE COMUNICACIONS SANT CUGAT	100.00%	--	--	68	--
UTE FORNILLOS	100.00%	--	--	--	--
UTE CALANDA	100.00%	--	--	--	--
UTE VALDESPARTERA	100.00%	--	--	--	--
UTE VENCILLON	100.00%	--	--	--	--
UTE PIF ALGECIRAS	100.00%	18	--	11	--
UTE PATRIMONIO SEGURIDAD	66.66%	395	--	372	--
UTE ESPACIOS VERDES SAN VICENTE DEL RASPEIG	100.00%	812	--	925	--
UTE CINTAS	100.00%	--	--	--	--
UTE PLAZAS COMERCIALES T4	100.00%	--	--	--	--
UTE BT HOSPITAL DE ZAMORA	50.00%	276	297	108	573
UTE TRANVIA OUARGLA	48.23%	33,547	24,303	57,961	57,850
UTE ENERGIA GALICIA	20.00%	4,727	46,690	14,304	51,416
UTE AEROPUERTO DE PALMA	100.00%	13	--	250	12
UTE VALDELINARES	100.00%	--	--	--	--

		2017		2016	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
GROUPEMENT INTERNATIONAL SANTE POUR HAITI	100.00%	10,178	3,700	21,611	9,766
UTE MANCOMUNIDAD DE DURANGO	60.00%	19	--	18	--
UTE ENERGIA GRANADA	33.34%	32	418	1,532	450
UTE MOBILIARIO HUCA	100.00%	--	--	5	--
UTE ANILLO GALINDO	25.00%	2,213	--	8,261	874
UTE SICA BCN	100.00%	644	--	853	--
UTE HORMIGONES MTNEZ-Elecnor, CASCO ANTIGUO ALICANTE	30.00%	--	55	--	55
UTE DEINOR NOAIN	100.00%	--	--	--	--
Consorcio Nueva Policlínica de Chitre	100.00%	985	2,459	2,312	3,392
Consorcio Nueva Policlínica de Chepo	100.00%	1,024	1,522	1,932	2,587
UTE ADEC LOCALES CERCANIAS	100.00%	--	--	278	--
UTE CRA ENAGAS	100.00%	--	--	106	--
UTE CAMPO DE VUELO VIGO	100.00%	--	--	49	--
UTE CAMPO DE VUELO TF NORTE	100.00%	--	102	67	102
UTE MATIKO	20.00%	4,609	--	4,820	3,375
UTE VOPI4-ELNR CA L´ALIER	50.00%	2,222	1,638	--	3,497
UTE MONTES SEVILLA SUR	100.00%	--	--	--	--
UTE REUBIC EQUIP NAV BARAJAS	100.00%	--	38	110	38
UTE MANTENIMIENTO AVE ENERGIA	12.37%	15,720	118,935	15,623	134,656
UTE CAUCES CÓRDOBA	50.00%	--	--	--	--
UTE ASEGOP IBIZA	65.00%	1,437	92	1,169	1,529
UTE Elecnor BUTEC BELLARA	60.00%	49,106	90,638	13,265	139,744
UTE AVELE3	22.00%	--	--	--	--
UTE AVELE4	22.00%	--	--	--	--
UTE EDARES SEGOVIA	70.00%	144	--	1,550	--
UTE VIGILANCIA BOADILLA	100.00%	--	--	166	--
UTE SICA	100.00%	1,178	496	601	1,674
UTE CASTELFLORITE	100.00%	--	135	1,103	135
UTE MANTENIMIENTO AEROPUERTO DE PALMA	50.00%	1,795	250	1,604	29
UTE CUETO DEL MORO	25.00%	--	--	--	12
UTE Elecnor ALGHANIM	60.00%	2,822	3,287	14,241	2,165
UTE MANTENIMIENTO VALEBU	50.00%	350	2,453	445	2,803
UTE EMBARQUE DESEMBARQUE T4	100.00%	--	20	35	31
UTE CONTAR	100.00%	118	40	194	157
UTE INST. RECERCA SANT PAU	50.00%	3,852	532	730	4,384
UTE AEROPUERTO DE VALENCIA	100.00%	0	1,259	45	1,259
Ute Inst. MERCAT DE SANT ANTONI	60.00%	6,284	606	2,408	6,891
UTE TUNELES ABDALAJIS	100.00%	450	927	589	1,350
UTE TORRENTE - XATIVA	50.00%	1,294	--	8,067	1,102
UTE EMPALME II	50.00%	14,991	43,014	81,725	58,005
UTE CENTRO LOG. IBEREBRO	41.90%	1,880	--	29,818	636
UTE AEROPUERTO TERUEL	50.00%	--	--	1,350	--
UTE NAVE SESTAO	50.00%	492	--	3,446	245
UTE ENERGIA GALICIA MANTENIMIENTO	20.00%	1,562	48,698	1,288	50,260
UTE URDULIZ BARRIA	50.00%	609	33	74	642
UTE TERMINAL DE CARGA TF NORTE	50.00%	1,483	166	766	1,649
UTE URBANIZADORA RIODEL	50.00%	--	--	194	--

		2017		2016	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE OFICINAS IBEREBRO	100.00%	5,722	--	5,181	4,689
UTE FIRA PAVELLO 2	70.00%	20	8	1,096	29
Elecnor TARGET LLC, JV	60.00%	27,284	10,362	16,783	37,646
UTE LINEA 1	20.00%	1,345	--	11,845	1,316
UTE INSTALACIONES LOIOLA	50.00%	531	4	226	535
UTE CEIP SOBRADIEL	100.00%	2,167	459	--	2,626
UTE TERMINAL E	50.00%	13,631	1,805	1,409	15,436
UTE QUEVEDO	50.00%	160	55	144	215
UTE HERNANI-IRUN	50.00%	758	4,134	1	4,892
UTE ACTUAC ETAPS CYII LOTE2	50.00%	155	304	36	459
UTE CARPIO Y POLLOS	50.00%	125	212	38	337
UTE METRO SAN INAZIO	100.00%	--	--	43	--
UTE CAMPO DE VUELOS ASTURIAS	100.00%	346	1,302	2	1,648
UTE BIOMASA HUERTA DEL REY	50.00%	1,524	612	--	2,136
UTE MOPAEL	40.00%	2,897	6,103	--	--
UTE OFICINAS GENCAT	60.00%	7,488	1,584	--	353
UTE UYUNI-YUNCHARA	49.00%	25,339	55,521	--	--
UTE MEGAFONIA AENA	70.00%	390	33	--	--
UTE MANTENIMIENTO SIGMA AENA	100.00%	213	448	--	--
UTE LINEA 8	20.00%	1,094	--	--	--
UTE RENFE AGENTE UNICO	100.00%	1	2,387	--	--
UTE RENFE CCTV	100.00%	2	5,020	--	--
UTE UCA	100.00%	1	3,049	--	--
UTE SIPA AENA	100.00%	1	2,116	--	--
JV Elecnor AL OWN	70.00%	18,857	14,682	--	--
UTE BILBOPORTUA	50.00%	314	760	--	--
UTE BIZKAIKO ARGIAK	23.00%	3,700	457	--	--
Elecnor AND RAY, J.V.	60.00%	6,536	778	--	--
UTE MANTENIMIENTO LOTE 1	50.00%	896	2,235	--	--
UTE ILSSA Elecnor	100.00%	1,217	--	--	--
UTE Elecnor - EIFFAGE	50.00%	4,027	43,973	--	--
UTE LINEA 5	20.00%	6,833	247	--	--
UTE TIL TIL	50.00%	59,527	21,277	--	--
UTE EDAR LAGUNA DE NEGRILLOS	80.00%	242	487	--	--
UTE CIP ARCOSUR	100.00%	784	1,115	--	--
UTE PORTUKO ARGIAK	23.00%	2	1,888	--	--
UTE E&C M.I. BUSTURIA AUXILIAR	51.00%	612	642	--	--
UTE PARQUE FOTOVOL. CARRODILLA	100.00%	148	269	--	--
UTE URBANITZACIÓ MERCAT DE SANT ANTONI	60.00%	165	2,656	--	--
UTE ING PUY DU FOU	50.00%	81	459	--	--
UTE ALSTOM RENOVABLES-Elecnor II	25.64%	--	--	--	--
UTE OVERTAL - Elecnor	24.00%	53	--	308	52
UTE S´OLIVERA COMASA-Elecnor	33.33%	--	--	--	--
UTE ENERGÍA LÍNEA 9	20.00%	5,795	1,150	4,629	--
UTE REMOLAR	23.51%	--	--	--	--
UTE CAL PARACUELLOS	50.00%	--	--	--	--
UTE AGENTE URBANIZADOR SECTOR 13 DE LA PLAYA DE TAVERNES	50.00%	--	--	--	--

