

# **Acciona, S.A. and Subsidiaries**

Consolidated Financial Statements for the  
year ended 31 December 2016 and  
Consolidated Directors' Report, together  
with Independent Auditor's Report

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

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

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
ACCIONA, S.A.,

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Acciona, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Acciona, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

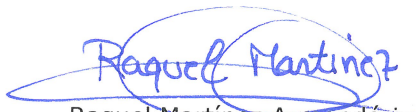
#### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Acciona, S.A. and Subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

## **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of Acciona, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Acciona, S.A. and Subsidiaries.

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



Raquel Martínez Armendáriz

28 February 2017

[The text below is a certified translation into English of the consolidated annual financial statements, notes to the statements, appendices and Directors' report for financial year 2016, all of them referred to the Spanish company Acciona, S.A. and its subsidiaries.]

**ACCIONA, S.A.**  
**AND**  
**SUBSIDIARIES**  
**(Consolidated Group)**

**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**AND**  
**DIRECTORS' REPORT**  
**2016**

  
**M.ª TERESA DE LA CUESTA BERNÁLDEZ**  
Traductora-Intérprete Jurada de INGLÉS  
Nº 661

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 M.<sup>a</sup> TERESA DE LA CUESTA BERNÁLDEZ  
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Nº 661

## ACCIONA, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET FOR FINANCIAL YEARS 2016 and 2015 (Thousand euros)


ASSETS	Note	31.12.2016	31.12.2015
Property, plant and equipment	5	7,965,873	7,664,187
Investment property	6	511,594	675,215
Goodwill	7	79,284	79,296
Other intangible assets	8	1,496,958	508,484
Non-current financial assets	11	179,080	160,045
Investments accounted for using the equity method	9	1,160,821	409,114
Biological assets		--	6,839
Deferred tax assets	22	997,393	926,764
Non-current receivables and other non-current assets	12	293,401	455,002
<b>NON-CURRENT ASSETS</b>		<b>12,684,404</b>	<b>10,884,946</b>
Biological assets		--	--
Inventories	13	782,725	740,102
Trade and other receivables	14	1,723,658	1,612,418
Other current financial assets	11	211,223	412,863
Current income tax assets		95,872	68,298
Other current assets		154,402	167,756
Cash and cash equivalents	15	1,428,319	1,460,173
Non-current assets held for sale and discontinued operations	23	327,161	431,061
<b>CURRENT ASSETS</b>		<b>4,723,360</b>	<b>4,892,671</b>
<b>TOTAL ASSETS</b>		<b>17,407,764</b>	<b>15,777,617</b>
EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
Share capital		57,260	57,260
Retained earnings and issue premium		3,849,495	3,544,231
Treasury shares		(14,403)	(20,238)
Translation differences		(60,876)	(87,968)
Interim dividend		--	--
<b>Equity attributable to equity holders of the Parent</b>	<b>16</b>	<b>3,831,476</b>	<b>3,493,285</b>
Non-controlling interests	16	265,870	260,860
<b>EQUITY</b>		<b>4,097,346</b>	<b>3,754,145</b>
Debt instruments and other marketable securities	18	621,201	802,078
Bank borrowings	18	4,981,051	5,092,945
Deferred tax liabilities	22	804,282	739,686
Provisions	17	497,472	420,245
Other non-current liabilities	21	1,935,335	848,247
<b>NON-CURRENT LIABILITIES</b>		<b>8,839,341</b>	<b>7,903,201</b>
Debt instruments and other marketable securities	18	493,408	373,801
Bank borrowings	18	675,098	763,340
Trade and other payables		2,297,429	2,024,533
Provisions		164,967	157,154
Current income tax liabilities		57,927	25,784
Other current liabilities	21	596,098	355,593
Liabilities held for sale and discontinued operations	23	186,150	420,066
<b>CURRENT LIABILITIES</b>		<b>4,471,077</b>	<b>4,120,271</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,407,764</b>	<b>15,777,617</b>

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated balance sheet for 2016.

**ACCIONA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT FOR 2016 and 2015**  
(Thousand euros)

	Note	2016	2015
Revenue	25	5,977,419	6,543,524
Other income	4.2 A)	554,705	247,425
Changes in inventories of finished goods and work in progress		8,395	(2,775)
Procurements	26	(1,595,057)	(1,830,221)
Staff costs	26	(1,287,557)	(1,254,250)
Other operating expenses	26	(2,466,378)	(2,529,621)
Depreciation and amortisation charge and change in provisions	4,5,7,26	(778,381)	(563,118)
Impairment and profit/(loss) on disposals of non-current assets	26	532,194	(11,436)
Other gains or losses		42,837	27,391
<b>PROFIT/(LOSS) FROM OPERATIONS</b>		<b>988,177</b>	<b>626,919</b>
Financial income	28	61,921	34,844
Finance costs	28	(732,653)	(424,425)
Translation differences		27,689	22,771
Profit/(loss) from changes in value of financial instruments at fair value	26	(7,069)	(1,580)
Profit/(loss) of companies accounted for using the equity method	8	69,570	60,054
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>407,635</b>	<b>318,583</b>
Income tax expense	22	(33,780)	(82,824)
<b>YEAR'S PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>373,855</b>	<b>235,759</b>
<b>Profit/(Loss) after tax from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>YEAR'S PROFIT/(LOSS)</b>		<b>373,855</b>	<b>235,759</b>
Non-controlling interests	16	(21,874)	(28,435)
<b>PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT</b>		<b>351,981</b>	<b>207,324</b>
<b>BASIC EARNINGS per share from continuing operations (euros)</b>	<b>31</b>	<b>6.17</b>	<b>3.65</b>
<b>DILUTED EARNINGS per share from continuing operations (euros)</b>	<b>31</b>	<b>6.22</b>	<b>3.63</b>
<b>BASIC EARNINGS PER SHARE (euros)</b>	<b>31</b>	<b>6.17</b>	<b>3.65</b>
<b>DILUTED EARNINGS PER SHARE (euros)</b>	<b>31</b>	<b>6.22</b>	<b>3.63</b>

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated income statement for 2016.

  
**M.ª TERESA DE LA CUESTA BERNÁLDEZ**  
**Traductora-Intérprete Jurada de INGLÉS**  
**Nº 661**



**ACCIONA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2016 and 2015**  
(Thousand euros)

	Note	2016	2015
<b>A) CONSOLIDATED PROFIT FOR THE YEAR</b>		373,855	235,759
1. Profit attributed to the Parent		351,981	207,324
2. Non-controlling interests		21,874	28,435
<b>B) ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT</b>		<b>(1,146)</b>	<b>433</b>
1. Revaluation/(Reversion of revaluation) of property, plant and equipment and intangible assets		--	--
2. Actuarial gains and losses and other adjustments	17	(1,372)	462
3. Tax effect		226	(29)
<b>C) ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT</b>		<b>173,771</b>	<b>11,689</b>
<b>Income and expense recognised directly in equity</b>		<b>(61,232)</b>	<b>(110,811)</b>
1. Revaluation of financial instruments:		269	(40)
a) Available-for-sale financial assets	16	269	(40)
b) Other income / (expenses)		--	--
2. Cash flow hedges	20	(130,766)	(75,193)
3. Translation differences		48,854	(72,515)
4. Other income and expenses recognised directly in equity		--	--
5. Tax effect		20,411	36,937
<b>Transfers to the income statement:</b>		<b>235,003</b>	<b>122,500</b>
1. Revaluation of financial instruments:		--	--
a) Available-for-sale financial assets		--	--
b) Other income / (expenses)		--	--
2. Cash flow hedges	20	320,010	163,333
3. Translation differences		(6,672)	--
4. Other income and expenses recognised directly in equity		--	--
5. Tax effect		(78,335)	(40,833)
<b>TOTAL RECOGNISED INCOME / (EXPENSE) (A+B+C)</b>		<b>546,480</b>	<b>247,881</b>
a) Attributed to the Parent		529,624	207,532
b) Attributed to non-controlling interests		16,856	40,349

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated statement of comprehensive income for 2016.

## ACCIONA, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY AT 31 DECEMBER 2016 (thousand euros)

	Equity attributed to the Parent (thousand euros) Shareholders' equity							Total equity
	Share capital	Share premium, reserves and interim dividend	Treasury shares	Year's profit attributed to the Parent	Other equity instruments	Value adjustments	Non-controlling interests	
Opening balance at 01/01/16	57,260	3,702,890	(20,238)	207,324	--	(453,951)	260,860	3,754,145
Adjustments due to changes in accounting policies	--	--	--	--	--	--	--	--
Adjustments due to errors	--	--	--	--	--	--	--	--
Adjusted opening balance	57,260	3,702,890	(20,238)	207,324	--	(453,951)	260,860	3,754,145
Total recognised income/(expense)	--	--	--	351,981	--	177,643	16,856	546,480
Transactions with shareholders or owners	--	(197,355)	16	--	--	--	(12,259)	(209,598)
Capital increases/(reductions)	--	--	--	--	--	--	(12)	(12)
Conversion of financial liabilities into equity	--	--	--	--	--	--	--	--
Dividends paid	--	(143,104)	--	--	--	--	(46,018)	(189,122)
Treasury share transactions (net)	--	(58,029)	16	--	--	--	--	(58,013)
Increases/(Decreases) due to business combinations	--	--	--	--	--	--	32,009	32,009
Other transactions with shareholders or owners	--	3,778	--	--	--	--	1,762	5,540
Other changes in equity	--	207,411	5,819	(207,324)	--	--	413	6,319
Share-based payments	--	368	5,819	--	--	--	--	6,187
Transfers between equity items	--	207,324	--	(207,324)	--	--	--	--
Other changes	--	(281)	--	--	--	--	413	132
Closing balance at 31/12/16	57,260	3,712,946	(14,403)	351,981	--	(276,308)	265,870	4,097,346

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated statement of changes in total equity for 2016.

  
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 Traductora-Intérprete Jurada de INGLÉS  
 Nº 661

## ACCIONA, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY AT 31 DECEMBER 2015 (thousand euros)

	Equity attributed to the Parent (thousand euros) Shareholders' equity							Total equity
	Share capital	Share premium, reserves and interim dividend	Treasury shares	Year's profit attributed to the Parent	Other equity instruments	Value adjustments	Non-controlling interests	
Opening balance at 01/01/15	57,260	3,620,894	(28,895)	184,949	—	(454,159)	233,438	3,613,487
Adjustments due to changes in accounting policies								--
Adjustments due to errors								--
Adjusted opening balance	57,260	3,620,894	(28,895)	184,949	—	(454,159)	233,438	3,613,487
Total recognised income:(expense)				207,324		208	40,349	247,881
Transactions with shareholders or owners		(103,423)	5,800				(3,706)	(101,329)
Capital increases/(reductions)							3,612	3,612
Conversion of financial liabilities into equity								--
Dividends paid		(114,483)					(11,851)	(126,334)
Treasury share transactions (net)		4,715	5,800					10,515
Increases/(Decreases) due to business combinations							4,533	4,533
Other transactions with shareholders or owners		6,345						6,345
Other changes in equity		185,419	2,857	(184,949)			(9,221)	(5,894)
Share-based payments		909	2,857					3,766
Transfers between equity items		184,949		(184,949)				--
Other changes		(439)					(9,221)	(9,660)
Closing balance at 31/12/15	57,260	3,702,890	(20,238)	207,324	—	(453,951)	260,860	3,754,145

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated statement of changes in total equity for 2016.

## ACCIONA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016 and 2015 (Thousand euros)		
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>823,002</b>	<b>682,953</b>
Profit before tax from continuing operations	407,635	318,583
Adjustments for:	684,491	747,372
Depreciation and amortisation charge and provisions	892,998	586,920
Other adjustments to profit (net)	(208,507)	160,452
<b>Changes in working capital</b>	<b>162,145</b>	<b>(35,845)</b>
<b>Other cash flows from operating activities:</b>	<b>(431,269)</b>	<b>(347,157)</b>
Interest paid	(379,063)	(418,041)
Interest received	65,431	52,524
Dividend received	21,808	55,186
Income tax recovered/(paid)	(79,387)	(43,507)
Other amounts received/(paid) relating to operating activities	(60,058)	6,681
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(625,930)</b>	<b>(167,251)</b>
<b>Payments due to investment:</b>	<b>(823,776)</b>	<b>(234,658)</b>
Group companies, associates and business units	(33,540)	(28,539)
Property, plant and equipment, intangible assets and investment property	(790,236)	(206,119)
<b>Proceeds from disposal:</b>	<b>65,289</b>	<b>62,475</b>
Group companies, associates and business units	1,222	3,370
Property, plant and equipment, intangible assets and investment property	64,067	59,105
<b>Other cash flows from investing activities:</b>	<b>132,557</b>	<b>4,932</b>
Other amounts received/(paid) relating to investing activities	132,557	4,932
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(231,192)</b>	<b>(358,424)</b>
<b>Proceeds and (payments) relating to equity instruments:</b>	<b>(355)</b>	<b>10,516</b>
Purchases	(355)	(42,747)
Disposals	–	53,263
<b>Proceeds and (payments) relating to financial liability instruments:</b>	<b>(326,292)</b>	<b>(171,546)</b>
Proceeds from issues	3,855,626	614,305
Repayments and redemptions	(4,181,918)	(785,851)
<b>Dividends and returns on other equity instruments paid</b>	<b>(189,122)</b>	<b>(126,334)</b>
<b>Other cash flows from financing activities</b>	<b>284,576</b>	<b>(71,060)</b>
Other amounts received/(paid) relating to financing activities	284,576	(71,060)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>2,267</b>	<b>(23,917)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(31,854)</b>	<b>133,361</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,460,173	1,326,812
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,428,319	1,460,173
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash on hand and at banks	1,116,858	1,028,293
Other financial assets	311,461	431,880
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,428,319</b>	<b>1,460,173</b>

Accompanying Notes 1 to 36 and the appendices are an integral part of the consolidated statement of cash flows for 2016.

  
**M<sup>a</sup> TERESA DE LA CUESTA BERNÁLDEZ**  
 Traductora-Intérprete Jurada de INGLÉS  
 N<sup>o</sup> 661

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016 OF ACCIONA, S.A. AND  
SUBSIDIARIES  
(Consolidated Group)**

**1. - Group activities**

Acciona, S.A. (“the Parent” or “the Company”) and its subsidiaries make up the Acciona Group (“Acciona” or “the Group”). Acciona, S.A.’s registered office and headquarters are in Alcobendas (Madrid) at Avenida de Europa 18.

The Acciona Group companies operate in several sectors of economic activity, including most notably:

- Acciona Energy: including the electricity business, ranging from the construction of wind farms to the generation, distribution and selling of various energy sources.
- Acciona Infrastructure Construction: including mainly construction and engineering activities and transport and hospital concessions.
- Acciona Water: including the activities relating to the construction of desalination plants, water treatment plants and drinking water stations as well as the management of the entire water cycle, an activity that covers from the initial harnessing of the water, its treatment, including desalination, to its cleaning and return to the environment after use. It also operates concessions for services related to the entire water cycle.
- Acciona Service: including the activities of facility services, airport handling services, waste collection and treatment, and logistics services, among others.
- Other Activities: businesses relating to fund management and stock market brokerage, wine production, as well as the activities of the Acciona Trasmediterránea subgroup, the real estate business and other investments.

Note 27 to the accompanying consolidated financial statements, “Segment Reporting”, includes detailed information about the assets, liabilities and transactions carried out in each of the above business divisions making up the Acciona Group.

**2. - Regulatory framework for the energy division in Spain**

The regulatory framework for the energy division in Spain is summarised below, as it is the most significant within the Group’s activity. The business of electricity production under the special system in Spain was regulated until 2013 by Spanish Electricity Industry Act 54/1997, of 27 November, and by the regulatory provisions developing the Act, mainly Royal Decree 661/2007, of 25 May, which regulated electricity production under the special system.

In addition, most of the Group’s electricity production facilities in Spain are governed, as far as the remuneration framework for the support of renewable energy sources is concerned, by the special system provided for in Royal Decree 661/2007, of 25 May, which regulated electricity production under the special regime.

Transitional Provision One of Royal Decree 661/2007 acknowledged the right of wind generated power facilities, *inter alia*, with start-up certificates pre-dating 1 January 2008, to continue to receive the premiums and incentives existing under the previous system (Royal Decree 436/2004, of 12 March) until 31 December 2012, before transitioning into the new system. The facilities owned by the

Group's subsidiaries that commenced operations prior to that date availed themselves of the aforementioned Transitional Provision. For all the facilities that came into service after 1 January 2008 caps and floors were set for the aggregate price (market price plus premium) applicable to power sales in the market, or a regulated tariff was established.

Royal Decree 6/2009, of 30 April, introduced the facility pre-assignment system for entitlement to the system of Special System premiums defined in the Spanish Electricity Industry Act until the targets set in the Renewable Energy Plan for 2020 had been met. The facilities that, at the date of publication of the Royal Legislative Decree, met the pre-assignment conditions established therein, would be entitled to the premiums and tariffs provided for in Royal Decree 661/2007.

Royal Decree 1614/2010 was approved on 7 December 2010. The purpose of this legislation was to modify and regulate matters relating to the production of electricity using solar thermal and wind energy technologies, with the aim of containing the deficit. This Royal Decree established a limit on the equivalent hours of operation with entitlement to a premium for solar thermal and wind technologies, the obligation to sell electricity at the regulated tariff for the solar thermal sector for the twelve months following the entry into force of the Royal Decree or following the start-up of the related facility if at a later date, and a 35% reduction in the premiums for wind technology subject to Royal Decree 661/2007 and for the period from the date of approval of the Royal Decree to 31 December 2012, while maintaining the amounts relating to the cap, floor and regulated tariff unchanged.

The reduction in the premiums established by the aforesaid Royal Decree hardly affected the Group's farms, since most of them had start-up certificates pre-dating 1 January 2008 and they availed themselves of the aforementioned Transitional Provision of Royal Decree 661/2007. The remainder of the facilities sold their energy under the regulated tariff system. Also, the limits placed on operating hours had little impact on the Group's facilities, since the number of hours established in the Royal Decree exceeded the hours that the facilities actually operated.

On 28 January 2012, Royal Decree-Law 1/2012 was published in the Spanish Central Government Gazette and it came into force on that same date, giving rise to the suspension of remuneration pre-assignment procedures and the removal of economic incentives for new electricity production facilities which use combined heat and power, renewable energy sources and waste. Royal Decree-Law 1/2012 affected, *inter alia*, facilities under the special system that at 28 January 2012 had not been registered in the Pre-assignment Register. Since the Group's facilities had been registered in the aforementioned Register before 28 January 2012, this Royal Decree did not have any effect on the profitability of the Group's facilities.

In addition, 28 December 2012 saw the publication of Act 15/2012 on tax measures aimed at energy sustainability, which affected all electricity production facilities in Spain from 2013 onwards. All of Acciona's facilities became subject to the tax on the value of electricity output, which means 7% tax on income from electricity sales. On the other hand, the aforementioned Act also introduced a charge for the use of inland water for electricity production. This charge meant 22% tax on the economic value of electricity output, with a 90% reduction in the tax for facilities with a capacity lower than 50 MW and pumped storage power plants. Lastly, Act 15/2012 also established a dual tax on solar thermal plants: on the one hand, the Act eliminated the premium for power produced using fossil fuels and, on the other, it introduced a tax of 0.65 euros per GJ of gas consumed.

Until 31 December 2012, practically all the facilities owned by the companies in the Group operating on the Spanish market were doing so under the free market system by selling their energy to the pool through Acciona Green Energy Development, S.L., one of the Group companies..

Royal Decree-Law 2/2013 of 1 February on urgent measures in the electricity sector was approved in 2013. This RDL, in force from 1 January 2013, set the premiums at €/kWh for all special system facilities applying the market sale option, with the option for tariff-based sales being maintained, although the coefficient for annual updating of said tariff was modified, it being referenced to core

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inflation instead of to the Consumer Price Index (CPI). This RLD established that the registered holders of facilities had to opt for selling the electricity under the regulated tariff option or selling it freely on the market without receiving any premium. Once an option was taken, it was then irrevocable.

For practical purposes, this RLD meant that the Acciona Group's wind farms and thermoelectric or biomass power stations had to choose the regulated tariff sale option from 2013 on. The hydroelectric power stations under the Special System were already selling at the tariff prior to the publication of this RLD.

In addition, on 13 July Royal Decree-Law 9/2013 was published, whereby urgent measures to guarantee the financial stability of the electricity system were adopted. This Royal Decree-Law repealed the remuneration system supporting renewable energies and introduced substantial changes in the applicable legal and economic framework.

This new regulation meant that, in addition to the remuneration for the sale of electricity generated valued at market prices, facilities could receive a *specific remuneration* comprising (i) a term per unit of power installed, covering, where appropriate, the investment costs for a standard facility that cannot be recovered through electricity sales and (ii) an operating remuneration term that covers, where applicable, the difference between operating costs and the revenue from that standard facility's participation on the market, to which each pre-existing facility would assimilate.

To calculate this specific remuneration, the following items, for a standard facility, are considered, throughout its regulatory lifetime and with respect to activities conducted by an efficient and well-managed company:

- a) The standard revenue from the sale of the energy generated valued at the market production price.
- b) Standard operating costs, and
- c) The standard value of the initial investment.

According to the regulation, the aim of these parameters is not to exceed the minimum level necessary to cover the costs that enable the facilities to compete on a level footing with the rest of the technologies on the market and make it possible to obtain a reasonable return. (ver comentario en pg 79 – nota 19

With regard to this reasonable return, the Royal Decree-Law indicated that it would be similar, before tax, to the mean return from ten-year Government Bonds on the secondary market after application of the appropriate differential. For the facilities under the premium-based economic system prior to the enactment of Royal Decree-law 9/2013, the first additional provision specified that reasonable return would be (i) the average return for the 24 months prior to the enactment of said Royal Decree-law plus (ii) a differential of 300 basic points, all without prejudice to a possible review every six years.

RD-L 9/2013 came into force on 14 July 2013. Its development (RD relating to the production activity with renewable energies and remuneration parameters order for such activity) was still pending approval at the close of financial year 2013, with a draft Ministerial Order containing the parameters for remuneration, based on which, at 31 December 2013, the Group estimated and re-appraised its revenue and other key figures, posting the resulting impairments according to the new model.

In December 2013, Act 24/2013, of 26 December, on the Electricity Industry, was enacted to replace Act 54/1997; it provided for the new legal framework for the industry, eliminating the concept of the special system and regulating specific remuneration and also establishing the formula for defining the reasonable return for facilities.

Royal Decree 413/2014, of 6 June, was published in the Central Government Gazette on 10 June 2014, to regulate the activities of electricity generation from renewable energy sources, co-generation and waste. As a follow-up to the same, final Ministerial Order IET 1045/2014 was issued on 20 June 2014

and published in the Central Government Gazette on 29 June 2014. This Order contained the final remuneration parameters applicable to all renewable energy facilities, whether already in existence or planned for the future. The new model defined the remuneration of assets applicable from 14 July 2013 as a consequence of RDL 9/2013.

In financial year 2016 there were no new regulations relevant to the electricity generation business based on renewable energies in relation to ACCIONA's assets, although at the end of the year the Ministry of Energy, Tourism and Digital Agenda (*MINETAD*) submitted to public consultation the drafts of Royal Decree and Ministerial Order whereby "*a call is established for the granting of the specific remuneration system to new facilities that produce electricity from renewable energy sources in the peninsular electricity system*". In order to contribute to the achievement of the binding objective of Spain to reach 20% of final energy consumption from renewable energies in 2020, the Ministry proposes to carry out a tender process in which 3,000 MW of newly-built renewable energy are tendered. The terms and conditions of the auction are expected to be approved before the end of the first half of 2017.

In addition, on 22 February 2017, *Order ETU / 130/2017, dated February 17*, was published, whereby remuneration parameters are updated for standard facilities, applicable to certain facilities that produce electricity from renewable energy sources, cogeneration and waste, for the purposes of its application to the regulatory half-period beginning 1 January 2017. 2016 was the last year of the first regulatory half-period, so a partial review of the model parameters is necessary (only those related to past and future market price estimates). On the basis of the new market price estimates, the Ministerial Order determines the investment and operating remuneration values to be applied to the renewable assets entitled to them in the period 2017-2019. The Group considers that the updating of the remuneration parameters applicable as from 2017 will not have a significant impact on the business plans or on the value of the energy division assets in Spain.

Moreover, due to the relevance they could have in the Group's activity in the middle/long term, it should be noted that on 30 November 2016 the European Commission published under the title "*Clean Energy for all European*" a package of regulatory proposals (known as "*Clean Energy Package*" or "*Winter Package*"), where a comprehensive review of the EU energy regulatory framework was proposed, with a post-2020 horizon. The legislative package highlights the Renewable Energy Directive, which sets a binding target for the EU of no less than 27% of final renewable energy consumption by 2030.

