



# Acciona Financiación Filiales, S.A. (Sociedad Unipersonal)

Annual Accounts

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)



KPMG Auditores, S.L.  
Pº. de la Castellana, 259 C  
28046 Madrid

## **Independent Auditor's Report on the Annual Accounts**

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

To the Sole Shareholder of Acciona Financiación Filiales, S.A. (Sociedad Unipersonal)

### **Opinion**

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We have audited the annual accounts of Acciona Financiación Filiales, S.A. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

### **Basis for Opinion**

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We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



## Key Audit Matters

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

### **Non-current and current loans and credit extended to Group companies and associates: Euros 5,116,298 thousand**

See notes 4.1, 5, 12 and 14 to the annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>The Company has extended loans and credit to related companies, recognising them in the balance sheet under non-current and current investments in Group companies and associates, amounting to Euros 3,409 million and Euros 1,707 million, respectively.</p> <p>In accordance with the applicable financial reporting framework, at each reporting date, management and the Directors evaluate whether there are objective indications that financial assets may be impaired. A financial asset is impaired when the carrying amount exceeds the recoverable amount, a circumstance that requires the recognition of an impairment loss and the respective valuation adjustment.</p> <p>As mentioned in notes 5.2 and 14 to the annual accounts, the Company extended a Euros 138 million loan to ATLL Sociedad Concesionaria de la Generalitat de Catalunya, S.A., a related company that forms part of the same group as the Company. This loan falls due in April 2019 and the outstanding balance at 31 December 2017 is Euros 126 million.</p> <p>On 21 and 28 February 2018, the Spanish Supreme Court ruled on the pending appeals regarding the concession awarded to this company, confirming the cancellation of the award of the concession. As a result, the concession agreement was declared null and void, entering into liquidation, and the government must pay compensation in accordance with the Public Sector Contracts Law. Nevertheless, ATLL Sociedad Concesionaria de la Generalitat de Catalunya, S.A. is obliged to continue to provide the concession service until formally replaced by the Generalitat itself or by another operator awarded the concession in another tender process.</p> <p>Based on their best assessment to date, the Company's Directors consider that cancellation of the contract for the service provided by ATLL</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Evaluating the design and implementation of the key controls associated with the process of identifying indications of impairment and the valuation of loans extended to Group companies and associates;</li><li>• Analysing the indications, identified by the Company, of impairment of the investments;</li><li>• Together with our legal specialists, we evaluated the reasonableness of the assumptions and estimates made by management and the Directors and, where appropriate, the Company's external legal counsel, regarding the situation and possible consequences for the Company of the legal proceedings involving ATLL Sociedad Concesionaria de la Generalitat de Catalunya, S.A.</li><li>• We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.</li></ul>



**Non-current and current loans and credit extended to Group companies and associates: Euros 5,116,298 thousand**  
See notes 4.1, 5, 12 and 14 to the annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>Sociedad Concesionaria de la Generalitat de Catalunya, S.A. and subsequent liquidation will not change the recoverable amount of the loan. Consequently, no provision has been recognised at 31 December 2017.</p> <p>Due to the significance for the Company of receivables from Group companies and associates, and because determining the recoverable amount requires the use of assumptions and estimates regarding future cash flows, and also due to the uncertainty inherent in the aforementioned court ruling, all of which could give rise to significant differences with respect to the amounts recognised by the Company at the reporting date, this has been considered a key audit matter.</p>	

### **Other Information: Directors' Report**

Other information solely comprises the 2017 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the Company obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.



## **Directors' Responsibility for the Annual Accounts**

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The Directors of the Company are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Annual Accounts**

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Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Directors.
- Conclude on the appropriateness of the Company Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

From the matters communicated to the Directors of Acciona Financiación Filiales, S.A., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

KPMG Auditores, S.L.  
On the Spanish Official Register of  
Auditors ("ROAC") with No. S0702

*(Signed on the original in Spanish)*

Borja Guinea López  
On the Spanish Official Register of Auditors ("ROAC") with number 16210

2 March 2018

**ACCIONA FINANCIACIÓN FILIALES, S.A.**  
**Sole-Shareholder Company**

**ANNUAL FINANCIAL STATEMENTS FOR  
FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**  
**BALANCE SHEET AT 31 DECEMBER 2017 & 2016**  
(Thousand euros)

ASSETS	Notes	31/12/2017	31/12/2016	EQUITY AND LIABILITIES	Notes	31/12/2017	31/12/2016
<b>NON-CURRENT ASSETS</b>		<b>3,478,662</b>	<b>3,030,196</b>	<b>EQUITY</b>		<b>533,673</b>	<b>458,975</b>
<b>Long-term investments in Group companies &amp; associates</b>		<b>3,476,665</b>	<b>3,020,431</b>	<b>CAPITAL AND RESERVES</b>	<b>Note 6</b>	<b>534,107</b>	<b>457,293</b>
Shareholding in Group companies & associates	Notes 5.1. & 12.2	67,512	21,144	<b>Capital</b>		<b>82,413</b>	<b>82,413</b>
Loans and credits to companies	Note 5.2	3,409,153	2,999,287	<b>Issue premium</b>		<b>329,413</b>	<b>329,413</b>
<b>Long-term financial investments</b>	Note 5.4	--	<b>7,811</b>	<b>Reserves</b>		<b>45,467</b>	<b>3,084</b>
<b>Deferred tax assets</b>	Note 9.3	<b>1,997</b>	<b>1,954</b>	Legal and statutory		4,250	12
				Other reserves		41,217	3,072
				<b>Year's profit / (loss)</b>		<b>76,814</b>	<b>42,383</b>
				<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>		<b>(434)</b>	<b>1,682</b>
				<b>NON-CURRENT LIABILITIES</b>		<b>3,115,414</b>	<b>2,790,545</b>
				<b>Long-term payables</b>	<b>Note 7.1</b>	<b>3,105,893</b>	<b>2,780,221</b>
				Other negotiable securities		418,294	62,200
				Bank borrowings		2,687,599	2,718,021
				<b>Payables to Group companies and associates</b>	Notes 7.1 & 12.2	<b>7,669</b>	<b>7,811</b>
				<b>Deferred tax liabilities</b>	Note 9.3	<b>1,852</b>	<b>2,513</b>
<b>CURRENT ASSETS</b>		<b>1,740,183</b>	<b>1,581,105</b>	<b>CURRENT LIABILITIES</b>		<b>1,569,758</b>	<b>1,361,781</b>
<b>Short-term investments in Group companies &amp; associates</b>		<b>1,707,145</b>	<b>1,539,583</b>	<b>Short-term payables</b>	<b>Note 7.2</b>	<b>1,000,170</b>	<b>793,284</b>
Loans and credits to companies & associates	Note 5.3	1,707,145	1,534,379	Debentures and other negotiable securities		611,704	444,559
Other credits to Group companies		--	5,204	Bank borrowings		388,466	348,725
<b>Short-term financial investments</b>	Note 5.3	<b>17,198</b>	<b>22,119</b>	<b>Short-term payables to Group companies and associates</b>	Notes 7.2 & 12.2	<b>569,566</b>	<b>568,323</b>
Derivatives	Note 5.4	8,225	2,731	<b>Trade and other accounts payable</b>		<b>22</b>	<b>174</b>
Other short-term financial assets	Note 5.5	8,973	19,388	Other payables		22	174
<b>Cash and other cash equivalents</b>	Note 5.6	<b>15,840</b>	<b>19,403</b>				
Cash & banks		15,840	19,403				
<b>TOTAL ASSETS</b>		<b>5,218,845</b>	<b>4,611,301</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,218,845</b>	<b>4,611,301</b>

Notes 1 to 14 to the accompanying financial statements are an integral part of the balance sheet for financial year 2017.



**ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**  
**INCOME STATEMENT**  
**FINANCIAL YEAR 2017 & 2016**  
(Thousand euros)

	Notes	FY 2017	FY 2016
<b>Net turnover</b>	<b>Notes 11 &amp; 12.1</b>	<b>214,659</b>	<b>135,922</b>
Provision of services		202	114
Financial income from interest on credits Group companies and associates		214,457	135,808
<b>Other operating expenses</b>		<b>(507)</b>	<b>(612)</b>
External services		(507)	(612)
<b>OPERATING PROFIT/(LOSS)</b>		<b>214,152</b>	<b>135,310</b>
<b>Financial income</b>	<b>Note 12.1</b>	--	<b>1,040</b>
From negotiable securities and other financial instruments		--	1,040
Group companies and associates		--	--
Third parties		--	<b>1,040</b>
<b>Finance costs</b>	<b>Note 12.1</b>	<b>(110,710)</b>	<b>(79,713)</b>
For payables to Group companies		(5,535)	(5,823)
For payables to third parties		(105,175)	(73,890)
<b>Change in fair value of financial instruments</b>	<b>Note 5.5</b>	<b>971</b>	<b>81</b>
<b>Translation differences</b>		<b>1,951</b>	<b>(361)</b>
<b>Impairment investments</b>		<b>(3,361)</b>	--
<b>FINANCIAL PROFIT/(LOSS)</b>		<b>(111,149)</b>	<b>(78,953)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>103,003</b>	<b>56,357</b>
Tax on profit	<b>Note 9.1</b>	(26,189)	(13,974)
<b>YEAR'S PROFIT/(LOSS)</b>		<b>76,814</b>	<b>42,383</b>

Notes 1 to 14 to the accompanying financial statements are an integral part of the income statement for financial year 2017.

**ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**  
**STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR 2017 & 2016**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES**  
(Thousand euros)

	<b>FY 2017</b>	<b>FY 2016</b>
<b>RESULTS OF INCOME STATEMENT (I)</b>	<b>76,814</b>	<b>42,383</b>
<b>Income and expenses directly recognised in equity</b>		
- For cash flow hedge	(580)	2,241
- Tax effect	146	(559)
<b>TOTAL INCOME AND EXPENSES DIRECTLY RECOGNISED IN EQUITY (II)</b>	<b>(434)</b>	<b>1,682</b>
<b>Transfers to income statement</b>		
- For cash flow hedge	(2,241)	--
- Tax effect	559	--
<b>TOTAL TRANSFERS TO INCOME STATEMENT (III)</b>	<b>(1,682)</b>	<b>--</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES (I+II+III)</b>	<b>74,698</b>	<b>44,065</b>

Notes 1 to 14 to the financial statements are an integral part of the statement of recognised income and expenses for financial year 2017.

**ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**  
**STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR 2017 & 2016**

**B) COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY**  
(Thousand euros)

	Notes	Capital	Issue Premium	Reserves	Year's profit/ (loss)	Adjustments for changes in value	TOTAL
<b>Balance at 1 January 2016</b>		<b>60</b>	<b>--</b>	<b>42</b>	<b>3,042</b>	<b>--</b>	<b>3,144</b>
<b>Total recognised income and expenses</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>42,383</b>	<b>1,682</b>	<b>44,065</b>
<b>Operations with shareholders</b>		<b>82,353</b>	<b>329,413</b>	<b>3,042</b>	<b>(3,042)</b>	<b>--</b>	<b>411,766</b>
- Capital increase		82,353	329,413	--	--	--	411,766
- Application of results		--	--	3,042	(3,042)	--	--
<b>Balance at 31 December 2016</b>		<b>82,413</b>	<b>329,413</b>	<b>3,084</b>	<b>42,383</b>	<b>1,682</b>	<b>458,975</b>
<b>Total recognised income and expenses</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>76,814</b>	<b>(2,116)</b>	<b>74,698</b>
<b>Operations with shareholders</b>		<b>--</b>	<b>--</b>	<b>42,383</b>	<b>(42,383)</b>	<b>--</b>	<b>--</b>
- Application of results	Note 3	--	--	42,383	(42,383)	--	--
<b>Balance at 31 December 2017</b>		<b>82,413</b>	<b>329,413</b>	<b>45,467</b>	<b>76,814</b>	<b>(434)</b>	<b>533,673</b>

Notes 1 to 14 to the financial statements are an integral part of the comprehensive statement of changes in equity

for financial year 2017.

**ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**  
**STATEMENT OF CASH FLOWS FOR FINANCIAL YEARS 2017 & 2016**  
(Thousand euros)

	<b>FY 2017</b>	<b>FY 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>95,133</b>	<b>28,105</b>
<b>Profit/(loss) before tax</b>	<b>103,003</b>	<b>56,357</b>
<b>Adjustments:</b>	<b>(102,539)</b>	<b>(56,773)</b>
Other adjustments to profit/(loss) (net)	(102,539)	(56,773)
Change in provisions	3,361	--
Financial income	(214,659)	(136,848)
Finance costs	110,710	79,713
Translation differences	(1,951)	361
<b>Changes in current and non-current capital</b>	<b>6,382</b>	<b>(918)</b>
<b>Other cash flows from operating activities:</b>	<b>88,287</b>	<b>29,440</b>
Interest paid	(98,153)	(62,781)
Interest received	204,227	105,636
Collections/(payments) for tax on profit	(17,787)	(13,415)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(437,031)</b>	<b>(3,148,541)</b>
<b>Payments for investments:</b>	<b>(437,031)</b>	<b>(3,169,994)</b>
Group companies, associates and business units	(437,031)	(3,169,994)
<b>Receipts from disinvestments:</b>	<b>--</b>	<b>21,453</b>
Group companies, associates and business units	--	21,453
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>	<b>338,335</b>	<b>2,866,969</b>
<b>Receipts and (payments) from equity instruments:</b>	<b>--</b>	<b>411,766</b>
Issue of equity instruments	--	411,766
<b>Receipts and (payments) from financial liability instruments:</b>	<b>338,335</b>	<b>2,455,203</b>
- Issue of debentures & other negotiable securities	866,064	630,255
- Redemption of debentures & other negotiable securities	(343,725)	(161,342)
- Issue of bank borrowings	1,506,092	3,294,707
- Repayment and amortisation of bank borrowings	(1,434,967)	(1,042,815)
- Issue of loans with Group companies and associates	453,882	473,767
- Repayment and amortisation of loans with Group companies and Associates	(709,011)	(739,368)
<b>NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS</b>	<b>(3,563)</b>	<b>(253,467)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>19,403</b>	<b>272,870</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR'S END</b>	<b>15,840</b>	<b>19,403</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR'S END</b>		
Cash and banks	15,840	19,403
Other financial assets	--	--
<b>TOTAL CASH AND CASH EQUIVALENTS AT YEAR'S END</b>	<b>15,840</b>	<b>19,403</b>

Notes 1 to 14 to the financial statements are an integral part of the statement of cash flows for financial year 2017.

# **ACCIONA FINANCIACIÓN FILIALES, S.A. (Sole-Shareholder Company)**

## **NOTES TO FINANCIAL STATEMENTS FOR FY 2017**

### **1. Activity**

Acciona Financiación Filiales, S.A. (hereinafter the Company) was established in Madrid on 23 May 2014, pursuant to deed executed before Notary Public Manuel Rodríguez Marín. The registered office is located in Alcobendas (Madrid), Avenida de Europa 18. The Company is registered under the Spanish Classification for Business Activities (*CNAE*) with code number 6499.

Based on its corporate purpose, the activity of the Company is the following:

- To manage, optimise and channel the monetary resources and take care of the cash needs of the Sole Shareholder ACCIONA. S.A. and of the companies of its group in accordance with the provisions of article 42 of the Code of Commerce.
- To manage and make collections and payments on account of all the companies referred to in the paragraph above.

The activities listed above may also be developed by the Company, in whole or in part, directly or indirectly, through the holding of shares and ownership interests in companies with the same or similar corporate purpose, both in Spain and abroad (see Note 5.1.).

Any activities for the development of which the law establishes special or minimum capital requirements that are not met by the Company are excluded from the corporate purpose.

If, for the development of any activity as included in the corporate purpose, the law requires professional qualifications or administrative authorisation or registration on a Public Register, the activity in question may not be carried out unless the administrative requirements in question have been fulfilled and, if mandatory, such activity must be carried out only by the person that holds the required professional qualifications, and the corporate purpose will then be limited to brokering or coordination in respect of such provisions.

The Company is part of the “Other Business” Division of the Acciona Group, whose Parent is Acciona, S.A., with registered office at Avenida de Europa 18, Alcobendas (Madrid). The Consolidated Annual Financial Statements of the Acciona Group for financial year 2017 were drawn up by the Directors of Acciona, S.A. at a meeting of the Board of Directors held on 26 February 2018.

The sole shareholder of the Company is ACCIONA, S.A., so it is a sole-shareholder company to any and all effects provided for by the regulations for the time being in force.

### **2. Bases of presentation of annual accounts**

#### **2.1. Financial reporting standards framework applicable to the Company**

These annual financial statements were prepared by the Board of Directors in accordance with the financial reporting standards framework applicable to the Company, which is as established in:

- a) The Code of Commerce and any other mercantile legislation.

- b) General Accounting Plan as approved by Royal Decree 1514/2007.
- c) The mandatory standards approved by Instituto de Contabilidad y Auditoría de Cuentas (Spanish Accounting and Accounts Audit Institute) within the development of the General Accounting Plan and its supplementary regulations.
- d) Any other Spanish accounting regulations as applicable.

## **2.2. True and fair view**

The annual financial statements for 2017 stated in thousand euros, the functional currency of the Company, were obtained from the accounting records of the Company and they are presented in accordance with the financial reporting standards framework applicable to the Company and specifically with the principles and criteria contained therein so as to show a true and fair view of the equity, financial position and results of the Company for financial year 2017. These annual accounts, as prepared by the Directors of the Company, will be submitted to the Sole Shareholder, for approval; and it is believed that they will be approved as they stand. In addition, the 2016 financial statements were approved by the Sole Shareholder on 30 June 2017.

## **2.3. Non-mandatory accounting principles applied**

Only mandatory accounting principles in force at the date of preparation of these annual accounts were applied. Additionally, the Directors prepared these annual accounts taking into account all the mandatory accounting principles and standards that are applicable and with a significant impact on said annual financial statements. All mandatory accounting principles were applied.

## **2.4. Comparison of information**

The information contained in these notes referred to financial year 2017 is disclosed, for comparative purposes, with the information on financial year 2016.

For comparative purposes, the cash-pooling that is considered to have a due date greater than a year has been reclassified under the long term “Loans and credits to Group companies and associates” for financial year 2016.