		2017		2016	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE SERRANO - Elecnor CANSALADES	40.00%	--	114	--	114
UTE Elecnor GONZALEZ SOTO	50.00%	12	--	75	--
UTE VILLAGONZALO, Z - 3	35.00%	--	--	--	--
UTE LLANERA Elecnor SECTOR TULELL	50.00%	--	--	--	--
UTE TARAGUILLA	25.00%	--	--	--	--
UTE COMASA - Elecnor IES SAN AGUSTI	50.00%	--	--	8	--
UTE Binaced	50.00%	--	--	--	--
UTE SAICA	50.00%	--	--	15	--
UTE AMC5 EHISA	50.00%	--	--	--	--
UTE ROEA EBRO	34.00%	--	--	--	--
UTE Caleta Olivia	100.00%	1,248	--	--	115
UTE Enarsa Ear-Bmsa	50.00%	38	--	--	--
CONSORCIO UTE ELECDOR ELECTROL	100.00%	--	--	12,964	(904)
CONSORCIO ELECVEN ELECDOR	100.00%	16,109	1,919	2,618	18,431
UTE AERONAVE TIERRA	20.00%	--	--	--	300
UTE MELIALABS	55.00%	--	--	--	75
AUCOSTA CONSERVACION UTE	50.00%	1,360	1,215	2,436	--
CONSERVACIÓN MAQUEDA UTE	50.00%	1,984	1,678	2,916	4,479
CÓRDOBA NORTE II UTE	50.00%	995	1,693	2,393	1,409
CÓRDOBA NORTE UTE	50.00%	--	--	162	--
HUELVA SURESTE II UTE	50.00%	1,230	1,196	2,266	4,853
MADRID NOROESTE UTE	50.00%	(8)	--	--	--
MANZANARES UTE	60.00%	3,380	808	3,750	4,338
PONTESUR UTE	50.00%	1,750	3,131	--	--
PONTEVEDRA SUR UTE	50.00%	(17)	--	3,694	9,763
PUERTO GANDIA UTE	50.00%	44	--	138	60
ACCIONA INFRAESTRUCTURAS-Elecnor HOSPITAL DAVID, S.A.	25.00%	19,218	6,408	33,145	25,626
PROYECTOS ELECTRICOS AQUAPRIETA, SAPI DE CV	50.00%	11,014	(3,792)	--	(10,218)
DUNOR ENERGIA	50.00%	119,762	57,644	--	107,342
LEÓN-3 UTE	80.00%	2,708	1,680	2,394	2,809
UTE MURCIA-SAN JAVIER	50.00%	302	102	557	519
SMA OLVEGA UTE	60.00%	607	5,000	487	9,097
GUADIX-BAZA UTE	51.00%	526	1,498	160	3,967
UTE SIERRA ESPUÑA	65.00%	287	--	--	--
UTE SIERRA BURETE	65.00%	167	15	--	--
UTE HOSPITAL REINA SOFÍA	20.00%	230	2,653	--	--
C.S. ANTONIO GARCÍA	20.00%	--	408	--	--
RIBERAS II UTE	50.00%	21	--	--	--

Appendix III

Elecnor, S.A. and Subsidiaries

Condensed financial information of equity-accounted companies
31 December 2017

(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	278,851	255,529	473,085	80,185	134,849	-
Non-current liabilities	198,731	218,714	416,312	19,799	53,226	42
Non-current financial liabilities (*)	134,198	216,087	409,016	15,929	51,541	-
Total non-current net assets	**80,120**	**36,815**	**56,773**	**60,386**	**81,623**	**(42)**
Current assets	65,574	12,611	17,110	3,493	6,414	34,612
Cash and cash equivalents	21,808	5,592	3,532	1,270	1,788	3,656
Current liabilities	120,142	19,661	22,711	4,617	12,861	10,387
Current financial liabilities (*)	5,309	10,542	17,938	2,858	5,313	-
Total current net assets	**(54,568)**	**(7,050)**	**(5,601)**	**(1,124)**	**(6,447)**	**24,225**
Net assets	**25,552**	**29,765**	**51,172**	**59,262**	**75,176**	**24,183**
Percentage ownership	50%	55%	56%	50%	33%	50%
Share of net assets	12,776	16,371	28,503	29,631	24,808	12,092
Goodwill	-	-	-	-	-	-
Carrying amount of the investment (**)	13,776	27,309	40,112	32,043	23,652	12,091
Information from the income statement						
Revenue	36,616	26,949	60,511	15,082	17,846	9,616
Depreciation and amortisation	(13,124)	(11,581)	(24,992)	(3,099)	(4,046)	-
Interest income	-	-	-	335	902	-
Interest expense	(11,711)	(11,581)	(25,415)	(2,104)	(6,130)	-
Income tax expense/(income)	(6,889)	(771)	(2,014)	(1,369)	(1,008)	(3,202)
Profit/(loss) from continued operations	1,079	(3,395)	(7,086)	3,282	1,957	(481)
Income tax expense/(income) from discontinued operations	-	-	-	-	-	-
Profit/(loss) from discontinued operations	-	-	-	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**1,079**	**(3,395)**	**(7,086)**	**3,282**	**1,957**	**(481)**
OTHER COMPREHENSIVE INCOME	**(1,050)**	**(5,705)**	**(10,966)**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**29**	**(9,100)**	**(18,052)**	**3,282**	**1,957**	**(481)**
Dividends received	-	-	-	3,060	-	7,165

Elecnor, S.A. and Subsidiaries

Condensed financial information of equity-accounted companies
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 continued operations continuadas	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

2017 DIRECTORS' REPORT-ELECNOR GROUP

Elecnor Group

2017 Directors' Report

for the year ended 31 December 2017

1. INTRODUCTION

The Elecnor Group's 2017 results were achieved against a backdrop of global economic growth. This growth was underpinned by economic policy, especially in the developed countries, which helped boost investment, demand and global trade.

In this context, Elecnor logged **turnover** of **EUR 2,316.8 million** at year-end, **up 14%** compared with the EUR 2,035.1 million posted in 2016.

Elecnor continues its internationalisation process, maintaining its leadership in the national market as a flagship company in the sectors in which it operates. Accordingly, 59% of said turnover is from abroad. Continuing in this trend, 81% of the **backlog of contracts pending**, which totals EUR 2,161 million comes from abroad.

With regard to the results, **consolidated net profit** amounted to **EUR 71.2 million**, a **4%** increase on the previous year (EUR 68.5 million).

This improvement was driven by the sound performance by the Group's infrastructure and concessions businesses, buoyed by the sizeable appreciation in the average exchange rate of the Brazilian real compared with the previous year, with an impact on the earnings of the Group's projects and subsidiaries in that country. The growth in results was due to the positive contribution from both the Group's Parent company, Elecnor, S.A., through its permanent establishments, and its subsidiaries operating in foreign markets.

Meanwhile, the Elecnor Group's **normalised EBITDA**, calculated based on consolidated EBITDA and neutralising the effect of applying IFRIC 12, Service Concession Arrangements, to the Group's transmission lines in Brazil, amounted to **EUR 326.5 million**, a 12% increase on the normalised EBITDA logged in 2016.

Corporate net financial debt in 2017 amounted to EUR 222.7 million, compared with EUR 272 million in the previous year, and with a **net financial debt/EBITDA ratio for the restricted Group of 1.31 times**, well below the ceilings established in the financial covenants.

The **net financial debt/EBITDA ratio** without excluding the figures relating to projects, and taking normalised EBITDA as a reference, **would be 3.88**.

A series of events took place in the year in connection with contracting and finance, which must be taken into account to provide a complete overview of the Group, and which include:

Some of the Group's main new contracts:

- The adjudication of an electricity concession in Brazil through the subsidiary Celeo Redes, comprising the construction, operation and maintenance of 414 km of transmission lines, the construction of three new substations and the expansion of four existing ones, with a projected investment of EUR 248 million. Elecnor, meanwhile, will perform the turnkey (EPC) contract associated with this investment, for EUR 215 million.
- Adjudication of a contract to build a solar PV plant in Chile for USD 117 million, and another solar PV plant in Bungala (Australia) for AUD 189 million.
- The adjudication of the turnkey construction of a wind farm in Larimar, Dominican Republic, for USD 89 million.
- Securing, in June 2017, of a contract to build two biomass plants in Portugal. Each will have an installed capacity of 15 MW and will be fuelled using sustainable forest biomass. The two projects amount to a joint total of EUR 78 million, and the execution period would be 24 months

With regard to the Group's financial strategy:

- Elecnor has renewed its Syndicated Financing Contract, arranged in 2014, previously renewed in 2015 and 2016 extending the maturity and improving the original conditions. The latest renewal extends the maturity by one year, to July 2022, and again improves the conditions in terms of interest. Moreover, Elecnor has decided to reduce the Credit Facility Tranche by EUR 100 million, in line with its financial needs, so that on top of the savings in interest it will also save on availability fees. The financing now has a cap of EUR 500 million, distributed between the Loan Tranche of EUR 300 million and a Credit Facility Tranche of EUR 200 million. The renewal was signed by all the entities taking part in the financing.
- Elecnor has renewed its promissory note programme in the MARF, increasing the ceiling from EUR 200 million to EUR 250 million. This programme enables Elecnor to maintain an alternative to banking financing, with beneficial costs in comparison to it. The aim is to continue implementing its projects in the areas of engineering, development and construction of infrastructure, renewable energy and new technologies, both in Spain and the international markets.
- Elecnor, through its Chilean subsidiary Celeo Redes Operación Chile, has issued project bonds aimed at its transmission lines in Chile for a total of EUR 594 million and maturing in 30 years, in two tranches:
    - An international tranches denominated in US dollars and amounting to USD 379 million, at an annual interest rate of 5.2%, issued and placed pursuant to the US regulatory framework, admitted to trading in the Irish Stock Market.
    - A Chilean tranche in Unidades de Fomento (UF) amounting to UF 5,410,500 (approximately USD 214 million) and an annual interest rate of some 3%.

The funds from this placement are secured by the projects and were used for the early repayment of existing financing and the new financing of power transmission line projects in Chile and the remainder for other corporate purposes of the issuer or its shareholders.

2. BUSINESS MODEL AND CONTEXT

2.1. Business model

Elecnor is a Spanish corporation that operates in more than 50 countries globally, with two complementary and mutually enriching major business areas:

- **Infrastructure:** execution of engineering, construction and services projects, most notably in the electricity, energy generation, telecommunications and systems, installations, gas, construction, maintenance, environment and water, railway and space sectors.
- **Concessions:** operation of services through investment in wind power, energy transportation and transmission systems and other strategic assets.

2.2. Economic context

2.2.1. Global economy

The global economy strengthened over the course of 2017. **Annual global growth** (according to the IMF's World Economic Outlook of 22/01/18) for 2017 is expected to be 3.7%, beating first-quarter forecasts, although shy of previous growth period prior to the crisis. Forecasts for 2018 and 2019 have also been tweaked to 3.9%.

Growth beat expectations in the Eurozone, Japan, China, and emerging economies in Europe and Russia. Conversely, the US, UK and India all fell short of estimates. However, the IMF admits that the recovery is not yet complete, as growth remains sluggish in many countries. The outlook for advanced economies has improved, especially in the Eurozone, but in many countries inflation remains weak and the prospects of an increase in per capita GDP have been hampered by the lacklustre growth in productivity and the increase in dependency ratios among the elderly.