### 3. - Basis of presentation of financial statements and consolidation principles

#### 3.1 Basis of presentation

The consolidated financial statements for financial year 2016 of the Acciona Group were prepared by the Directors of Acciona, S.A. at the Board of Directors Meeting held on 28 February 2017, and disclose a true and fair view of the Group's equity and consolidated financial position at 31 December 2016, and of the results of its operations, the changes in the consolidated statement of recognized income and expenses, the changes in the consolidated equity and the consolidated cash flows in the years then ended.

These financial statements were prepared in accordance with the applicable regulatory financial reporting framework and, in particular, with the principles and criteria contained in the International Financial Reporting Standards (IFRS) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council. The main mandatory accounting principles and measurement criteria applied, the alternative treatments permitted by the relevant legislation in this respect and the standards and interpretations issued but not yet in force at the date of formal preparation of these financial statements are summarised in Note 4.

  
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These financial statements were prepared on the basis of the accounting records kept by the Parent and by the other Group companies. These records include the figures relating to the joint ventures, groupings and consortia considered to be joint operations, in which the Group companies have interests, through the proportional consolidation method, that is, through the inclusion, based on the percentage of participation, of the assets, liabilities and operations of these entities, after asset and liability balances are appropriately eliminated, as well as operations in the year.

The Acciona Group's consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting on 10 May 2016. The consolidated financial statements for 2016 of the Acciona Group and the separate financial statements for 2016 of the companies making up the Group have not yet been approved by their respective Annual General Meetings of Shareholders. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

Unless otherwise indicated, these consolidated financial statements are presented in thousands of euros, because the euro is the functional currency of the principal economic area where the Acciona Group operates. Foreign operations are accounted for in accordance with the policies established in Notes 3.2.g) and 4.2.q).

### **3.2 Consolidation principles**

#### **a. Consolidation methods**

The companies over which, under IFRS 10, control is exercised were fully consolidated. These companies are considered subsidiaries and they are listed in Appendix I, and their consolidation method is explained in section d. of this same note.

Entities managed jointly with third parties as a joint operation are proportionately consolidated when it is concluded that the participating company has direct rights and obligations for its share percentage in the assets and liabilities under the agreement. This is explained in section e. in this note. The companies consolidated by applying the proportional method are listed in Appendix II.

Finally, the companies not included in the paragraphs above, where significant influence is held in their management or they are joint venturer, are associates, and they are measured by applying the equity method (see Appendix III). This consolidation method is explained in section f. in this note.

#### **b. Eliminations on consolidation**

All material balances and effects of the transactions performed between the subsidiaries and the associates and joint operations, and intra-subsidiaries, were eliminated on the consolidation process.

The gains on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's share percentage in their capital. Exceptionally, the profit and loss on internal transactions with Group companies, jointly controlled entities or associates in connection with certain concession-related activities were not eliminated.

#### **c. Uniformity**

The Spanish resident companies included in the scope of consolidation were consolidated on the basis of their separate financial statements prepared in accordance with the Spanish General Accounting Plan and foreign companies were consolidated in accordance with their local standards. All material adjustments required to adapt these financial statements to International Financial Reporting Standards and/or make them compliant with the Group's accounting policies were considered in the consolidation process.

**d. Subsidiaries**

“Subsidiaries” are defined as companies over which the Company has the capacity to exercise effective control; control is generally seen in three elements that must be complied with: having authority over the subsidiary, exposure or the right to variable returns from its investment and the ability to use said authority to influence the amount of these returns.

The financial statements of the subsidiaries are fully consolidated with those of the Company. Accordingly, all material balances and effects of the transactions between consolidated companies were eliminated on consolidation.

When a subsidiary is bought, its assets, liabilities and contingent liabilities are measured at their acquisition-date fair values, as provided for in IFRS 3, Business Combinations. Any excess in the cost of acquisition over the fair values of the identified net assets is recognised as goodwill. If the cost of acquisition is lower than the fair value of the identifiable net assets, the difference is credited to profit or loss on the acquisition date.

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

The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

The share of third parties in the equity of their investees is disclosed within the Group’s equity under “Non-Controlling Interests” on the consolidated balance sheet. Similarly, their share in the profit or loss for the year is disclosed under “Non-Controlling Interests” on the consolidated income statement.

**e. Joint operations**

Joint arrangements are deemed to be ventures in which the investee (jointly controlled entity) is managed by a Group company and one or more unrelated third parties, all of whom act jointly to manage the relevant activities and where strategic decisions require the unanimous consent of the parties.

Joint arrangements where the investing company is deemed to hold direct rights and obligations for its share percentage in the assets and liabilities under the arrangement are considered joint operations.

The financial statements of joint operations are proportionately consolidated with those of the Company and, therefore, the aggregation of balances and subsequent eliminations are only applied in proportion to the Group’s share in the capital of these entities.

The assets and liabilities relating to operations are recognised on the consolidated balance sheet classified according to their specific nature. Similarly, the income and expenses from joint operations are disclosed in the consolidated income statement on the basis of their nature.

**f. Equity method**

In the consolidated financial statements, investments in associates and joint ventures (joint arrangements giving a right to the net assets of the arrangement) are measured by applying the

  
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equity method, i.e., at the Group's share in net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

The value of these investments on the consolidated balance sheet implicitly includes, where applicable, the goodwill arising on their acquisition.

When the Group's investments in associates are reduced to zero, any additional implicit obligations in the subsidiaries that are accounted for by the equity method are recognised under "Non-current provisions" on the consolidated balance sheet.

In order to disclose results uniformly the Group's share in the profit or loss of associates is disclosed on the consolidated income statement before and after tax.

**g. Translation differences**

On consolidation, the assets and liabilities of the Group's foreign operations with a functional currency other than the euro are translated to euros at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly. Capital and reserves are translated at the historical exchange rates. Translation differences, if any, are classified as equity. Such translation differences are recognised as income or as expenses in the year in which the investment is made or disposed of.

**h. Changes in the scope of consolidation**

Appendices I, II and III to the accompanying consolidated financial statements contain relevant information about the Acciona Group's subsidiaries, joint operations and associates and joint ventures, and Appendix IV shows the changes in consolidation scope in the year.

In financial year 2016 the main additions and removals in investments related to the joining of the associate Nordex, S.E. and the loss of control over Corporación Acciona Windpower, S.L., to the companies holding wind assets located in Greece leaving the scope (within the energy division) and to the change in consolidation method for the company ATLL Concessionaria de la Generalitat de Catalunya, S.A., which now consolidates following the global consolidation method after taking control in 2016, as discussed below.

Last 4 October 2015, as indicated in Note 23 to the annual accounts for financial year 2015, an agreement was subscribed between Acciona, S.A. and the quoted German company Nordex, S.E. whereby Nordex, S.E. was to acquire the entire share capital of Corporación Acciona Windpower, S.L. and as consideration Acciona would receive 16,100,000 newly issued shares representing 16.6% of the share capital of Nordex, measured at 26 euros per share, which accounts for a total of 418.6 million euros and a cash payment of 366.4 million euros, resulting in a total value of 785 million euros for the transaction, validated by an independent expert, which would be adjusted on the basis of the existing debt in the Windpower subgroup at 31 December 2015.

Additionally, as indicated in Note 23 to the annual accounts for financial year 2015, an agreement was subscribed between Acciona, S.A. and Momentum-Capital Vermögensverwaltungsgesellschaft GmbH and Ventus Venture Fund GmbH & Co. Beteiligungs KG (then shareholders of Nordex, S.E.) for the acquisition of 12,897,752 Nordex, S.E. shares currently in circulation and representing 13.3% in its share capital in the amount of 335.34 million euros equivalent to 26 euros per share. The acquisition was subject to the condition precedent that the acquisition of AWP by Nordex as described in the paragraphs above was formalised and executed in full.

For accounting purposes, the signature of the agreement meant that since 30 September 2015 the Acciona Group classified all the assets and liabilities contributed by the Acciona Windpower subgroup to the captions "assets and liabilities held for sale".

At 31 December 2015 the operation was subject to the fulfilment of certain conditions precedent, in particular that the competent Competition authorities would not oppose it. Finally, on 4 April 2016, after the conditions precedent had been fulfilled and the capital increase of Nordex was subscribed, the operation was closed in the terms indicated above, so since 4 April 2016 (when control was lost over Acciona Windpower) the Group ceased to consolidate its investment in the subsidiary. The gains resulting from the operation amounted to 657 million euros, recognized in "Impairment and profit/(loss) on disposal of non current assets" on the accompanying income statement (see note 26).

As a result of the conclusion of the operation described above, since April 2016 Acciona holds 29.9% investment in the Nordex, S.E. Group. The General Shareholders' Meeting of Nordex, S.E., held on 10 May 2016, decided to appoint two directors of Acciona members of the Supervisory Board of the company (Nordex, S.E. governing body is formed by six members). Based on this fact and all the other agreements subscribed, the Acciona Group determined that it holds significant influence over Nordex, S.E., so said Group is consolidated following the equity method (see note 9). Note 23 details the assets and liabilities that left the Group on 4 April 2016, as regards Acciona Windpower.

With regards to ATLL Concessionaria de la Generalitat de Catalunya, S.A., last 21 January 2016, upon fulfilment of the conditions precedent, Aigües de Catalunya, Ltd sold shares representing an additional 37.05% of ATLL Concessionaria de la Generalitat de Catalunya, S.A. to Gestio Catalana D'Aigües, S.A., a subsidiary of the Acciona Group. According to the provisions of the sale operation described above, both parties also agreed to transfer to Gestio Catalana D'Aigües, S.A. 95% of the rights and obligations included in the loan for the amount of 55 million euros that the selling shareholder, namely, Aigües de Catalunya, Ltd, as lender, held against ATLL Concessionaria de la Generalitat de Catalunya, S.A., as borrower, and that had been subscribed on 21 December 2012. The price to buy the shares amounted to 19 million euros and produced gains amounting to 30 million euros, recognized in "Other gains and losses" on the accompanying income statement. These gains arise from derecognition of the pre-existing investment at its fair value and measuring the assets and liabilities of the entity at their fair value. Detail of the business combination is as follows (in thousand euros).

Company	Acquisition cost	Additional percentage bought	Carrying amount of 100% of the company	Goodwill/DNC
ATLL Concessionaria de la Generalitat de Catalunya	19,344	37.05%	133,648	(30,173)

At 31 December 2015, the investment of Acciona Group in ATLL Concessionaria de la Generalitat de Catalunya, S.A. amounted to 39%, with the company being consolidated by application of the equity method. The buy operation described above means Acciona Group took control over the company, with the investment amounting to 76.05% of the share capital and the company being consolidated by application of the global consolidation method (see note 9).

The table below shows the balance of the company ATLL at the time control was taken over:

Million euros	ATLL	Million euros	ATLL
ASSETS		LIABILITIES	
		Equity	134
PPE, intangible assets	976	L/T fixed assets suppliers	755

*last*

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Deferred tax assets	20	Non-current provisions	37
<b>Non-current assets</b>	<b>996</b>	<b>Non-current liabilities</b>	<b>792</b>
<b>Current assets</b>	<b>150</b>	<b>Current liabilities</b>	<b>220</b>
<b>Total Assets</b>	<b>1,146</b>	<b>Total Liabilities</b>	<b>1,146</b>

Each note to these consolidated financial statements details the main assets and liabilities contributed by ATLL. In addition, net turnover of ATLL from the time control was taken over to 31 December 2016 amounted to 148 million euros.

Finally, the last significant change to the scope for the period related to the agreement reached by Acciona Group whereby it delivered all the shares in the companies holding the wind assets located in Greece within the energy division, in payment for the settlement of litigation with the local developer for renewable energy projects. This change to the scope involved an outflow of net assets in the amount of 21 million euros (see notes 5 and 17)

In financial year 2016 no significant additions to or removals from the scope of consolidation took place, apart from those described in the paragraphs above.

#### 4. - Main accounting policies

##### 4.1 Adoption of new standards and interpretations issued

###### Standards and interpretations applicable in this financial year

In financial year 2016, the following accounting standards, amendments and interpretations came into force and, accordingly, were taken into account in the preparation of the accompanying consolidated financial statements.

<b>Standards, amendments and interpretations:</b>		<b>Mandatorily applicable in annual periods beginning on or after:</b>
<b><u>Approved to be applied in the EU</u></b>		
Amendment to IAS 19 – Contributions by employees to defined benefit plans (published in November 2013)	The amendment is issued to make it possible to deduct these contributions from the service cost in the period in which they are paid if certain conditions are met.	1 February 2015
Improvements to IFRS cycle 2010-2012 (published in December 2013)	Minor amendments to a number of standards.	1 February 2015
Amendment to IAS 16 and IAS 38 – Acceptable methods of depreciation and amortisation (published in May 2014).	Clarification of the acceptable methods of depreciation and amortisation of property, plant and equipment and intangible assets, which do not include revenue-based methods.	1 January 2016
Amendment to IFRS 11- Accounting of acquisitions of interests in joint operations (published in May 2014).	It addresses the accounting of an interest in a joint operation when the activity of the joint operation constitutes a business.	1 January 2016
Amendment to IAS 16 and IAS 41 – Bearer plants (published in June 2014).	Bearer plants will be accounted for at cost instead of at fair value.	1 January 2016
Improvements to IFRS cycle 2012-2014 (published in September 2014)	Minor amendments to a number of standards.	1 January 2016
Amendment to IAS 27 – Equity method in separate financial statements (published in August 2014)	The equity method in an investor's separate financial statements will be allowed.	1 January 2016
Amendments to IAS 1: Disclosure initiative (December 2014).	Clarifications about disclosures (materiality, aggregation, order of notes...)	1 January 2016

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Standards, amendments and interpretations:		Mandatorily applicable in annual periods beginning on or after:
Amendment to IFRS 10, IFRS 12 & IAS 28 – Investment entities (December 2014).	Clarification about the consolidation exception for investment entities	1 January 2016

La application of the amendment to IAS 16 and to IAS 41- Bearer plants indicated on the table above means that the vineyards from the Hijos de Antonio Barceló subgroup, which until the close of financial year 2015 were measured at fair value, are measured after 1 January 2016 at cost and classified under property, plant and equipment. This amendment had no significant effect on the group.

The other standards were applied with no impact on the reported figures or on the presentation and disclosure of the information, either because they do not involve relevant changes or because they refer to economic events that do not affect the Acciona Group.

Standards and interpretations issued but not in force

At the date of preparation of these annual financial statements, the following were the most significant standards and interpretations published by the IASB, but they have not come into effect yet, either because their effective date is later than the date of the consolidated financial statements, or because they have not been adopted by the European Union yet:

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Standards, amendments and interpretations		Mandatorily applicable in annual reporting periods beginning on or after:
<b>Approved for use in UE</b>		
IFRS 15 – Revenue from contracts with clients (published in May 2014)	New standard for revenue recognition (replacing IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018
IFRS 9 – Financial instruments (last phase published in July 2014)	Replacement of the requirements for classification, measurement, recognition and derecognition in accounts of financial assets and liabilities, hedge accounting and impairment under IAS 39	1 January 2018
<b>Not approved for use in UE</b>		
Clarifications to IFRS 15 (published in April 2016)	They revolve around the performance obligations, principal versus agent, licensing and accrual at one point or over time, as well as clarifications about the transition rules.	1 January 2018
IFRS 16 – Leases (published in January 2016)	New standard on leases (it replaces IAS 17 and related interpretations). The novelty is that the new standard proposes a unique accounting model for lessees, which will include in the balance sheet all leases (with some limited exceptions) with an impact similar to that of current financial leases (there will be amortization of the asset by the right of use and a finance expense for the amortized cost of the liability on leases)	1 January 2019
Amendments to IAS 7: disclosure initiative (published in January 2016)	It proposes disclosing opening and end balances on the financial statements for the items whose cash flow is classified as financing activity.	1 January 2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (published in January 2016)	Recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017

Amendment to IFRS 2 – Classification and measurement of share-based payments (published in June 2016).	It clarifies specific issues such as the effects of accrual conditions on share-based payments settled in cash, the classification of share-based payments when it has net settlement clauses and some aspects of changes in the type of share-based payment.	1 January 2018
Amendment to IFRS 4 - Insurance contracts (published in September 2016).	It gives entities within the scope of IFRS 4 the option to apply IFRS 9 or temporary exemption.	1 January 2018
Amendment to IAS 40 –Reclassification of property investments (published in December 2016).	It clarifies that reclassification of an investment from or to property investments is allowed only when there is evidence of a change in use.	1 January 2018
Improvements to IFRS cycle 2014-2016 (published in December 2016).	Minor amendments to a series of standards (different effective dates).	1 January 2017 and 2018
IFRIC 22 – Foreign currency transactions and advances (published in December 2016).	This interpretation establishes the “transaction date” to the effects of determining the exchange rate applicable to transactions with foreign currency advances.	1 January 2018
Amendment to IFRS 10 and IAS 28 -- Sales or contribution of assets between an investor and its associate/joint venture (published in September 2014).	Clarification about the gain or loss from these operations if it is about businesses or assets.	Indefinitely postponed

- IFRS 9 - Financial Instruments

IFRS 9 will replace IAS 39 in future. There are very significant differences with respect to the current standard in relation to financial assets, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current “held-to-maturity investments” and “available-for-sale financial assets” categories, a new impairment model based on expected losses instead of losses incurred and also hedge accounting that attempts to align accounting with the economic management of risk.

At present, the Group is analysing all the future impacts of adopting this standard and it is not possible to furnish any reasonable estimate of its effects until this analysis is complete.

- IFRS 15 – Revenue recognition

IFRS 15 – Revenue from contracts with clients is the new standard for recognising revenue with clients, and will replace, in financial years beginning on or after 1 January 2018, the following standards and interpretations currently in force: IAS 11 – Construction contracts, IAS 18 – Revenue, IFRIC 13 – Client loyalty programmes, IFRIC 15 – Agreements for the construction of Real Estate, IFRIC 18 – Transfers of assets from clients and SIC 31 – Revenue - Barter Transaction Involving Advertising Services.

At present, the Group is in the initial phases of analysis and diagnosis of the potential effects of this standard on the scope of its different businesses, mainly in its construction, water and services activities, as well as of evaluation of the needs to change, where appropriate, the Group’s internal policies, information systems and controls in order to establish objective criteria in relation to their future application, but the quantitative analysis of the impacts and the impact of the first application of this new standard on the Group's financial statements is not yet available. The main aspects that will potentially be the subject of further analysis relate to the evaluation of the income recognition method and the clients’ level of acceptance in relation to the work performed, the identification of different obligations under long-term contracts, among others.

The mandatory date of application is 2018 and the Group does not anticipate early application.

- IFRS 16 - Leases

IFRS 16 Leases will replace IAS 17 – Leases in the financial years beginning on or after 1 January 2019. This new standard provides for the lessee a single accounting model where all the leases (leases of little value and those covering a period shorter than twelve months can be excluded) will be recognised on the balance sheet in a similar manner to current finance leases (recognising finance cost for the amortised cost of the liability and depreciation for the right of use). For the lessor a dual model based on current IAS 17 is maintained and leases will be finance or operating.

The Group has not yet completed the analysis of the effects of this standard. The expected theoretical impact will be potentially in line with the analyses published by different accounting experts in relation to increases in assets and financial liabilities for the future payment obligations associated with operating leases. The mandatory date of application is 2019 and the Group does not anticipate early application.

Except for the impacts of the standards indicated in the paragraphs above, the Group's Directors do not anticipate any significant changes to arise as a result of the introduction of the other standards, amendments and interpretations published but not yet in force, since they are applications to be applied prospectively, amendments related to presentation and disclosure issues and/or matters that are not applicable to the Group's operations.

#### 4.2 Measurement standards

The main measurement standards applied in the preparation of the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, were as follows:

##### A) Property, plant and equipment

Property, plant and equipment acquired for use in the production or supply of goods or services or for administrative purposes are stated on the consolidated balance sheet at the lower of acquisition or production cost less any accumulated depreciation and their recoverable amounts.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Acquisition cost includes professional fees and borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use. The finance costs relating to this funding used for the construction of these assets are entirely capitalised during their construction.

The acquisition cost of elements acquired before 31 December 2003 includes any asset revaluations permitted in the various countries to adjust the value of the property, plant and equipment due to the effect of inflation until that date.

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

In-house work done by the Group on its own property, plant and equipment is recognised at accumulated cost (external costs plus internal costs calculated on the basis of in-house consumption of warehouse materials and manufacturing costs incurred). At 31 December 2016 "other income" on the accompanying consolidated income statement recorded the amount of 321 million euros for work done

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by the Group on its own property, plant and equipment, mostly related to two wind projects developed in the United States and in India, and a photovoltaic project in Chile.

Upkeep and maintenance costs are charged to the consolidated income statement for the year in which they are incurred.

Generally, depreciation is calculated using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated. The Group companies depreciate their property, plant and equipment over the years of estimated useful life. The annual depreciation rates applicable in 2016 were as follows:

Annual depreciation rates	
Buildings	2 - 10%
Special facilities	
Wind farms	4%
Hydroelectric power plants	1 - 4%
Biomass plants	4%
Solar thermal plants	3 - 33%
Photovoltaic solar plants	4%
Vessels	5 - 6%
Remaning plant	3 - 30%
Machinery	5 - 33%
Furniture	5 - 33%
Computer hardware	13 - 33%
Transport equipment	7 - 25%
Other items of property, plant and equipment	2 - 33%

The consolidated companies recognise in the books any loss that may have occurred in the registered value of these assets due to their impairment, and the caption "result due to impairment of assets" on the consolidated income statement is used as balancing entry. The criteria to recognise the impairment losses of these assets and, if appropriate, the loss recoveries that might occur subsequently are detailed in section E) in this note.

#### Finance leases

Property, plant and equipment held under finance leases are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets.

#### B) Investment property

"Investment Property" on the accompanying consolidated balance sheet reflects the net values (i.e. less any accumulated depreciation) of the land, buildings and other structures held either to earn rentals or for capital appreciation on their sale.

Investment property is stated at acquisition cost and for all purposes the Group applies the same policies as those used for property, plant and equipment of the same kind.

Each year the Group determines the fair value of its investment property with the support of appraisals undertaken by independent experts (see Note 6).

Investment property is depreciated on a straight-line basis over the years of estimated useful life of the assets, which constitutes the period over which the Group companies expect to use them. The average depreciation rate is as follows:

Annual depreciation rate	
Buildings held for rental	2 - 5%

### C) Goodwill

Goodwill arising on consolidation represents the acquisition cost excess over the Group's ownership interests in the fair value of the identifiable assets and liabilities, including contingent assets and liabilities, of a subsidiary or jointly controlled entity at the date of acquisition or at the date on which control is obtained.

The assets and liabilities acquired are measured provisionally at the date on which control is acquired, and the resulting value is reviewed no later than one year from the date of acquisition. Until the fair value of the assets and liabilities has been definitively determined, the difference between the cost of acquisition and the carrying amount of the company acquired is recognised provisionally as goodwill.

Any excess in the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values are higher (lower) than the carrying amounts at which they had been recognised on their balance sheets and whose accounting treatment is similar to that of the same assets (or liabilities) of the Group: amortisation, accrual, etc.
- If it is attributable to specific intangible assets, recognising it explicitly on the consolidated balance sheet provided that the fair value at the date of acquisition can be reliably measured.
- The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when it has been acquired for a consideration and represents, therefore, a payment made by the buyer in anticipation of future economic benefits from assets of the acquired company that are not individually and separately identifiable and recognisable.

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and that acquired earlier is recognised at the net carrying amount at 31 December 2003.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising in the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet.

### D) Other intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less, if applicable, any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those used to depreciate property, plant and equipment. The amortisation rates, which were determined on the basis of the average years of estimated useful life of the assets, are basically as follows:

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Annual amortisation rate	
Development expenditure	10 - 20%
Administrative concessions	2 - 25%
Leasehold assignment rights	10 - 20%
Computer software	7 - 33%

The consolidated companies recognise any impairment loss in the carrying amount of these assets with a charge to “Impairment and profit/(loss) on Disposals of Non-Current Assets” on the consolidated income statement. The criteria used to recognise the impairment losses of these assets and any subsequent recovery thereof are detailed in section E) in this note.

#### *Research and development*

As a general rule, expenditure on research activities is recognised as an expense in the year in which it is incurred, except in development projects in which an identifiable asset is created, it is probable that the asset will generate future economic benefits, and the development cost of the asset can be reliably measured. The Group’s development expenditure, basically related to the wind power business, is only recognised as an asset if it is probable that it will generate future economic benefits and the development cost of the asset can be reliably measured.

Development expenditure is amortised on a straight-line basis over its useful life. Unless the aforementioned conditions for recognition as an asset are met, development expenditure is recognised as an expense in the year in which it is incurred.