After the start of activity of the company Acciona Financiación Filiales Chile, S.p.a. in 2016 (see Note 5.1), the Company has become a holding company. In this respect, since then and following the provisions of BOICAC 79, Consultation 2, the Company proceeded to disclose financial revenue arising from the financing granted to the Acciona Group companies, the Company’ Group, in “Net turnover” on the accompanying income statement.

## **2.5 Main estimates included in the annual accounts**

For the preparation of these annual accounts, estimates were made by the Directors of the Company to measure some of the assets, liabilities, income, expenses and obligations appearing recorded therein. Basically, these estimates refer to:

- Assessment of losses due to impairment of financial assets (see Note 4.1).
- The fair value of certain financial instruments (see Note 4.1).
- Estimate of provisions (see Note 4.4).
- Tax results to be declared to the tax authorities in future, which served to record the different amounts related to corporate tax on these annual financial statements (see Note 4.2).

These estimates were made on the basis of the best information available at the close of 2017. However, it may so happen that future events will make it necessary to change them (upwards or downwards) in the next few years. If so, it would be done prospectively.

## 2.6. Grouping of items

Certain items on the balance sheet, the income statement, the statement of changes in equity and the statement of changes in equity were grouped together to facilitate their understanding but, to the extent that it was significant, separate information was included in these Notes.

## 2.7. Changes in estimates, accounting criteria and correction of errors

In 2017 no significant changes took place in accounting criteria in respect of those applied in 2016.

When these annual financial statements for 2017 were prepared, no material error was found that led to restatement of the amounts included in the annual accounts for financial year 2016.

## 3. Application of results

The proposed application of the results of financial year 2017 that the Board of Directors will submit to the Sole Shareholder for approval is the following (in euros):

<b>Distribution base</b>	<b>2017</b>	<b>2016</b>
Gains and losses	76,813,796.60	42,382,975.72
<b>Distribution</b>		
To legal reserve	7,681,379.66	4,238,297.57
To voluntary reserve	69,132,416.94	38,144,678.15
<b>Total</b>	<b>76,813,796.60</b>	<b>42,382,975.72</b>

## 4. Recognition and measurement standards

The main recognition and measurement standards applied by the Company to the preparation of its annual financial statements, in accordance with those established by the standards framework indicated in Note 2.1, were the following:

### 4.1. Financial instruments

#### Financial assets

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

- a) Loans and receivables: Financial assets from the provision of services on business trade operations, or those that, although not originated in trade operations, are not equity instruments or derivatives, and in respect of which the amounts to receive are specific or can be quantified, and they are not traded on an active market. This category is comprised practically in its entirety of the assets recorded in “Loans and credits to Group companies and associates” under current and non-current assets.
- b) Investments in the equity of group companies, jointly-controlled entities and associates: group companies are the companies related to the Company through a control relationship, and associates the companies where the Company holds significant influence. Additionally, the jointly-controlled entities category includes companies where, under an agreement, control is held jointly with one or more members.

- c) Other financial assets at fair value with changes in the income statement: This category includes the financial assets so designated by the Company at the time of initial recognition, because such designation eliminates or reduces significantly accounting asymmetry, or such assets make up a group the performance of which is assessed, by the Company Management, on the basis of fair value and according to a established and documented strategy.

Initial measurement:

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

In the case of investments in the equity of Group companies that give control over the subsidiary, the fees paid to legal advisers or other professionals in relation to the acquisition of the investment are directly recognised on the income statement.

Subsequent measurement:

- a) Loan and accounts receivable are measured at their amortised cost.
- b) Financial assets at fair value with changes in the income statement are measured at their fair value, and the result of the changes in said fair value are recorded in the income statement.
- c) Investments in the equity of group companies, jointly-controlled entities and associates are measured at their cost, reduced, if appropriate, by the accrued amount of impairment value adjustments. These adjustments are estimated as the difference between their carrying amount and their recoverable amount. The recoverable amount is their fair value less the sale costs or the current value of the future cash flows derived from the investment, whichever is the higher. Unless there is better evidence of the recoverable amount, the investee's net equity at the end of the financial year is taken into consideration, as adjusted by the tacit gains present at the date of measurement (including goodwill, if any).

At least at the close of the financial year the Company analyses the recoverability of its financial assets not recorded at fair value. It is considered that there is objective evidence of impairment if the recoverable value of the financial asset is lower than its carrying amount. When this is the case, this impairment is recorded on the income statement.

The Company writes off financial assets when they mature or the rights over the related cash flows are transferred and the risks and benefits attached to their ownership have been substantially transferred.

Otherwise, the Company does not write off financial assets, and recognises financial liabilities in an amount equivalent to the consideration received, in transfers of financial assets where the risks and benefits attached to their ownership are retained.

#### Financial liabilities

Financial liabilities are the Company's debits and accounts payable arising from the purchase of goods and services in the course of the Company's trade operations, or those that while they may not have originated in trade, may not be considered derivative financial instruments.

They are initially measured at the fair value of the consideration received, adjusted by any directly attributable transaction costs. Subsequently, these liabilities are measured at their amortised cost.

The Company writes off financial liabilities when the obligations that created them expire.



### Equity instruments

An equity instrument represents a residual investment in the Company's equity after all related liabilities are deducted.

Capital instruments issued by the Company are recognised in equity at the amount received, net of any cost to issue them.

### Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. These risks arise from fluctuations in interest rates and exchange rates. Within the framework of such operations, the Company engages cash flow hedge financial instruments. The Company does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the policies and guidelines established by the Company Management.

For these financial instruments to be classified as hedge accounting, they are initially designated as such by documenting the hedging relationship. In addition, the Company verifies initially and periodically throughout their life (at least at the close of every accounting period) that the hedge relationship is effective, that is, it can be prospectively expected that the changes in fair value or in the cash flows of the hedged item (attributable to the hedged risk) will be almost completely offset by those of the hedge instrument and that, retrospectively, the hedge results will have ranged from 80% to 125% in respect of the hedged item.

The Company discloses only "cash flow hedges". For this type of hedges, the portion of gain or loss of the hedge instrument designated as effective hedge is temporarily recognised in equity, and it is reflected on the income statement in the same period in which the hedged element affects results, unless the hedge relates to a projected transaction that finishes with recognition of a non-financial asset or liability, in which case the amounts recorded in equity will be included in the cost of the asset or liability when it is acquired or assumed.

Hedge accounting ceases when the hedge instrument matures or is sold, has expired or has been exercised, or has stopped fulfilling the criteria for hedge accounting. Then, any accumulated profit or loss related to the hedge instrument recognised in equity is held in equity until the projected operation takes place. When the hedged operation is not expected to occur, the net accumulated profit or loss recognised in equity is transferred to the net results for the period.

## **4.2. Tax on profit**

Profit tax expense or income comprises the portion that relates to current tax expense or income and the portion that relates to deferred tax expense or income.

Current tax is the amount that the Company pays as a result of the tax settlements for tax on profit for a given financial year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carry-forwards from previous financial years effectively applied in the current financial year, result in lower current tax.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences which are identified as the amounts that are expected to be payable or recoverable and which arise from the differences between the carrying amounts of assets and liabilities and their fiscal value, and the negative tax bases pending carry-forward and credits for tax deductions that have not been fiscally applied. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled, to the temporary difference or credit in question.

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

Deferred tax assets, however, are only recognised to the extent that it is considered likely that the Company will have future tax gains against which the deferred tax assets can be applied.

Deferred tax assets and liabilities for operations debited or credited directly in equity accounts are also booked with a balancing entry in net equity.

At the close of every accounting period, recognised deferred tax assets are reassessed and the appropriate adjustments are applied thereto to the extent that there are doubts as to their future recoverability. Similarly, deferred tax assets not recognised on the balance sheet are reassessed at the end of each accounting period and are recognised to the extent that they are likely to be recovered through future tax gains.

Acciona Financiación Filiales, S.A. is allowed by the competent authorities to use the fiscal consolidation system for Corporate Tax, and it is part of the fiscal consolidation Group whose parent is Acciona, S.A., under group number 30/96.

#### **4.3. Income and expenses**

Income and expenses are recognised following the accrual principle, that is, when the actual flow of goods and services represented by income and expenses takes place, regardless of the time when the cash or financial flow arising therefrom occurs. Income is measured at the fair value of the consideration received, with any discounts and taxes being deducted.

Interest received from financial assets is recognised by applying the effective interest rate method. In any event, interest from financial assets as accrued after the time of acquisition are recognised as income on the income statement.

#### **4.4. Provisions and contingencies**

When preparing the annual financial statements, the Directors of the Company distinguish between:

- a) Provisions: Balances payable covering present obligations arising from past events, the cancellation of which is likely to give rise to an outflow of resources, but which are undetermined as regards the cancellation amount and/or timing.
- b) Contingent Liabilities: Possible obligations that arise from past events, the future materialisation of which is conditional to the occurrence or non-occurrence of one or more future events beyond the Company's control.

The annual financial statements contain all the provisions for which it is estimated that the probability of having to satisfy the obligation is higher than otherwise. Unless they are considered remote, contingent liabilities are not recognised on the balance sheet, but information is provided about them in the Notes.

Provisions are measured at the current value of the best possible estimate of the amount required to cancel or transfer the obligation, taking into account the available information about the event and its consequences, and recording any adjustments that arise due to the updating of these provisions as financial expense on an accrual basis.