Inflation crept upwards in the final months of the year, due mainly to higher fuel costs. Crude oil prices rose by 20% between August and December 2017. Nevertheless, wage inflation and core price inflation remain subdued.

After the Fed's decision to start raising **interest rates** in December 2017, the markets are expecting a steady increase over the next two years. The European Central Bank announced that in January it would start to ease off net asset purchases, but would keep interest rates at current levels until the asset purchase scheme ends. If inflation does not reach target levels, the ECB might continue to implement a lax monetary policy.

In **currency markets**, we highlight the dollar's depreciation against the euro (around 13% since the year began). Sterling dropped 4% in the year, despite gaining ground in the last few months due to the Bank of England's move to hike interest rates in November and the expectations of an agreement on Brexit. In Mexico, the currency lost 5% on the back of uncertainty regarding the outcome of NAFTA talks. The Brazilian real also dropped around 15% over the course of 2016 and 2017, although the average exchange rate in 2017 was 7% higher than in 2016.

2.2.2. Elecnor's main strategic markets

2.2.2.1. Spain

The IMF's forecasts for Spain point to a deceleration in GDP growth from 3.2% in 2017 (the third consecutive year above 3%) to 2.5% in 2018 and 2.2% in 2019. In the final quarter of 2017, dynamic economic activity absorbed the impact of the political crisis in Catalonia, although growth, job creation and the reduction of the public deficit were hampered.

The beneficial effects of the combination of growth and lower public deficit transferred to employment figures: at year-end, the Spanish economy had created more than 600,000 jobs, the most outstanding figure in the European Union. Consequently, unemployment fell from 18.4% at 2016 year-end to 16.6% at the end of 2017.

The average **price of electricity in the daily market in Spain** in 2017 was € 52.24/MWh (up 32% on the previous year). Average monthly prices ranged between € 71.49/MWh in January to € 43.19/MWh in March.

2.2.2.2. Latin America

Latin America and the Caribbean, whose GDP shrank by almost 1% in 2016, closed 2017 with 1.2% growth, and the IMF forecasts 1.9% in 2018.

Growth remains robust in Central America and the Caribbean, but internal demand continues to disappoint.

Brazil closed 2017 with 0.7% growth. For 2018, it is expected to log 1.5%. The gradual process of restoring confidence, as critical reforms are implemented to guarantee fiscal sustainability, could add 2 percentage points to growth in the medium term.

In **Mexico**, growth fell to 2.1% in 2017 and will reach 1.9% in 2018. Despite the uncertainty about NAFTA and the downwards revision of economic growth projections in the US, the Mexican economy is expected to post growth of around 2.7% in the medium term, if the planned structural reforms are implemented.

Chile ended 2017 with 1.4% GDP growth amid sluggish private investment and weak mining output and public consumption. The forecast for 2018 is 2.5% growth thanks to the improved confidence, higher copper prices and interest rate cuts in the last few months of 2017. The "Energy 2050" programme continues, aimed at implementing the necessary measures to ensure that renewables account for 60% of electricity generation in 2035 and at least 70% in 2050.

In **Venezuela**, the worsening political crisis continues to weigh very heavily on the country's economic activity. In 2017, according to the latest IMF figures, the economy shrank by more than 10%, against a backdrop of lower oil production and mounting uncertainty.

2.2.2.3. North America

According to the IMF, the US economy logged 2.2% growth in 2017, and is expected to post 2.3% in 2018. This projected steady growth reflects very propitious financial conditions (lower taxes to enterprises approved) and strong confidence among business and consumers. In the longer term, IMF experts say growth in the United States will ease. Potential growth is forecast at 1.8%.

Canada: Growth in oil-exporting advanced economies will pick up. Canada ended 2017 with growth close to 3%. This rebound reflects the diminished negative effects of lower oil and gas prices. Observers are monitoring the performance of the renewable energy sector, in which Canada expects to attain an installed capacity of 55,000 MW by 2025.

2.2.2.4. Africa

The IMF's January 2018 report projects a reactivation of growth in Sub-Saharan Africa (from 2.7% in 2017 to 3.3% in 2018 and 3.5% in 2019), and a slight improvement in growth prospects for **Angola**. This country ended 2017 in better shape than anticipated, with GDP up 1.5%, compared with 1.3% initially estimated. Higher oil prices will help enhance the country's situation, although the IMF expects double-digit inflation to persist as a result of the successive devaluations.

2.2.2.5. Australia

The **Australian** economy continued to yield good news, although growth did slow provisionally, to 2.2% in 2017. The outlook for 2018 is for around 3% GDP growth, underpinned by plans to expand infrastructure and renewable energy currently being implemented in the country. Analysts continue to warn that internal demand is tending to contract, private economies have high debt levels and consumption could easily slow down.

3. ANALYSIS OF THE KEY FIGURES FOR THE PERIOD

3.1. Consolidated figures - Grupo Elecnor

At 31 December each year and in millions of euros

Equity	2017	2016	Change (%)
Equity	904.1	980.0	-8 %
Turnover			
Sales	2,316.8	2,035.1	14 %
Domestic	938.5	915.8	2 %
International	1,378.3	1,119.3	23 %
Figures			
EBITDA	275.6	244.3	13 %
NORMALISED EBITDA (1)	326.5	291.7	12 %
Results from operating activities	181.7	166.7	9 %
Profit before income tax	131.3	129.3	2 %
Profit attributable to the Parent	71.2	68.5	4 %

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

Elecnor Group – Information by Segment

At 31 December each year and in millions of euros

Turnover	2017	2016	Change (%)
Infrastructure	2,119.4	1,891.9	+12 %
Concessions business	232.0	211.2	+10 %
Corporation	0.0	0.2	-
Operations between segments	(34.6)	(68.2)	-49 %
Sales	**2,316.8**	**2,035.1**	**+14%**

Figures	2017	2016	Change (%)
Infrastructure	62.3	53.0	+18 %
Concessions business	24.0	19.8	+21 %
Corporation (*)	(15.1)	(4.9)	-208 %
Operations between segments	0.0	0.6	-
Profit attributable to the Parent	**71.2**	**68.5**	**+4%**

(*) In 2016, part of the capital gains from the sale of the Villanueva wind farm were allocated, thereby partly offsetting Corporation costs.

3.1.1. Turnover

The Elecnor Group's turnover in 2017 amounted to **EUR 2,316.8 million**, compared with EUR 2,035.1 million the previous year, implying a 14% increase. Some of the factors driving this growth were:

The sound performance by the **Infrastructure Business** in the external market, primarily due to:

- Growth in the construction of transmission projects in **Brazil** and the appreciation of the Brazilian real compared with the previous year. The main projects include: realisation of the Cantareira transmission line and substation, the Mata Santa Genebra line and the Cluster Caboclo gas distribution works.
- Construction of Elecnor's turnkey (ECP) solar PV plant in **Australia**. This is the largest ever solar PV project in the country and will be Elecnor's biggest using this power generation technology.
- Construction of a solar power plant in **Bolivia**.
- Construction of a solar PV plant in **Chile**, including engineering, supply, assembly and launch, as well as the high-voltage power evacuation infrastructure.
- The expansion of the wind farm Elecnor is building for the **Jordanian Energy Ministry**.
- The upswing in activity in the countries where the Group is present has been relatively recent, as has been the case at US subsidiary **Hawkeye**.
- Construction and launch of a combined-cycle power plant in Güiria (Venezuela) which is now in the final stages after five years.

All of this coupled with the sound performance by the national infrastructure market in the last few years.

Moreover, turnover also increased in the **Concessions Business**. In Spain, the increase was due mainly to higher average prices in the energy pool. In the international market, the increase came on the back of higher production and the Brazilian real's performance compared with the previous year.

With regard to the distribution of turnover by geographic areas, the foreign market accounts for **59%** of the total and the domestic market for **41%**. These figures underpin the Elecnor Group's commitment to external markets as a growth driver for the coming years (markets in which it has logged 23% growth). All of this while maintaining our leadership in the Spanish market.

3.1.2. EBITDA

The Elecnor Group posted consolidated **EBITDA of EUR 275.6 million**, an **increase of 13%** on the previous year (EUR 244.3 million). This good performance was driven mainly by the same factors we have described in connection with sales.

The Elecnor Group's **normalised EBITDA**, calculated based on consolidated EBITDA and neutralising the effect of applying IFRIC 12, Service Concession Arrangements, to the Group's transmission lines in Brazil, amounted to **EUR 326.5 million, a 12% increase** on the normalised EBITDA logged in 2016 (EUR 291.7 million). Based on that interpretation, only those revenue relating to the maintenance and operating of said transmission lines are recognised as operating revenue, so that to reflect a figure without the effect triggered by IFRIC 12 in this connection, we considered this EBITDA to have been eliminated from the accounts.

3.1.3. Net profit

Profit after tax at the Elecnor Group in 2017 amounted to **EUR 71.2 million**, a **4% increase** on the previous year (EUR 68.5 million). This increase was based on both the Group's Infrastructure business (primarily the projects highlighted in the previous section on sales) and its Concessions business.

In this connection, note that the growth logged in operating earnings and consolidated normalised EBITDA (9% and 12%, respectively) was not transferred to growth in the Groups net profit (4%) due to translation differences in the income statement as a result of the positions in foreign currency which Elecnor held open at year-end (mainly in US dollars, a currency that depreciated by around 13% against the euro in the year).

Moreover, as part of the ordinary course of its Concessions business, note the sale of the wind farm development in Bulgana (Australia).

Lastly, in line with its strategy, the Group has implemented a constant policy of cost containment and control which is at present underpinned by the development of various digitalisation projects to enhance the efficiency of its business processes, some of which will be launched in the coming months and which are expected to start yielding returns in the short term.