#### *Administrative concessions*

The “Administrative Concessions” line item includes concessions that have been acquired by the Group for a consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the Government or from a public agency. Administrative concessions are amortised on a straight-line basis over the term of the concession. Appendix V details the duration (and, therefore, amortisation) of the main concessions.

#### *Intangible assets in infrastructure projects*

Since the adoption of IFRIC 12, the Acciona Group has included under “Intangible Assets in Infrastructure Projects”, the intangible assets associated with concessions in which the investment recovery risk is borne by the operator. This type of concession-related activity is carried out through investments mainly in transport and water supply infrastructure that is operated by subsidiaries, jointly controlled entities or associates (concession operators), the main characteristics being as follows:

- The concession infrastructure is owned by the grantor in most cases.
- The concession grantor, which can be a public or private sector entity, controls or regulates the service offered by the concession operator and the conditions under which it should be provided.
- The infrastructure is operated by the concession operator as established in the concession tender specifications for an established concession term. At the end of this period, the assets are handed over to the concession grantor, and the concession operator has no right whatsoever over these assets.
- The concession operator receives revenue for the services provided either directly from the users or through the concession grantor.

The most significant accounting criteria applied by the Acciona Group in relation to these concession arrangements are as follows:

- Capitalisation of the borrowing costs incurred during the construction period and non-capitalisation of the borrowing costs subsequent to the entry into service of the related assets.
- Amortisation of the concession infrastructure on a straight-line basis over the concession term.
- Concession operators amortise these assets so that the carrying amount of the investment made plus the costs considered necessary to return the assets in working order is zero at the end of the concession term.
- Practically in all the concessions of the Acciona Group, the construction work was carried out by Group companies. In this regard, the income and expenses corresponding to infrastructure construction or upgrade services are recognised at their gross amount (recognition of the sales and the cost of sales on the consolidated financial statements of the Acciona Group), with the construction margin recognised on the consolidated financial statements. If construction were not carried out by the Group itself, this fact would be taken into account for the purpose of recognising sales and the cost of sales on the consolidated financial statements. No adjustment was necessary in 2016 for this reason.

#### *Computer software*

The acquisition and development costs incurred in relation to the basic computer systems used in the Group's management are recognised at acquisition cost with a charge to "Other Intangible Assets" on the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

#### E) Impairment of non-current assets

At the closing date of each balance sheet, the Group reviews the carrying amounts of its property, plant and equipment, investment property and intangible assets, to determine whether there is any indication that those assets might have sustained an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the value impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest identifiable cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at a restated amount, in which case the value impairment loss is treated as a decrease in the existing restatement reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. The reversion of an impairment loss is immediately recognised as income, unless the relevant asset is carried at a restated amount, in which case the reversion of the impairment loss is treated as an increase in the existing restatement reserve.

At the end of each reporting period, goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment is written down with a charge to "Impairment and profit/(loss) on Disposals of Non-Current Assets" on the consolidated income statement. Impairment losses recognised for goodwill do not reverse in a subsequent period.

  
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Recoverable amount is the higher of fair value less costs to sell and value in use. The methodology used to estimate value in use varies on the basis of the type of asset in question. For these purposes, the Group considers three types of assets: investment property (assets held to earn rentals), goodwill of companies and assets of a limited duration (primarily assets related to electricity production and infrastructure concessions); the way they are measured is explained below. Similarly, due to its specificity, the following paragraphs explain how the recoverable value is estimated for the vessels from the Compañía Trasmediterránea, S.A. subgroup.

#### **Real estate assets (assets held to earn rentals and inventories)**

The Group's real estate investment relates to properties earmarked for lease. The fair value at 31 December 2016 of the Group's real estate investment was calculated with the support of valuations conducted at that date by "Aguirre Newman Valoraciones y Tasaciones, S.A." (its report was issued on 10/01/2017), and CBRE Valuation Advisory, S.A. (its report was issued on last 13/02/2017).

Assets of this type are measured by updating the rents at rates that vary on the basis of the type of building earmarked for lease and of the specific characteristics of the buildings. In proportion to their carrying amounts, the assets held to earn rentals may be classified as residential for rent (74.28%), offices (16.57%), land for development (4.02%) and other property (5.13%) (housing, car parks, etc.) The update rates used for each type of property lie in the following ranges: residential property for rent (4.75-8.0%), offices (8-10%) and other property (5-10%).

The method used to calculate the market value of investment goods consists in preparing ten-year forecasts for the income and expenses of each asset that will then be updated at the date of the statement of financial position, through a market discount rate. The residual amount at the end of the tenth year is calculated by applying a yield rate ("exit yield" or "cap rate") from the forecasts for net income in the eleventh year. The market values thus obtained are analysed through calculation and analysis of the capitalisation of the yield implicit in these values. The forecasts are used to reflect the best estimate of income and expenses of property assets over the future. The yield rate and the discount rate are defined according to the domestic market; the reasonability of the market value thus obtained is proved in terms of initial gain.

To calculate the fair value of land, the residual method was applied. This method consists in estimating the value of the final product on the basis of the comparison or cash flow discount method, and the development costs are taken off this value. Development costs include the cost of urbanisation, construction, fees, levies and all the costs needed to carry out the projected development. Revenue and costs are distributed over time according to the development and sale periods estimated by the appraiser. The update rate used is the rate representing the annual average yield of the project, and the external financing that would be required by an average developer for a development of the characteristics of the development analysed is not taken into account. This update rate is calculated by adding the risk premium (determined through the risk assessment of the development, with the type of property asset to build, its location, liquidity, term of construction and amount of required investment being taken into account) to the free-risk rate. Where in the determination of the cash flows external financing is taken into account, the risk premium mentioned above increases depending on the percentage of said financing (leverage level) attributed to the project and on the usual interest rates on the mortgage market.

Taking the valuations made as a benchmark, the related impairment if any is booked and recognised in "Impairment and profit/loss on disposal of non-current assets" on the income statement (see Note 6).

#### **Goodwill of companies**

The impairment test takes into consideration the cash-generating units' overall capacity to generate future cash flows.

The Group prepares five-year forecasts of projected cash flows, including the best available estimates of income and expenses for the cash-generating units, using industry projections, past experience and future expectations.

Also, a residual value is calculated on the basis of the normalised cash flows of the last year of the forecast, to which a perpetuity growth rate is applied which under no circumstances exceeds the growth rates of previous years or those estimated in the long term for the market where the cash generating unit is located. The cash flow used to calculate residual value takes into account the replacement investments required for the continuity of the business in the future at the estimated growth rate.

The weighted average cost of capital (WACC) is used to discount cash flows, which will depend on the type of business and on the market in which it is carried on. The average leverage during the projection period is taken into account in the calculation of the WACC.

Other items calculated include: i) the effective cost of borrowings, which takes into account the tax shield that they give rise to, based on the average tax rates in each country; and ii) the estimated cost of equity based on a risk-free interest rate, (generally using as a benchmark the return on a ten-year bond in each market), the beta (which factors in the leverage and the risk associated with the asset), and a market premium (estimated on the basis of historical yields on the capital markets). These variables are tested using recent studies on premiums required at long term, comparable companies in the industry and rates habitually used by investment banks.

At 31 December 2016 the impairment tests implemented did not show the need to register impairment (see note 7.)

#### Non-current assets in projects

This line item includes concession assets and projects with a limited duration and characterised by having a contractual structure that makes it possible for the costs incurred in the project to be clearly determined (both at the initial investment stage and at the operating phase) and the related revenue to be reasonably projected over the life of the project (basically property, plant and equipment from the energy division). They are registered under property, plant and equipment (mainly under electric power generation facilities) and in other intangible assets under intangible concessions (IFRIC 12).

To calculate the value in use of assets of this nature, the expected cash flows are projected until the end of the life of the asset. Therefore, it is assumed that there is no terminal value. This is possible because:

- These assets have a stable long-term production, thus making it possible for reliable long-term estimates to be made.
- There are extensive series of historical data from reliable external sources.
- In connection with the energy division, the estimates of prices used by the Acciona Group for revenue determination (pool price) are based on a profound understanding of the market and on the analysis of the parameters determining pool prices.
- The operating costs are known and with scant variability.
- Most of them have been financed with long-term debt with known and constant terms and conditions that make it possible to forecast easily the necessary outflows of cash to cover the debt service.

The projections include both known data (based on project contracts) and basic assumptions supported by specific studies performed by experts or by historical data (on demand, production, etc.). Also, macroeconomic data, such as inflation, interest rates, etc., are projected using data provided by independent specialist sources (e.g. Bloomberg).

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The discounted cash flows are those obtained by the shareholder after servicing the debt. The rates used to discount these cash flows are based on the cost of equity, and in each case include the business risk and the sovereign risk relating to the location where the operation is being performed.

At 31 December 2016, the Acciona Group recognised the amount of 107 million euros in “Impairment and profit/(loss) on disposal of assets” on the accompanying consolidated income statement for the year, for impairment in accordance with these tests carried out for certain wind assets that were underperforming in 2016 and for a concession asset in Brazil, as mentioned in notes 5 and 8.

#### **Property, plant and equipment – Other plant: vessels**

To calculate the recoverable amount of the ships from the Compañía Trasmediterránea, S.A. subgroup, the specific characteristics of the market for seagoing vessels are taken into account; it's a narrow market where the specific features of each ship is particularly important, as they are not built on a production line but tailor-made for certain types of traffic; their value depends on the year and country of construction, ramps, linear metres, height of the hold, passenger capacity, speed, etc., so the measurement of value usually takes into account comparable market features through the international brokers the Group works with (see note 5).

#### **F) Leases**

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

##### *Finance leases*

When the consolidated companies act as the lessee, they disclose the cost of the leased assets on the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which will be the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus, where applicable, the price of exercising the purchase option). These assets are depreciated using the same criteria as those applied to similar items of property, plant and equipment that are owned.

The finance charges arising under finance leases are charged to the consolidated income statement on a straight-line basis over the term of the leases.

##### *Operating leases*

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

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

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised as an expense on a straight-line basis on their income statements.

Amounts received and receivable as incentives for the arrangement of operating leases are also recognised in profit or loss on a straight-line basis over the term of the lease.

G) Non-current receivables and other non-current assets

“Non-Current Receivables and Other Non-Current Assets” includes the non-current trade receivables, mainly from public authorities, and withholdings from trade receivables, mainly from the Infrastructure Construction division.

Since the Acciona Group adopted IFRIC 12, it has recognised under “Other Non-Current Assets” non-current assets associated with concessions in which the grantor guarantees the recovery of the asset through the payment of a quantified or quantifiable amount, and where, therefore, the operator does not bear any demand risk.

This type of concession-related activity was carried on through investments mainly in transport, water supply and hospital infrastructure operated by subsidiaries, jointly controlled entities or associates (concession operators), the detail being as follows:

- The concession infrastructure is owned by the grantor in most cases.
- The concession grantor, which can be a public or private sector entity, controls or regulates the service offered by the concession operator and the conditions under which it should be provided.
- The infrastructure is operated by the concession operator as established in the concession tender specifications for an established concession term. At the end of this period, the assets are returned to the concession grantor, and the concession operator has no right whatsoever over these assets.
- The concession operator receives revenue for the services provided either directly from the users or through the concession grantor.

The most significant accounting criteria used by the Acciona Group in relation to these concession arrangements are as follows:

- The account receivable is recognised for the present value of the amount receivable from the grantor.
- Borrowing costs are not capitalised, either during the construction phase or after the concession has started to operate.
- The Group recognises interest income earned on the financial asset, even during the construction phase, by applying the effective interest rate of the financial asset. This income is recognised in the net revenue.
- Practically in all of the concessions of the Acciona Group, the construction was carried out by Group companies. In this respect, the income and expenses corresponding to infrastructure construction or upgrade services are recognised at their gross amounts (recognition of the sales and the cost of sales on the consolidated financial statements of the Acciona Group), with the construction margin being recognised on the consolidated financial statements. If construction were not carried out by the Group itself, this fact would be taken into account for the purpose of recognising sales and the cost of sales on the consolidated financial statements.
- There is no depreciation or amortisation charge since the arrangements constitute a financial asset.
- Annual billings are divided into a financial asset component recognised on the balance sheet (and, therefore, not recognised as sales) and the component relating to services provided, which is recognised under “Revenue”.

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H) Financial instrument disclosures

As a result of the adoption in 2007 of IFRS 7 and of the amendments to IAS 1 and IFRS 7, the qualitative and quantitative disclosures on financial instruments and risk and capital management were extended and are detailed in the following notes:

- Financial asset and liability categories, including derivative financial instruments and accounting policies are detailed in Note 4.2 i).
- Classification of the fair value measurements of financial assets and for derivative financial instruments consistent with the fair value hierarchy established in IFRS 7, detailed in Note 4.2 i).
- Disclosure requirements (qualitative and quantitative information) regarding the capital are detailed in Note 16 g).
- Risk accounting and management policies are detailed in Note 19.
- Derivative financial instruments and hedge accounting are detailed in Note 20.
- Transfers from equity to the year's profit or loss, for settlements of hedging derivative financial instrument transactions, are detailed in Note 28.

I) Financial instruments

Non-current and current financial assets excluding hedging derivatives

The financial assets held by the Group companies are classified in the following way:

- Loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. These items are measured at amortised cost, which is basically the initial market value, less principal repayments, plus the accrued interest receivable calculated using the effective interest method.
- Held-to-maturity investments: assets with quantified or quantifiable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. This category includes mainly short-term deposits, which are booked at amortised cost, as indicated above.
- Available-for-sale financial assets: these relate to securities acquired that are not classified in the other categories; almost all of them relate to investments in the capital of companies. They are measured:
  - In the case of shareholdings in unlisted companies, given that the fair value cannot always be reliably determined, at acquisition cost, adjusted for any impairment losses disclosed. The main criterion applied by the Acciona Group to determine if there is objective evidence of impairment is to have incurred significant and permanent losses in the investee.
  - At fair value when it is possible to determine it reliably, either through the market price or, in the absence thereof, using the price established in recent transactions or the discounted present value of the future cash flows. The gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of, at which time the cumulative gains or losses previously recognised in equity are recognised on the income statement for the year. If the fair value is lower than the acquisition cost and there is objective evidence that the asset has sustained an impairment loss that cannot be considered reversible, the difference is recognised directly on the consolidated income statement.

At 31 December 2016 and 2015, the available-for-sale financial assets were measured by reference to quoted (unadjusted) market prices and categorised in level one of the hierarchy established in IFRS 7.

In financial years 2016 and 2015, no financial assets were reclassified among the categories defined in the foregoing paragraphs.

Purchases and sales of financial assets are booked using the trade date method.

Transfers of financial assets

The Acciona Group derecognises financial assets when they expire or when the rights to the cash flows from the financial asset and substantially all the risks and rewards of ownership have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the company does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinate financing or award any kind of guarantee or assume any other kind of risk.

Bank borrowings other than derivatives

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

In specific cases where liabilities are the underlying of a fair value hedge, they are measured, exceptionally, at fair value for the portion of the hedged risk.

Derivative financial instruments and hedge accounting

Because of its activities, the Group is mainly exposed to the financial risks derived from fluctuations in foreign exchange rates and interest rates and in certain fuel stocks and fuel supplies. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Electricity and fuel price and supply hedging transactions are also arranged. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors.

*Accounting policies:*

Derivatives are recognised at fair value (see measurement bases below) at the consolidated balance sheet date under "Other Current Financial Assets" or "Non-Current Financial Assets" if positive and under "Bank Borrowings" (both current and non-current) if negative. Changes in the fair value of derivative financial instruments are recognised on the consolidated income statement as they arise. If the derivative has been designated as a hedge which is highly effective, it is recognised as follows:

- Fair value hedges: these hedges are arranged to fully or partially reduce the risk of fluctuations in the value of assets and liabilities (underlying) recognised on the consolidated balance sheet. The portion of the underlying for which the risk is being hedged is measured at fair value, as is the related hedging instrument, and changes in the fair values of both items are recognised under the same heading on the consolidated income statement. At 31 December 2016, the Group had no fair value hedges.
- Cash flow hedges: these hedges are arranged to reduce the risk of potential changes in the cash flows associated with the interest payments on non-current floating-rate financial liabilities, exchange rates and fuel stock and fuel hedges. Changes in the fair value of derivatives are

  
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recognised, with respect to the effective portion of the hedge, in "Reserves - Value Adjustments" under equity. The cumulative gain or loss recognised in this heading is transferred to the consolidated income statement to the extent of the impact of the underlying (resulting from the risk hedged) on the consolidated income statement; thus this effect is netted off under the same heading on the consolidated income statement. Gains or losses on the ineffective portion of the hedges are recognised directly on the consolidated income statement.

- Hedges of a net investment in a foreign operation: changes in fair value are recognised, in respect of the effective portion of these hedges, net of the related tax effect, as "Translation Differences" in equity, and are transferred to the consolidated income statement when the hedged investment is disposed of. At 31 December 2016, the Group had no hedges relating to net investments in a foreign operation.

*Group policy on hedging:*

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

The Group does not hedge projected transactions, but rather only firm financing commitments. If the cash flows from projected transactions were hedged, the Group would assess whether such transactions were highly probable and whether they were exposed to changes in cash flows that could ultimately affect the year's profit or loss.

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

*Compound financial instruments with multiple embedded derivatives*

The Acciona Group does not have any compound financial instruments with embedded derivatives.

*Measurement and adjustment for credit risk bases*

The Group measures derivatives not traded on an organised market (OTC) by discounting the expected cash flows and using generally accepted option pricing models based on spot and futures market conditions at the closing date of every financial year. The fair value calculations for each type of financial instrument are as follows:

- Interest rate swaps are valued by discounting future settlements between fixed and floating interest rates to their present value, in line with implicit market rates, obtained from long-term interest rate swap curves. Implicit volatility is used to calculate the fair values of caps and floors using option pricing models.
- Foreign currency hedging and option contracts are valued using the spot exchange rate, the forward interest rate curves of the related currencies and, in the case of options, implicit volatility until maturity.

- Commodities contracts (for fuel) are valued in a similar way, in this case, taking into account the futures prices of the underlying and the implicit volatility of the options.

In order to determine the adjustment for credit risk in the measurement of derivatives at 31 December 2016, the technique applied was based on a calculation through simulations of the total expected exposure (incorporating both the actual and the potential exposure) adjusted in line with the probability of default over time and the severity (or potential loss) assigned to the Company and to each of the counterparties.

More specifically, the adjustment for credit risk was obtained from the following formula:

$$EAD * PD * LGD$$

where

- EAD: Exposure at default at any given moment. This is calculated through the simulation of scenarios with market price curves.
- PD: Probability of default, i.e., that one or other of the counterparties may fail to fulfil its payment obligations at any given moment.
- LGD: Loss given default with a severity = 1- (recovery rate): The percentage of losses ultimately occurring when one of the counterparties has incurred default.

The total expected exposure from derivatives is obtained using observable market inputs, such as interest curves, exchange rates and volatilities depending on the market conditions on the measurement date.

The inputs applied to obtain credit risk and counterparty risk (determination of the probability of default) are mainly based on the application of credit spreads of the Company or other comparable businesses currently traded on the market (CDS curves, IRR of debt issues). In the absence of credit spreads of the Company or other comparable businesses and in order to maximise the use of relevant observable variables, the listed references taken into account are those considered most suitable in each case (listed credit spread indices). For counterparties with credit information available, the credit spreads used are obtained from the Credit Default Swaps (CDS) listed on the market.

Furthermore, for the adjustment of the fair value to the credit risk, consideration has been given to the credit enhancements in terms of collateral or guarantees when determining the severity rate to be applied to each position. Severity is considered to be unique over time. If there are no credit enhancements in terms of collateral or guarantees, the minimum recovery rate applied has been 40%. Nonetheless, this rate would range between 80.25% and 91.10%, depending on the degree of progress in the project (construction or operation phase), and the geographical area (Western Europe, Eastern Europe, North America, Latin America, Oceania and Africa) of same, for derivatives contracted under Project Finance structures.

The measurements at fair value made over the different derivative financial instruments including the information used for the calculation of the adjustment for credit risk of both the Company and its counterparty are classified at level 2 in the fair value hierarchy established in IFRS 7 as the inputs based on prices listed for similar instruments on active markets (not included in-level 1), listed prices for identical or similar instruments on markets that are not active, and techniques based on valuation models for which all the significant inputs are observable on the market or can be corroborated by observable market data.

Although the Acciona Group has determined that most of the inputs used to evaluate the derivatives are at level 2 in the fair value hierarchy, the credit risk adjustments use level 3 inputs such as the credit estimations based on the credit rating or comparable companies to assess the probability of insolvency for the Company or its counterparty. The Group has assessed the relevance of the credit risk adjustments for the total valuation of the derivative financial instruments and has concluded that they are not material.

#### Trade payables

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

Trade payables include unpaid balances to suppliers which are handled through confirming contracts with financial entities and, in the same way, payments related thereto are classified as transaction flows, since these transactions do not include either special guarantees given as pledge for the payments to be made or modifications that change the commercial nature of the transactions.

#### Current/Non-current classification

On the accompanying consolidated balance sheet, assets and liabilities maturing within no more than twelve months are classified as current items and those maturing within more than twelve months are classified as non-current items. The companies in the Real Estate division classify their liabilities based on their production cycle, which usually encompasses a longer period than the aforementioned twelve months. The current assets and liabilities allocated to this division with an estimated maturity of more than twelve months are as follows:

	Thousand euros	
	2016	2015
Inventories	366,835	392,865
Trade receivables	--	--
<b>Total current assets</b>	<b>366,835</b>	<b>392,865</b>
Bank borrowings	6,491	28,352
Other current liabilities	5,723	6,869
<b>Total current liabilities</b>	<b>12,214</b>	<b>35,221</b>

Loans that mature in the short term but whose long-term refinancing is, at the Group's discretion, ensured through available long-term credit facilities are classified as non-current liabilities.

#### J) Inventories

The Group companies measure their inventories as follows:

- In the Construction business, procurements, consisting basically of construction materials located at the sites of the various construction projects in progress, are measured at acquisition cost. Semi-finished goods or work in progress to be included in the value of the construction projects are recognised at production cost.
- In the real estate business, land is measured at acquisition cost, plus urban development costs, if any, purchase transaction costs and borrowing costs incurred from the date of commencement of the development of the site for its desired use until construction begins, or at their estimated market value, whichever is the lower. If the building work is halted due to its rescheduling or other reasons, the borrowing costs cease to be capitalised.

The costs incurred in property developments or part thereof whose construction has not been completed at the closing date of the financial year are treated as inventories. These costs include land, urban development and construction costs, capitalised borrowing costs incurred in the construction period, and other allocable direct and indirect costs. Commercial costs are charged to the income statement in the year in which they are incurred.

In financial years 2016 and 2015, the capitalised borrowing costs in inventories were not significant (see Note 28).

- Other inventories are recognised generally at the lower of weighted average cost and net realisable value. These inventories can, on a residual basis, be measured at FIFO cost.

As regards real estate inventories, the Group's Directors estimate their fair value at the end of every year on the basis of the valuations carried out by independent experts "Savills Consultores Inmobiliarios, S.A.", whose report was issued on 14/02/2017, and "Instituto de Valoraciones, S.A.", whose report was issued on 24/01/2017, allocating if necessary provisions for impairment when the properties are found to be overvalued.

The valuations were carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC). The residual method was used to calculate the fair value, supplemented by the comparative method.

Whenever there is a reasonable change in the basic assumptions that affect the recoverable amount of the assets, the Group performs a sensitivity analysis to determine whether this change may reduce the realisable value to below the carrying amount, in which case, an impairment loss is recognised.

K) Treasury shares

At 31 December 2016, Acciona, S.A. and its subsidiary Finanzas Dos, S.A., held 233,898 treasury shares representing 0.4085% of the share capital at that date. The acquisition cost of these shares amounted to 14,403 thousand euros. The acquisition cost of the treasury shares and the gains or losses on transactions involving them were recognised directly in equity (see Note 16).

At 31 December 2015, Acciona, S.A. and its subsidiary Finanzas Dos, S.A. held 320,460 treasury shares representing 0.5597% of the share capital at that date. The acquisition cost of these shares amounted to 20,238 thousand euros.

L) Termination benefits

Under the legislation for the time being in force, the Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees dismissed on unfair grounds. The Acciona Group companies do not currently have any employee termination plans that have not been appropriately provisioned in accordance with the regulations in force.

M) Provisions

The Group's consolidated financial statements include all the provisions covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, certain as to its nature but uncertain as to its amount and/or timing. They include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the close of every accounting period, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

*Litigation and/or claims in process*

At the close of financial years 2016 and 2015, certain litigation and claims arising from the ordinary course of operations were in process against the consolidated companies. The Group's Directors, taking into account the opinion of its legal advisers, consider that the outcome of litigation and claims

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will not have a material effect on the consolidated financial statements for the years in which they are settled. Accordingly, they did not deem it necessary to record an additional provision in this respect.