The compensation to be received from a third party at the time of settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, except in the case of there being a legal connection whereby part of the risk has been externalised and as a result of which the Company is not liable; in this situation, the compensation will be taken into account to estimate the amount that will, if appropriate, be recorded for the relevant provision.

#### 4.5. Related-party transactions

The Company carries out all its transactions with related parties on an arm's length basis. Additionally, the prices of operations with related parties are adequately supported, so the Directors of the Company consider that there is no risk that might lead to significant liabilities in future.

#### 4.6. Equity elements of an environmental nature

Assets used on a lasting basis in the Company's activity, the main purpose of which is to minimise environmental impact and protect and upgrade the environment, including the reduction or elimination of future pollution, are considered assets of an environmental nature.

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

#### 4.7. Current and non-current items

Current assets are those associated with the Company's ordinary course of operations, which is usually considered to be one year, and also other assets for which the due date, disposal or realisation is expected to occur in the short term after the close of the financial year, financial assets at fair value, and cash and cash equivalents. Any other assets are classified as non-current.

In the same way, current liabilities are those associated with the Company's ordinary course of operations and in general all liabilities for which the due date or cancellation will take place in the short term. Otherwise, liabilities are classified as non-current.

#### 4.8. Foreign currency transactions

The functional currency used by the Company is the euro. Therefore, operations in currencies other than the euro are considered "foreign currency transactions" and are recorded by applying the prevailing exchange rates on the dates of the operations.

At the close of the financial year, the cash assets and liabilities denominated in foreign currencies are translated to euros by applying the prevailing exchange rate at the balance sheet date. Any profit or loss as shown is directly recognised in the income statement for the financial year in which they occur.

### 5. Financial Assets

Breakdown of long-term and short-term financial assets in 2017 and 2016.

Long-term Financial Assets	Equity Instruments		Credits, derivatives and others	
	2017	2016	2017	2016
Loans and receivables	67,512	21,144	3,409,153	2,999,287
<b>Total</b>	<b>67,512</b>	<b>21,144</b>	<b>3,409,153</b>	<b>2,999,287</b>

Short-term Financial Assets	Credits, derivatives and others	
	2017	2016
Assets at fair value with changes in the income statement	8,973	19,388
Loans and receivables	1,715,370	1,542,314
<b>Total</b>	<b>1,724,343</b>	<b>1,561,702</b>

## 5.1. Equity Instruments

Movement in this caption from balance sheet for financial years 2017 and 2016 was as follows (in thousand euros):

	Balance at 01/01/2017	Additions	Removals	Balance at 31/12/2017
Investments in Group companies	52,658	19,609	--	<b>72,267</b>
Value impairment	--	(3,361)	--	<b>(3,361)</b>
Called payments outstanding	(31,514)	(1,394)	31,514	<b>(1,394)</b>
<b>Total</b>	<b>21,144</b>	<b>14,854</b>	<b>31,514</b>	<b>67,512</b>

	Balance at 01/01/2016	Additions	Removals	Balance at 31/12/2016
Investments in Group companies	6	52,652	--	<b>52,658</b>
Called payments outstanding	(6)	(31,514)	6	<b>(31,514)</b>
<b>Total</b>	<b>--</b>	<b>21,138</b>	<b>6</b>	<b>21,144</b>

The Company has two stake holdings at the end of 2017, in Acciona Financiación de Filiales Chile S.p.a and Acciona Financiación de Filiales Australia Pty L.t.d.

The first of these was established in 2015 with a capital of 100 shares for an amount of 5,000 Chilean pesos. On 21 October 2016, a capital increase was carried out for an amount of 38,000 million Chilean pesos. On 18 December 2017, another increase was carried out for an amount of 12,821 million Chilean pesos, of which 1,025 million Chilean pesos (1,394 thousand euros) remain unpaid.

Annex I contains information about the two subsidiaries.

## 5.2. Long-term loans and credits with Group companies and Associates

Breakdown for financial year 2017 compared to 2016 were as follows (in thousand euros):

	2017	2016
Loans and credits to companies	835,418	611,540
Cash-pooling credits to Group companies	2,573,735	2,387,747
<b>Total</b>	<b>3,409,153</b>	<b>2,999,287</b>

At 31 December 2017 and 2016, the main long-term loans and credits with Group companies were the following:

- a) Granted loan to group company ATLL Concesionaria de la Generalitat de Catalunya, S.A. for a total amount of 138 million euros, with due date in April 2019 and accruing interest rate equivalent to EURIBOR plus margin. At the close of 2017, the unpaid amount of this loan was up to 126 million euros, classified as long-term for 117 million euros and short-term for 9 million euros.

In 2016, the group company ATLL Concesionaria de la Generalitat de Catalunya, S.A. had been granted a loan for an amount totalling 138 million euros, with due date in April 2019 and accruing interest rate equivalent to EURIBOR plus margin. At the close of 2016, this loan was classified as long-term for 125 million euros and short-term for 9 million euros.

- b) Granted loan to the company Acciona Energía Internacional, S.A. for the initial amount of 550 million USD (401 million euros pending at 31 December 2017), with due date in March 2021 and accruing LIBOR benchmarked interest rate plus margin. At the close of 2017, this loan was classified as long-term for 352 million euros and short-term for 42 million euros.

In 2016, the company Acciona Energía Internacional, S.A. had been granted a loan for the initial amount of 550 million USD (493 million euros pending at 31 December 2016), with due date in March 2021 and accruing LIBOR benchmarked interest rate plus margin. At the close of 2016, this loan was classified as long-term for 449 million euros and short-term for 44 million euros.

- c) Credit line granted to the subsidiary Acciona Financiación de Filiales Chile, S.p.a. for the maximum amount of 240 million USD, out of which 101 million euros had been drawn down at 31 December 2017, an amount which was classified in “long-term loans to Group companies”. This credit matures in April 2019 and accrues LIBOR benchmarked interest rate plus margin.

In 2016, the subsidiary Acciona Financiación de Filiales Chile, S.p.a. had been granted a credit line for the maximum amount of 50 million USD, out of which 36 million euros had been drawn down at 31 December 2016, an amount which was classified in “long-term loans to Group companies”. This credit matures in April 2019 and accrues LIBOR benchmarked interest rate plus margin.

- d) Credit line granted to the subsidiary Acciona Financiación de Filiales Australia, PTY Ltd. for the maximum amount of 90 million AUD, out of which 34 million euros had been drawn down at 31 December 2017, an amount which was classified in “long-term loans to Group companies”. This credit matures in August 2019 and accrues BBSW benchmarked interest rate plus margin.

- e) Credit line granted to Energia Renovable del ISTMO II SA DE CV for the maximum amount of 254 million USD, out of which 66 million euros had been drawn down at 31 December 2017, an amount which was classified in “long-term loans to Group companies”. This credit matures in January 2019 and accrues a fixed interest rate of 5%.

- f) Loan granted to the company Acciona Energia Internacional, S.A. for a total amount of 44 million CAD, with due date in August 2022 and accruing an interest rate equivalent to CDOR plus margin. At the close of 2017, this loan was classified as long-term for 23 million euros and short-term for 4 million euros.

- g) Loan granted to the company Acciona Construcción, S.A. for a total amount of 143 million euros, with due date in June 2019 and accruing a fixed interest rate of 4%. At the close of 2017, this loan was entirely classified as long-term.

This heading also includes capitalised opening fees which accrue according to their due dates.

The main cash-pooling balances are detailed in point 5.3.

### 5.3. Short-term loans and credits with Group companies and Associates

Breakdown of this section from balance sheet in financial years 2017 and 2016 were as follows (in thousand euros):

	Credits, derivatives and others	
	2017	2016
Assets at fair value with changes in the income statement	8,973	19,388
Cash-pooling	1,225,017	1,028,159
Loans and receivables	490,353	514,155
<b>Total</b>	<b>1,724,343</b>	<b>1,561,702</b>

#### Loans and credits to Group companies

The main loans recorded in “Loans and credits to Group companies” at the close of 2017 related to those granted to the following companies:

- Corporación Acciona Energías Renovables, S.L.U. for an amount of 256 million euros and an interest rate of 4% (256 million euros in 2016).
- Acciona Logística, S.A.U. for an amount of 145 million euros and an interest rate of 4% (139 million euros in 2016).
- Acciona Concesiones S.A. for an amount of 10 million euros and an interest rate of 4% (10 million euros in 2016).
- Corporación de Explotación y Servicios, S.A. for an amount of 6 million euros and an interest rate of 4% (6 million euros in 2016).
- Apoderada Corporativa General for an amount of 0.5 million euros and an interest rate of 4% (0.5 million euros in 2016).
- Tictres for an amount of 0.7 million euros and an interest rate of 4% (0.7 million euros in 2016).
- Acciona Facility Services for an amount of 2 million euros and an interest rate of 6% (3 million euros in 2016).
- Acciona Servicios Hospitalarios for an amount of 3 million euros and an interest rate of 4% (3 million euros in 2016).
- Acciona Forwarding for an amount of 0.1 million euros and an interest rate of 4% (0.1 million euros in 2016).

In addition to these loans, short-term loans indicated in section 5.2 were also recorded.

### Cash-pooling

With the purpose of optimising and managing the treasury of the companies that make up the group, whose parent company is Acciona, S.A., the Company has established a system of daily sweeping of bank account balances to different Group subsidiaries. This system operates under the characteristics of the well-known financial cash-pool, paying back the different debit and credit balances “swept” at a fixed market interest rate established by the Acciona Group General Finance Department (4% for debit interest and 1% for credit interest).