3.1.4. Results at the Group's Parent company, Elecnor, S.A.

With regard to the Parent company of the Group, Elecnor, S.A., in 2017 it saw a 35% increase in after-tax profit to **EUR 48.5 million** (EUR 35.8 million in 2016). This was due mainly to increased operating profit stemming from projects executed abroad through Permanent Establishments, and to higher dividends received (EUR 26 million, compared with EUR 21 million in 2016). Conversely, translation differences resulting from the Group's positions in US dollars, as in the consolidated Group, implied a lower profit.

3.1.5. Backlog

At 2017 year-end, the backlog of contracts pending amounted to **EUR 2,161 million**. By market, the international backlog totalled **EUR 1,746 million** (81% of the total), while the domestic backlog amounted to **EUR 414 million** (19% of the total).

3.2. Turnover by activity

Elecnor Group

At 31 December each year and in millions of euros

Geographical areas	2017	2016	Changes
Domestic	938.5	915.8	+2%
International	1,378.3	1,119.3	+23%
	2,316.8	**2,035.1**	**+14%**

Activities	2017	2016	Changes
Electricity	758.1	651.9	16%
Power generation	683.0	452.9	51%
Telecommunications	255.0	261.0	-2%
Construction, environment and water	189.6	198.4	-4%
Maintenance	151.7	146.8	3%
Facilities	132.3	165.8	-20%
Gas	107.8	112.0	-4%
Railways	39.3	46.2	-15%
	2,316.8	**2,035.1**	**14%**

Once again, the core business in terms of turnover was **Electricity**, with EUR 758 million, up 16% on 2016, due mainly to the US subsidiaries. It was followed closely by **Energy Generation**,with EUR 683 million, a 51% increase on the 2016 figure, due to the execution of major plant projects in the international market (solar PV plants in Chile, Bolivia, the wind farm in Jordan and the biomass project in Portugal).

4. STOCK MARKET INFORMATION

	2017	2016
Closing share price (€)	13.29	8.98
Total volume of securities (million)	9.5	4.4
Total cash traded (€ mn)	109.0	34.4
Number of shares (million)	87.0	87.0
Market capitalisation (€ mn)	1,156.2	781.3
PER	16.2	11.4
Dividend yield	3.1%	3.2%

Elecnor's securities closed at a price of **EUR 13.29** each, a 48% increase on the price at 2016 year-end, amply outperforming the Ibex-35, which logged an improvement of 7.40%. The total cash amount traded was EUR 109 million. Market capitalisation, meanwhile, was EUR 1,156 million.

Dividend yield was **3.1%**, compared with 3.2% in 2016.

5. CAPITAL MANAGEMENT POLICY

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

6. 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.

6.1. Market risk (mainly foreign exchange, interest rate and other price risks)

6.1.1. Currency risks

Exchange risk arises from transactions that the Group performs on the international markets in the course of its business. Certain income and procurement costs are denominated in currencies other than the functional currency. For this reason, the risk of fluctuating exchange rates of these currencies against the functional currency 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 and loss 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.

6.1.2. 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. This kind of arrangement requires under contract that interest rate risk be covered using hedging instruments.

In the case of both project and corporate financing, borrowings are arranged mainly 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, 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.

6.2. Other price risks

The Group is also exposed to its risk that cash flows and profits may be affected by changes in energy prices, among other issues. In order to manage and minimise this risk the Group occasionally uses hedging strategies.

6.3. 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.

6.4. Credit risk

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, S.A., 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. Furthermore, Eóliennes de L'Érable has signed a 20-year contract to sell the electricity it generates to Canadian electric utility Hydro-Québec.

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. Accordingly, the concessionaire has the guaranteed payment from the national power grid system. In this connection, in the years in which the Group has been operating these lines, there has been no non-payment by users thereof.

The transmission lines Chile belong to that country's national grid (previously known as the backbone system), in which Coordinador Eléctrico Nacional (CEN) coordinates the flow of payments to transmission companies. The current system will remain in force until December 2018, whereby those responsible for paying the transmission companies are the generating companies. From 2019 onwards, distributors will also be liable for payments, so the portfolio of payers will be more diversified from that date on. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Elecnor seeks always to implement the strictest measures to mitigate this risk and conducts periodic analyses of its exposure to credit risk, making the relevant impairment corrections where necessary.

6.5. Regulatory risk

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

7. ENVIRONMENT

A commitment to protecting and respecting the environment and fostering efficiency in consuming energy resources are the common denominator in all Elecnor's activities, and are an integral part of the organisation's values and culture.

The environmental control mechanisms currently in place at the company are based on AENOR-certified Environmental Management Systems and Energy Management Systems in accordance with ISO 14001:2004 and ISO 50001 standards. These systems contribute highly positive aspects, including the analysis and mitigation of environmental risks.

In global terms, our Environmental Management strategy is governed by the following guiding principles:

- The permanent quest for a balance between financial rewards and environmental protection, nurturing approaches that enable these aspects to be mutually strengthening.
- Taking into consideration the environmental component when deciding to invest in new projects and activities.

- Involving employees through relevant training and awareness actions.
- Also involving our other stakeholders (shareholders, customers, suppliers and society at large) in the joint quest for useful solutions to the challenges of preserving the environment and energy resources.

8. HUMAN RESOURCES

Elecnor's workforce

At 31 December each year	2017	2016	Changes
Domestic	8,130	7,866	3%
International	5,014	5,539	-9%
	13,144	**13,405**	**-2%**

People are Elecnor's main asset, and its overall strategy is underpinned by values such as talent, transparency and team work in conditions of the utmost safety. In this connection, occupational risk prevention is a common denominator throughout all the Group's activities. The commitment to prevention is part of our culture. And it is a commitment that goes beyond legal regulations and customers' requirements, with exacting and very clear goals: zero accidents and zero tolerance to non-compliances with the preventive measures established by the company.

At 2017 year-end, the Group's workforce had decreased by 261 (-2%) to **13,144 employees**. The reduction came in the external market, where the headcount fell by 525 due mainly to the completion of projects in Latin America and Angola. Conversely, in the domestic market, the headcount increased by 264, due mainly to Telecommunications Infrastructure and Maintenance.

9. RDI

The initiatives implemented in 2017 focused on the ongoing improvement in corporate tools and on increasing the innovation component in the projects executed. The aim is to improve Elecnor's current services, products and processes, as well as to explore new business models. Some of the initiatives undertaken in the year were:

- Implementing and consolidating a Competitive Intelligence system focused on analysing our main competitors and markets.
- Maintaining UNE 166.002 certification for the RDI Management systems of Elecnor and Audeca.
- Conducting a technical workshop with Siemens on energy storage.
- Updating the strategic lines in RDI with a view to boosting the number of innovative projects focused on improvements in construction and plant management.

The improvements scheduled for the coming year include:

- Launch of the 2018 edition of the internal call for INNOVA project proposals for financing.
- Technical workshops to be held in partnership with technological companies.
- Increasing the number of projects with customers and partners.

10. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

Between 31 December 2017 and the preparation of the Individual and Consolidated Financial Statements there were no significant events that might materially alter the true and fair view of said financial statements.

11. OUTLOOK FOR 2018

11.1. Economic context

The projections suggest that global growth will accelerate slightly in the next two years, driven mainly by growth in the US, China and the Eurozone. This growth was already seen in the last few months of the year and will be further driven by economic measures implemented in the first of those three regions. In Latin America there is also expected to be a recovery in 2018, due to the increase in global demand and higher commodity prices.

In the **United States**, higher oil prices and a weaker dollar boosted investment and more robust global demand helped exports. The recent tax reform will boost growth in 2018.

Africa is expected to see a slight improvement in growth prospects, buoyed by higher oil prices.

The **Eurozone** is expected to log moderate growth as, despite some political uncertainties being dispelled, some risks persist such as the definition of the European project and the outcome of Brexit negotiations.

In **Spain**, estimated growth will be moderate, less than that logged since the recovery began, due to the moderation of expansive monetary policy and the exhaustion of domestic demand, factors that had contributed to growth in 2017. In addition to these factors is the economic policy uncertainty stemming from the political situation in Catalonia and the upwards trend in oil prices.

11.2. Grupo Elecnor

In 2018, assuming regulatory stability in both renewables and with regard to fiscal matters, the Elecnor Group is expected to continue achieving the solid and sustained growth of the last few years. In recent years arrangements have been made that include the entry of partners in some concession projects with a view to enhancing these businesses, mitigating their inherent risks and generating resources to help boost the Group's financial position. Conversely, the lower percentage of ownership in these assets has affected the Group's consolidated attributable net profit, which was offset by the improved performance by its Infrastructure business.

Elecnor remains committed to growing in the international market, based on its current backlog therein, which require a period of maturity spanning several years. On the other hand, and with the necessary caution, the recovery in the domestic market does appear to have taken root, which should help meeting the established growth targets. Accordingly, the Group continues to pursue the ongoing improvement of its general and productive structures to adapt them to the volume of activity of its various businesses in Spain and abroad, which will enhance profitability, productivity and competitiveness in these environments.

Hence, underpinned by the solid backlog (see section 3.1.4.), in 2018 the Elecnor Group looks forward to improving on the previous year's figures in terms of both turnover and profits.

11.3. Entry into force of the new regulations

IFRS 9 Financial instruments

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. They also simplify hedge accounting and render it more flexible.

The Elecnor Group estimates that regulation will not have a significant impact on the consolidated financial statements, considering the following:

- With regard to the new criteria for classifying and measuring financial assets, the bulk of these assets will continue to be valued at amortised cost with the sole exception of derivative financial instruments, which will be measured at fair value.
- In relation to the calculation of the impairment of financial assets, the Group will apply the simplified approach, considering the expected credit losses over the asset's entire lifetime. Given the high credit quality of the Group's financial assets, the probability of default in their connection is not estimated to be material. The Group has estimated an impact in this connection of approximately EUR 5 million of higher impairment in receivables.
- Hedge accounting may be applied to financial hedges that under IAS 39 do not meet the hedge criteria: primarily the designation of risk components in non-financial items and the consideration as hedge item of a combination of derivative and an exposure that could quality as a hedge item. There is no material impact on the Group's equity in this connection.