*Operating provisions and allowances*

These provisions and allowances include costs that have not yet been incurred. The provision for the cost of completion of construction projects is intended to cover the expenses arising from the date on which project units are completed to the date of delivery to the client.

*Provisions for pensions and similar obligations*

Except for the two groups discussed below, the Acciona Group companies do not have any pension plans to supplement social security pensions. The appropriate provisions are recognised for terminations of permanent site personnel.

- The collective agreements of certain companies in the Compañía Trasmediterránea subgroup establish benefits of specific amounts for employees who reach retirement age, subject to compliance with the conditions stipulated in these agreements. These collective agreements also establish a loyalty bonus based on the employee's length of service at the companies. The subgroup currently recognises these obligations at the moment of their effective payment; the cost recognised for these commitments in 2016 and 2015 were 8 thousand euros and 16 thousand euros, respectively.

On 15 December 2002, pursuant to Royal Decree 1588/1999, of 15 October, Compañía Trasmediterránea externalised its employee retirement benefit obligations by arranging a single-premium insurance policy. The cost recognised at 31 December 2016 and 2015 relating to the amounts payable to the insurance company for the benefit obligations accrued in these two years amounted to 346 and 337 thousand euros, respectively, and this amount was recognised under "Wages and Salaries" on the accompanying consolidated income statement.

- As a result of the acquisition of assets and/or companies from the Endesa Group in 2009, certain companies in the Acciona Group entered into or were subrogated to collective agreements that establish benefits of specific amounts for employees included in such agreements that reach retirement age, provided that the conditions established in the agreements are met. Some of these collective agreements also establish a loyalty bonus based on the employee's length of service at the companies. The impact of these obligations is not material.

These companies also have various pension obligations to their employees, which vary depending on the company of the Endesa Group they came from. These defined benefit obligations are basically formalised in pension plans, except as regards certain benefits in kind, mainly electricity supply commitments, which, due to their nature, have not been externalised and are covered by the related in-house provisions.

For the defined benefit plans, the companies recognise the expenditure relating to these obligations on an accrual basis over the working life of the employees by performing at the consolidated balance sheet date the appropriate actuarial studies calculated using the projected unit credit method. The past service costs relating to changes in benefits are recognised immediately on the consolidated income statement as the benefits vest.

The defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising in the measurement of both the plan liabilities and the plan assets are recognised directly in equity under "Reserves - Change due to Actuarial Losses and Gains on Pension Schemes".

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under "Provisions" on the consolidated balance sheet and any negative

difference is recognised under "Trade and Other Receivables" on the asset side of the consolidated balance sheet, provided that such negative difference is recoverable by the Group, usually through a reduction in future contributions.

The impact of these plans on the consolidated income statement is not material (see Note 17).

The Group recognises termination benefits when there is an individual or collective agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recorded in situations in which the Group has decided to consent to the termination of the employees when this has been requested by them. In all cases in which these provisions are recognised the employees have an expectation that these early retirements will take place.

N) Grants

Government grants related to assets to cover staff re-training costs are recognised as income once all the conditions attached to them have been fulfilled over the periods necessary to match them with the related costs.

Government grants related to property, plant and equipment and intangible assets are treated as deferred income, are classified under "Other Non-Current Liabilities" and are taken to income over the expected useful lives of the assets concerned under "Other Income".

O) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Sales of goods are recognised when substantially all the risks and rewards have been transferred.

Following is a detail of some of the particular features of the business activities carried on by the Group:

Construction business:

Revenue:

Given the type of activity, revenue usually comes from long-term contracts where the start date of the contract activity and the date of completion of same generally fall into different accounting periods, so the initial revenue and cost estimates may suffer variations that could affect the recognition of revenue, expenses and results thereof.

The Group companies recognise construction contract revenue and expenses by reference to the stage of completion of the activity under contract at the closing date of the balance sheet, determined on the basis of the examination of the work carried out, or by the percentage of costs incurred in relation to total estimated costs. In the first case, based on the measurement of the units made, the production of the month is recorded as revenue and costs are recognized based on the accrual related to the units performed. In the second case, revenue is recognized in the revenue statement according to the percentage of progress in costs (costs incurred versus total costs estimated on the contract), applied to the total revenue from the project. The latter is commonly used in markets of Anglo-Saxon influence and contracts without unit prices.

In exceptional cases, where the outcome of a construction contract cannot be reliably estimated, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised only to the extent that the contract costs incurred are likely to be recovered.

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In addition, for contracts where it is considered probable that the estimated costs of the contract will exceed the revenue derived from same, the expected losses are provisioned against the income statement for the year in which they are known.

Ordinary revenue from the contract is recognized considering the initial amount of the contract agreed with the client as well as any modifications and claims on the same to the extent that it is probable that revenue will be obtained from same and that it can be reliably measured.

It is considered that there is a modification to the contract when there is a client's instruction to change the scope of the contract. It is considered that there is a claim on the contract when, due to the client or third parties, there are costs not included in the initial contract (delays, errors in specifications or design, etc.) and the contractor is entitled to be compensated for the overrunning costs incurred, either by the client or by the third party causing them. These modifications and claims are included as revenue from the contract when the client is more than likely to approve modifications or claims in an advanced negotiation stage or because there is a technical and legal report from independent experts supporting their inclusion as contract revenue. Once these concepts are recognized, in the event that the claims end in dispute, arbitration or litigation, no additional amounts are recorded until their settlement.

Where, due to a delay in collection or to the client's insolvency, uncertainty arises as to the collectability of an item already recognised as contract revenue, the recoverability of the assets is duly analysed and, if applicable, a related provision for impairment and client's insolvency is recorded.

As discussed above, construction contracts are subject to estimates for revenues and costs that need to be reviewed by project managers as the project progresses. Any change in estimates for revenue, expenses and final work results is subject to review by the different management levels and when verified and approved, the effect is treated as a change in the accounting estimate in the year in which it occurs and in subsequent periods, in accordance with the accounting standards in force.

Expenses:

A project costs include those directly related to the main contract and to any modifications or claims on the contract. In addition, they include the costs related to the contracting activity for each contract, such as insurance, consultancy, design and technical assistance, etc.

Construction contract costs are recognised on an accrual basis, i.e., the costs related to work units performed and total contract indirect costs attributable to said units are booked as expense.

Costs that relate to future activity on the contract, such as insurance premiums, site installations, consultancy, design and other initial costs are initially recognised as assets in "inventories" and are charged to the income statement on the basis of the stage of completion of the contract.

Machinery removal and site installation dismantling costs, upkeep costs within the warranty period and the costs, if any, arising in the period from completion of the construction work to the date of final settlement, are deferred and recognised over the life of the construction project, since they are considered one more cost of the construction work and they relate both to the completed contract units and to the future activity on the contract.

As regards the provision for depreciation of property, plant and equipment used in construction contracts, the assets whose estimated useful life coincides with the duration of the construction work are depreciated over the term of the contract so that they are fully depreciated upon completion thereof. Machinery whose useful life exceeds the term of the contract is depreciated systematically on the basis of the technical criteria stipulated under the various contracts for which it is used and it depreciates under the straight-line method in the course of each contract.

Late payment interest due to delay in the payment by the client for work certifications are registered, as financial income, only when they can be reliably measured and their collection is reasonably guaranteed.

The Group companies record in the account "Executed production pending certification", under "Trade and other accounts receivable", the positive difference between the recognized revenue from a contract and the amount of the certifications at the origin of the contract. In addition, they record in the account "Advances received on orders", under "Trade and other accounts payable", the amount of advance certifications for various items, including advances received from the client.

Real Estate business:

The Group companies recognise property sale revenue and costs on the date the property is delivered, since this is considered to be the time when the risks and rewards incidental to ownership are transferred to the buyers.

Accordingly, at the date of delivery of the property the Group companies recognise, if appropriate, the provisions required to cover the contractually stipulated costs not yet incurred in relation to the asset delivered. These provisions arise from a present obligation of the company, the amount of which can be reliably estimated and whose settlement will probably give rise to an outflow of resources for the company.

Rental revenue is recognised on an accrual basis, and incentive-related income and the initial costs of the lease agreements are recognised in profit or loss on a straight-line basis over the term of the agreement.

Borrowing costs directly attributable to the acquisition or construction of property developments or property investments -assets that necessarily require a substantial period of time to be prepared for their intended use or sale- are added to the cost of said assets until such time as the assets are substantially ready for use or sale, provided that the market value exceeds the accumulated cost of the asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Services business:

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be reliably estimated.

For every year the Group companies recognise as profit or loss on their services the difference between production (value at the selling price of the services provided during the period, as stipulated on the main contract entered into with the client or in amendments or addenda thereto as approved by the client, or of the services not yet approved but whose recovery is reasonably certain) and the costs incurred during the year, since the revenue and costs of projects in the services industry can undergo major changes during the period of performance, which are difficult to predict and quantify objectively.

Price reviews stipulated under the initial contract signed with the client are recognised as revenue on an accrual basis, regardless of whether they have been approved by the client on an annual basis.

Energy business:

One of businesses of the Acciona Group is the turnkey construction of wind farms and other energy production facilities. The total costs incurred in these projects are recognised as operating expenses and the related sales are recognised in accordance with the stage of completion of the project,

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calculated on the basis of the price and terms and conditions of the sale agreement at the cost incurred and at the estimated cost, based on the detailed budgets of each contract, with application since the beginning thereof. Losses on contracts are recognised in full in the year's profit or loss as soon as they become known.

P) Income tax. Deferred tax assets and liabilities

Income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the adjusted accounting profit for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases. They are registered by applying the tax rates at which they are expected to be recovered or settled.

Corporate tax and changes in deferred tax assets and liabilities not arising from business combinations are recognised on the consolidated income statement or in equity accounts on the consolidated balance sheet depending on where the profits or losses giving rise to them have been recognised.

Changes arising from business combinations that are not recognised on the acquisition of the controlling interest because their recovery is not assured are recognised by reducing, where appropriate, the carrying amount of goodwill recognised when the business combination was accounted for or, if no such goodwill exists, using the aforementioned method.

Deferred tax assets relating to temporary differences, and tax loss and tax credit carryforwards are recognised only if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

Deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to verify whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Q) Foreign currency balances and transactions

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recorded as finance costs or finance income on the consolidated income statement.

In addition, balances receivable or payable at 31 December of every year denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at the year-end exchange rates. Translation differences are recognised as finance costs or finance income on the consolidated income statement.

R) Environment-related activities

In general, environment-related activities are considered to be operations whose main purpose is to prevent, reduce or redress damage to the environment.

Investments relating to environmental activities are measured at acquisition cost and capitalised as an addition to non-current assets in the year in which they are made.

Environmental protection and improvement expenses are charged to profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain liability, litigation in process and outstanding environmental indemnity payments or obligations of an unspecified amount, not covered by the insurance policies taken out, are recorded when the liability or obligation giving rise to the indemnity or payment arises.

S) Discontinued operations and non-current assets and liabilities held for sale

The Group classifies as “Non-Current Assets Held for Sale” property, plant and equipment, intangible assets, other non-current assets or investments under “Investments Accounted for Using the Equity Method” and disposal groups (groups of assets which will be disposed of together with their directly associated liabilities) for which at the date of the consolidated balance sheet an active programme and at reasonable prices has been started so as to sell them and the sale is expected to be completed within twelve months from that date.

The Group classifies as “Discontinued Operations” the business lines that were sold or otherwise disposed of or which meet the criteria to be classified as held for sale, including, where applicable, assets which, together with the business line, are part of the same disposal plan or are classified as held for sale as a result of acquired commitments. Similarly, companies acquired exclusively with a view to resale are classified as “Discontinued Operations”.

These assets or disposal groups are measured at their carrying amount or their fair value less costs to sell, whichever is the lower, and depreciation on such assets ceases from the time they are classified as “Non-Current Assets Held for Sale”. However, at the date of each consolidated balance sheet the related value adjustments are made to ensure that the carrying amount is not higher than the fair value less costs to sell.

Non-current assets held for sale and the components of the disposal groups classified as held for sale are disclosed on the accompanying consolidated balance sheet as follows: the assets as a single line item called “Non-Current Assets Held for Sale and Discontinued Operations” and the liabilities also as a single line item called “Liabilities Associated with Non-Current Assets Held for Sale and Discontinued Operations”.

Profit or loss after tax of discontinued operations is disclosed as a single line item on the consolidated income statement as “Profit/(Loss) after Tax from Discontinued Operations”.

There were no discontinued operations at 31 December 2016 and 2015.

T) Earnings per share

Basic earnings per share are calculated by dividing the period’s net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during said period, excluding the average number of shares of the Parent held by the Group companies.

Diluted earnings per share are calculated by dividing the period’s net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted by the weighted average number of ordinary shares that would have been outstanding if all the potential ordinary shares have been converted into ordinary shares of the company. For these purposes, it is considered that the shares are converted at the beginning of the accounting period or at the date of issue of the potential ordinary shares, if the latter had been issued during the accounting period.

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U) Consolidated cash flow statement

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are taken to be changes in the value of short-term, highly liquid investments.
- Operating activities: the main revenue-producing activities of the Company and other activities that are not investing or financing activities. Beginning with the profit before tax from continuing operations, in addition to the adjustment for "*Depreciation and Amortisation Charge*", transfers of interest paid and received are recognised under "*Other Adjustments to Profit (Net)*" although on a separate basis, as well as the transfer of the gains or losses on disposal of non-current assets included under investing activities and, lastly, the adjustments to the results of companies accounted for using the equity method and, in general, any results that do not generate cash flows.
- 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 equity and of borrowings that are not operating activities.

**4.3 Accounting estimates and judgements**

The information contained in these financial statements is the responsibility of the Directors of the Parent Company.

For the consolidated financial statements for 2016 and 2015 estimates were made by the Group's Directors in order to measure some of the assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to the following:

- The measurement of assets and goodwill so as to determine any impairment losses thereon.
- Distribution of the cost of business combinations.
- Recognition of revenue in the construction activity.
- The assumptions used in the actuarial estimate of pension liabilities and obligations.
- The useful life of property, plant and equipment, investment property and intangible assets.
- The assumptions used to measure the fair value of financial instruments.
- The probability of occurrence and the amount of liabilities of an undetermined amount or contingent liabilities.
- Future costs for shutting down facilities and the restoration of land.
- The results for tax purposes of the various Group companies that will be reported to the tax authorities in the future, which served as the basis for recognising the various corporate tax related balances on the accompanying consolidated financial statements.

These estimates were made on the basis of the best information available at 31 December 2016 and 2015 on the events analysed. However, events that may take place in the future could make it necessary to change these estimates. Any such changes would be made in accordance with the requirements of IAS 8.

**4.4 Changes in accounting estimates and policies and correction of fundamental errors**

## TRANSLATION

- Changes in accounting estimates: the effect of any change in accounting estimates is recognised prospectively, under the same income statement heading as that under which the expense or income measured using the previous estimate was recognised.
- Changes in accounting policies and correction of fundamental errors. The effects of changes and corrections of this kind are recognised as follows: if material, the cumulative effect at the beginning of the year is adjusted under "Reserves" and the effect for the current year is recognised on the income statement. In these cases, the financial data for the comparative year presented together with those for the current year are restated.

At 31 December 2016 there were no material changes in accounting estimates or accounting policies; nor any corrections of errors.

### 5. - Property, plant and equipment

The changes in financial years 2016 and 2015 in cost and accumulated depreciation were as follows (in thousand euros):

Property, plant and equipment	Land and buildings	Electricity generating facilities	Other plant and machinery	Advances and PPE in progress	Other PPE	Depreciation	Impairment	Total
Balance at 31/12/2014	469,122	10,901,821	1,444,573	195,980	213,437	(4,310,649)	(901,744)	8,012,540
Variations due to changes in the scope of consolidation	--	(33,372)	76	--	(4)	8,186	23,000	(2,114)
Additions/charge for the year	7,581	37,771	46,310	118,384	9,481	(447,867)	(3,219)	(231,559)
Reductions	(1,100)	(2,404)	(148,238)	(5,115)	(9,972)	102,414	20,521	(43,894)
Transfers	(75,649)	56,890	(120,359)	(159,067)	(2,631)	107,314	(51)	(193,553)
Other changes	2,509	208,557	(7,357)	(24,331)	(4,097)	(40,938)	(11,576)	122,767
Balance at 31/12/2015	402,463	11,169,263	1,215,005	125,851	206,214	(4,581,540)	(873,069)	7,664,187
Variations due to changes in the scope of consolidation	(96)	(88,878)	15,207	7,429	(1,514)	40,482	4,215	(23,155)
Additions/charge for the year	5,079	16,272	238,121	446,229	38,363	(476,066)	(85,185)	182,813
Reductions	(919)	5,762	(29,592)	(3,525)	(6,327)	31,481	2,249	(871)
Transfers	1,425	134,460	22,852	(163,385)	2,498	516	--	(1,634)
Other changes	664	184,873	3,636	1,413	(13,544)	(28,054)	(4,455)	144,533
Balance at 31/12/2016	408,616	11,421,752	1,465,229	414,012	225,690	(5,013,181)	(956,245)	7,965,873

Breakdown of the net balances at the end of 2016 and 2015 was as follows:


  
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Property, plant and equipment	2016				2015			
	Cost	Depreciation	Impairment	Total	Cost	Depreciation	Impairment	Total
Land and buildings	408,616	(152,943)	(3,252)	252,421	402,463	(145,194)	(1,809)	255,460
Electricity generating facilities	11,421,752	(3,827,170)	(857,266)	6,737,316	11,169,264	(3,468,830)	(785,760)	6,914,674
Other plant	907,568	(507,705)	(91,288)	308,575	806,536	(474,840)	(82,880)	248,816
Machinery	557,661	(364,144)	(2,484)	191,033	408,469	(334,525)	(2,484)	71,460
Advances and PPE in progress	414,012	---	(1,916)	412,096	125,851	--	--	125,851
Other property, plant and equipment	225,690	(161,219)	(39)	64,432	206,214	(158,151)	(136)	47,927
<b>Total</b>	<b>13,935,299</b>	<b>(5,013,181)</b>	<b>(956,245)</b>	<b>7,965,873</b>	<b>13,118,797</b>	<b>(4,581,540)</b>	<b>(873,069)</b>	<b>7,664,188</b>

In “Variations for change in scope”, the main movement is represented by the wind assets in Greece leaving the scope, in the energy division (see note 3.2h)), as it was agreed to deliver said assets in payment for the settlement of litigation with the local developer for renewable energy projects. Provisions had been earmarked for this litigation, according to the lawyers’ best estimate, and the difference between the provision and the final amount was recognized on the income statement (see note 26)

The main movement in PPE is found in “Additions” and it refers to the development of three projects in the energy division, related to wind power generation facilities in the United States and India and to photovoltaic generation facilities in Chile, for a total amount of 425 million euros, the last two projects being reflected at the close of the current year as PPE in progress. In addition, investments were made in the construction division, in machinery and other PPE elements such as tunnel boring machines and ancillary equipment for the construction of a tunnel in Norway and an underground train line in Quito, as well as in machinery for earthworks for a dam in Canada for 197 million euros. Also, in the Trasmediterránea subgroup, two ships were bought for 50 million euros.

The main additions in 2015 were recorded under the heading “Advances in progress” from the energy division for the electricity generation facilities in South Africa, Poland and the United States. All these items were transferred to the heading for electricity generation facilities in 2016, since they were already operational.

As for “removals”, the main amount is reflected in “Other plant and machinery”, for the sale of a tunnel boring machine in the infrastructures division, and of sundry machinery and equipment for works.

In 2015, removals related to “Other plant and machinery” too, for the sale of another tunnel boring machine in the infrastructure division and of two ships of the subsidiary Compañía Trasmediterránea, S.A.: Superfast Canarias and Superfast Andalucía, for 18.5 million euros.

The main movement in “Transfers” in 2016 related to the transfer of the developments costs of a wind project located in the United States, mentioned in the paragraph about “additions”, for 135 million euros, from PPE in progress to electricity generating facilities.

In 2016, “Other changes” included the effect of translation differences for the period, for a positive amount of 105 million euros (121 million euros in 2015), which came mainly from the wind farms located in the United States, Chile and Mexico, whose financial statements consolidate in US dollars and South African rands [sic]. Both currencies appreciated against the euro in 2016.

In the course of 2016 there were signs of a drop in value of certain assets, mainly due to the fall in the market prices of energy and to regulatory changes in some countries where the Group operates. All

that meant that impairment was recognised for the amount of 73 million euros, mostly related to wind facilities located in Italy, Poland and the United States. In 2015 no value impairments were estimated.

At 31 December 2016 the amount registered for 2016 and for the previous years under “impairments” amounted to 956 million euros (873 million euros in 2015), which related to the impairment of ships from the Compañía Trasmediterránea subgroup for 81 million euros and the remaining amount basically to impairment of assets from the energy division, both in the international area and in respect of Spanish assets. In the case of Spanish assets, due to the regulatory change that took place in 2012 and 2013 as explained in detail in note 2 relating to the Spanish regulatory framework.

In 2016 the companies capitalised finance costs amounting to 6.4 million euros as property, plant and equipment, and 6 million euros at 31 December 2015 (see Note 28).

Fully depreciated property, plant and equipment in use at 31 December 2016 and 2015 amounted to 578 and 487 million euros, respectively; most of these assets are currently in use.

At 31 December 2016, the Group companies had property, plant and equipment purchase commitments amounting to 62 million euros, mainly in the energy division, for the wind and photovoltaic projects currently under construction in India and Chile, respectively. The amount committed at 31 December 2015 came to 421 million euros.

The Group has 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 in the development of its business activities. These policies are considered to provide adequate cover for the related risks.

At 31 December 2016 the carrying amount of the Group’s property, plant and equipment acquired under the finance lease system amounted to 22 million euros (6 million euros in 2015); most of this PPE related to machinery for the construction of a dam in Canada, as mentioned above.

At 31 December 2016 the net amount for material assets used as guarantee for finance debts associated with a specific project in the energy division was 1,631 million euros.

The Group has mortgaged land and buildings totalling 23 million euros (24 million euros in 2015) to secure credit facilities granted to the Group by banks. In addition, at 31 December 2016, a ship with a net carrying amount of 4 million euros was mortgaged to secure repayment of the loans received for its acquisition. At 31 December 2015 three ships with a net carrying amount of 105 million euros were in the same situation.

#### 6. - Investment property

The Group’s investment property relates mainly to properties earmarked for lease.

The changes in 2016 and 2015 in the Group’s investment property were as follows:

  
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Investment property	Thousand euros		
	Cost	Accumulated depreciation and impairment losses	Total
<b>Balance at 31/12/14</b>	<b>268,613</b>	<b>(87,762)</b>	<b>180,851</b>
Additions	3,230	(11,179)	(7,949)
Disposals	(198)	322	124
Transfers	748,127	(245,867)	502,260
Other changes	(71)	--	(71)
<b>Balance at 31/12/15</b>	<b>1,019,701</b>	<b>(344,486)</b>	<b>675,215</b>
Additions	3,771	(22,746)	(18,975)
Disposals	(87,796)	42,396	(45,400)
Transfers	(190,294)	91,048	(99,246)
Other changes	--	--	--
<b>Balance at 31/12/16</b>	<b>745,382</b>	<b>(233,788)</b>	<b>511,594</b>

In 2016 the main disposals related to the sale of a shopping centre and an office building located in Madrid, and a hotel in Barcelona, for the total price of 67,150 thousand euros and a joint result for disposal of 6,711 thousand euros (see note 26).

For transfers, the main movement was the reclassification of a hotel (see note 23) to non-current assets held for sale, and the reclassification of sundry land from property investments to inventories, due to the change of use thereof following the change in strategy for management of the Group's assets for rental, for which, on the one hand, the possible rotation of same is considered and, on the other hand, the development of assets with better potential to generate added value for the Group.

At 31 December 2016 the fair market value of the property investments recorded under this line item on those dates and estimated on the basis of the valuations made by independent appraisers (see note 4.2. E) amounted to 547,658 thousand euros (705,833 thousand euros at 31 December 2015). The fall in value in 2016 if compared to 2015 was mainly due to the sale of assets indicated above (with an appraised value of 60,040 thousand euros at 31 December 2015), to the transfer of a hotel to "Assets held for sale" (with an appraised value of 22,200 thousand euros at 31 December 2015) and to the transfer to "Inventories" of several plots of land (with an appraised value of 66,140 thousand euros at 31 December 2015). If these three impacts are considered, the appraised value in 2015 if compared to 2016 would amount to 557,453 thousand euros.

The rental income earned by the Group from investment property listed under this heading at 31 December 2016, all of which was leased out under operating leases, amounted to 28 million euros (29 million euros in 2015). Direct operating expenses arising from investment property in the period amounted to 10 million euros in 2016 and 2015, recognised under "Other Operating Expenses" on the accompanying consolidated income statement.