The main outstanding debit balances at 31 December 2017 for this type of financing are the following (in thousand euros):

<b>Companies</b>	<b>2017</b>	<b>2016</b>
Acciona Concesiones, S.A.	39,463	7,312
Acciona Agua, S.A.	45,055	57,503
Acciona Facility Services, S.A.	15,414	15,783
Acciona Forwarding, S.A.	6,837	6,246
Acciona Industrial	5,815	8,981
Acciona Infraestructuras, S.A.	611,815	497,523
Acciona Ingeniería S.A.	7,819	6,311
Acciona Inmobiliaria S.L.	76,956	52,334
Acciona Producciones y Diseño S.A.	8,198	8,855
Acciona Service	7,908	13,210
Acciona Trasmediterránea, S.A.	87,731	--
Corpor.Acciona Energías Renov. S.L.	2,189,460	2,392,062
Corporación Acciona Infraestructuras	21,796	--
Intefrisa	1,052	1,137
Acciona, S.A.	673,433	348,649
<b>Total</b>	<b>3,798,752</b>	<b>3,415,906</b>

At 31 December 2017 interest accrued pending collection under this heading amounted to 40,158 thousand euros (34,875 thousand euros in 2016).

#### 5.4. Hedging derivatives

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. Within the framework of such operations, the Company engaged certain hedge financial instruments according to the following details:

Classification	Type	Amount engaged (thousand euros)	Maturity	Inefficiency recorded in P&L (thousand euros)		Fair value (Thousand euros)	
				2017	2016	2017	2016
Exchange rate hedge	AUD Purchase	AUD 42,632	31/10/2018	--	--	320	--
Exchange rate hedge	Sale of USD	USD 70,000	07/02/2017	--	490	--	2,731
Interest rate hedge	Floating to fixed	USD 511,500	31/12/2020	--	--	7,090	7,811

The Company has complied with the requirements detailed in the measurement standards to classify the financial instruments detailed above as hedges. Specifically, said financial instruments were formally classified as such and it was verified that the hedge was effective.

As indicated in Note 7, Acciona Financiación Filiales, S.A. subscribed a loan for 550 million US dollars to replace the financing in that currency cancelled by certain Acciona Group companies. With regards to the interest rate swap associated with this loan, the Company transferred the engaged hedge derivative to the Acciona Group companies to which the Company also transferred the abovementioned financing arranged in dollars, in order to reduce in such subsidiaries the effect of fluctuation of interest rates, so the Company does not assume any equity impact due to this derivative. The transfer of the interest rate swap referred to above gave rise to a debt with Group companies for 7,090 thousand euros, classified in non-current liabilities on the accompanying balance sheet at 31 December 2017.

#### 5.5. Other short-term financial assets

At 31 December 2017, the balance included in this section related to the investment in Bestinver Lux Latam., a Latin American floating rate investment fund, through the fund manager Bestinver Gestión SGIIC, S.A., part of Acciona Group. The Company held 533,333 interests shares at the close of financial year 2017.

These assets are classified under the modality “Other financial assets at fair value with changes in the income statement”.

At 31 December 2017, the fair value of the interests shares was 8,973 thousand euros. The movement in fair value was recognised on the income statement for 2017 in “Change in fair value in financial instruments” caption for the amount of 971 thousand euros.



## 5.6. Cash and other cash equivalents

Breakdown for financial year 2017 compared to 2016 were as follows (in thousand euros):

	31/12/2017	31/12/2016
At banks	15,840	19,403
Other cash equivalents	--	--
<b>Total</b>	<b>15,840</b>	<b>19,403</b>

There are no restrictions as to the availability of these amounts.

## 5.7. Information on the nature and risk level of financial instruments

### Liquidity risk

The Company manages the liquidity risk with prudence, keeping an adequate level of cash and negotiable securities and arranging for credit facilities for a sufficient amount to support projected needs (see Note 7). At 31 December 2017 the Company had available additional financing that had not been drawn down, for the amount of 1,724 million euros.

Ultimate responsibility for liquidity risk management lies with the Economic and Financial Department, which prepares the appropriate framework to control the group's liquidity requirements in the short, medium and long term. The Company manages liquidity risk by holding adequate reserves, appropriate banking services, having credit facilities and loans available, monitoring projected and actual cash flows on an on-going basis and pairing them against financial asset and liability maturity profiles.

Finally, in relation to this risk, it should be mentioned that the Company, seeking to diversify its financing sources, has a European Commercial Paper programme registered for the maximum amount of 750 million euros, to issue notes with maturity under one year, as well as a Euro Medium Term Note programme for the maximum amount of 1,500 million euros (see Note 7).

### Interest rate risk

Bank borrowings engaged by the Company means that the Company is exposed to fluctuations in interest rates and this impact is reduced on certain occasions by engaging derivative financial instruments for hedging (see Note 5.4). This risk is managed by the Group's Economic and Financial Department, with non-speculative hedge criteria being applied.

In order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Company's accounts, a simulation was performed which assumed a 50-basis point increase and decrease in interest rates at 31 December 2017.

This sensitivity analysis to upward or downward changes of 0.50% in floating Euribor / Libor interest rates gave rise to a sensitivity in the Group's income statement arising from an increase or decrease in financial results due to interest payment, with the effect of derivatives being considered, of 13,969 thousand euros at 31 December 2017.

### Credit risk

Credit risk refers to the risk that the counterparty of a contract does not meet its obligations, giving rise to a financial loss for the Company. The Company has adopted a policy of only negotiating with group companies so this risk is practically remote.

## Foreign currency risk

Acciona has developed a process of growing internationalisation, which means it is exposed to foreign currency risk involving transactions in the currencies of the countries where it invests and operates.

This risk is managed by the Group's Economic and Financial Department, with non-speculative hedge criteria being applied.

Foreign currency risks relate basically to the following transactions:

- Debt denominated in foreign currencies engaged by Group companies and associates.
- Investments made in foreign companies.
- Debts with financial entities.

In order to mitigate foreign currency risk, the Acciona Group uses currency derivatives and exchange rate hedges to cover significant future transactions and cash flows, within acceptable risk limits (see Note 5.4.).

## **6. Equity and capital and reserves**

### **6.1. Capital**

The Company's share capital is represented by 82,413,197 shares with a face value of one euro each, all fully subscribed and paid up.

On 20 July 2016 a capital increase was placed on public record; it consisted in the issue of 82,353 thousand shares with a face value of one euro each and issue premium of 329,413 thousand euros. The new shares were subscribed and paid up by the Sole Shareholder.

At 31 December 2017 and 2016, ACCIONA, S.A. held 100% of the shareholding, it being therefore the Sole Shareholder of the Company. Following the mercantile regulations, the Company has its form of sole-shareholder company registered with the Companies Register. All the shares carry the same political and economic rights.

The contracts subscribed and the balances and transactions held with the Sole Shareholder are detailed in Note 13.

### **6.2. Legal Reserve**

In accordance with the mercantile legislation, an amount equivalent to 10% of the year's profit must be applied to legal reserve until this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase the share capital. Otherwise, until the legal reserve does not reach 20% of share capital, this reserve can only be used to offset losses, provided that there are no other reserves available in a sufficient amount for this purpose.

At the close of financial year 2017 the legal reserve was not fully set up.

## **7. Financial liabilities**

### **7.1. Non-current financial liabilities**

The breakdown of non-current financial liabilities at the close of 2017 and 2016 was as follows (in thousand euros):

	Bank borrowings		Debentures & other negotiable securities		Others	
	2017	2016	2017	2016	2017	2016
Debits and other accounts payable	2,687,599	2,718,021	418,294	62,200	7,669	7,811

#### Non-current bank borrowings

- Breakdown of the face amounts (without opening commissions) of long-term loans (in thousand euros):

Type	Currency	Amount drawn down (thousand euros)	Limit in thousand euros	Due date
Syndicated Loan Tranche A	EUR	250,000	250,000	July 2020
Syndicated Loan Tranche B	EUR	250,000	250,000	July 2021
Syndicated Loan Tranche C	EUR	260,000	260,000	July 2022
Syndicated Loan dollars (USD)	USD	317,935	458,601	March 2021
Loan	EUR	285,000	330,000	March 2022
Syndicated Loan	EUR	119,000	140,000	April 2019
Loan	EUR	100,000	100,000	April 2020
Loan	EUR	75,000	75,000	October 2020
Loan	EUR	52,500	70,000	December 2021
Loan	EUR	65,000	65,000	August 2019
Loan	EUR	55,000	55,000	January 2019
Loan	EUR	50,000	50,000	December 2020
Loan	EUR	50,000	50,000	April 2021
Loan	EUR	50,000	50,000	July 2022
Loan	EUR	50,000	50,000	November 2020
Loan	EUR	43,500	43,500	March 2019
Loan	USD	41,691	41,691	November 2019
Loan	EUR	35,000	35,000	July 2019
Loan	EUR	35,000	35,000	July 2022
Loan	EUR	25,000	25,000	April 2019
Loan	EUR	25,000	25,000	June 2019
Loan	EUR	12,000	12,000	August 2020
Loan	EUR	20,000	20,000	March 2019
Loan	EUR	15,000	15,000	October 2020
<b>Total</b>		<b>2,281,626</b>	<b>2,505,792</b>	