Furthermore, IFRS 9 establishes that if a Company revises its estimated payments of a financial liability, the amount of the financial liability must be adjusted to reflect the new flows discounted at the original effective interest rate, recognising the effect on profit in the year. This is a different criterion to the one applied hitherto, whereby in financial liabilities in which the modification was not substantial the effective interest rate was modified going forward with no impact on the income statement at that time.

This modification will imply a positive impact on the Group's net equity of EUR 10-15 million, under the heading "Financial debt" in non-current liabilities and "Equity-accounted investments" in non-current assets (due to refinancing by equity-accounted companies).

IFRS 15 Revenue from Contracts with Customers

IFRST 15 "Revenue from Contracts with Customers" determines the criteria for recognising revenue from contracts with customers. This standard replaces IAS 18 "Revenue" and IAS "Construction Contracts".

The new standard establishes that revenue should be recognised as a function of the amount expected to be received from the customer when control of the good or service is transferred to the customer. The transfer of control may take place at a specific time or over a period of time. When a single contract includes more than one obligation for compliance in respect of the customer, the revenue shall be recognised based on the independent sale prices relating to the various compliance obligations.

The main change in the accounting principles which the Elecnor Group estimates will ensue form this new standard in connection with its consolidated financial statements is relative to the change in the criterion for recognising revenue resulting from changes to contracts and transactions subject to variable consideration.

In this regard, in the case of revenue from contractual modifications, IFRS 15 requires the customer's approval, a more stringent criterion than the requirements of probability and reliability in the estimate of the current standard (IAS 11 and IAS 18) and, likewise, in transactions subject to variable consideration more stringent requirements are established for recognising revenue, including high probability.

The Elecnor Group has adopted IFRSR 15 retroactively, which implies adjusting for the cumulative effect in 2018 against reserves.

The Elecnor Group has assessed the impact of this regulatory change, estimating that it will amount to a negative adjustment of approximately EUR 24 million in the Group's net equity recognised under Trade and other receivables.

12. SHARE CAPITAL AND ACQUISITION OF OWN SHARES

At 31/12/2017, the share capital of Elecnor, S.A. was represented by 87,000,000 shares, each with a par value of 10 euro cents, fully subscribed and paid in, implying a share capital of EUR 8,700,000.

Elecnor, S.A.'s shares are traded in Spain's SIBE electronic trading system, where shares in the leading Spanish companies are traded, and the market with the largest trading volume in Spain.

At 31 December 2016, Elecnor had a portfolio of 2,464,032 shares. In 2017 it acquired 275,341 securities, and sold 428,723. Accordingly, at 31 December 2017 it had a total of 2,310,650 own shares, 2.7% of all shares in the company.

13. RELATED-PARTY TRANSACTIONS

With regard to the disclosures on related party transactions, see the details in the notes to the individual and consolidated financial statements at 31 December 2017, as provided in article 15 of Royal Decree 1362/2007.

14. ANNUAL CORPORATE GOVERNANCE REPORT

In compliance with the legal stipulations and in accordance with the model circulated by the Spanish Securities Market Commission (CNMV), the Board of Directors of Elecnor, S.A. has drawn up the Annual Corporate Governance Report for the year ended 31 December 2017. Said document is available on the CNMV website.

15. NON-FINANCIAL INFORMATION

1. Introduction

Elecnor's mission is to contribute to the economic and technological progress, social welfare and sustainable development of the markets in which it operates. Accordingly, the Group seeks to consolidate its position as a highly competitive leader, in continuous growth and with an international presence. Elecnor aspires to be recognised for the quality of its team of professionals, as well as for its corporate social responsibility, commitment to customer service, and technical and financial solvency, and for values such as integrity, profitability and sustainability.

Elecnor's vision of sustainability, summed up in the slogan "We are thinking of a better world", embodied in all the actions performed by the Group. In this connection, environmental and social issues, as well as those relating to personnel, respect for human rights and combating corruption and bribery are an integral part of the company's management and strategy, as described throughout this report.

Elecnor has an Integrated Management System encompassing the following aspects: Environment, Quality, occupational risk Prevention, Energy Management and RDI management. In this regard, the company has updated its Integrated Policy to adapt it to the latest modifications to ISO standards 9001:2015 and 14001:2015. 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.

This management certificate is pivotal upon three broad criteria, on the basis of which specific commitments and action lines are established for the various spheres:

- Accurate knowledge of the nature and scale of environmental impacts, customers' requirements and risks to workers of Elecnor's activities and products.
- Strict compliance with applicable legislation and any other requirements binding upon Elecnor in the markets in which it operates.
- The improvement in competitiveness through RDI enabling it to contribute value and differentiation with respect to competitors.

The Integrated Management System Policy is available in the corporate website www.elecnor.com.

As usual since 2012, in the first quarter of 2018, the Elecnor Group will publish its Sustainability Notes, including comprehensive information regarding all the activities and the main social, economic and environmental impacts of the entire Group during 2017, as well as aspects considered relevant to its main stakeholders. Like its predecessors, this notes will be compiled in accordance with the Global Reporting Initiative quality guidelines.

2. Environmental management

A commitment to protecting and respecting the environment and fostering efficiency in consuming energy resources are the common denominator in all Elecnor's activities, and are an integral part of the organisation's values and culture.

The environmental control mechanisms currently in place at the company are based on AENOR-certified Environmental Management Systems and Energy Management Systems in accordance with ISO 14001:2004 and ISO 50001 standards. These systems contribute highly positive aspects, including the analysis and mitigation of environmental risks. This aspect is also underpinned by an Environmental Liability Insurance policy covering all the activities of Elecnor and its subsidiaries.

In 2017, Elecnor adapted the Multisite Certification of its Environmental Management Systems, while at the same time maintaining the certificates at the following subsidiaries: Audeca, Elecnor Deimos, Hidroambiente, Enerfín and Jomar Seguridad.

Furthermore, the Integrated Management System in Elecnor do Brasil was certified for Quality and Environment in the Transmission Lines and >66 Kv Substation activities, thereby broadening its existing certification in the Gas business.

During the year, Elecnor has 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 greenhouse gases emissions (GHG) caused by its activities, thereby seeking to improve its environmental and energy management.

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.

Within this framework, note that a significant portion of Elecnor's activities are aimed at protecting the environment, generating renewable energies, treating and recycling water and enhancing efficiency in the consumption of energy resources.

The Elecnor Group plays a pivotal role in attaining a low-carbon society through renewable energies, since it conducts projects in wind energy, solar PV and thermoelectric power and hydroelectric plants. Generating electricity using renewable sources avoid the emission of greenhouse gases, the main culprits of climate change.

It is estimated that the Group's wind power subsidiary, Enerfín, based on wind power production figures in 2017 (for Spain, Brazil and Canada), has prevented the emission of 515,241 tonnes of CO_2.

The fight against climate change

Climate change is a challenge in respect of which Elecnor has been working primarily in the area of mitigation, by calculating the carbon footprint in accordance with internationally accepted standards and by implementing measures to reduce GHG emissions within its scope of action.

In 2017, Elecnor conducted an analysis of climate risk that, along with the carbon footprint, will enable it to define a climate change strategy to reduce its impact, boost its resilience and tap into the potential opportunities provided by climate change, so as to grow as a Group in a sustainable manner.

To measure the climate risk facing it, Elecnor has used a methodology based on the concepts outlined in the IPCC's Fifth Assessment Report (AR5), defining climate risk or opportunity as a function of the interaction of climate threats or hazards with the vulnerability and exposure of the geographic area.

To identify vulnerability to climate change, Elecnor has analysed the climate threats affecting it and the potential impacts deriving therefrom. Climate threats refer to events deriving from climate change that may impact the Group one way or another. Examples of this are higher temperatures, heat waves, lower rates of precipitation, droughts, floods, rising sea level and others.

The analysis of opportunities linked to climate change for the Infrastructure business reveals that electricity, gas, railways, construction and telecommunications are the areas that will present the biggest climate damage, and, hence, Elecnor will see more demand for services in those areas.

Furthermore, Elecnor has a tool to calculate the carbon footprint enabling each organisation to report the data necessary to obtain greenhouse gas emissions associated with its activity. Each organisation discloses its consumption of electricity, fuels and use of cooling agents, broken down by offices, warehouses, sites and plants.

In 2015, 2016 and 2017, Elecnor obtained AENOR CO_2 Environmental certification according to ISO standard 14064-1 for its carbon footprint in 2014, 2015 and 2016, respectively.

One of the milestones in 2016 was the certified registration of Elecnor's carbon footprint in the National Register of Carbon Footprint Carbon Footprint, Carbon Offsetting and Carbon Dioxide Absorption Projects launched by the Spanish Office for Climate Change (OECC), dependent upon the Ministry of Agriculture, Food and the Environment (MAGRAMA).

At the date of this report GHG emissions data was not available. They will be detailed in the Sustainability Notes to be published by the Group in the first quarter of 2018.

Information on the 2016 Sustainability Notes

	2015	2016	Changes
Total emissions (t)	55,149	57,896	+5%
$kgCO_2e$/hour	2.59	2.49	-4%

Emissions reduction initiatives

Elecnor has a plan to reduce GHG emissions in 2017-2019. The goal of this plan is to reduce Elecnor's total GHG emissions (scopes 1 and 2) by 1% year-on-year every year in 2017-2019. Hence, the purpose of the plan is to reduce Elecnor's GHG emissions steadily, bringing hourly emissions rates down from 2.44 to 2.37 kgCO_2e/per hour.