At 31 December 2016 and 2015, the Group had mortgaged a portion of its investment property included under this heading, for 367 and 468 million euros net, respectively, to secure bank credit facilities granted to the Group. The decrease was mainly due to the sale of assets and to the reclassification of the hotel as indicated above, for 57 and 26.7 million euros, respectively, and to debt cancellation for 19 million euros.

Detail, by location, of the cost of the properties held to earn rentals owned by the Real Estate Division of the Acciona Group at 31 December 2016 and 2015 was as follows:

Location	2016		2015	
	Cost	Depreciation and provisions	Cost	Depreciation and provisions
Madrid	520,664	(127,784)	598,401	(152,962)
The Levant Region	24,147	(9,185)	52,533	(23,560)
Andalusia	16,000	(9,045)	90,260	(37,410)
Catalonia	125,781	(61,888)	161,279	(66,218)
Other	56,345	(25,013)	114,783	(63,492)
<b>Total</b>	<b>742,937</b>	<b>(232,915)</b>	<b>1,017,256</b>	<b>(343,642)</b>

## 7. - Goodwill

The movements in "Goodwill" on the accompanying consolidated balance sheet in 2015 were as follows (in thousand euros):

	Balance at 31/12/14	Additions	Impairment	Other changes	Balance at 31/12/15
Acciona Facility Services subgroup	50,962				50,962
Acciona Water subgroup	27,976				27,976
Other	357			1	358
<b>Total</b>	<b>79,295</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>79,296</b>

The movements in "Goodwill" on the accompanying consolidated balance sheet in 2016 were as follows (in thousand euros):

	Balance at 31/12/15	Additions	Impairment	Other changes	Balance at 31/12/16
Acciona Facility Services subgroup	50,962				50,962
Acciona Water subgroup	27,976				27,976
Other	358			(12)	346
<b>Total</b>	<b>79,296</b>	<b>--</b>	<b>--</b>	<b>(12)</b>	<b>79,284</b>

At present the main goodwill registered by the Group comes from the subgroup Acciona Facility Services and Acciona Agua (Acciona Water) for 51 and 28 million euros, respectively. In 2016 the update of the impairment tests, according to the method described in note 4.2 E) did not show the need to record additional impairment.

The growth rate employed by both subgroups to extrapolate the cash flow projections beyond the five-year period covered by the forecasts was 1.50%.

The WACC rates after tax that were applied were: 5.7% for Acciona Facility Services and 5.80% for the Acciona Water subgroup.

A sensitivity test was carried out, particularly in relation to the operating margin, the discount rate and the perpetuity growth rate, in order to ensure than possible changes in the estimation did not have an impact on the possible recovery of the goodwill registered. The outcome of these sensitivity tests indicated that, decreases of 75 basic points in the growth rate applied, increases in the discount rate of up to 40 basic points and 15% reductions in the net operating margin, these assumptions being considered jointly, do not change the outcome of the impairment test, that is, no goodwill impairment is shown.

The Acciona Group applies the acquisition method to account for any and all additions to the Group that involve the acquisition of a controlling interest.

There were no additions to the group in 2016 and 2015 that led to recognition of goodwill.

## 8. - Other intangible assets

The changes in 2016 and 2015 were as follows (in thousand euros):

Other intangible assets	Development	Concessions	Transfer rights	Computer software	Advances	Accumulated amortisation	Impairment	Total
Balance at 31/12/14	97,502	763,895	1,660	59,511	5,470	(332,432)	(63,175)	532,431
Changes due to changes in scope of consolidation	--	1	--	(29)	--	28	--	--
Additions / charge for the year	3,610	25,645	--	3,607	2,072	(47,883)	(18,630)	(31,579)
Removals	(286)	(64,894)	--	(434)	(112)	14,398	1,080	(50,248)
Transfers	(42,765)	89,202	(292)	(4,573)	(1,957)	51,931	--	91,546
Other changes	(21)	(24,003)	(27)	(259)	(491)	5,918	(14,783)	(33,666)
Balance at 31/12/15	58,040	789,846	1,341	57,823	4,982	(308,040)	(95,508)	508,484
Changes due to changes in scope of consolidation	(8,065)	1,052,866	--	(207)	--	(55,423)	1,608	990,779
Additions / charge for the year	3,046	50,842	120	6,004	1,285	(63,519)	(31,926)	(34,148)
Removals	(64)	(607)	--	(561)	(305)	780	22	(735)
Transfers	1,473	(573)	13	403	(37)	(47)	--	1,232
Other changes	34	37,232	(23)	5	94	(5,996)	--	31,346
Balance at 31/12/16	54,464	1,929,606	1,451	63,467	6,019	(432,245)	(125,804)	1,496,958

The net balances by headings at the close of financial years 2016 and 2015 were as follows:

Intangible assets	2016				2015			
	Cost	Amortis.	Impairment	Total	Cost	Amortis.	Impairment	Total
Development	54,465	(47,937)	--	6,528	58,040	(52,129)	(1,608)	4,303
Concessions	1,929,606	(331,388)	(125,771)	1,472,447	789,846	(205,199)	(93,865)	490,782
Transfer rights	1,450	(657)	(33)	760	1,341	(537)	(35)	769
Computer software	63,467	(52,263)	--	11,204	57,823	(50,175)	--	7,648
Advances	6,019	--	--	6,019	4,982	--	--	4,982
Total	2,055,007	(432,245)	(125,804)	1,496,958	912,032	(308,040)	(95,508)	508,484

The "Concessions" line mainly includes those concession assets where the risk of recovering the asset is assumed by the operator.

In addition, it includes the cost of the administrative concessions and the levies paid by Acciona Agua for concessions related to the integral water cycle.

Breakdown of the concessions line at 31 December 2016 and 2015 was as follows:

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Concessions	2016				2015			
	Cost	Amortis.	Impairment	Total	Cost	Amortis.	Impairment	Total
Administrative Concessions	380,359	(128,524)	(34,116)	217,719	331,284	(114,452)	(32,210)	184,622
Intangible Concessions (IFRIC 12)	1,549,247	(202,864)	(91,655)	1,254,728	458,562	(90,747)	(61,655)	306,160
<b>Total</b>	<b>1,929,606</b>	<b>(331,388)</b>	<b>(125,771)</b>	<b>1,472,447</b>	<b>789,846</b>	<b>(205,199)</b>	<b>(93,865)</b>	<b>490,782</b>

The breakdown of the main concessions is given in Appendix V and the detail of the balance of the main concessions under the intangible model (IFRIC 12) at 31 December 2016 and 2015 was as follows:

Concessions	2016				2015			
	Cost	Amortisation	Impairment	Total	Cost	Amortisation	Impairment	Total
Rodovia do Aço, S.A.	156,053	(27,182)	(88,550)	40,321	123,322	(16,622)	(58,550)	48,150
S C A2 Tramo 2, S A.	148,532	(48,614)	(3,104)	96,814	148,523	(38,936)	(3,104)	106,483
Consortio Fónico Chiripa, S.A.	118,344	(15,389)	--	102,955	114,345	(8,887)	--	105,458
ATLL Concessionaria de la Generalitat de Catalunya, S.A.	1,055,196	(82,662)	--	972,534	--	--	--	--

The line "Variations for changes in scope" includes the intangible assets from the subsidiary ATLL Concessionaria de la Generalitat de Catalunya, S.A., which, for the reasons discussed in note 3, now consolidates following the global consolidation method; its corporate purpose consists in the performance, for a 50-year period, of the administrative contract for management and provision of public services, under the concession system, for the construction, upgrade, management and operation of the facilities making up the Ter Llobregat supply network system, which comprise water treatment, storage and transport, in accordance with the administrative specifications and technical specifications documents governing the tender competition "Ter Llobregat water mains supply service management" and published by the Catalan Government Department for Land and Sustainability.

The main intangible from this company (registered according to IFRIC 12, intangible assets model, given that the concession carries the demand risk) relates to the current value of the assets assigned by the Catalan Government according to the concession arrangement subscribed between the concessionaire ATLL and the Catalan Government after the award signed on 6 November 2012 and which, at 31 December 2016, amounted to a net value for amortisation of 973 million euros, 792 million of which are pending payment at this date (see note 21), since, according to the conditions established in the tender document, the total fee for 995 million euros had to be paid in the following way:

- An initial fee amounting to 298.6 million euros, which was paid at the time of signature of the concession contract, on 27 December 2012.
- Fifty annual amounts to be paid as from 2013 up to financial year 2062, totalling the amount of 2,590 million euros and whose current value, the 4.95% discount rate established in the tender document being considered, amounted to 697 million euros at the initial time.

At 31 December 2016 the main additions related, mostly, to the investment arising from the obligations undertaken with ATLL Concessionaria de la Generalitat de Catalunya, S.A. for 17 million euros and to the recognition of concession rights over a photovoltaic facility located in Chile for 17

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million euros. In 2015, the main additions related to the development of certain group's concession operations within the road infrastructure area.

“Other changes” includes the effect of translation differences in the period, in the positive amount of 31 million euros, mainly from an infrastructure construction in Brazil (negative amount of 34 million euros in 2015).

In 2015, the main movements in “Removals” related mainly to the completion of a concession contract in the Water division, which had not had an impact on equity, the assets and liabilities registered in the concession whose contract ended being considered. In 2016, no significant removals took place.

In 2016 the concessionaire of a Brazilian motorway, Rodovia do Aço, S.A. showed additional signs of a drop in its value, mainly due to a drop in the estimated traffic levels and to the worsening of the country's macroeconomic conditions.

As a result, an impairment test was implemented, as indicated in note 4.2 E) on the basis of the projection of cash flows estimated after covering the debt service. The discount rate used included the country-risk (Brazilian 10-year bond plus market premium) and the average leverage during the life of the concession, the cost of own capital standing at 13.44%. The impairment calculated amounted to 30 million euros (19 million euros in 2015), which was recorded under the heading “impairment and profit/(loss) from disposal of assets” on the accompanying income statement (see note 26).

As regards the other intangible assets, in 2016 no impairment was estimated and no significant losses appeared that were not covered with the provisions in place at 31 December 2016.

At 31 December 2016, Group companies had commitments to acquire intangible assets in the amount of 172 million euros, for concession projects in the infrastructure construction division (motorways) and in the water division. At 31 December 2015, the amount committed came to 121 million euros.

Additionally, ATLL Concessionaria de la Generalitat de Catalunya, S.A., in accordance with the concession contract, maintains the obligation to carry out improvements in watertightness and structures over the infrastructure, as well as technical and safety adjustments within 10 years from the signing of the contract for a total amount of 139 million euros. These commitments are treated, from an accounting perspective, as a new concession and the consideration must be recorded received as intangible assets in the year in which these actions are carried out; it is considered that these amounts will be recovered in the amount of 122 million euros with the generation of higher revenues, by increasing the rate in the year immediately following the year when such investments are made. In financial years 2013 to 2016, investments amounting to 22 million euros were made (17 million euros in 2016 and 5 million euros in previous years).

Fully amortised intangible assets in use at 31 December 2016 and 2015 amounted to 93 and 90 million euros, respectively.

#### 9. - Investments in associates and joint arrangements booked by the equity method

The movement in 2015 in this heading on the accompanying consolidated balance sheet was as follows (in thousands of euros):

	Balance at 31/12/14	Share in profit (loss) before tax	Dividends	Tax effect and other changes	Changes in scope & other	Balance at 31.12.15
<b>Direct investments of the Parent</b>						
<b>Direct investments of the Parent</b>						
Consortio Traza, S.A	5,504	(516)	--	614	--	5,602
Gran Hospital Can Misses, S.A	832	96	--	1,036	--	1,964

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	Balance at 31/12/14	Share in profit (loss) before tax	Dividends	Tax effect and other changes	Changes in scope & other	Balance at 31.12.15
<b>Direct investments of the Parent</b>						
S.C. Novo Hospital De Vigo S.A.	11,358	68	--	549	--	11,975
<b>Total direct investment</b>	<b>17,694</b>	<b>(352)</b>	<b>--</b>	<b>2,199</b>	<b>--</b>	<b>19,541</b>
<b>Indirect investments of the Parent</b>						
Indirect investments of the Acciona Energy Subgroup	158,902	19,189	(36,908)	(758)	2,440	142,865
Indirect investments of the Ceatesalas Subgroup	83,650	7,406	(1,984)	(994)	(3,139)	84,939
Indirect investments of the Acciona Infrastructures Subgroup	14,073	4,652	--	198	3,891	22,814
Indirect investments of the Acciona Concessions Subgroup	3,509	4,397	(577)	(2,439)	7,814	12,704
Indirect investments of the Acciona Water Subgroup (*)	103,411	15,679	(9,928)	(4,743)	3,128	107,547
Indirect investments of the Acciona Property Subgroup	6,887	8,886	(5,385)	(3,027)	10,439	17,800
Indirect investments of the Acciona Trasmediterránea Subgroup	165	61	(4)	(112)	--	110
Other indirect investments	1,859	136	(115)	(1,081)	(5)	794
<b>Total indirect investments</b>	<b>372,456</b>	<b>60,406</b>	<b>(54,901)</b>	<b>(12,956)</b>	<b>24,568</b>	<b>389,573</b>
<b>Total</b>	<b>390,150</b>	<b>60,054</b>	<b>(54,901)</b>	<b>(10,757)</b>	<b>24,568</b>	<b>409,114</b>

(\*) Indirect Investments of the Acciona Water Subgroup includes the concessionaire ATLL, which contributed a value on application of the equity method of 52,123 thousand euros.

The movement in 2016 in this heading on the accompanying consolidated balance sheet was as follows (in thousand euros):

	Balance at 31/12/15	Share in profit (loss) before tax	Dividends	Tax effect and other changes	Changes in scope & other	Balance at 31.12.16
<b>Direct investments of the Parent</b>						
<b>Direct investments of the Parent</b>						
Consorcio Traza, S.A.	5,602	160	--	(396)	--	5,366
Gran Hospital Can Misses, S.A.	1,964	(120)	--	(322)	--	1,522
S.C. Novo Hospital De Vigo S.A.	11,975	678	--	(408)	229	12,474
Nordex S.F.	--	28,954	--	(10,039)	753,942	772,857
<b>Total direct investment</b>	<b>19,541</b>	<b>29,672</b>	<b>--</b>	<b>(11,165)</b>	<b>754,171</b>	<b>792,219</b>
<b>Indirect investments of the Parent</b>						
Indirect investments of the Acciona Energy Subgroup	142,865	17,791	(5,723)	(1,713)	12,646	165,866
Indirect investments of the Ceatesalas Subgroup	84,939	(212)	(1,906)	824	(601)	83,044
Indirect investments of the Acciona Construction Subgroup	22,814	6,190	--	(2,282)	2,810	29,532
Indirect investments of the Acciona Concessions Subgroup	12,704	934	(460)	479	3,124	16,781
Indirect investments of the Acciona Water Subgroup	107,547	14,056	(5,616)	(4,004)	(43,103)	68,880
Indirect investments of the Acciona Property Subgroup	17,800	1,269	--	440	(16,077)	3,432
Indirect investments of the Acciona Trasmediterránea Subgroup	110	106	(4)	(30)	--	182
Other indirect investments	794	(236)	--	172	155	885
<b>Total indirect investment</b>	<b>389,573</b>	<b>39,898</b>	<b>(13,709)</b>	<b>(6,114)</b>	<b>(41,046)</b>	<b>368,602</b>
<b>Total</b>	<b>409,114</b>	<b>69,570</b>	<b>(13,709)</b>	<b>(17,279)</b>	<b>713,125</b>	<b>1,160,821</b>

The Acciona Group's interests in associates are detailed in Appendix III to these notes to the consolidated financial statements.

When the Group's investments in associates, mainly certain toll road concession operators, which are consolidated by application of the equity method, are reduced to zero, and where there could be implicit obligations exceeding the contributions made, the losses or equity decreases are recognised under "Non-Current Liabilities - Provisions" on the consolidated balance sheet (see Note 17). In these cases, the loss is recognised under "Other Gains or Losses" instead of "Profit/ (Loss) of Companies Accounted for Using the Equity Method".

In financial year 2016 the main movements were due to the taking control over ATLL, explained in note 3.2 h), and to the acquisition of 29.9% in Nordex, S.E., also explained in note 3.

"Tax effect and other changes" reflects, in addition to the tax effect of the year's result, the variations due to derivatives, translation differences and the effect of transfers to non-current liabilities of negative values of equity method consolidation.

10 million from "Tax effect and other changes" related to the variation due to derivatives and -5 million to the variation due to translation differences.

The table below shows, in proportion to the share percentage in the capital of each of the associates included under this heading, the assets, liabilities, revenue and profit or loss for 2016 (the figures related to associates with an equity deficit, recognised on the liability side of the consolidated balance sheet, are detailed in Note 17):

	Energy	Construction	Water	Services	Other Businesses	Total 2016
<b>Assets</b>						
Non-current assets	1,425,180	346,412	126,050	1,399	220	1,899,261
Current assets	536,992	113,582	80,537	2,968	8,615	742,694
<b>Total assets</b>	<b>1,962,172</b>	<b>459,994</b>	<b>206,587</b>	<b>4,367</b>	<b>8,835</b>	<b>2,641,955</b>
<b>Liabilities</b>						
Equity	1,021,769	66,107	68,882	449	3,614	1,160,821
Non-current liabilities	555,074	342,388	86,422	899	152	984,935
Current liabilities	385,329	51,499	51,283	3,019	5,069	496,199
<b>Total liabilities and equity</b>	<b>1,962,172</b>	<b>459,994</b>	<b>206,587</b>	<b>4,367</b>	<b>8,835</b>	<b>2,641,955</b>
<b>Profit or loss</b>						
Net revenue	802,605	71,553	62,771	10,204	1,445	948,578
Profit before tax from continuing activities	46,534	7,347	14,056	258	1,375	69,570
Profit before tax	46,534	7,347	14,056	258	1,375	69,570

None of the associates is individually significant for the entity except for Nordex, S.E., for which, based on the latest available information, we detail below the main key figures at 29.9%, the percentage held by the Acciona Group:

Assets		2016
Non-current assets		862,529
Current assets		473,036
<b>Total assets</b>		<b>1,335,565</b>
Liabilities		2016
Equity		772,857
Non-current liabilities		237,414
Current liabilities		325,294
<b>Total equity and liabilities</b>		<b>1,335,565</b>
Profit/(loss)		
Revenue		699,512
Profit before tax from continuing activities		28,954
Profit before tax		28,954

#### 10. - Interests in joint operations

The Acciona Group's interests in joint operations are explained in Appendix II to these Notes to the consolidated financial statements. The most significant amounts included in the consolidated financial statements, in relation to these interests, at 31 December 2016 are summarised as follows:

	Companies	Joint operations
Revenue	110,319	843,948
Gross profit/(loss) from operations	8,138	115,314
Profit/(loss) from operations	4,243	85,399
Non-current assets	62,262	272,875
Current assets	96,099	1,006,320
Non-current liabilities	6,553	397,504
Current liabilities	88,060	900,948

There are no stakeholdings in Joint operations that are material for the entity.

#### 11. - Current and non-current financial assets

Breakdown of the balance for this chapter on the consolidated balance sheet was as follows:

	2016		2015	
	Non-current	Current	Non-current	Current
Available-for-sale financial assets	28,526	20	26,280	20
Impairment of available-for-sale financial assets	(11,032)	0	(10,192)	0
Financial derivatives at fair value (Note 20)	7,811	6,668	780	0
Held-to-maturity investments	--	165,531	--	376,435
Deposits and guarantees	15,954	23,845	13,769	14,593
Other loans	142,067	15,397	133,501	22,053
Impairment of other loans	(4,246)	(238)	(4,093)	(238)
<b>Net Total</b>	<b>179,080</b>	<b>211,223</b>	<b>160,045</b>	<b>412,863</b>

Available-for-sale financial assets:

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In 2016 there were no significant changes in “Available-for-Sale Financial Assets”:

Held-to-maturity investments:

This heading relates basically to the funds allocated to the debt service reserve accounts by the Energy division for the projects under way as required by Project Finance clauses in force. The main changes in financial year 2016 related to the cancellation of reserve accounts in certain companies within the energy division as a result of cancellation of project financing in the year (see note 18).

Other loans

This related mainly to loans granted to companies consolidated by applying the equity method.

**12. - Non-current receivables and other non-current assets**

Breakdown of “Non-Current Receivables and Other Non-Current Assets” at 31 December 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
Non-current operating receivables	145,079	70,594
Non-current prepayments and accrued income	27,345	26,560
Concessions under the non-current financial asset model	120,977	357,848
<b>Total non-current receivables and other non-current assets</b>	<b>293,401</b>	<b>455,002</b>

“Non-Current Operating Receivables” included mainly client balances and other trade receivables generated by operating activities maturing at over one year and also the retentions that are customary in the construction business. In addition, it included the amount of 53,428 million euros related to the fair value of a non-financing derivative engaged by a Chilean subsidiary within the Energy Division to supply energy to a client as from 2017 at an inflated fixed price for 13 and a half years.

“Non-current prepayments and accrued income” included the amount of 16,259 thousand euros related to the initial value of an energy contract entered into, in December 2015, by a subsidiary in the United States, to supply a specific amount of energy for a term of 13 years.

“Concessions under the Non-Current Financial Asset Model” included the balance receivable to more than one year for concessions which, in accordance with IFRIC 12, were treated as financial assets, since there was an unconditional collection right on the investment made to date. The current portion of this unconditional collection right was recognised under “Trade and Other Receivables” based on the collections expected to be made by the grantors of the concessions under the various economic and financial plans. At 31 December 2016 and 2015, the balance reclassified to short term in the “Concessions under the Current Financial Asset Model” under the heading “Trade and Other Receivables” for the amount expected to be collected by the granting entities in the next twelve months came to 16,232 and 16,203 thousand euros, respectively (see Note 14).

Breakdown, by division, of “Concessions under the Non-Current Financial Asset Model” was as follows:

	31.12.2016	31.12.2015
Infrastructure division	118,441	347,222
Water division	2,536	10,626
<b>Total</b>	<b>120,977</b>	<b>357,848</b>

The main concession projects included in the Infrastructure division relate to hospitals and motorways, and those in the Water division relate to the integral water cycle and are detailed in Appendix V.

Breakdown of the balance of the main concessions under the financial model at 31 December 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
S C Acciona Concesiones Ruta 160, S.A.	--	218,878
S.C. Hospital del Norte, S.A.	82,285	86,592

The main change in financial year 2016 related to the classification in the heading "Non-current assets and liabilities held for sale" of the Chilean company S.C. Acciona Concesiones Ruta, given that the Acciona Group expects to recover the value of this concession, as part of the rotation plan for concession assets, through a sale operation expected to take place within twelve months.

At 31 December 2016, the Group companies had no commitments to acquire concession assets under the financial asset model in any significant amount. At 31 December 2015, such commitments amounted to 1 million euros, most of which related to concession arrangements awarded to the infrastructure division.

### 13. - Inventories

Detail of the Group's inventories at 31 December 2016 and 2015 was as follows (in thousand euros):

Real Estate	2016	2015
Raw materials, other procurements and trade inventories	62	60
Land	705,516	627,139
Property developments in progress	73,203	17,421
Property developments completed	49,085	42,637
Advances paid	492	488
Impairment	(454,515)	(285,374)
<b>Total real estate</b>	<b>373,843</b>	<b>402,371</b>
Other inventories	2016	2015
Raw materials, other procurements and trade inventories	218,103	185,105
Work in progress and half-finished goods	34,167	39,702
Finished goods	3,418	2,573
Assets received in payment of loans	15,328	16,704
Land	8,116	8,116
Advances paid	162,672	114,560
Impairment	(32,922)	(29,029)
<b>Total other inventories</b>	<b>408,882</b>	<b>337,731</b>
<b>Total inventories</b>	<b>782,725</b>	<b>740,102</b>

The main movement in 2016 related to the reclassification of several plots of land from property investments to inventories, in the gross amount of 134 million euros (63 million euros net in impairment), due to the change in use thereof because of the property market trend, which led to revision of the use intended for certain developments now to be used for promotion and sale following the Group's new strategy in order to optimise the value, realisation and liquidity of property assets and thus enhance the Group's competitive position (see note 6).

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In 2016 the Group allocated 99.3 million euros (see note 26) as impairment provision for certain property assets in inventories, mostly land, as their carrying amount exceeded their recoverable amount on the basis of the valuations made at 31 December 2016 by independent appraisers not related to the Acciona Group.

Based on these valuations performed by Savills Consultores Inmobiliarios, S.A. and Instituto de Valoraciones, S.A., the Group's property inventories amounted to 413 million euros. These valuations incorporated the distortions and uncertainties currently persisting in the real estate market and came up when taking into consideration the Group's current strategies in relation to the property division in terms of realisation and liquidity.

At 31 December 2016 and 2015 the carrying amounts of mortgaged inventories were 14,558 and 30,699 thousand euros, respectively, and related mostly to property developments completed in 2016 and 2015. The decrease was due mainly to 6,528 euros for mortgage loan cancellation and 7,165 euros for sale of assets.