Breakdown of the face amounts (without opening commissions) of long-term credit policy lines (in thousand euros):

	Currency	Amount drawn down (thousand euros)	Limit in thousand euros	Due date
Credit policy line	USD	--	16,676	August 2019
Credit policy line	USD	41,691	41,691	January 2020
Credit policy line	USD	33,353	33,353	August 2019
Credit policy line	USD	53	33,353	April 2019
Credit policy line	USD	(470)	8,338	April 2019
Syndicated Tranche D	EUR	--	1,440,000	July 2022
Credit policy line	EUR	175,950	177,000	July 2019
Credit policy line	EUR	6,367	10,000	March 2019
Credit policy line	EUR	4,341	65,000	March 2019
Credit policy line	CAD	23,738	29,609	August 2022
Credit policy line	AUD	32,582	32,582	July 2020
Credit policy line	AUD	39,098	39,098	June 2021
Credit policy line	AUD	35,840	35,840	July 2020
Credit policy line	AUD	40,369	48,873	November 2020
<b>Total</b>		<b>432,912</b>	<b>2,011,412</b>	

The main non-current debt amounts at 31 December 2017 were the following:

- a) In March 2015 the Company subscribed a syndicated bank loan, with the guarantee of Acciona, S.A., for 1,800 million euros with due date in 2020. On 20 July 2016, the Company increased the syndicated loan up to 2,200 million euros and extended the due date to 2021. On 14 July 2017, the agent bank is changed and the due date is extended to 2022. The credit is divided into four tranches: *tranche A, B and C* for maximum amounts of 250, 250, and 260 million euros and due dates in July 2020, July 2021, and July 2022 respectively, and *tranche D* for the maximum amount of 1,440 million euros in the form of a revolving credit, with due date on 14 July 2022. The four tranches will be used to refinance part of the Acciona Group debt (the Group to which the Company belongs) and to finance general corporate and investment needs and to strengthen the Group's liquidity. At 31 December 2017 the syndicated bank loan has been drawn down in part - tranches A, B, and C have been completely drawn down and tranche D has not been drawn down.
- b) The Company has a loan subscribed for 550 million USD with due date in 2021, used to replace financing in dollars for the wind farms of the Energy division (see Note 5.2.).
- c) In April 2017, a loan was formally arranged for the amount of 330 million euros, with due date in 4 years and accruing market interest rate, and to cover general investment and cash corporate needs of the Acciona Group. In November 2017 its due date is extended to March 2022.
- d) In financial year 2016 a syndicated finance contract was signed for 140 million euros to finance the cancellation of the finance contract held by the concessionaire ATLL with Banco Santander and Intesa Sanpaolo for 88 million euros and the loan granted by Gestió Catalana D'Aigues, S.A., an Acciona Group company, to said concession company. Said syndicated loan matures in April 2019 and accrues a market interest rate.

e) In April 2017, a loan was formally arranged for the amount of 100 million euros, with due date in 3 years and accruing market interest rate, and to cover refinancing and support for sustainable projects.

f) There are credit policy lines with due dates in over one year for an amount of 433 million euros.

All loans accrue a fixed or floating market interest rate benchmarked to the Euribor, Libor, BBSW and CDOR plus a margin.

Detail at 31 December 2017 by maturity of the items included in long-term “Bank borrowings” was as follows (in thousand euros):

	2019	2020	2021	2022	2023 & thereafter	Total
Bank borrowings	751,439	790,821	714,925	430,414	--	<b>2,687,599</b>

#### Debentures & other negotiable securities

On 13 July 2017 the fixed-interest securities issue programme - Euro Medium Term Note Programme (EMTN) was renewed under the same terms and conditions, for a maximum amount of up to 1,500 million euros. In relation to this programme, the Group prepared a base leaflet that was approved by the Central Bank of Ireland. These issues accrue annual interest ranging from 0.732% to 4.25%. The securities issued under this programme may: accrue fixed or variable interest, be issued in euros or in another currency and at par, below par and premium and have different maturity dates for the principal and the interest.

At 31 December 2017 the balances registered against this EMNT programme in the non-current debentures and other negotiable securities accounts, net of transactions costs and considering interest accrued, amounted to 418 million euros (62 million euros in 2016).

The changes in this section in 2017 and 2016 were as follows:

	Balance at 31/12/2015	Additions	Removals	Balance at 31/12/2016	Additions	Removals	Balance at 31/12/2017
Non-current debentures and negotiable securities	--	62,200	--	<b>62,200</b>	356,094	--	<b>418,294</b>

The breakdown of bonds at 31 December 2017 by maturity was as follows (in thousand euros):

2019	2020	2021	2022	2023 & thereafter	Total
310,800	22,100	--	--	85,394	418,294

## Other disclosures

In relation to the syndicated loan for 2,200 million euros, described in the section “Bank borrowings”, it should be noted that the Company must meet certain financial ratios calculated over the consolidated financial statements of Acciona Group (mainly Net Financial Indebtedness Ratio over EBITDA) and maintain a certain percentage of recourse debt over the total of Acciona Group. In addition, there are other non-financial obligations that restrict significant divestment of the obligated entities, the performance of structural changes that affect the Group’s corporate or business structure, as well as its capacity for additional indebtedness or the granting of guarantees.

In relation to that syndicated loan and the rest of the financing subscribed by the Company for which it is stipulated that certain financial ratios must be accomplished, it should be noted that at 31 December 2017 and 2016 the Company was not in default situation of its financial obligations or of any type of obligation that could lead to early termination of its financial commitments. Similarly, no default is expected for 2018. The Sole Shareholder, Acciona, S.A., is the guarantor of all the loans and financial obligations undertaken by the Company.

In addition, in financial year 2017, there were no defaults or any other non-payments of principal, interest or repayments in respect of bank borrowings.

## Payables to Group companies, jointly-controlled entities and associates

“Long-term payables to Group companies and associates” for the amount of 7,669 thousand euros (7,811 thousand euros in 2016) related to the account payable to the company Acciona Energía Internacional, S.A., as a result of the transfer of the interest rate hedge derivative engaged in financial year 2016 (see Note 5.4).

## **7.2. Current financial liabilities**

	Bank borrowings		Debentures & other negotiable securities		Others	
	2017	2016	2017	2016	2017	2016
Debits and other accounts payable	388,466	348,725	611,704	444,559	569,588	568,497

## Current bank borrowings

The Company holds current and non-current credit policies with a total limit of 1,892 million euros at 31 December 2017 (1,914 million euros in 2016), 168 million US dollars (148 million US dollars in 2016), 240 million Australian dollars (0 Australian dollars in 2016) and 44.5 million Canadian dollars (0 Canadian dollars in 2016). At the close of 2017, 77 million euros of the current policies had been drawn down (28 million euros in 2016).

Breakdown of the face amounts (without opening commissions or interests) of short-term loans:

Type	Currency	Amount drawn down (thousand euros)	Limit in thousand euros
Loan	EUR	56,500	56,500
Loan	EUR	50,000	50,000
Loan	EUR	45,000	330,000
Syndicated Loan dollars (USD)	USD	39,440	458,601
Loan	EUR	35,000	35,000
Loan	EUR	25,000	25,000
Loan	EUR	17,500	70,000
Loan	USD	14,175	14,175
Loan	EUR	10,000	10,000
Syndicated Loan	EUR	8,400	140,000
Loan	EUR	6,000	6,000
Loan	EUR	6,000	12,000
<b>Total</b>	<b>Sum</b>	<b>313,015</b>	<b>1,207,276</b>

- Breakdown of the amounts (without opening commissions or interests) of short-term credit policies:

Type	Currency	Amount drawn down (thousand euros)	Limit in thousand euros
Credit Policy Line	EUR	21,541	53,400
Credit Policy Line	EUR	--	50,000
Credit Policy Line	EUR	(153)	12,000
Credit Policy Line	EUR	4,353	10,000
Credit Policy Line	EUR	9,419	10,000
Credit Policy Line	EUR	(526)	15,000
Credit Policy Line	EUR	3,865	10,000
Multicurrency Credit Policy Line	EUR	38,487	40,000
Credit Policy Line	USD	35	6,671
<b>Total</b>		<b>77,021</b>	<b>207,071</b>

All the loans and credit policies accrue Euribor, Libor, BBSW and CDOR benchmarked market interest rates plus a margin.

The loan balances with credit entities mainly correspond to the short-term bank borrowings included in Note 7.1.

The finance costs associated with financing this kind of products were 93,437 thousand euros (69,833 thousand euros in 2016).

#### Debentures & other negotiable securities

Euro Commercial Paper (ECP) Programme formalised on 17 January 2013 by Acciona, S.A. and renewed as from 2015, most recently on 13 July 2017, by the Group's subsidiary Acciona Financiación de Filiales, S.A., with the guarantee of Acciona, S.A., for another twelve months and a maximum of 750 million euros. Through this programme, which is listed on the Irish Stock Exchange, notes are issued on the euro market with maturities between 15 and 364 days. In 2017, promissory notes were issued and amortised for 396 and 233 million euros, respectively, and the outstanding balance stood at 378 million euros at 31 December 2017.