Some of the Plan's specific measures are as follows:

Fuel control system	Improvement in fuel consumption records, by activity, team, time of year, etc.	2016 – 2017
Service route optimisation	Reduction in the number of km covered in the main routes.	2016 – 2017
Training in efficient driving	Reduction in fuel consumption per 100 km in fleet vehicles.	2016 – 2017
Bonuses for reducing fuel consumption	Reduction in fuel consumption per 100 km in fleet vehicles.	2016 – 2017
Energy Awareness and Saving Plan	Reduction of energy and paper consumption in the various centres.	2016 – 2019
System to control and regulate consumption	Automatic control and regulation of cooling, heating and lighting systems depending on working hours and the area occupied.	2016 – 2019
Optimisation of electricity consumption for lighting	Reduction in energy consumption due to more efficient systems and improving lighting practices.	2016 – 2019
Installation of anti-radiation screens	Optimisation of climate control systems.	2016 – 2019
Vehicle and machinery management	Improving propriety fleet management and thereby reducing consumption of vehicles and machinery.	2016 – 2019
Control of paper consumption	Reduction of kg of paper consumed and encouraging use of recycled paper.	2016 – 2019
Reduction of the thickness of glass in photovoltaic modules	Optimising the carbon footprint of the Atersa photovoltaic module.	2017
Energy review at conservation centre	Reduction of energy consumption through an energy audit.	2017
Fuel savings in light-signalling devices	Reducing fuel consumption in signalling and traffic control in road works.	2017
Change of fleet vehicles	Reducing fuel consumption per 100 km in fleet vehicles.	2017
Use of a new frame in photovoltaic modules	Optimising the carbon footprint of the Atersa photovoltaic module.	2017 – 2018
Use of more efficient photovoltaic cells	Optimising the carbon footprint of the Atersa photovoltaic module.	2017 – 2018
Tree planting campaign	Help boost CO_2 absorption by planting trees.	2017 – 2019

Environmental indicators

Consumption	2016	2017
Electricity (kWh)	34,644,898	40,666,077
Fuels (litres)	15,048,625	16,694,341
Water (m^3)	2,214,973	1,615,048
Normal paper (kg)	49,179	35,214
Recycled paper (kg)	38,710	47,252
Non-hazardous waste	23,845,409	39,218,605
Hazardous waste	217,450	220,360

Energy saving and efficiency initiative

In 2013, in order to obtain ISO 50001 certification its building in calle Maestro Alonso (Madrid) was included in its scope, obliging it to fulfil a series of guidelines focusing on all the possible areas of energy management (know, control and act, with measures with and without investment with profitability margins). The projects within the scope are subject to internal and external audits to analyse the results obtained, in order to achieve ongoing improvement.

Now that it is certified, we can highlight the following areas of improvement in the facilities located in Maestro Alonso:

- Introduction of measurement equipment to ascertain the performance of the various installations.
- Implementation of a system to the good management of the climate control system.
- Reform of indoor lighting installation, replacing current lighting with LEDs.
- Optimisation of tariff conditions in electricity invoicing.

In 2017, other energy saving and efficiency actions were implemented. Some of these actions implemented by Group companies as Audeca, Atersa and Enerfín are detailed below.

- Change of fleet, adding new trucks with fuel-saving technology that reduces CO_2 emissions.
- Inclusion of telematic control in new vehicles to improve the use of technology and driving habits. This programme will result in a report that will determine the energy category of each driver.
- Driver mentoring programme.
- Centralised energy purchase.
- Change from conventional lighting to LEDs in the Almussafes plant.
- In climate control, a 30 kW R-22 gas machine was replaced by a much more efficient 30 kW R-410 gas machine.
- Energy saving and awareness plan aimed at fostering responsible habits. Specifically, in 2017 energy consumption was reduced by 17% at Enerfín's Cuzco IV offices.
- Acquisition of plug-in hybrid vehicle for use in the Faro-Farelo wind farm.
- At the Osório wind farm, 66.22% of fluorescent lights were replaced with LEDs.

Renewable energy projects

Elecnor contributes to a low-carbon society through renewable energy projects. Below are some flagship projects from 2017.

Photovoltaic projects:

- Bungala 1. Australia Installed capacity: 137 MWp.
- Bungala 2. Australia Installed capacity: 137 MWp.
- Santiago Solar. Chile Installed capacity: 115 MWp.
- Uyuni and Yunchará plants. Bolivia. Installed capacity: 60 MW and 5 MW, respectively.
- MAF Parking Lot. Oman. Installed capacity: 5.9 MWp.

Thanks to the projects secured this year, it is estimated that 375,000 tonnes of CO_2 emissions have been prevented.

Wind projects:

- Larimar II. Dominican Republic Installed capacity: 50 MW.
- Teguise. Lanzarote. Installed capacity: 9.2 MW.
- Works to repower Enerfin's 16.8 MW Malpica project in Galicia.

Biomass projects:

Elecnor has secured contracts for two biomass plants in Portugal, located in Viseu and Fundao. Each will have an installed capacity of 15 MW and will be fuelled using sustainable forest biomass. Once completed, 88,400 tonnes of CO_2 emissions per year will be prevented.

Hydroelectric plant:

Elecnor is coordinating and executing the electromechanical assembly of the 2,073 MW Laúca hydroelectric plant in Angola. Once in operation, it will be the country's largest power generation plant.

Management of biodiversity and protection of the natural environment

The Elecnor Group's actions are conducted in accordance with strict environmental criteria in line with the guiding principles established in the Environmental Management Policy. Generally, Elecnor's activities do not generate significant impacts on biodiversity, except those projects implemented in protected areas in which species of flora and fauna may be affected. In these cases, the Group complies with the legislation applicable in each country where it operates. Sometimes, depending on the scale of the project, an environmental monitoring plan is executed, including periodic controls of the impacts and preventive measures taken to reduce them. There are also corrective measures or initiatives to reduce the impact linked to the project, such as plantations, biological recovery periods, nest placement, etc.

From the standpoint of preserving protected areas and conserving the natural environment, the Group operates mainly through Audeca and Elecnor Medioambiente, the organisations responsible for the Group's environmental activity. Some measures undertaken in 2017 are listed below:

- Environmental restoration of the Depósito de Cortes, in Burgos.
- Use of macrophytes and other green systems in waste water treatment plants.
- Conservation actions in Sierra de Guadarrama National Park.
- Fire fighting service using helicopter transported brigades in El Bodón.
- Actions included in LIFE+ DESMANIA. Programme for the recovery and conservation of the Pyrenean Desman (galemys pyrenaicus) and its habitat in Castilla y León and Extremadura.
- Actions to conserve the grey partridge by diversifying its habitat.
- Functional service at the centre for the recovery of wild animals in Segovia.
- Maintenance service of natural areas in Segovia and Ávila.

Furthermore, the Malpica wind farm, in Coruña, is partially located overlapping Red Natura, and in 2017 repowering work was completed, having obtained the relevant permits. Some notable actions undertaken by the wind power subsidiary, Enerfín, in works phases, are as follows:

- Noise monitoring plan: focused especially on construction works during periods of maximum activity and demolition.
- Water monitoring plan to ensure the proper operation of the water network.
- Plan to monitor birds and bats: location of nests prior to the start of works, bird population surveys, bird of prey observation platforms, nesting and breeding monitoring, bat detection, etc.
- Morphological, soil and plant restoration plan: focused on ensuring an optimum regeneration of natural plant cover.

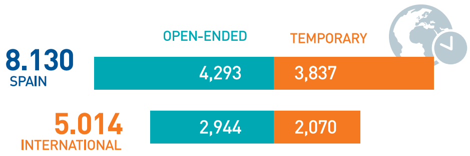
Meanwhile, the most significant impact of the Group's concessions subsidiary, Celeo, in Chile is associated with cutting, pruning and sweeping of vegetation linked to the construction of the Charrúa - Ancoa project (2x500 kV). Said impact was assessed in the environmental processing stage of the project, prior to construction. During that process, the corrective and compensatory measures to mitigate these impacts were established.

3.People management

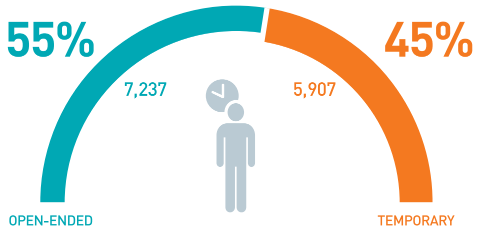
The Elecnor Group has an international, multicultural and diverse profile, and at 31 December 2017 it comprised 13,144 people, of more than 50 nationalities, enriching the organisation with a hugely valuable wealth of knowledge, approaches and culture.

In Spain, 100% of the workforce is covered by collective bargaining agreements. In the rest of countries where the Group operates, there is only comparable legislation in Argentina, Brazil, the United States, Uruguay, Jordan and Italy, and it covers our personnel in those countries.

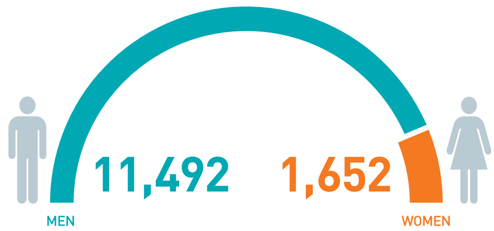
WORKFORCE BY CONTRACT TYPE AND MARKET



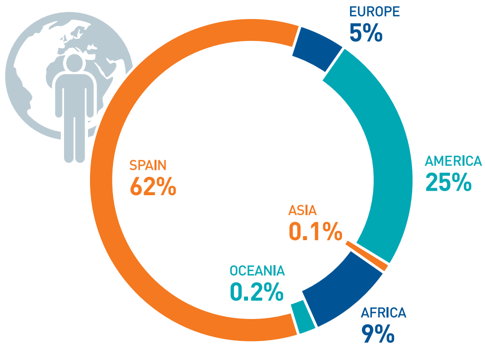
WORKFORCE BY CONTRACT TYPE



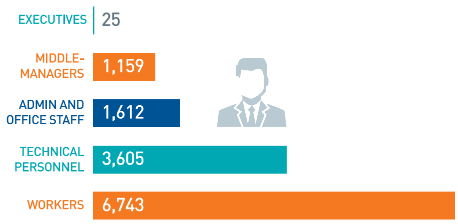
WORKFORCE BY GENDER



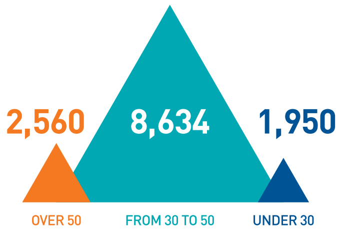
WORKFORCE BY GEOGRAPHIC AREA



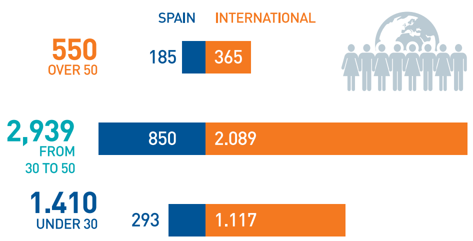
PROFESSIONAL CATEGORIES



AGE PYRAMID



NEW RECRUITS BY AGE RANGE AND MARKET



Integrated human resources management

For several years now, Elecnor has been working to develop the tools of which the integrated human resources management is comprised: selection and internal mobility, performance management, training itineraries...