At 31 December 2016 and 2015, there were no firm land purchase commitments.

Property development sales commitments to clients at 31 December 2016 and 2015 amounted to 12,152 and 16,502 thousand euros, respectively. From the balance at 31 December 2016, the amount of 3,790 thousand euros was instrumented in notes and bills receivable, the balancing entry of which was recorded under "Current Trade and Other Payables" on the liability side of the accompanying consolidated balance sheet until the date of delivery (13,427 thousand euros at 31 December 2015).

#### 14. - Trade and other receivables

Detail of "Trade and Other Receivables" at 31 December 2016 and 2015 was as follows:

	2016	2015
Trade receivables	1,132,311	1,153,343
Doubtful trade receivables	68,098	68,451
Amounts to be billed for work performed	619,130	504,802
<b>Total trade receivables for sales and services</b>	<b>1,819,539</b>	<b>1,726,596</b>
Receivable from associates	92,027	67,953
Sundry accounts receivable	165,874	154,135
Current concessions under the financial asset model (Note 12)	16,232	16,203
Provisions	(370,014)	(352,469)
<b>Total trade and other receivables</b>	<b>1,723,658</b>	<b>1,612,418</b>
Advances from clients	(746,669)	(573,319)
<b>Total net balance at 31 December</b>	<b>976,989</b>	<b>1,039,099</b>

In 2016, the balance of "advances from clients" was considerably increased as a result, mainly, of the advances received for new works in the construction division, the main ones being those received for works in Australia, Norway and Ecuador.

Breakdown, by business activity, of the balance of trade receivables for sales and services, net of client advances, was as follows:

TRANSLATION

	2016	2015
Energy	682,938	779,186
Infrastructure construction	395,961	425,319
Water	176,300	137,474
Services	195,902	177,185
Other Activities	176,377	164,212
Intra-Group transactions	(650,489)	(644,277)
<b>Total net balance at 31 December</b>	<b>976,989</b>	<b>1,039,099</b>

Breakdown relating to the construction business was as follows:

	2016	2015
Progress billings receivable	543,189	492,798
Amounts to be billed for work performed	574,234	454,040
Sundry accounts receivable	166,024	207,607
Provisions	(287,030)	(265,925)
<b>Total construction trade receivables</b>	<b>996,417</b>	<b>888,520</b>
Advances from clients	(641,924)	(469,151)
<b>Total net balance at 31 December</b>	<b>354,493</b>	<b>419,369</b>

Breakdown, by type of client, of the net balance of construction trade receivables was as follows:

	2016	2015
Central Government	34,981	54,933
Regional Governments	29,768	26,767
Local Governments	7,999	15,512
Other	74,007	98,066
Public-sector subtotal	146,755	195,278
Private-sector subtotal	101,887	132,939
<b>Total Spanish clients</b>	<b>248,642</b>	<b>328,217</b>
<b>Total foreign clients</b>	<b>747,775</b>	<b>560,303</b>

Breakdown, by age, of receivables from clients was as follows:

	2016	2015
Age up to 3 months by date of invoice	750,809	787,599
Age between 3 and 6 months by date of invoice	43,389	36,721
Age over 6 months by date of invoice	338,113	329,023
<b>Total</b>	<b>1,132,311</b>	<b>1,153,343</b>
Invoices past due by more than 3 months and not provisioned	180,307	156,916

The movement in provisions for losses due to impairment in the value of receivables at 31 December 2016 and 2015 was as follows:

	2016	2015
Opening balance	(352,469)	(355,032)
Increase in provision for impairment of accounts receivable	(36,273)	(21,879)
Accounts receivable de-registered as impossible to collect	9,610	5,680
Reversion of amounts not used	6,166	5,695
Transfer to Non-current assets held for sale (note 23)	--	11,548
Reclassifications and other minor adjustments	2,952	1,519
<b>Closing balance</b>	<b>(370,014)</b>	<b>(352,469)</b>

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**15. - Cash and cash equivalents**

Detail of “Cash and Cash Equivalents” at 31 December 2016 and 2015 was as follows:

	2016	2015
Cash	1,116,858	1,028,293
Deposits and other	311,461	431,880
<b>Total cash and cash equivalents</b>	<b>1,428,319</b>	<b>1,460,173</b>

“Cash and Cash Equivalents” included mainly the Group’s cash, bank deposits and risk-free deposits with initial maturity of three months or less.

The only unavailable balance related to the cumulative balance for the drought provision of the subsidiary ATLL Concesionaria de la Generalitat de Catalunya, S.A. for 25 million euros (see note 17).

In 2016 and 2015 the cash and cash equivalent balances earned interest at market rates.

**16. - Equity**

a) Subscribed and registered share capital

The Parent’s share capital is represented by 57,259,550 fully paid-up ordinary shares with a face value of 1 euro each, represented by book entries. All the Parent’s shares carry the same rights, are listed and there are no restrictions as to their transferability under the Articles of Association.

The table below shows, based on the notices received by the company, the owners of significant direct and indirect equity interests at 31 December 2016 and 2015.

	31.12.2016	31.12.2015
Tussen de Grachten, B.V.	27.80%	27.69%
Wit Europesse Investereng, B.V. (*)	28.23%	28.04%
Capital Research and Management Company (**)	4.07%	4.07%

(\*) Formerly called Entrezca, BV.

(\*\*) Indirect holder of the equity interest.

Wit Europesse Investereng, B.V. and Tussen de Grachten, B.V. signed a securities loan granted to HSBC of up to 3 million shares as a whole, divided equally between them, so that securities loans can be furnished to investors within the framework of the convertible bond issue made by Acciona, S.A. in 2014 and reported to *CNMV* as a Material Event under registration number 198,666.

b) Share premium, reserves and translation differences

The balance of the “Share Premium” account, which at 31 December 2016 and 2015 amounted to 170,110 thousands of million euros, arose as a result of the capital increases with share premiums carried out on different dates. The consolidated text of the [Spanish] Capital Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to the use of said balance.

Detail of the share premium, reserves and value adjustments as appearing on the consolidated statement of changes in equity was as follows:

	2016	2015
Issue premium	170,110	170,110
Legal reserve	11,452	11,452
Reserve for retired capital	10,454	10,454
Voluntary reserves	3,035,238	2,682,763
Consolidated reserves (Note 16 d)	270,260	462,128
<b>Subtotal reserves</b>	<b>3,327,404</b>	<b>3,166,797</b>
Translation differences (Note 16 d)	(60,876)	(87,968)
<b>Total reserves</b>	<b>3,436,638</b>	<b>3,248,939</b>

The legal reserve, to which transfers must be made until 20% of the share capital is reached, can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve 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.

### c) Treasury shares

The changes in treasury shares in financial years 2016 and 2015 were as follows:

	2016		2015	
	Number of shares	Cost	Number of shares	Cost
Opening balance	320,460	20,238	534,499	28,895
Additions	4,992,255	338,284	3,428,656	247,091
Removals	(4,987,221)	(338,300)	(3,391,297)	(244,121)
Liquidity contract	5,034	(16)	37,359	2,970
Additions	--	--	615,935	42,747
Removals	(91,596)	(5,819)	(867,333)	(54,374)
Other movements	(91,596)	(5,819)	(251,398)	(11,627)
<b>End balance</b>	<b>233,898</b>	<b>14,403</b>	<b>320,460</b>	<b>20,238</b>

On 3 July 2015 Acciona, S.A. reported subscription of a liquidity contract with Bestinver Sociedad de Valores, S.A. for the management of its treasury stock. The company's stock operations carried out by Bestinver within the framework of this contract take place on the Spanish stock exchanges and the purpose is to increase the liquidity of transactions and the stability of the trading price. The number of shares earmarked for the securities accounts associated with this contract is 48,000 shares and the amount earmarked for the cash account is 3,300,000 euros. At 31 December 2016 the shares under the liquidity contract lost 371 thousand euros, which was recognised in reserves.

As regards other movements, in 2016 91,596 shares were retired, with a profit of 368 thousand euros, recognised in reserves. Part of the retired shares related to the delivery of shares mainly to the Group's Management, under the Share Delivery Plan and the variable remuneration Substitution Plan (see note 34).

In 2015, 48,000 shares were used for the liquidity contract discussed in the paragraph above, and 819,333 shares were retired, with a profit of 4,972 thousand euros, recognised in reserves. Part of the retired shares related to the delivery of 51,149 shares mainly to the Group's Management, under the Share Delivery Plan and the variable remuneration Substitution Plan, with a profit of 909 thousand euros (see note 34).

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d) Reserves in consolidated companies and translation differences

Detail, by line of business, of the consolidation reserves contributed by subsidiaries, joint ventures and associates and of the related translation differences at 31 December 2016 and 2015 was as follows (in thousand euros):

Line of business	2016		2015	
	Consolidated reserves	Translation differences	Consolidated reserves	Translation differences
Energy	(386,399)	32,374	(645,335)	21,086
Construction	28,418	(59,820)	202,279	(89,777)
Water	(29,785)	(15,207)	91,719	(4,885)
Services	1,875	(841)	(71,104)	(314)
Other Activities	694,476	(17,382)	924,626	(14,078)
Consolidation adjustments	(38,325)	--	(40,057)	--
<b>Total</b>	<b>270,260</b>	<b>(60,876)</b>	<b>462,128</b>	<b>(87,968)</b>

In addition to the Parent, at 31 December 2016, the Group company Mostostal Warszawa, S.A. was a listed company. The average market price of this company in the last quarter was PLN 10.84 and the market price at year-end was PLN 10.70. Similarly, the associate Nordex, S.E. is also a listed company and its average market price in the last quarter was EUR 21.318 and the market price at year-end was EUR 20.39.

e) Value adjustments

- Available-for-sale financial assets

This heading under “Retained Earnings” on the consolidated balance sheet includes the amount, net of the related tax effect, of changes in the fair value of assets classified as available for sale. These changes are recognised in the consolidated income statement when the assets that give rise to them are sold.

The changes in the balance of “Value Adjustments” in 2016 and 2015 were as follows:

	2016	2015
Balance at 1 January	149	179
Increases in value in the year	202	--
Decreases in value in the year	--	(30)
Transfer to results in the year	--	--
Changes in the scope of consolidation	--	--
<b>Balance at 31 December (note 20)</b>	<b>351</b>	<b>149</b>

- Cash flow hedges

This heading under “Retained Earnings” on the consolidated balance sheet reflects the amount net of the tax effect of changes in the fair value of financial derivatives designated as cash flow hedging instruments (see Note 20).

The changes in the balance of this item in 2016 and 2015 were as follows:

	2016	2015
<b>Balance at 1 January</b>	<b>(364,868)</b>	<b>(427,377)</b>
• Changes in value in the year	(80,472)	(51,496)
<i>Gross</i>	(107,296)	(68,661)
<i>Tax effect</i>	26,824	17,165
• Transfer to results for the year	231,968	114,005
<i>Gross</i>	309,291	152,006
<i>Tax effect</i>	(77,323)	(38,001)
<b>Balance at 31 December</b>	<b>(213,372)</b>	<b>(364,868)</b>

f) Non-controlling interests

The balance of “Non-Controlling Interests” on the accompanying consolidated balance sheet reflects the equity of non-controlling interests in the subsidiaries. Also, “Non-Controlling Interests” on the accompanying consolidated income statement reflects the share of non-controlling interests in the profit or loss for the year.

The movement in 2015 was as follows (in thousand euros):

Company	Balance at 31/12/14	Changes in scope & capital contrib./ returned	Dividends	Value adjustments and other	Year's Profit/ (Loss)	Balance at 31/12/15
Energy	202,960	8,038	(11,299)	12,545	21,029	233,273
Construction	10,043	--	(552)	(3,493)	6,727	12,725
Water	--	--	--	--	--	--
Services	387	144	--	--	212	743
Other services	20,048	(6,132)	--	(264)	467	14,119
<b>Total non-controlling interests</b>	<b>233,438</b>	<b>2,050</b>	<b>(11,851)</b>	<b>8,788</b>	<b>28,435</b>	<b>260,860</b>

The movement in 2016 was as follows (in thousand euros):

Company	Balance at 31/12/15	Changes in scope & capital contrib./ returned	Dividends	Value adjustments and other	Year's Profit/ (Loss)	Balance at 31/12/16
Energy	233,273	750	(24,128)	(4,127)	255	206,023
Construction	12,725	--	(1,651)	(1,284)	16,511	26,301
Water	--	32,009	(16,266)	16	207	15,966
Services	743	--	(123)	58	263	941
Other services	14,119	525	(3,850)	1,207	4,638	16,639
<b>Total non-controlling interests</b>	<b>260,860</b>	<b>33,284</b>	<b>(46,018)</b>	<b>(4,130)</b>	<b>21,874</b>	<b>265,870</b>

As indicated in note 3.2.h), on 21 January 2016 the Group bought an additional 37.05% of the shares in ATLL Concessionaria de la Generalitat de Catalunya, S.A. and reached 76.05% share in said company. After the Group took control, the business was recognised following the global consolidation method and the non-controlling interest of 23.95% was recognised in equity. At the time of the transaction, the non-controlling interest in net assets amounted to 32 million euros, which is reflected under the column “Changes in scope and capital contributed/returned” on the table above. The same column records the change in non-controlling interest that took place as a result of the acquisition of the non-controlling interests of the Acciona Termosolar and Acciona Solar subgroups (15% and 25% respectively), with 100% being reached for both subgroups.



Summarised financial information for the subgroups or subsidiaries representing a material portion of the Group's assets, liabilities and transactions and for which no dominant stakeholdings are held is shown below.

31.12.2016	Acciona Energy Internacional Subgroup	ATLL Concessionaria de la Generalitat de Catalunya, S.A.	Mostostal Warszawa, S.A.	Cia. Trasmediterránea Subgroup
<b>% Non-controlling interests</b>	33.33%	23.95%	49.91%	7.29%
<b>ASSETS</b>				
Non-current assets	3,109,094	998,606	48,053	319,125
Current assets	332,756	113,793	238,863	127,682
<b>Total Assets</b>	<b>3,441,850</b>	<b>1,112,399</b>	<b>286,916</b>	<b>446,807</b>
<b>LIABILITIES</b>				
Equity	265,204	66,664	14,472	224,945
Attributed Equity	78,079	66,664	9,658	224,957
Non-controlling interests	187,125	--	4,814	(12)
Non-current liabilities	2,979,267	952,061	75,445	13,757
Current liabilities	197,379	93,674	196,999	208,105
<b>Total Liabilities</b>	<b>3,441,850</b>	<b>1,112,399</b>	<b>286,916</b>	<b>446,807</b>
<b>PROFIT/(LOSS)</b>				
Revenue	463,100	148,395	320,579	430,758
Operating profit	144,083	50,722	12,648	37,036
Profit/(loss) before tax	(36,157)	5,801	11,148	32,394
Profit/(loss) after tax	(46,184)	865	7,607	18,211
Profit/(loss) attributed to Non-controlling interests	(16,352)	--	451	--
Profit/(loss) attributed to the parent	(62,537)	865	8,058	18,210

31.12.2015	Acciona Energy Internacional Subgroup	Acciona Thermosolar Subgroup	Mostostal Warszawa, S.A.	Cia. Trasmediterránea Subgroup
<b>% Non-controlling interests</b>	33.33%	15.00%	49.91%	7.29%
<b>ASSETS</b>				
Non-current assets	3,156,997	845,815	56,909	294,093
Current assets	450,166	270,248	270,108	124,558
<b>Total Assets</b>	<b>3,607,163</b>	<b>1,116,063</b>	<b>327,017</b>	<b>418,651</b>
<b>LIABILITIES</b>				

Equity	341,475	(35,094)	3,868	197,566
Attributed Equity	143,826	(35,094)	(1,678)	197,579
Non-controlling interests	197,649	–	5,546	(13)
Non-current liabilities	3,086,841	801,908	94,274	22,983
Current liabilities	178,847	349,249	228,875	198,102
<b>Total Liabilities</b>	<b>3,607,163</b>	<b>1,116,063</b>	<b>327,017</b>	<b>418,651</b>
<b>PROFIT OR LOSS</b>				
Revenue	444,195	118,933	304,085	424,170
Operating profit	188,892	53,651	11,726	31,158
Profit or (loss) before tax	49,213	4,062	9,652	25,317
Profit or (loss) after tax	28,478	5,424	7,647	31,364
Profit or (loss) attributed to Non-controlling interests	(15,082)	–	(157)	2
Profit or (loss) attributed to the parent	13,396	5,424	7,491	31,366

g) Capital management

The main objectives of the Group's capital management are to safeguard its capacity to continue operating as a going concern so that it can continue to provide returns to shareholders and to benefit other stakeholders, and also to maintain an optimal financial and equity structure to reduce the cost of capital. As a result of this policy, creating value for the shareholder is compatible with access to financial markets at a competitive cost in order to cover both debt refinancing and investment plan financing needs not covered by funds generated by the business.

In order to maintain and adjust the capital structure, the Group may vary the amounts of the dividends payable to the shareholders, return capital, issue shares or sell assets to reduce debt.

In line with other groups in the industries in which the Acciona Group operates, the capital structure is controlled on the basis of the leverage ratio. This ratio is calculated as the result of dividing net debt by equity. Net debt is calculated as the sum of current and non-current financial debt, excluding those relating to held-for-sale assets, less current financial assets and cash and cash equivalents.

The leverage ratio at 31 December 2016 and 2015 is shown below.

	Leverage	
	Million euros	
	2016	2015
<b>Net financial debt:</b>	<b>5,131</b>	<b>5,159</b>
Non-current financial debt	5,602	5,895
Current bank financial debt	1,169	1,137
Current financial assets and cash and cash equivalents	(1,640)	(1,873)
<b>Equity:</b>	<b>4,097</b>	<b>3,754</b>
Of the Parent	3,831	3,493
Of non-controlling interests	266	261
<b>Leverage</b>	<b>125%</b>	<b>137%</b>

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h) Restriction on the distribution of funds by subsidiaries

Certain Group companies have clauses in their financing contracts that have to be met in order for profit to be distributed to the shareholders. Specifically, the clauses stipulate the maintenance of a senior debt coverage ratio in financing contracts.

17. - Provisions and litigation

The movement in the non-current provisions on the liability side of the consolidated balance sheets at 31 December 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
Opening balance	420,245	453,588
Additions and allocations	92,937	47,023
Removals	(32,729)	(55,453)
Transfers	(5,775)	(18,431)
Other changes	22,794	(6,482)
Closing balance	497,472	420,245

The main changes in financial year 2016 related to the reversion in the amount of 12 million euros of the provision for the third and last fine imposed by the National Competition Commission on the Group's subsidiary Compañía Trasmediterránea, S.A., which was favourably resolved by the Supreme Court, as well as the inclusion in the Group's scope of consolidation of the subsidiary ATLL Concessionaria de la Generalitat de Catalunya, S.A., which according to the concession contract must set up a provision for replacement and renewal and a provision for drought. At 31 December 2016 these provisions totalled 46 million euros. In addition, provisions were allocated in the period for several litigation cases for a total of 26 million euros, including one litigation case of a national scope for the development of a logistics platform project. In addition, as indicated in note 3.2.h), the Acciona Group arranged the delivery of the wind assets located in Greece within the energy division as payment for the settlement of litigation with the local developer for renewable energy projects. Provisions had been earmarked for this litigation, based on the best estimate to date, and the difference between the provision and the final amount was recognized on the income statement, for 21 million euros (see note 27).

The Acciona Group operates in different businesses and in a great number of countries with very specific industry regulations. In the normal course of its business, the Group is exposed to litigation related to these business activities, including most notably: tax claims, claims related to defects in construction projects performed and claims related to differences regarding services rendered. Part of these risks are covered by insurance policies (third-party liability, construction defects, etc.) and for the other risks identified, the required provisions are recognised. The nature and amount of the main provisions are detailed below.

a) Constructive obligations: Provisions are recognised for the constructive obligations of subsidiaries accounted for using the equity method when the Group's investments in associates have been reduced to zero. At 31 December 2016, the provision in this connection amounted to 71 million euros (69 million euros at 31 December 2015). The table below shows detail, by division and in proportion to the Group's share percentage in the capital of each, of the assets, liabilities, revenue and profit/(loss) for 2016 of the associates for which a provision was recognised.

TRANSLATION

	Energy	Construction	Water	Services	Total 2016
<b>Assets</b>					
Non-current assets	38,533	390,725	48,996	247	478,501
Current assets	14,712	57,675	3,141	3,152	78,680
<b>Total assets</b>	<b>53,245</b>	<b>448,400</b>	<b>52,137</b>	<b>3,399</b>	<b>557,181</b>
<b>Liabilities</b>					
Equity	(4,875)	(61,967)	(4,102)	(229)	(71,173)
Non-current liabilities	43,241	351,690	52,860	599	448,390
Current liabilities	14,880	158,677	3,379	3,029	179,965
<b>Total equity and liabilities</b>	<b>53,246</b>	<b>448,400</b>	<b>52,137</b>	<b>3,399</b>	<b>557,182</b>
<b>Profit/(Loss)</b>					
Revenue	5,565	24,121	6,370	8,531	44,587
Profit before tax from continuing operations	291	(458)	653	439	925
Profit/(Loss) before tax	291	(458)	653	439	925

This section includes, in the infrastructure construction division, a provision in the amount of 29 million euros for the companies Infraestructuras y Radiales, S.A. and Henarsa, S.A., companies undergoing voluntary creditors' meeting proceedings as declared on 5 September 2013 by Business Court no. 10 in Madrid. The companies submitted a proposed agreement with creditors that was accepted by the aforesaid Court and will be put to the vote of creditors soon. Similarly, there is a provision in the amount of 6 million euros for Sociedad Concesionaria Puente del Ebro, S.A., which is also undergoing voluntary creditors' meeting proceedings as declared on 4 November 2014 by Business Court no. 2 in Zaragoza. The meeting of creditors to decide if the creditors accept the agreement will take place soon.

b) Levies, taxes and local charges: these relate to provisions for regional, state or international levies, taxes and local charges arising from construction work and infrastructure development and taxes in general which, in view of the varying interpretations that can be made of the tax legislation, could give rise to contingent tax liabilities in the various countries in which the Acciona Group operates. At 31 December 2016 and 2015, the provision in this connection amounted to 41 million euros. No significant payments were made in 2016.

c) Provision for drought: recognised by the subsidiary ATLL Concesionaria de la Generalitat de Catalunya, S.A. under the concession contract, in order to deal with possible drought periods. The provision in question at 31 December 2016 amounted to 25 million euros.

d) Repairs: these relate to provisions in connection to repairs agreed with the awarding entity in concessions from the infrastructure division. Each year they are systematically endowed by a charge against the operating profit/(loss). The provision in this connection, at 31 December 2016, amounted to 42 million euros (17 million euros at 31 December 2015). The increase was mainly due to the inclusion in the Acciona Group of the subsidiary ATLL Concesionaria de la Generalitat de Catalunya, S.A., which has a provision for repairs.

e) Pensions and similar: these relate to provisions for pensions and similar obligations arising mainly from the acquisition of assets from Endesa in 2009, which are detailed and quantified below. At 31 December 2016, the provision in this connection amounted to 10 million euros (11 million euros at 31 December 2015).

f) Burdensome contracts: these relate to contracts for works and provision of services that represent a burden and lead to losses. The Group charges a provision against the income statement for losses expected from these contracts at the moment when it determines that the contract's costs are likely to

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exceed the revenue therefrom. The provision in this connection at 31 December 2016 amounted to 51 million euros (65 million euros at 31 December 2015).

g) Dismantling: these relate mainly to provisions stemming from the electricity generation facilities recently commissioned in the Energy division international area, after the Group concluded, upon analysis of the particularities of these contracts, that there is an obligation to dismantle said facilities although this has no impact on the income statement. The provision in this connection at 31 December 2016 amounted to 75 million euros (33 million euros at 31 December 2015).

h) Litigation: these related to provisions for lawsuits under way as a number of claims have been brought against the Group for various reasons. At 31 December 2016, the Group had a provision in place in the amount of 170 million euros (180 million euros at 31 December 2015). The main lawsuits in progress are the following:

- Construction defects: these relate to provisions for construction defects and lawsuits relating to work performed and claims over differences about the provision of services, mainly in the construction and property divisions. The provision in this connection at 31 December 2016 amounted to 52 million euros.
- At 31 December 2016 the Group had provisions related to certain liabilities connected mainly to the energy division, for 61 million euros, including liability related to non-performance of contracts in the United States.
- In addition, there are provisions related mainly to various legal proceedings in progress and several lawsuits in the Infrastructures area, including one of a national scope for the development of a logistics platform. The provision in this connection at 31 December 2016 amounted to 57 million euros.

As regards these cases, it is hard to predict how they will turn out, although the Group's Directors are of the opinion that there will be no short-term outflow of economic profits due to the status of these court cases at the present time.