These amounts, together with balances of the EMTN programme due in 2018 that are explained in Note 7.1, amount to 234 million (234 million in 2016). The changes in this product in 2017 and 2016 were as follows:

	<b>Balance at 31/12/2015</b>	<b>Additions</b>	<b>Removals</b>	<b>Balance at 31/12/2016</b>	<b>Additions</b>	<b>Removals</b>	<b>Balance at 31/12/2017</b>
Current debentures and negotiable securities	<b>14,121</b>	234,681	(14,283)	<b>234,519</b>	119,038	(119,672)	<b>233,885</b>

The finance costs associated with financing this kind of products were 11,738 thousand euros (4,057 thousand euros in 2016).

#### Short-term payables to Group companies, jointly-controlled entities and associates

The details of "payables to Group companies and associates" at 31 December 2017 and 2016 were as follows (in thousand euros):

	<b>Balance at 31/12/2017</b>	<b>Balance at 31/12/2016</b>
Loans with Group companies	537,637	534,438
Cash-pooling payables to Group Companies	27,290	32,828
Other payables	4,639	1,057
<b>Total</b>	<b>569,566</b>	<b>568,323</b>

#### Loans with Group companies

At 31 December 2017 the Company holds group loans payable with Acciona Construcción for the amount of 430 millions euros, with Acciona Energía Internacional for 11 million euros, with Acciona Agua, S.A. for 51 million euros (granted for an amount of 61 million USD), with Acciona Industrial, S.A. for 37 million euros (granted for 44 million USD) and another with Acciona Energía Internacional, S.A. for 8 million euros (granted for 10 million USD).



At 31 December 2016 the Company held group loans payable with Acciona Construcción, S.A.U. for the amount of 430 million euros, with Acciona Energía Internacional, S.A. for 30 million euros and with Acciona Agua, S.A.U. for 74 million euros (this last loan was granted in USD for the amount of 78 million USD).

These loans accrue a fixed market interest rate of 0.66% or 1% established by the Acciona Group Financial Department. The interest accrued but unpaid in this section amounted to 438 thousand euros (450 thousand euros in 2016).

*Short-term debts with Group companies Cash-pooling*

As indicated in Note 5.3, a daily “sweeping” system was set up for bank account balances to different Group subsidiaries.

At the close of 2017 and 2016, the balances per company were as follows:

<b>Companies</b>	<b>2017</b>	<b>2016</b>
Acciona Serv.Hospitalarios, S.L.	648	315
Acciona Serv.Concesionales	1,120	760
Acciona Airport Services, S.A.	--	108
Acciona Airport Services, Frankfurt	2,014	4,312
Acciona Mantenimiento Infraestructuras (AMISA)	13,871	13,475
Acciona Servicios Urbanos	3,409	672
Acciona Trasmediterránea, S.A.	--	7,163
Bodegas Palacio	163	495
Hijos de Antonio Barceló, S.A.	6,065	5,528
<b>Total</b>	<b>27,290</b>	<b>32,828</b>

The interest accrued but unpaid in this section amounted to 65 thousand euros (77 thousand euros in 2016).

## **8. Information on deferred payments to suppliers**

The table below details the information required by Final Provision Two of Act 31/2014, of 3 December, as prepared following application of Resolution dated 29 January 2016 by the Spanish Accounting and Audit Institute. This information refers only to Spain, where this regulation is applicable.

<b>Average payment period and payments made and outstanding at the closing date of the balance sheet</b>	<b>2017</b>	<b>2016</b>
	<b>Days</b>	<b>Days</b>
Average period of payment to suppliers	40	43
Paid operations ratio	40	44
Unpaid operations ratio	--	40
	<b>Amount (in thousand euros)</b>	
Total payments made	811	422
Total payments outstanding	--	154

“Average period of payment to suppliers” refers to the time that elapses from delivery of goods or provision of services by a supplier to payment of the operation.

The “Average period of payment to suppliers” is calculated as the quotient whose numerator is the result of adding the paid operations ratio by the total amount of payments made to suppliers plus the operations outstanding ratio by the total amount of payments outstanding and whose denominator is the total amount of payments made and payments outstanding.

The “Paid operations ratio” is calculated as the quotient whose numerator is the sum of the products related to the amounts paid, by the number of payment days (calendar days elapsed as from the time when the period begins to run up to actual payment of the operation) and whose denominator is the total amount of payments made.

And the “Unpaid operations ratio” refers to the quotient whose numerator is the sum of the products related to the amounts outstanding, by the number of payment outstanding days (calendar days elapsed as from the time when the period begins to run up to the closing of annual financial statements) and whose denominator is the total amount of payments outstanding.

## 9. Tax matters

As indicated in Note 4.2., the Company pays taxes under the consolidated tax system as it is included in the tax group whose Parent is Acciona, S.A.

### 9.1. Reconciliation of accounting result, taxable base and corporate tax expense

Reconciliation between the accounting result and the expense for Corporate Tax for the year was as follows (in thousand euros):

	2017	2016
<b>Accounting result before tax</b>	<b>103,003</b>	<b>56,357</b>
Permanent adjustment to tax base	2,731	(462)
<b>Taxable base</b>	<b>105,734</b>	<b>55,895</b>
<b>Tax Rate (25%)</b>	<b>26,433</b>	<b>13,974</b>
Adjustments from previous years	(244)	--
<b>Tax expense (25%)</b>	<b>26,189</b>	<b>(13,974)</b>

The tax account is registered with Acciona, S.A, the company heading the tax group, and it amounted to 4,636 thousand euros at 31 December 2017 (included in “other payables” heading, Note 7.2). In financial year 2017, the Company anticipated in part the payment of the 2017 Corporate Tax to pay to its parent, Acciona, S.A.

In 2017 the permanent differences are associated with the allocations to portfolio provisions and double taxation exemption (article 21 of Corporate Tax Law).

The permanent adjustment to the taxable base in 2016 related to double taxation exemption (article 21 of Corporate Tax Law).

## 9.2. Taxes recognised in Equity

Detail of taxes recognised directly in Equity at 31 December 2017 and 2016 was as follows (in thousand euros):

<b>FY 2017</b>	<b>Balance at 01/01/2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 31/12/2017</b>
<b>For deferred tax:</b> <i>Hedge financial instruments</i>	(559)	145	559	145

<b>FY 2016</b>	<b>Balance at 01/01/2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 31/12/2016</b>
<b>For deferred tax:</b> <i>Hedge financial instruments</i>	--	(559)	--	(559)

## 9.3. Recognised deferred tax assets and liabilities

Detail of the balance amount in this account at the close of 2017 and 2016 was the following (in thousand euros):

	<b>2017</b>	<b>2016</b>
Hedge derivative instruments	1,997	1,954
<b>Total deferred tax assets</b>	<b>1,997</b>	<b>1,954</b>
Hedge derivative instruments	1,852	(2,513)
<b>Total deferred tax liabilities</b>	<b>1,852</b>	<b>(2,513)</b>

## 9.4. Years open to verification and review by the tax authorities

According to the legislation in force, taxes cannot be considered definitely settled until the tax forms filed have been examined by the tax authority or the four-year lapse period has elapsed.

The Company was established in 2014, so it has years 2016, 2015 and 2014 open for review for the taxes applicable to them.

As tax legislation can be interpreted in different ways, the outcome of the tax audits that could be conducted by the tax authorities in the future for the years subject to verification might give rise to tax liabilities which at present cannot be objectively quantified. However, the Directors of the Company consider that such liabilities, if they were to arise, would not affect the annual financial statements in a significant way.

## 10. Foreign currency

The details of the balances and transactions in foreign currency in financial years 2017 and 2016, measured at the closing exchange rate and average exchange rate, respectively, were the following (in thousand euros):

	2017			2016		
	USD	CAD	AUD	USD	CAD	AUD
Loans Group receivables	575,658	26,850	33,729	464,254	--	--
Cash & banks	47	141	148	42	--	--
Loans Group payables	96,123	--	--	65,286	--	--
Financial entities debts	505,426	23,746	186,551	542,225	--	--
Group finance expenses	1,168	--	--	1,045	--	--
Financial entities finance expenses	20,750	954	2,132	11,306	--	--
Group financial income	44,534	2,014	2,764	27,465	--	--
Financial entities financial income	144	--	--	195	--	--

## 11. Income and expenses

### Net revenue

In financial year 2017 the Company basically developed activities having to do with the centralisation of financing sources within the Acciona Group and activities typical of a holding company. As such, it did not engage in any significant commercial activity, and, therefore, it does not have activity segments, so the figure for revenue on the income statement related mainly to the financial income from the financing provided to the companies of the Acciona Group, to which the Company belongs (see Note 13.1)

As indicated in Note 2.4, following the provisions of BOICAC 79, the Company proceeded to disclose financial income arising from the financing granted to the Acciona Group companies, the group the Company belongs to, in "Net revenue" on the accompanying income statement for 2017. This revenue was recorded in "Financial income" in 2016.

## 12. Related-party operations and balances

### 12.1. Related-party operations

Details for financial year 2017 compared to 2016 were as follows (in thousand euros):

	Acciona, S.A.	Other GC	Total 2017
Income from interest	23,802	190,655	214,457
Expenses for interest	--	(5,535)	(5,535)

  

	Acciona, S.A.	Other GC	Total 2016
Income from interest	11,256	124,552	135,808
Expenses for interest	(1,790)	(4,033)	(5,823)

The incomes and expenses above both with the Sole Shareholder and with the remaining Acciona Group companies originated in the financing granted by the Company, including the cash-pooling "sweeping" as explained in Notes 5.3 and 7.2. The financial income was recorded in "Net revenue" in financial year 2017 and 2016, in the treatment as a holding company explained in Note 2.4 and 12.1.