In this regard, the Group has focused on Performance Management aimed at aligning performance and results with strategy, ensuring that the skills model is the "way of doing things", providing a direct communication channel between the evaluator and the person evaluated, fostering a results-oriented culture of excellence and ongoing improvement, and being an objective and rigorous information source to ensure fairness in decisions.

Moreover, the selection and internal mobility policy has been updated, the first modules of various training itineraries were launched and the "People first!" sessions were held, with the aim of conveying the essence, culture and values of the Group to new recruits.

Training indicators

The Group's commitment to training has been sustained over the years. These are the main indicators in this connection:

Training ratios	2017
Investment in training (euros)	4,731,255
Total, training hours	271,615
No. of attendees	32,697
Training hours/employee	**16.43**

Gender equality

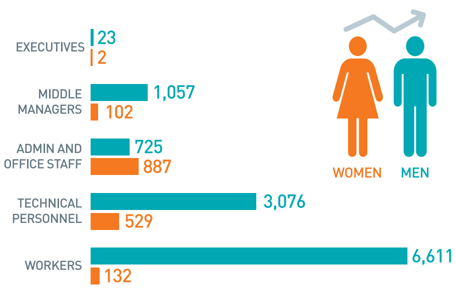
The Group's Gender Equality Plan reflects its commitment to equal opportunities for men and women and non-discrimination in its guiding principles. The commitment pivots upon eight axes: management, training, promotion, remuneration, communication, retention, work-life balance and labour and social protection.

Hence, this year the goal was to continue monitoring the targets established in the Plan and increasing the presence of women in the Group and their incorporation to positions of responsibility.

There is also an e-mail in-box **igualdad@elecnor.com** for employees to submit suggestions of any kind or to resolve conflicts, among other matters.

Lastly, note that the basic wage for each professional category is the same for men and women, exceeding the minimum wage. Likewise, there are no differences between men and women's remuneration in the various professional categories.

PROFESSIONAL CATEGORIES BY GENDER



Disability

Elecnor employs a total of 40 disabled persons. In compliance with the General Law on the Rights of Disabled People and their Social Inclusion (LGD), Elecnor, S.A. has also renewed the exceptionality certificate with which it fulfils applicable legislation through the contracting of various services worth EUR 2,189,091, exceeding the legally required amount by more than EUR 186,000.

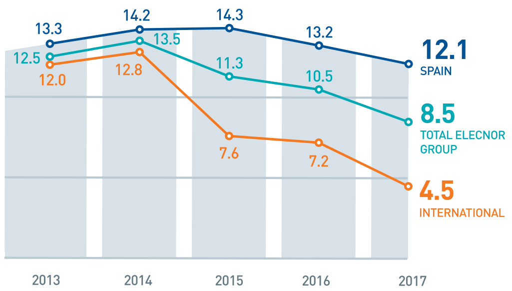
Occupational Risk Prevention. Health and Safety

In 2017, Elecnor continued to strengthen its strategies aimed at achieving its goal of "zero accidents".

From the statistical standpoint, this year the company achieved the lowest accident frequency rate in Spain since 1967, when prevention records were first compiled. Specifically, the accident frequency rate (linking the number of accidents leading to sick leave with the number of hours worked) was 12.1, vs. 13.2 in 2016. In the international market, the figure was 4.5, also a considerable improvement on 2016, when the figure was 7.2.

Accordingly, the global frequency rate for the entire Group was 8.5, the best performance since international data have been compiled.

FREQUENCY INDEX



A total of 903 internal works audits were conducted as a control measure by an Independent Internal Audit Department that enables a far-reaching analysis to be performed of safety in works sites.

Moreover, more than 52,300 safety inspections were conducted throughout the Group, as a result of which more than 21,100 corrective measures were implemented in order to improve safety conditions.

Mindful of the importance of training and awareness in this connection, the scheduled activities continued:

- 422 people took the basic course, with a total of 25,320 hours imparted.
- 3,156 people took the "Risk Factor" awareness programme, with a total of 19,413 hours imparted.
- 1,018 people completed the first cycle of the TPC (construction professional certificate), with a total of 8,144 hours imparted.
- 1,410 people completed working at heights safety training, with 11,708 hours imparted.
- 901 people took the confined spaces training, with a total of 7,668 hours imparted.
- 786 people took first aid training, with a total of 4,019 hours imparted.

As in previous years, a specific communication campaign was devised for the World Day for Safety and Health at Work to raise awareness and disseminate Elecnor's commitment in this connection.

Lastly, work is ongoing in two broad lines of action to enable further progress towards the goal of "zero accidents":

- The "Safety Excellence" programme, aimed at continually evaluating the safety situation and implementing the best tools for reducing accidents.
- The "Digital Transformation" project, focused on prevention, to improve working conditions day to day, ironing out bureaucratic duties and enabling safety experts and management to use that time to be more present at works sites, etc.

4. Ethical management

Since its launch almost 60 years ago, the Elecnor Group permanently insists that all actions should be implemented in accordance with the strictest ethical standards. The maximum exponent of this commitment is the Group's Ethical Code.

Elecnor applies a principle of zero tolerance to ethical malpractice and a lack of professional integrity and expects its employees and the persons with whom it interacts to adhere to the Code's principles, guiding rules and implementing procedures. In this regard, through the Code, the Elecnor Group and each of its employees undertakes to discharge their activities in accordance with applicable legislation in the territories and countries in which it operates, as well as to comply with and uphold human rights and respect labour rights, act in a diligent and professional manner, with integrity, quality, caring for the environment, preventing occupational risks and exercising corporate social responsibility.

The Elecnor Group's Compliance System has embodied those principles and values since the company's incorporation and strives for the ongoing improvement of its practices and management procedures with a view to strengthening its Corporate Governance.

The scope of this System covers all countries in which Elecnor and its subsidiaries and investees operate, notwithstanding the necessary adaptations in line with each country's specific characteristics.

The main elements of this System are as follows:

- Ethical Code
  - The Elecnor Group's Ethical Code expressly establishes that all employees are obliged to report any irregular practices of which they may be aware or which they may witness, and provides them with a specific Whistleblower Channel for the purposes of these communications.
  - The Compliance Management System Manual, published in the corporate Intranet, provides a comprehensive explanation of each phase of the process of responding to each communication received through this channel.

- Compliance Policy
  - Last updated in 2017.
  - This is configured as a partial development of the Ethical Code and as the axis of reference of the Compliance System.
  - It specifies the behaviours expected of Elecnor employees and the physical or legal persons with whom the company habitually relates to ensure complete compliance with the law.

- Compliance Management System Manual
  - Internal document regulating the functioning of the Compliance System and underpinning its design and structure.
  - It identifies and establishes the various responsibilities, goals and actions within the sphere of prevention, response, monitoring reporting in respect of Compliance.

- Compliance Committee
  - This is a collegial body that is organically and functionally dependent upon the Audit Committee.
  - It is tasked with the supervision, monitoring and control of the Compliance System and, in sum, of ensuring that said system works properly.
  - Specifically, among other things, it periodically reviews the various aspects of the System, responds to notifications of potential non-compliances, manages employee training in connection with Compliance, reviews the list of Crimes and Risk Behaviours and Controls, and responds to requests for information on the System filed by third parties.
  - The Audit Committee supervises the System's efficacy through its meetings with the representatives of the Compliance Committee and the approval of the Annual Compliance Notes.

- List of Crimes and Risk Behaviours and Controls
  - A structured list of the risk behaviours identified that could potentially lead to a crime being committed and/or non-compliance with the procedures, protocols or controls established for their proper prevention and management.
  - It is the basis for the review and continuous updating of the Compliance System.

- Annual Compliance Notes
  - Annual report compiled by the Compliance Committee on the System's status, actions implemented, etc.

Elecnor has set up a procedure to enable all its employees to report, confidentially, in good faith and with no fear of reprisals, any irregular conduct in connection with matters covered by the Code, the rules on which it is based, its implementing policies and procedures, or the law. The organisation's employees may also use the procedure to resolve queries or propose improvements in the internal control systems in place. In 2017, four complaints were received, all of which had been resolved and filed at the end of the year.

The main actions in the sphere of Compliance in 2017

- In early 2017, Elecnor sign the United Nations Global Compact, in recognition of the ten principles of the Global Compact in connection with Human Rights, Labour, Environment and Anti-Corruption.
- The Compliance Committee's capacities were strengthened by the addition of a new member.
- Work was ongoing to adapt the Compliance System to the requirements of ISO 37001 – "Anti-bribery Management Systems", the most modern and stringent benchmark international standard for management systems in the prevention of bribery and in compliance in general, and in 2018 Elecnor, S.A. was awarded AENOR International certification for its Anti-Bribery/Corruption Management System.
- With regard to training, in October and November the members of the Compliance Committee, with the help of external partners, have imparted a total of 12 specific in-class training sessions on Compliance to around 200 people belonging to the Group's management team. Moreover, design of the Compliance Training Plan commenced for the year 2018, in which compliance training is expected to be expanded to include a broader group.
- In November, as part of the training for new recruits to the Group, members of the Compliance Committee outlined the main elements of the Compliance System and the foremost messages, principles and values of the Group.
- Updating and publication in corporate Intranet of changes to internal regulations on the processing of requests by Joint Ventures and Consortia to better adapt the processing and management of these requests to the current environment in Compliance and Anti-corruption measures.
- Constitution of the Global Compliance Coordination Committee.
- The process continued to implement the Compliance System at the Group's various foreign subsidiaries and, in particular, in 2017 it was completed in Elecnor do Brasil and was at an advanced stage in Elecnor Chile and Enerfín do Brasil.