The best estimates of the risks and uncertainty inevitably surrounding most of the events and circumstances affecting these cases have been taken into account for the recording of these provisions. In this respect, the negative downturn in recent years of the general market situation and the economic and financial conditions in many of the countries in which the Group has operations has contributed to a general situation of extreme and very widespread instability, giving rise to very significant uncertainties. This situation has not only remained constant but has in fact even increased recently, with the result that the calibration of this uncertainty has been done with prudence, understood as the inclusion of a certain degree of caution when making the necessary judgments, but safeguarding in all cases the true and fair view of the financial statements.

The Group's Management considers that no significant additional liabilities will occur that are not provisioned in the consolidated financial statements at 31 December 2016 and 2015.

In addition to the litigation under way indicated above, information is given below about the current status of the court proceedings related to ATLL Concesionaria de la Generalitat de Catalunya, S.A. (see Note 8).

On 22 June 2015 the High Court of Justice of Catalonia issued judgment allowing in part the appeal for judicial review of administrative decision lodged by the concession company ATLL Concesionaria de la Generalitat de Catalunya, S.A. and Acciona Agua, S.A., overruling the resolution dated 2 January 2013 from the Contractual Resources Administrative Body of Catalonia in relation to exclusion of the bid made by the consortium headed by Acciona. The Court, however, considers that there are defects in the tender procedure that are not attributable to the bidders, which lead to render

void the contracting procedure as a whole because the bidders did not have full knowledge of the exact scope of the requirements related to the works schedule.

The fact that the High Court of Justice of Catalonia says that the possible defects in the tender procedure phase are not attributable to the bidders does not have adverse effects on the compensation the concession company would be entitled to if the tender procedure became null and void under a firm judgment and, accordingly, the award and the contract subscribed, and all of it would go to a settlement process without prejudice to appropriate claim for damages.

The judgment issued is not firm and has been appealed against by the concession company, the Generalitat de Catalunya [Catalan Government] and Aguas de Barcelona, S.A. for quashing at the Supreme Court.

In the event that the Supreme Court confirms the judgment referred to above and the award is rendered definitively void, the contract will be void and will go into the settlement stage, with the effects established in the Government Procurement Act. The contract includes a contractual clause, 9.12, which refers to early termination of the concession contract. This clause establishes that if the concession contract is terminated before 50 years elapse, regardless of the grounds for termination, the Administration shall pay the concession company compensation that will cover:

- (a) the unamortised portion of the total concession fee. This amortisation is calculated according to what is established in this clause 9.12 on the contract in conformity with clause 22 of the Administrative Specifications Document;
- (b) the unamortised portion of the works, installations and other investments, in tangible and intangible assets, as made by the concessionaire to date; and,
- (c) related additional costs.

In any event, as indicated in this contractual clause 9.12, all calculations needed to determine what is established in the paragraphs above must refer to amounts actually included in the tariffs, following the principle of recovery of all previous items through the tariffs and with the time where contract termination occurs and the months elapsed in which the concessionaire applied the annual tariff in question being taken into account, if appropriate.

The compensation referred to in clause 9.12 is applicable even if the Administration must enforce court resolutions that involve termination or cancellation of the concession contract according to reply by the Generalitat de Catalunya of 5 July 2013 to the enquiry made by the concessionaire ATLL.

In any event, the principle of ongoing service guarantees that the concessionaire will remain in the concession operation until, as the case may be, the Catalan Government or another possible awardee from another award tender procedure can formally replace the concessionaire.

In short, ATLL must continue fulfilling the obligations derived from the water supply public service management contract in force according to the terms thereunder as long as there is no definitive judgment that renders the award void, and at such time, if the judgment is confirmed, the contract would be rendered void and go into the settlement stage, and the relevant compensation would have to be paid. The compensation would include, *inter alia*, returning the portion of the unamortised fee, without prejudice to the claim for damages as might be appropriate.

Therefore, the Directors are of the opinion that the final resolution of the proceedings described above will not involve an outflow of resources, for which reason no provision for risks and expenses in connection with this lawsuit was recorded at 31 December 2016.

Provisions for pensions and similar obligations

“Non-current provisions” on the accompanying consolidated balance sheet includes mainly provisions for pensions and similar obligations due to the acquisition of assets and/or companies from the Endesa Group in 2009.

The group of employees considered in 2016 and 2015 for measurement was 101 employees (102 at the close of 2015), 24 of whom have already taken early retirement (25 at the close of 2015). Not all of them are in the same situation and under the same commitment. The main characteristics of the plans assumed are the following:

- i) Defined benefit pension plan with salary increase rate tied to the increase in the CPI. This plan is treated in exactly the same way as a defined benefit system. The assumptions used in calculating the actuarial liability in respect of the uninsured defined benefit obligations at 31 December 2016 and 2015 were as follows:

	2016	2015
Interest rate	1.91%	2.72%
Mortality tables	PERPM/T2000	PERPM/F2000
Expected rate of return on plan assets	1.85%	2.60%
Salary review	2.0%	2.0%

Information is provided below on the changes in the actuarial liabilities for the defined benefit obligations at 31 December 2016 and 2015:

	2016	2015
<b>Initial actuarial liability</b>	<b>3,995</b>	<b>3,775</b>
Cost incurred in the year	99	112
Finance costs	107	81
Benefits paid in the year	--	--
Actuarial gains and losses	(157)	24
<b>Final actuarial liability</b>	<b>4,044</b>	<b>3,995</b>

Information is provided below on the changes in the actuarial assets for the defined benefit obligations at 31 December 2016 and 2015:

	2016	2015
<b>Initial actuarial asset</b>	<b>2,757</b>	<b>2,484</b>
Return recognised in the year	72	54
Contributions made in the year	469	160
Actuarial gains and losses	(986)	59
<b>Final actuarial asset</b>	<b>2,312</b>	<b>2,757</b>

At 31 December 2016 and 2015, the total amount of the final actuarial assets and liabilities related in full to defined benefit obligations in Spain.

At 2016 year-end, the amount recognised in the consolidated income statement for defined benefit pension obligations amounted to 134 thousand euros (142 thousand euros in 2015) and related to the cost incurred during the year and the return and finance cost of the assets and liabilities associated with these employee welfare benefits.

- ii) Obligations to provide certain employee welfare benefits during the retirement period, relating mainly to electricity supplies. These obligations were not externalised and are covered by the related in-house provisions totalling 3,275 thousand euros (2,778 thousand euros at 31 December 2015).

The actuarial changes recognised, arising in this connection, amounted to a loss of 542 thousand euros (profit of 427 thousand euros in 2015).

- iii) Commitment undertaken by the company to supplement the public social security system benefits in the event of termination of the employment relationship as a result of an agreement between the parties.

The movement in the provision for these obligations, recognised under "Provisions" on the accompanying consolidated balance sheet in 2016 and 2015, was as follows:

	Provision for other long-term employee benefit obligations
Balance at 31/12/14	2,590
Additions and allocations	(607)
Removals	(1,022)
Balance at 31/12/15	961
Additions and allocations	7
Removals	(461)
Balance at 31/12/16	507

These liabilities related in full to the collective redundancy procedures signed by Group companies in Spain.

The Plan affects employees with at least ten years of acknowledged service. Employees aged 50 or more at 31 December 2005 were entitled to adhere to a pre-retirement plan at the age of 60, of which they could avail themselves between the ages of 50 and 60, upon the mutual agreement between the employee and the company concerned. For the Plan to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the Group were required.

The conditions applicable to employees under 50 years of age affected by the voluntary redundancy plan consisted in a termination benefit of 45 days' salary per year of service plus an additional amount of 1 or 2 months' salary based on the employee's age at 31 December 2005.

The impact of these plans on the consolidated income statement is not material.

## 18. - Financial debt

### a) Bank borrowings

At 31 December 2016 and 2015, detail of recourse and non-recourse borrowings, it being understood that non-recourse is the debt with no corporate guarantees, whose recourse is limited to the debtor's flows and assets, was as follows (in thousand euros):

	2016		2015	
	Current	Non-current	Current	Non-current
<b>Non-recourse bank borrowings</b>	<b>199,162</b>	<b>1,797,150</b>	<b>336,649</b>	<b>4,039,637</b>
Mortgage loans for non-current asset financing	26,300	128,965	32,635	217,871
Mortgage loans for property developments	14,199	--	29,196	--
Project finance	151,319	1,649,926	269,978	3,813,229
Obligations under finance leases	5,861	17,268	3,324	6,312
Other limited recourse debt	1,483	991	1,516	2,225
<b>Recourse bank borrowings</b>	<b>475,936</b>	<b>3,183,901</b>	<b>426,691</b>	<b>1,053,308</b>
Discounted notes and bills not yet due	--	--	3,163	--
Other bank loans and credit facilities	475,936	3,183,901	423,528	1,053,308
<b>Total bank borrowings</b>	<b>675,098</b>	<b>4,981,051</b>	<b>763,340</b>	<b>5,092,945</b>



In 2016 and 2015, the Group's loans and credit facilities mostly bore interest tied to Euribor, although a portion of the Group's borrowings were also tied to other indices such as Libor for borrowings in US dollars, the CDOR for borrowings in Canadian dollars, the TIE for financing in Mexican pesos, the WIBOR for financing in Polish zloty, the BBSY for financing in Australian dollars and JIBAR for financing in South African rands; these are the main indices for the Group outside the euro zone. A significant portion of the Group's borrowings is hedged by financial derivatives which seek to reduce the volatility in the interest rates paid by the Acciona Group (see Note 20).

Through subsidiaries or associates, the Acciona Group undertakes investments mainly in transport infrastructure, energy, water supply and hospitals, and these are then operated by subsidiaries, jointly-controlled entities and associates and funded through "Project finance" (financing applied to projects).

These finance structures are applied to projects capable of providing by themselves sufficient support for the participating financial entities as to the repayment of the borrowings taken out to implement them. Thus, each one is normally executed through special purpose vehicles in which the project's assets are financed on the one hand by a contribution of funds by the project's sponsors, limited to a certain predefined amount, and, on the other hand, generally a larger sum through third-party funds in the form of long-term borrowing. The debt service on these loans or credits is fundamentally backed by the cash flows to be generated in future by the project itself, as well as by *in rem* guarantees over the project's assets and credit rights.

For financial year 2016 mention should be made of the cancellation of four financing projects in US dollars for wind farms in operation and two financing projects in euros for thermal solar plants, as well as of two financing arrangements in euros of a set of assets for wind and hydraulic generation. Seven of these eight financing arrangements totalled 2,044 million euros at the close of 2015 and were classified in "Project financing" and the eighth financing arrangement, for 107 million euros, was classified in "other bank loans and credits with recourse". These debt cancellations meant a charge of 301 million euros in the finance cost accounts for the transfer to the income statement of the hedge derivatives associated with these financing arrangements and for the early termination costs and the arrangement fees pending accrual.

In addition, the subsidiary Acciona Financiación Filiales, S.A. subscribed a loan for 550 million US dollars with due date in 2021; it is classified in "other bank loans and credit facilities" and it has been used to finance the cancelled financing arrangements in US dollars referred to in the paragraph above. The other financing arrangements cancelled were financed mainly with corporate credit facilities.

To cover the cancellation of the financing arrangements for the two thermal solar plants and not to reduce the Group's available liquidity, on 12 July 2016 Acciona Financiación Filiales, S.A. increased and extended the syndicated credit that it held with several entities, from 1,800 million euros with due date in 2020, up to 2,200 million euros and with due date in 2021.

In addition, in March 2016, a loan was arranged for 240 million euros with Caixabank, classified in "other bank loans and credit facilities", with due date to 3 years and accruing a market interest rate; its purpose is corporate general investment and cash needs.

In financial year 2016 a syndicated finance contract was signed, classified in "other bank loans and credit facilities", for 140 million euros. Its purpose is to finance the cancellation of the financing contract granted to the concessionaire ATLL by Banco Santander and Intesa Sanpaolo for 88 million euros and the loan held by ATLL in favour of Gestió Catalana D'Aigües, S.A., a group company, after the credit transfer as described in note 3 for 52 million euros. This syndicated loan is due in April 2019 and it bears market interest rates.

In November 2016 a financing contract was signed under the "Schuldschein" loan modality, for 150 million euros, and with the purpose of financing renewable energy facilities; it is structured in tiers with due date to 3 and 5 years and it accrues market interest rates.

As indicated in Note 4.2 D), the adoption of IFRS 13 requires an adjustment in the measurement techniques applied by the Acciona Group to obtain the fair value of its derivatives in order to incorporate the bilateral credit risk adjustment so as to reflect both own risk and counterparty risk in the fair value of the derivatives.

At 31 December 2016, the adjustment of credit risk represented a lower valuation of liability derivatives in the amount of 8,728 thousand euros, recognised on the one hand as a smaller debt with credit entities in the amount of 4,985 thousand euros by subsidiaries and, on the other hand, as a higher value of the investment using the equity method in the amount of 3,743 thousand euros, without considering the tax effect, by the companies consolidated in accordance with this method. The effect, net of external and after-tax effects, that this modification had on the heading "Adjustments in equity for valuation of cash flow hedges" was positive in the amount of 6,356 thousand euros.

At 31 December 2016 the Group companies had been granted additional financing not drawn down in the amount of 1,407,359 thousand euros, of which 1,387,359 thousands related to credit lines for the financing of working capital, and the remaining amount, 20,000 thousand euros, to lines to finance fees to enter water projects.

The Group's Management is of the opinion that the amount of these credit lines and the ordinary generation of cash, together with the realisation of current assets, will sufficiently cover the short-term payment obligations.

At 31 December 2016 and 2015, neither Acciona, S.A. nor any of its significant subsidiaries were in breach of any of their financial obligations or any other obligations in such a way as might lead to early maturity of their financial obligations. Also, no breaches are foreseen for 2017.

In addition, in 2016 and 2015 there were no defaults or any other non-payments of principal, interest or repayments in respect of interest bearing borrowings.

Borrowings by the real estate division are classified as current liabilities on the basis of the production cycle of the asset they finance, that is, inventories, even though the due date for some of these liabilities stands at over twelve months.

Detail, by maturity, of bank borrowings for the years following the closing date of the balance sheet was as follows:

2017	2018	2019	2020	2021	2022	Subsequent years	Total
675,098	523,466	996,895	570,005	1,792,274	256,001	842,410	5,656,149

*Obligations under finance leases*

Detail of the Group's finance leases at 31 December 2016 and 2015 was as follows:

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Amounts to pay under finance leases	Minimum lease payments	
	2016	2015
Within one year	6,775	4,191
Between one and two years	8,311	2,746
Between two and five years	10,023	3,713
After five years	--	--
<b>Total lease payments payable</b>	<b>25,109</b>	<b>10,650</b>
Less: future finance charges	1,980	1,014
<b>Present value of lease obligations</b>	<b>23,129</b>	<b>9,636</b>
Less: amount due for settlement within twelve months (current liability)	5,861	3,324
<b>Amount due for settlement after twelve months</b>	<b>17,268</b>	<b>6,312</b>

It is the Group's policy to lease certain of its facilities and equipment under finance leases. The average lease term is three to five years. In the year ended 31 December 2016, the average effective interest rate was the market rate. Interest rates are set at the lease contract date. All leases have fixed payments and no arrangements have been entered into for contingent rental payments.

### b) Debentures, bonds and negotiable securities

Breakdown at 31 December 2016 and 2015 of debentures, recourse and non-recourse bonds and negotiable securities, it being understood that non-recourse is the debt with no corporate guarantees, whose recourse is limited to the debtor's flows and assets, was as follows (in thousand euros):

	Thousand euros	
	2016	2015
Debentures, bonds and negotiable securities without recourse	256,893	253,016
Debentures, bonds and negotiable securities with recourse	857,716	922,863
<b>Total debentures, bonds and negotiable securities</b>	<b>1,114,609</b>	<b>1,175,879</b>

The movement in these accounts on the current and non-current liabilities side of the balance sheet for financial years 2016 and 2015 was as follows:

	Thousand euros	
	2016	2015
<b>Opening balance</b>	<b>1,175,879</b>	<b>1,199,209</b>
Net incorporation of companies into the Group	--	--
Issues	646,591	370,961
Interest accrued pending payment	10,434	11,292
Amortisations	(727,548)	(440,362)
Other changes	9,253	34,779
<b>Closing balance</b>	<b>1,114,609</b>	<b>1,175,879</b>

The main variation in this heading in 2016, on the "Issues" line, related to the issue of EMTN y ECP (promissory notes) for a total of 296 and 350 million euros, respectively, under the Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programmes, all described further below. As for the line "Amortisations", mention must be made of the amortisation on maturity of the previous ECP programme (promissory notes) for 438 million euros, and the repurchase of part of the convertible bond issued by Acciona, S.A. The line "Other changes" related mainly to translation differences in the two issues of bonds in currency other than the euro.

The distribution of the maturity of these debentures for 2017 and for the next and subsequent years is as follows:

2017	2018	2019	2020	2021	2022	Subsequent years	Total
493,408	20,779	283,724	11,392	13,404	13,924	277,978	1,114,609

At 31 December 2016, detail of the issues making up the balance for this heading was as follows:

- Placement of a bonds issue on 10 August 2012 with a credit rating of "BBB -" given by the Standard & Poors and Fitch rating agencies for the Mexican subsidiaries CE Oaxaca Dos, S. de R.L. de C.V. and CE Oaxaca Cuatro, S. de R.L. de C.V., in a total amount of 298.7 million US dollars. The purpose of this funding was the development, construction and operation of two wind power projects (102 MW each) for the final client, the Federal Electricity Commission (CFE). The issue accrues interest at 7.250% per annum, payable every six months on 30 June and 31 December each year until 31 December 2031. The redemption of the debt began on 31 December 2012 and will continue with six-monthly debt write-downs until its total repayment on 31 December 2031. At 31 December 2016, the balances recorded for this issue on the non-current and current bonds and debentures account amounted to 251 and 6.2 million euros, respectively.

-Euro Commercial Paper (ECP) Programme formalised on 17 January 2013 by Acciona, S.A. and renewed as from 2015, most recently on 26 October 2016, 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 2016, promissory notes were issued and amortised for 350 and 438 million euros, respectively, and the outstanding balance stood at 210 million euros at 31 December 2016.

-Issue of bonds convertible into shares of Acciona, S.A. in the amount of 342 million euros that took place on 30 January 2014 and maturing on 30 January 2019. The benchmark price of the share on the issue date was 47.563 euros with a conversion premium of 32.5% on this price. The number of shares to be surrendered if all the convertible obligations were converted, bearing in mind the conversion price (63.021 euros) and the amount of the issue, would come to 5,427 million shares, representing approximately 9.48% of the share capital of Acciona, S.A. currently in circulation. Following the distribution of dividends carried out by Acciona, S.A. after the date of issue of the convertible bond, the conversion price was fixed at 58.895 euros at the close of 2016, and the number of shares to surrender would be 5,807 million shares if all the convertible bonds were converted (approximately 10.14% of the current share capital of Acciona, S.A.).

In financial year 2016 Acciona S.A. repurchased 68.3% of the convertible bonds, which led to a debt reduction, to 108.4 million euros at year-end. As a result of this repurchase, the component of debentures recorded in equity in 2014 for an initial amount of 37 million euros (based on a measurement model based on the Black-Scholes method which, considering market values related to volatility, the share price of Acciona, S.A. and the credit spread at the date of issue, concludes what part of the convertible bond value corresponds to the bond floor and which part corresponds to the option to convert the bond) has now reached 12 million euros.

The variations related to the cancelled equity component were recorded in reserves "operations with shareholders and bondholders in equity" on the accompanying statement of changes in equity. In addition, the debt component cancelled with the repurchase, amounting to 7 million euros, was recorded under the heading "finance costs" on the accompanying income statement.

The issue pays a coupon of 3% per annum every six months (6.04% of effective cost over the debt component of this instrument). At 31 December 2016, the balances recorded for the convertible bond on the accounts for non-current and current bonds and debentures, net of the transaction costs and considering the accrual of interest, amounted to 101 and 1.3 million euros, respectively, which related to the debt component of the issue.

- Issue by Acciona, S.A. in April 2014 of simple bearer debentures through a private placement, in the amount of 62.7 million euros and maturing in 2024. The face value of each debenture is 100,000 euros and they accrue interest at 5.55% per annum with an annual coupon. At 31 December 2016, the

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balances recorded for these simple debentures on the accounts for non-current and current bonds and debentures, net of the transaction costs and considering the interest accrued, amounted to 61.7 and 2.4 million euros, respectively.

- On 4 August 2016 Acciona Financiación Filiales, S.A. renewed, with the guarantee of Acciona, S.A., under the same terms and conditions as the previous one issued by Acciona, S.A., a fixed-interest securities issue programme - Euro Medium Term Note Programme (EMNT) for a maximum amount of up to 1,000 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 0.88% to 4.625%. 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. At 31 December 2016 the balances registered against this EMNT programme in the non-current and current debentures and bonds accounts, net of transactions costs and considering interest accrued, amounted to 208 and 271 million euros, respectively.

At 31 December 2016, there were no issues convertible into shares other than the issue discussed in this note, or issues granting rights or privileges that might, in the event of a contingency, make them convertible into shares of the Parent or of any of the Group companies.

In addition, two of the companies in the Acciona Group consolidated using the equity method have debentures and bonds issued with the following characteristics:

- Issue by Autovía de los Viñedos, S.A. This issue took place on 28 October 2004 in the amount of 64.100 thousand euros and accrues interest at 4.79% per annum payable on 15 December each year throughout the life of the issue. The bonds began to be redeemed on 15 December 2009 and their total amortisation is scheduled for 15 December 2027.
- Private issue of bonds with a credit rating of "A" given by the Standard & Poors rating agency by the Canadian company Chinook Roads Partnership in the amount of 108,882 thousand euros attributed as part of the funding needed to undertake the construction, operation and maintenance project for the Southeast Stoney Trail motorway in the city of Calgary (Canada). This issue took place on 31 March 2010 and accrues interest of 7.134% per annum payable monthly on the last working day of each month during the construction phase and quarterly during the operation phase. Debt amortisation began on 31 December 2013 and will continue with quarterly cancellations until its total amortisation on 31 March 2043.
- Issue on 27 May 2015 by Sociedad Concesionaria Autovía de la Plata, S.A. in the amount of 184,500 thousand euros. The issue accrues a 3.169% annual coupon payable every six months. The bond principal must be amortised every six months and the total term is 26.6 years, with final maturity on 31 December 2041. The issue credit rating is BBB by the Standard & Poors rating agency.

c) Other debt-related information

At 31 December 2016, the average interest rate of the debt, considering bank borrowings and the debt associated with debentures and other negotiable securities, stood at 4.74%.

In financial year 2016, the debt percentage not subject to interest rate volatility stood at 42.42%.

The composition of debt in currencies other than the euro at 31 December 2016, classified by the main currencies in which the Acciona Group operates, was the following:

Currency	Financial debt
Australian dollar	191,104

Currency	Financial debt
Brazilian real	68,193
Canadian dollar	54,583
Mexican peso	18,856
Polish zloty	40,255
US dollar	973,191
South African rand	261,765
Other	64,586
<b>Total</b>	<b>1,672,533</b>

## 19. - Risk management policy

Due to its geographical and business diversification, the Acciona Group is exposed to certain risks, which are managed appropriately through the application of a Risk Management System. This System is designed to identify potential events that might affect the organisation; to manage its risks through the establishment of internal treatment and control systems that ensure the probability of occurrence and impact of these events are kept within the established tolerance levels; and to provide reasonable assurance in relation to the achievement of strategic business objectives.

This policy seeks to integrate risk management into Acciona's strategy and to establish the framework and principles of the Risk Management System.

This policy covers all the risks associated with the activities carried on by Acciona's business lines throughout the geographical areas in which it carries on its activity.

### Interest rate risk

Interest rate fluctuations change the future flows of assets and liabilities that bear floating-rate interest.

Interest rate risk is particularly important in relation to the financing of infrastructure projects, concession arrangements, the construction of wind farms or solar facilities and other projects in which project profitability is affected by possible changes in interest rates. The risk is reduced by means of hedge operations through the arrangement of derivatives (mainly interest rate *swaps*).

Based on the Acciona Group's projections of the trend in interest rates and of debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks. The level of debt hedged in each project depends on the type of project in question and the country in which the investment is made.

The benchmark interest rate for the borrowings arranged by the ACCIONA Group companies is mainly Euribor for transactions denominated in euros and Libor for transactions denominated in US dollars. The borrowings arranged for projects in Latin America are normally tied to the local indices customarily used in the local banking industry, or also to the LIBOR rate as the projects in this geographic area are frequently financed in US dollars since the cash flows generated by the asset are also in the same currency (Exchange rate risk natural hedge).

### Sensitivity test on derivatives and debt

The financial instruments that are exposed to interest rate risk are basically borrowings arranged at floating interest rates and derivative financial instruments.