## 12.2. Related-party balances

Details for financial year 2017 compared to 2016 were as follows (in thousand euros):

	Acciona, SA.	Other GC	Total 2017
Investments in Group companies	--	67,512	67,512
Non-current loans and credits to Group companies	--	835,418	835,418
Current loans and credits to Group companies	--	482,128	482,128
Cash-pooling debit	673,440	3,125,313	3,798,753
Long-term debts with Group companies	--	(7,669)	(7,669)
Short-term debts with Group companies	--	(537,635)	(537,635)
Cash-pooling credit	--	(27,295)	(27,295)
Other S/T debt (Debt for Corp. Tax) (Note 10.1)	(4,636)	--	(4,636)

	Acciona, SA.	Other GC	Total 2016
Investments in Group companies	--	21,144	21,144
Non-current loans and credits to Group companies	--	611,540	611,540
Current loans and credits to Group companies	--	511,424	511,424
Cash-pooling debit	348,648	3,067,258	3,415,906
Long-term debts with Group companies	--	(7,811)	(7,811)
Short-term debts with Group companies	--	(594,432)	(594,432)
Cash-pooling credit	--	(32,829)	(32,829)
Other S/T debt (Debt for Corp. Tax) (Note 10.1)	(1,064)	--	(1,064)

The main balances detailed here relate to the financing provided or received by the Company in accordance with its corporate purpose as explained in Notes 5 and 7.

## 12.3. Remuneration for Joint Directors and Senior Management

No expenses were accrued for salaries, allowances, civil liability insurance premiums or any other type of remuneration for the Joint Directors in 2017.

The Company had no advances or credits granted or obligations undertaken in pension matters or regarding life insurance Premium payment in relation to former or current Directors.

In addition, the Company has no personnel, so there are no own personnel holding senior management functions. These functions are held by the Sole Shareholder (Acciona, S.A.) corporate Management.

#### 12.4. Other disclosures about the Directors. Statement about conflict of interest

Pursuant to Article 229 of Royal Legislative Decree 1/2010, of 2 July, whereby the consolidated text of the Capital Companies Act was approved, at 31 December 2017 and 2016, according to the information available to the Company and notified by Directors and their related parties, they were not involved in any situations of conflict, whether direct or indirect, with the Company's interests.

### 13. Other disclosures

#### 13.1. Auditor's fees

In financial years 2017 and 2016, the audit fees related to financial statements auditing services and for other services provided by the Company's auditor, KPMG Auditores, S.L (Deloitte, S.L. in 2016), or by a firm in the KPMG or Deloitte organisation or related thereto, were as follows (in thousand euros):

	Services provided by the main auditor		Services provided by other audit firms	
	2017	2016	2017	2016
Auditing services	5	--	--	6
Other assurance services	81	--	40	120
<b>Total Professional Services</b>	<b>86</b>	<b>--</b>	<b>40</b>	<b>126</b>

#### 13.2. Environmental matters

The environmental regulations for the time being in force do not affect in any relevant manner the activities developed by the Company, so there are no liabilities, expenses, revenue, grants, assets, provisions or contingencies of an environmental nature that could be significant in relation to the equity, financial positions and results of the Company.

Therefore, these annual financial statements do not include any specific figures or data in relation to environmental matters.

#### 13.3. Guarantees undertaken with third parties, other contingent liabilities and commitments

At the close of financial years 2017 and 2016, the Company had no bonds granted by financial entities or any other obligations or contingent liabilities that should be disclosed in these notes.

Furthermore, the Company guarantees joint and severally the amount of 150 million euros to the European Investment Bank. Said amount guarantees two loans granted by the EIB to Acciona, S.A.

### 14. Events after the reporting date

On 21 February 2018, Acciona Group and the company ATLL Concessionària de la Generalitat de Catalunya S.A. became aware of the judgement handed down by the Supreme Court on the cassation appeal filed by the Generalitat de Catalunya against the High Court of Justice of Catalonia (TSJC) ruling which invalidated the procedure to award said concession (appeal 2725/2015). This judgement dismisses the claims brought forward by the Generalitat and confirms the TSJC ruling.

The Acciona Group is currently waiting for notification of the cassation appeal 2682/2015 filed by Gestió Catalana de Aigües, and appeal 2678/2015 filed by the Concessionaire and by Acciona Agua against the TSJC judgement which invalidated the procedure to award said concession.

The judgement handed down by the Supreme Court does not negatively affect the compensation to which the concessionaire that would enter into liquidation phase would be entitled to, and does not prejudice any claims that could be made for damages.

In any case, the principle of ensuring continuity of the service guarantees that the concessionaire shall still operate the concession until the Generalitat or other eventual successful bidder resulting from another bidding process can formally step in to replace the concessionaire.

As mentioned in Note 5.2, the Company has a receivable from ATLL Concessionària de la Generalitat de Catalunya S.A for the amount of 126 million at 31 December 2017, which the Directors believe will be fully recoverable and therefore no provisions have been recorded at 31 December 2017 for this purpose.

In Madrid, on 26 February 2018 – Joint Directors

ACCIONA CORPORACION, S.A.  
Represented by José Julio Figueroa Gómez de Salazar

ACCIONA DESARROLLO CORPORATIVO,S.A.  
Represented by José Ángel Tejero Santos

## ANNEX I. GROUP COMPANIES

The subsidiaries of Acciona Financiación Filiales, S.A. considered as Group companies are the following (amounts in thousand euros):

Name	Location	Division	Audited (*)	2017			Share %			Dividends received	Subsidiary Information					
				Investment	Provision	NCA	Direct	Indirect	Sum		Capital	Reserves	Trans. Diff.	Attributed Result	Dividend	Non-Controlling
Acciona financiación de filiales Chile, S.p.a.	Chile	Other Business	C	70,873	(3,361)	67,512	100.00%	0.00%	100.00%	0	70,873	101	(8,080)	4,082	0	0
Acciona financiación de filiales Australia.PTY Ltd.	Australia	Other Business	C	0	0	0	100.00%	0.00%	100.00%	0	0	0	3	(86)	0	0

(\*) Companies whose financial statements are audited by: (A) Deloitte; (B) PricewaterhouseCoopers; (C) KPMG; (D) Ernst & Young; (E) Other.



**ACCIONA FINANCIACIÓN DE FILIALES S.A.**  
**(Sole-Shareholder Company)**  
**DIRECTORS' REPORT – FINANCIAL YEAR 2017**

**1.- Business trend and situation of the Company:**

In the course of 2017, the Company strengthened its position as the Acciona Group financial entity, increasing its bank borrowings and issuing new bonds and promissory notes with different maturities. Practically all these funds were used to finance the Group companies.

This increase in assets and liabilities led to the growth of the Company's business, materialised in a rise close to 81.2% in the Company's results.

**2.-Events after the reporting date:**

On 21 February 2018, Acciona Group and the company ATLL Concessionària de la Generalitat de Catalunya S.A. became aware of the judgement handed down by the Supreme Court on the cassation appeal filed by the Generalitat de Catalunya against the High Court of Justice of Catalonia (TSJC) ruling which invalidated the procedure to award said concession (appeal 2725/2015). This judgement dismisses the claims brought forward by the Generalitat and confirms the TSJC ruling.

The Acciona Group is currently waiting for notification of the cassation appeal 2682/2015 filed by Gestió Catalana de Aigües, and appeal 2678/2015 filed by the Concessionaire and by Acciona Agua against the TSJC judgement which invalidated the procedure to award said concession.

The judgement handed down by the Supreme Court does not negatively affect the compensation to which the concessionaire that would enter into liquidation phase would be entitled to, and does not prejudice any claims that could be made for damages.

In any case, the principle of ensuring continuity of the service guarantees that the concessionaire shall still operate the concession until the Generalitat or other eventual successful bidder resulting from another bidding process can formally step in to replace the concessionaire.

As mentioned in Note 5.2, the Company has a receivable from ATLL Concessionària de la Generalitat de Catalunya S.A for the amount of 126 million at 31 December 2017, which the Directors believe will be fully recoverable and therefore no provisions have been recorded at 31 December 2017 for this purpose.

**3.-Foreseeable trend of the Company:**

For the next financial year, results are expected to grow slightly to then go on to a stability period as practically all the Group's indebtedness will be centralised in this Company.

**4.-Treasury stock:**

The Company did not carry out any treasury stock operations in the course of the year. At the close of the year, the Company did not hold any treasury stock or shares in the Parent Company.

**5.-R&D expenses:**

The Company did not incur any R&D expenses.

## **6.- Risk management policies**

The Company's risk management policies are defined in Note 5.7 to the accompanying financial statements.

## **7.- Average payment period**

Most payments to suppliers were made within the legally established deadline. In financial year 2017, the average payment period (APP) estimated by the Company did not exceed the maximum period provided for by law; the Company continues to monitor constantly this period to ensure that it is not exceeded.

ACCIONA CORPORACION, S.A.  
Represented by José Julio Figueroa Gómez de Salazar

ACCIONA DESARROLLO CORPORATIVO,S.A.  
Represented by José Ángel Tejero Santos