5. Commitment to society

The Elecnor Group is aware of the impact of its activities on people's lives and on society and, in this connection, is mindful that each project it performs contributes to the social progress of the community in which it operates. Elecnor is aware that it is part of the solution and a leader of change. Its infrastructure, energy, water, environment and space industry projects serve to tackle global challenges such as climate change, closing the energy gap and access to critical resources, such as energy and water. Moreover, through its foundation (Fundación Elecnor), it channels its corporate volunteering and investment programme in the most disadvantage countries in which it operates.

In 2017, the Foundation's actions were aimed at continuing its social infrastructure projects and implementing various training and research initiatives, as well as taking part in civil society.

Note that, during the year, work was ongoing in the following social infrastructure projects, which are outlined yearly in the Elecnor Foundation's Annual Notes.

- Luces para Aprender (Lights for Learning) Project, in Uruguay
- Sinergia (Synergy) Project, in Chile
- H2OMe Project, in Angola
- Project with Plan Internacional, in Nicaragua

In addition to the important work carried out by the Elecnor Foundation, a number of social initiatives are implemented in the communities where the Group operates, most notably those undertaken by its subsidiaries Enerfín and Celeo.

Integration and respect for the environment

In 2017, Elecnor continued to execute projects in areas adjacent to indigenous communities, areas of natural and environmental diversity and involving a variety of stakeholders. In this context, dialogue, respect and proper impact management are essential to maintain social legitimacy and ensure the success of the projects. In the year, in connection with indigenous communities we highlight various initiatives launched by Enerfín:

- As part of the activities to promote its projects in the province of Saskatchewan (Canada), meetings were held with representatives of two Native Canadian nations with potential interests in the area, involving both the respective chiefs of each Native Canadian nation and directors and economic development committees. These meetings enabled each Nation to voice their opinions on the projects, and to discuss the possibilities for collaboration with First Nations acting as potential service providers in the development, construction and operating phases, and as potential investors.

- In 2016, in Colombia Enerfín signed preliminary lease agreements with 5 indigenous communities in the La Guajira Peninsula. These preliminary agreements established social measures to improve living standards for the various communities.

For example, in the indigenous community of the Buenavista region (Manaure, Alta Guajirra and Media Guajira) it was agreed that works be performed to benefit the community based on improving the water well, commencing a pilot hydroponics and aquaculture project.

In 2017, work was ongoing to achieve these social measures.

Meanwhile, within the framework of the environmental processing of its projects, Celeo, consulted the National Corporation of Indigenous Peoples (Corporación Nacional de Indígenas), and was informed that none of the projects implemented in 2017 either affect or are located within the catchment area of any indigenous community.

6. Diversity in Governing Bodies

Among Elecnor's core values is equality of opportunities and it seeks to avoid any implicit bias hampering the designation of female Directors. However, with regard to the deliberate search for women Directors, it considers that Directors should be appointed on merit, based on objective factors such as their experience and professional skills, all in accordance with a policy of gender equality, and without prioritising either gender in relation to selection criteria.

Board of Directors	Number	Total % of the Board
Executive directors	1	7.14%
Proprietary Directors	10	71.44%
Independent Directors	2	14.28%
External Directors	1	7.14%
Female Directors	1	7.14%

ECONOMIC PROFILE OF ELECNOR, S.A. 2017

Elecnor, S.A.

BALANCES SHEETS

At 31 december 2017

(Thousands of euros)

ASSETS	2017	2016
NON CURRENT ASSETS	**1,026,229**	**1,013,775**
Intangible Assets	**3,593**	**2,466**
Administrative Concessions	41	43
Goodwill	825	928
Software	2,727	1,474
Other intangible assets	-	21
Property, Plant and Equipment	**55,177**	**49,472**
Land and buildings	18,789	17,751
Plants and other Items fo Property, Plant and Equipment	36,388	31,721
Investments in group companies and associates	**922,556**	**935,238**
Equity instruments	887,477	895,248
Loans to companies	35,079	39,990
Non current financial investments	**4,072**	**2,862**
Loans to third parties	12	18
Financial Derivatives	1,036	523
Other financial assets	3,024	2,321
Deferred tax assets	**40,831**	**23,737**
CURRENT ASSETS	**800,189**	**858,675**
Non-current assets held for sale	**131**	**9,348**
Inventories	**23,842**	**15,257**
Raw materials and other supplies	3,025	4,048
Short cycle finished goods	1,324	978
Advances to suppliers	19,493	10,231
Trade and other receivables	**661,201**	**720,137**
Trade receivables	588,893	647,348
Receivable from group companies and associates	46,616	51,543
Other receivables	5,188	5,071
Personnel	33	32
Current income tax assets	5,295	6,640
Other receivables from Public Administrations	15,176	9,503
Investments in Group companies and associates	**45,203**	**38,643**
Loans to companies	42,936	32,384
Other financial assets	2,267	6,259
Current financial investments	**5,901**	**1,323**
Financial Derivatives	563	76
Other financial assets	5,338	1,247
Accruals	**674**	**377**
Cash and cash equivalents	**63,237**	**73,590**
Cash	62,549	70,604
Cash equivalents	688	2,986
TOTAL ASSETS	**1,826,418**	**1,872,450**

The accompanying notes form an integral part of the annual accounts

EQUITY AND LIABILITIES	2017	2016
EQUITY	**570,050**	**537,585**
OWN FUNDS	**573,849**	**547,685**
CAPITAL AND RESERVES-		
Share Capital	**8,700**	**8,700**
Issued Capital	8,700	8,700
Reserves	**542,484**	**529,626**
Legal and statutory reserves	1,743	1,743
Other reserves	540,741	527,883
Treasury shares and equity investments	**(21,232)**	**(21,989)**
Profit / loss of the year	**48,508**	**35,829**
Interim dividend	**(4,611)**	**(4,481)**
UNREALISED ASSET AND LIABILITY REVALUATION RESERVE-		
Hedging instruments	**(3,799)**	**(10,100)**
NON CURRENT LIABILITIES	**373,326**	**313,081**
Borrowings	**369,611**	**307,191**
Bank borrowings	357,726	292,056
Obligations under finance leases	5,233	5,644
Derivates	6,652	9,491
Borrowings from group companies and associates	**-**	**2,000**
Deferred tax liabilities	**3,715**	**3,890**
CURRENT LIABILITIES	**883,042**	**1,021,784**
Short-term provisions	**44,529**	**26,267**
Borrowing	**126,351**	**90,554**
Obligations and other securities	99,423	72,628
Bank borrowings	21,419	7,243
Obligations under finance leases	394	373
Derivates	1	4,563
Other financial liabilities	5,114	5,747
Borrowings from group companies and associates	**17,771**	**7,325**
Trade and other payables	**692,812**	**897,161**
Suppliers	298,958	307,564
Suppliers group companies and associates	6,173	3,383
Other payables	33,796	31,102
Employee benefits payable	20,497	25,005
Current tax liabilities	-	1,319
Other payables to Public Administrations	41,481	32,774
Customer advances	291,907	496,014
Accruals	1,579	477
TOTAL EQUITY AND LIABILITIES	**1,826,418**	**1,872,450**

The accompanying notes form an integral part of the annual accounts

Elecnor, S.A.

INCOME STATEMENTS

At 31 december 2017

(Thousands of euros)

	2017	2016
CONTINUING OPERATIONS		
Net turnover	**1,373,615**	**1,184,245**
Revenues	1,373,615	1,184,245
Changes in inventories of finished goods	**346**	**(382)**
Work performed by the entity and capitalised	**2,409**	**1,706**
Supplies	**(732,287)**	**(635,594)**
Consumption of raw materials and other consumables	(283,919)	(277,747)
Work performed by third parties	(448,368)	(357,847)
Other operating income	**5,995**	**6,451**
Ancillary income	5,367	5,603
Grants related to income	628	848
Personnel expenses	**(377,371)**	**(341,487)**
Wages, salaries and other	(295,865)	(269,387)
Social security costs	(81,506)	(72,100)
Other operating expenses	**(200,746)**	**(162,606)**
External services	(170,757)	(154,255)
Taxes	(5,691)	(12,832)
Losses on, impairment of and change in trade provisions	(21,888)	6,616
Other operating expenses	(2,410)	(2,135)
Depreciation and amortisation	**(6,790)**	**(5,840)**
Impairment losses and gains/losses on disposal of non current assets	**(63)**	**(317)**
Gains/losses on disposals and other gains and losses	(63)	(317)
OPERATING PROFIT	**65,108**	**46,176**
Finance revenues	**40,438**	**30,392**
From equity investments		
- In group companies and associates	26,272	20,783
From trade securities and other equity instruments		
- In group companies and associates	2,954	3,826
- In third parties	11,212	5,783
Finance costs	**(13,955)**	**(15,043)**
Borrowings from group companies and associates	(231)	(269)
Third-party borrowings	(13,724)	(14,774)
Exchange differences	**(39,722)**	**1,433**
Impairment losses and gains/losses on disposal of financial instruments	**1,382**	**(13,409)**
Impairment and losses	(1,635)	(13,409)
Gains/losses on disposal and others	3,017	
FINANCIAL GAINS	**(11,857)**	**3,373**
PROFIT BEFORE TAX	**53,251**	**49,549**
Income tax	(4,743)	(13,720)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**48,508**	**35,829**
PROFIT FOR THE YEAR	**48,508**	**35,829**

The accompanying notes form an integral part of the annual accounts

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