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In order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's financial statements, a simulation was performed which assumed a 50-basis point increase and decrease in interest rates at 31 December 2016.

The analysis of sensitivity to upward or downward changes of 0.50% in floating Euribor interest rates gave rise to a sensitivity in the Group's consolidated income statement arising from an increase or decrease in financial results due to interest payments, without the effect of derivatives being considered of 18,726 million euros at 31 December 2016.

The analysis of the sensitivity to upward or downward changes in the long-term interest rate curve in relation to the fair value of interest rate derivatives included in cash flow hedges arranged by the Group at 31 December 2016 on the basis of share percentage, meant a decrease in debt for financial derivatives vis-à-vis 0.5% increases in the interest rate curve of 56,976 thousand euros. Similarly, 0.5% decrease in the interest rate curve would lead to an increase of 57,401 thousand euros in liabilities for financial derivatives.

#### 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 in which it invests and operates.

Management of this risk is the responsibility of the Group's Economic and Financial Department, which follows a policy of non-speculative hedging.

Foreign currency risk relates basically to the following transactions:

- Debt denominated in foreign currencies engaged by Group companies and associates.
- Payments to be made in international markets for procurements.
- Receivables tied mainly to the performance of currencies other than the euro.
- Investments made in foreign companies.

In order to mitigate foreign currency risk, the Acciona Group uses currency derivatives and foreign currency hedges to cover significant future transactions and cash flows, within acceptable risk limits. At other times, non-current assets in currencies other than the euro are financed in the same currency as that in which the asset is denominated.

Also, the net assets relating to net investments in foreign operations whose functional currency is not the euro are exposed to foreign currency risk in the translation of the financial statements of these foreign operations on consolidation.

The composition of current and non-current assets and liabilities and equity at 31 December 2016 is shown below in thousand euros for the main currencies in which the Acciona Group operates.

Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Sensitivity (10%)
Australian dollar (AUD)	426,865	296,091	328,825	269,201	124,930	12,493
Brazilian real (BRL)	79,793	109,391	86,783	63,736	38,665	3,867
Canadian dollar (CAD)	160,509	127,129	79,146	100,206	108,286	10,829
Chilean Peso (CLP)	372,443	518,875	173,422	570,741	147,155	14,716
Mexican Peso (MXN)	157,167	265,922	87,333	201,014	134,742	13,474
Zloty (PLN)	206,477	230,758	172,319	298,936	(34,020)	(3,402)
US dollar (USD)	2,103,604	268,639	1,876,441	201,303	294,499	29,450
Rand (ZAR)	305,732	136,325	278,282	98,239	65,536	6,554

The last column on the table above shows estimate of the negative impact on the Group's equity of 10% revaluation in the quotation of the euro in respect of these eight main currencies in which the Group operates and holds investments.

Procurement price risk

The Acciona Group is exposed to fluctuations in the price of procurements, mainly fuel for its sea transportation business when such fluctuations cannot be passed on to clients.

Most fuel purchase transactions are carried out in international markets.

Fluctuations in procurement prices are managed through short-term measures (one year), which is considered to be the normal period for the implementation of the appropriate commercial policies. The risk is managed by arranging specific hedges, generally in the form of derivatives (not deliverable), to maintain the economic balance of the procurements.

In the short and middle term fluctuations in procurement prices are managed through specific hedging transactions, generally using derivatives.

The Group performed a sensitivity analysis in relation to the possible changes in fuel prices. Based on this analysis it was estimated that 5% change in prices would have an effect of approximately 1.5 million euros on the profits in 2017.

Credit risk

Credit risk is the risk that the counterparty to a contract does not meet its obligations, giving rise to a financial loss for the Group. The Group has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-performance. The Group only trades with entities rated at the same investment level as the Group, or higher, and obtains information on its counterparties through independent company valuation agencies, other public sources of financial information or the information it obtains from its own relations with clients.

Bills receivable and trade receivables from clients relate to a large number of clients spread over different industries and geographical areas. Credit relations with clients and their solvency are assessed on an ongoing basis and credit guarantee insurance is arranged when it is considered necessary.

As regards the default risk, basically in the infrastructure business, an assessment process is implemented before entering into contracts with public and private clients. This assessment includes both a solvency study and supervision of contractual requirements from a financial and legal guarantee viewpoint. During the course of the projects, the correct performance of the debt is monitored constantly and the related value adjustments are made using economic criteria.

The Group does not have significant exposure to credit risk with any of its clients or groups of clients with similar characteristics. Similarly, credit risk concentration is not significant.

The credit and liquidity risk of derivative instruments with a positive fair value is limited in the Acciona Group, since both cash placements and the arrangement of derivatives are made with highly solvent counterparties with high credit ratings and no counterparty has significant levels of total credit risk.

Moreover, the definition given for the fair value of a liability in IFRS 13, based on the concept of transferring the liability in question to a market player, confirms that own credit risk must be taken

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into account in the fair value of liabilities. Thus, Acciona adds a bilateral credit risk adjustment in order to reflect both its own risk and the counterparty risk in the fair value of derivatives.

#### Liquidity risk

The Acciona Group manages liquidity risk prudently by ensuring that it has sufficient cash and negotiable securities (see note 15) and by arranging committed credit facilities for amounts sufficient to cater for its projected requirements. As indicated in note 18, at 31 December 2016 the Group companies had been granted additional financing not drawn down in the amount of 1,407,359 thousand euros, of which 1,387,359 thousand related to credit lines for the financing of working capital, and the remaining amount, 20,000 thousand euros, to lines to finance fees to enter water projects. The average term of these limits amounts to 3.53 years.

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, middle and long term. The Group manages liquidity risk by holding adequate reserves, appropriate banking services, having available loans and credit facilities, monitoring projected and actual cash flows on an ongoing basis and pairing them against financial asset and liability maturity profiles.

Finally, attention should be drawn, in relation to this risk, to the fact that the Acciona Group has recognised, as part of its quest to diversify its funding sources, a European Commercial Paper programme for the maximum amount of 750 million euros to issue commercial paper with maturities of not more than one year, as well as bonds convertible into shares for 101 million euros, a private placement of simple bearer bonds for 62.7 million euros and a Euro Medium Term Notes programme for a maximum of 1,000 million euros (see Note 18).

#### Economic risk vs. budget variances

The Group has an overall system of economic and budget control for each business, adapted to each activity, which provides those responsible for each business with the necessary information and allows them to control potential risks and make the most appropriate management decisions. The economic and financial information generated within each division is periodically compared with the projected data and indicators, variances regarding business volume, profitability, cash flows and other relevant and reliable parameters are assessed and, where necessary, the appropriate corrective measures are taken.

#### Price risk

With regards to the price risk on the Spanish electricity market, Royal Decree-Law 9/2013, whereby urgent measures were adopted to guarantee the financial stability of the electricity system, was published on 12 July 2013. This Royal Decree, which came into force on 13 July 2013, repealed, among others, Royal Decree 661/2007, of 25 May, the decree governing the remuneration framework supporting renewable energies for most of the Acciona Group's power generation facilities located in Spain.

Royal Decree 413/2014, whereby the activities for electricity generation from renewable energy sources, co-generation and waste were regulated, was enacted on 6 June 2014 and published in the Central Government Gazette on 10 June 2014. In the development of this decree, final Ministerial Order IET 1045/2014 was signed on 20 June 2014 and published in the Central Government Gazette on 29 June 2014. The Order sets out the final remuneration parameters applicable to all renewable facilities, whether already in existence or planned. These parameters were recently updated after approval of Order ETU/130/2017 of 17 February. The new model defines the remuneration for assets to be applied from 14 July 2013 onwards, pursuant to RD-L 9/2013.

This new regulation provides that, in addition to the remuneration for the sale of electricity generated valued at market prices, facilities can receive a specific remuneration comprising a term per unit of power installed, covering, where appropriate the investment costs for a standard facility that cannot be recovered through electricity sales and an operating term that covers, where applicable, the difference between operating costs and the revenue from the participation of that standard facility in the market. Furthermore, the terms for remunerating the investment and the transaction will be reviewed every 3 years, taking into consideration the revenue from energy sales at market rates by standard facilities, so that any upward or downward variations outside the range of the bands established in said Ministerial Order will be incorporated into the calculation of the specific remuneration.

According to the regulation, the purpose of these remuneration terms is not to exceed the minimum level necessary to cover the costs enabling the facilities to compete on an equal footing with the rest of the technologies on the market and making it possible for them to achieve reasonable profitability. With regards to what constitutes reasonable profitability, the Royal Decree-Law indicates this will revolve around the mean pre-tax yield on the secondary market of ten-year Government Bonds by applying the appropriate differential. The first additional provision of Royal Decree-Law 9/2013 sets this appropriate differential at 300 basic points for facilities participating in the economic regime with a premium, all without prejudice to a possible review every six years.

The new regulatory framework shows that a large part of the Group's renewable assets, especially wind power technology commissioned prior to 2004, as well as many of its mini-hydroelectric power stations, will cease to receive any additional remuneration other than the market price and will thus be fully exposed to price variations on the electricity market. On the domestic electricity market, approximately 57% of the Group's total production is subject to regulated remuneration whereas the other 43% is remunerated solely at market prices.

Finally, as regards the price risk on the international power markets where Acciona operates, it should be noted that approximately 68% of production is governed by a long-term price contract (PPA) established with a third party, 13% under a regulatory feed-in tariff and the remainder through unrestricted sale on the market.

## 20. - Derivative financial instruments

### *Interest rate hedges*

The Acciona Group regularly arranges interest rate derivatives, which are designated as hedges. These instruments are used to hedge possible changes in cash flows due to interest payments on long-term floating rate financial liabilities.

Detail of the derivative financial instruments arranged and outstanding at 31 December 2016 and 2015, which are recognised at market value on the accompanying consolidated balance sheet, in assets or liabilities, depending on the market value of the derivative and the method of inclusion in the Acciona Group, was as follows:

(thousand euros)	2016					2015				
	Notional amount arranged	Financial liabilities	Held-for-sale liabilities	Financial assets (note 11)	Investment in associates (*)	Notional amount arranged	Financial liabilities	Held-for-sale liabilities	Financial assets (note 11)	Investment in associates (*)
<i>Cash flow hedges</i>										
Interest rate swaps	2,236,812	127,719	33,479	10,052	(78,068)	2,889,516	370,090	--	780	(82,679)
<b>Total</b>	<b>2,236,812</b>	<b>127,719</b>	<b>33,479</b>	<b>10,052</b>	<b>(78,068)</b>	<b>2,889,516</b>	<b>370,090</b>	<b>--</b>	<b>780</b>	<b>(82,679)</b>

(\*) The indicated amount of investment in associates is net of tax.

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The most commonly used interest rate derivatives are interest rate swaps, the purpose of which is to fix or limit fluctuations in the floating interest rates of hedged borrowings. The Group arranges these financial derivatives mainly to hedge the cash flows on the debt arranged to finance wind farms or solar facilities, in the case of the Energy division, and to finance the infrastructure concessions operated mainly through jointly controlled entities and associates.

At 31 December 2016 and 2015, the fixed interest rates on the Euribor benchmarked financial derivative instruments ranged from 5.085% to 2.060%.

The amounts recognised by the Group are based on the market values of equivalent instruments at the balance sheet date. Substantially all the interest rate swaps are designated and effective as cash flow hedges and the fair value thereof is deferred and recognised in equity.

The terms in which these cash flow hedges are expected to impact the income statement, in proportion to the share percentage, are shown below.

	Future settlements				
	< 1 month	1 - 3 months	3 months - 1 year	1 year - 5 years	+ 5 years
Group companies or jointly controlled companies	12	(800)	32,505	80,095	15,907
Associates (*)	497	1,292	16,915	47,843	53,178

(\*) The indicated amount of investment in associates is net of tax.

Changes in the fair value of these instruments are recognised directly in equity (see Note 16 e). The net deferred tax asset arising on recognition of these instruments amounted to 29,702 thousand euros at 31 December 2016 and 93,063 thousand euros at 31 December 2015; these were recognised in equity (see Note 22).

The methods and criteria applied by the Group to measure the fair value of these financial instruments are described in Note 4.2.I.

The notional amounts of the liabilities hedged by interest rate hedges were as follows:

	2016	2015
Group companies or jointly controlled entities	1,594,998	2,302,841
Associates	529,776	586,675
Companies classified as held for sale	112,038	--
<b>Total notional amount arranged</b>	<b>2,236,812</b>	<b>2,889,516</b>

The contractual notional amounts of the contracts entered into do not reflect the risk assumed by the Group, since these amounts merely represent the basis on which the derivative settlement calculations are made. The changes in the notional amounts of the financial instruments arranged for the coming years, in proportion to the share percentage, are as follows:

	Change in notional amounts					
	2017	2018	2019	2020	2021	2022
Group companies or jointly controlled companies	1,499,990	1,360,633	1,190,758	655,172	546,046	341,338
Associates	438,137	367,082	350,507	334,507	311,606	289,147

*Fuel hedges*

The Group uses financial derivatives to manage the risk of fuel purchase price fluctuations on international markets. The Group manages this risk by arranging financial instruments to mitigate fuel price fluctuations.

In 2016, through its subsidiary Compañía Trasmediterránea, S.A., the Group hedged fuel oil and diesel price fluctuations by arranging several derivatives which ensure a fixed purchase price for the tonne of these fuels for a total of 133,888 tonnes. The settlements of these derivatives in 2016 were unfavourable to the Group and a cost of 743 thousand euros relating to the contracts that matured during the year was recognised on the consolidated income statement as an addition to the cost of procurements.

In addition, the company has hedged the risk of fluctuations in the prices of fuel oil and gas oil for financial year 2017 by engaging two derivatives that ensure a fixed purchase price per tonne of fuel oil and gas oil for a total of 77,738 tonnes (approximately 39% of the expected consumption in 2017). The amount directly recognised at 31 December 2016 in equity as the effective part of the cash-flow hedging relations amounted to a profit of 4,462 thousand euros net of external and deferred tax. The company had designated the appropriate hedging relations at 31 December 2016 and they are fully effective. In these hedging relations, the risk covered is the fluctuation in the prices of fuel oil and gas oil.

*Foreign currency hedges*

The Group uses currency derivatives to hedge significant future transactions and cash flows. In 2016 and 2015 the Group hedged a portion of purchases and payments to suppliers in US dollars through exchange rate insurance.

Detail of the transactions outstanding at 31 December 2016 and 2015 was as follows (in thousand euros):

	Currency	Expiry date	2016		2015	
			Amount arranged	Effect of measurement at market value	Amount arranged	Effect of measurement at market value
				--		--
Foreign currency purchase	USD	30 04 2016	--	--	5,872	1,538
Foreign currency purchase	AUD	03 04 2017	809	63	4,046	126
Foreign currency purchase	NOK	05 12 2016	--	--	46,800	1,719
Foreign currency purchase	USD	31 12 2016	--	--	10,528	226
<b>Total</b>			<b>809</b>	<b>63</b>	<b>67,246</b>	<b>3,609</b>

At 31 December 2016, the market values of foreign currency hedges were recognised under "Bank borrowings" in the amount of 63 thousand euros, which related mainly to the last instalments of the exchange rate insurance engaged for the construction of a road in Australia.

The amounts recognised by the Group were based on the market values of equivalent instruments at the reporting date. Substantially all the currency purchase transactions are designated and effective as cash flow hedges and the fair value thereof is deferred and recognised in equity.

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The settlement of the hedges meant recognition of a higher expense in “Procurements” for 327 thousand euros in financial year 2016.

#### *Other derivative financial instruments*

In 2009, the Acciona Group prospectively discontinued the accounting of an interest rate derivative from a subsidiary consolidated by the equity method as, following the novation of the underlying loan, it no longer qualified for hedge accounting. The portion of the fair value that had been recognised as value adjustments in equity until the time hedge accounting was discontinued, and which amounted to 12.114 thousand euros net of the tax effect, is being transferred to profit or loss over the period to maturity of the transaction, based on the foreseeable reduction of the notional amount. At 31 December 2016, the balance yet to be transferred to profit or loss amounted to 567 thousand euros.

Lastly, it should be mentioned that three Australian energy subsidiaries have contracts in place which enable them to set the future electricity sale price for a specific volume of MW. These contracts are measured at market value and the changes in value are recognised in equity as value adjustments. At 31 December 2016, the balance in “Reserves” and in “Non-controlling interests”, net of the tax effect, amounted 28,704 and 14,345 thousand euros receivable, respectively, with balancing entries in accounts payable in the amount of 61,483 thousand euros.

The impacts on equity of the measurement of derivative financial instruments at 31 December 2016 can be summarised as follows:

(Thousand euros)	31.12.2016
Financial liability due to interest rate hedge	127,719
Held-for-sale liability due to interest rate hedge	33,479
Financial asset due to interest rate hedge	(10,052)
Negative impact on equity due to interest rate hedge by associates, net of tax	78,068
Net deferred tax payable due to interest rate hedge	(29,702)
Net deferred tax payable due to interest rate hedge from held-for sale liabilities	(9,039)
Ineffectiveness of hedging derivatives	--
Other, mainly due to non-controlling interests in interest rate hedging transactions	(1,957)
<b>Balance adjusted due to changes in value of interest rate hedging transactions</b>	<b>188,516</b>
Balance adjusted due to changes in value of fuel hedging transactions (net of non-controlling interests and tax)	(4,462)
Balance adjusted due to changes in value of foreign currency hedging transactions (net of non-controlling interests and tax)	47
Balance adjusted due to changes in value of energy contract (net of non-controlling interests and tax)	28,704
Balance adjusted due to changes in value of transactions with discontinued hedging (net of tax)	567
Other, mainly due to translation differences on derivatives	--
<b>Total asset balance receivable for value adjustments at 31 December (Note 16)</b>	<b>213,372</b>

#### **21. - Other non-current and current liabilities**

Other liabilities	Non-current		Current	
	2016	2015	2016	2015
Obligations under finance leases	16,907	17,457	547	527
Grants	132,426	148,174	--	--
Other deferred income	111,404	70,388	--	--
Remuneration payable	--	--	136,378	96,453
Debt with non-controlling interests	367,145	410,451	3,763	4,481
Other payables	1,307,453	201,777	455,410	254,131
<b>Closing balance</b>	<b>1,935,335</b>	<b>848,247</b>	<b>596,098</b>	<b>355,593</b>

“Other Deferred Income” related mainly to certain incentives established to promote the development of renewable energies in the US, which are similar in nature to grants for accounting purposes and which apply to two wind farms developed by the Energy division in the US. In addition, it included the amount of 53 million euros related to the fair value of a non-finance derivative arranged by a Chilean subsidiary of the Energy Division, for energy supply to a client as from 2017 at a fixed price for 13 and a half years (see note 12).

“Debt with non-controlling interests” included mainly the assumption by the infrastructure fund KKR, which became shareholder in the Acciona Group’s subsidiary Acciona Energía Internacional, S.A. in June 2014, of one third of the subordinated debt of Acciona Energía Internacional, S.A. dated 25 February 2012 and with a balance of 342 million euros at 31 December 2016 (369 million euros in 2015). This debt matured in 2017 and accrued 12-month Euribor interest rate +3.7% and was renewed for another 5 years up to 31 December 2022, at the same interest rate.

In addition, mention must be made of the debt with members in the wind and photovoltaic projects in South Africa, which amounted to 18 million euros (22 million euros in 2015).

The main movement in “Other Non-Current Payables” related to the balance pending payment of 777 million euros from the subsidiary ATLL Concesionaria de la Generalitat de Catalunya, S.A. for the fee under the conditions established in the tender document, as described in note 8. The same item records a loan from the Administration for 61 million euros as part of the financing for Sociedad Concesionaria A-2 Tramo 2, S.A.U. 7%., as well as liabilities for long-term business transactions relating to the construction business for 251 million euros (58 million euros in 2015). This figure includes advances from clients, which will be discounted with future certifications in a period over one year in the new international projects of the construction division.

The increase recorded in “Other current payables” related mainly to the balances pending payment for PPE goods for 143 million euros, mostly in the energy division for the wind and photovoltaic facilities currently under construction in India and Chile, respectively (see note 5).

“Obligations under Finance Leases”, which related mainly to outstanding lease payments, includes the purchase option on certain facilities of the Energy division in Australia. Detail was as follows:

Amounts payable under leases	Minimum lease payments	
	2016	2015
Within one year	2,431	2,394
Between one and two years	2,028	2,576
Between two and five years	5,855	5,682
After five years	26,612	27,948
<b>Total lease payments payable</b>	<b>36,926</b>	<b>38,600</b>
Less: future finance charges	19,472	20,616
Present value of lease obligations	<b>17,454</b>	<b>17,984</b>
<b>Less: amount due for settlement within twelve months (current liability)</b>	<b>547</b>	<b>527</b>
<b>Amount due for settlement after twelve months</b>	<b>16,907</b>	<b>17,457</b>

The main change in the financial year related to the payments made during the period.

“Grants” related mostly to amounts awarded for the construction of wind farms in United States. The changes in “Grants” in 2016 and 2015 were as follows:

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	<b>Grants</b>
<b>Balance at 31/12/2014</b>	<b>152,733</b>
Additions	1,941
Taken to profit/(loss) "Other Income"	(13,319)
<b>Other</b>	<b>6,819</b>
<b>Balance at 31/12/2015</b>	<b>148,174</b>
Additions	237
Taken to profit/(loss) "Other Income"	(9,373)
<b>Others</b>	<b>(6,612)</b>
<b>Balance at 31/12/2016</b>	<b>132,426</b>

In 2016 there were no significant additions. The line "Other" reflects mainly a positive variation due to the exchange rate, as a result of the appreciation of the US dollar against the euro, and a negative variation due to the wind assets that the Group held in Greece leaving the scope (see note 3.2.h).

In 2015 there were no significant additions. The line "Other" reflects mainly a positive variation due to the exchange rate, as a result of the appreciation of the US dollar against the euro, and a negative variation due to the transfer to "held for sale" of companies from the Windpower group.

## **22. - Tax matters**

### Tax Consolidation System:

Pursuant to current legislation, consolidated tax groups include the parent together with certain subsidiaries that meet the requirements provided for in Spanish tax legislation. Since 2009 there has been a single tax group in Spain that avails itself of this special taxation system, the parent of which is Acciona, S.A. In addition to the Spanish tax group, the Group pays tax under the tax consolidation system in Australia (including all the Group's divisions operating in said country) and for the companies comprising the energy division in the US, Portugal and Italy.

The other Acciona Group companies file separate tax returns in accordance with the applicable local or regional tax laws or those in force in each country.

Effective from 1 January 2008, several Group companies availed themselves of the special system for Company Groups for VAT purposes, as set forth in Chapter IX of Title IX of Value Added Tax Act 37/1992, of 28 December. The parent of the VAT Group is Acciona, S.A.

### Years open for review by the tax authorities:

On 19 June 2009, the tax audits in relation to the Tax Group's Corporate Tax for 2003 to 2005 were completed, when the tax assessments issued for 2003 and 2004 were signed on an uncontested basis. As for 2005, the tax assessment was signed on a partially contested basis, for the amount of 5,737 thousand euros (tax due, interest payable and fine). The Company filed an economic-administrative appeal with the Central Economic and Administrative Court on 20 August 2009. On 19 May 2011, this Court notified the Group of its decision, dismissing the claims filed, upholding the tax assessment and the fine appealed against. On 15 July 2011, the Company filed an appeal for judicial review at the National Appellate Court against the decision handed down by the Central Economic and Administrative Court. On 11 July 2012, the Company filed a formal statement of claim and the related pleadings at the National Appellate Court.

On 20 November 2014, the National Appellate Court issued a judgment partly in favour of the appeal filed and cancelling the fine imposed, albeit dismissing all the other claims.

On 1 September 2015 the Supreme Court notified ruling of 11 June 2015 dismissing the appeal for review filed on 11 December 2014, confirming the settlement by the National Appellate Court, with the debt and delay interest accrued on suspension being settled.

As regards the fine (1,475 thousand euros), the Supreme Court accepted the appeal for review filed by the Counsel for the State against the favourable ruling from the National Appellate Court that proceeded to cancel it. On 25 May 2016 the ruling confirming the fine was notified, so the fine was paid.

The tax audits also included the review of other taxes of the companies belonging to the Tax Group, which concluded with the relevant tax assessments being signed on an uncontested basis.

On 10 March 2012, tax audits were initiated in relation to Corporate Tax for 2007-2009 by the inspection services from the Central Office for High-Income Taxpayers, against both the parent, Acciona, S.A., and other subsidiaries. In addition to the review of the Tax Group's corporate tax for those years, the Company Group for VAT was under review for 2008 and 2009 and for other taxes for 2008 and 2009 of the Group companies subject to the tax review.

During these actions and on the occasion of the review of the withholdings effected on payment of dividends, this partial review was extended to financial years 2010, 2011 and 2012 and also included the reverse merger operation involving Grupo Entrecanales, S.A. and its subsidiaries taken over by Acciona, S.A. on 11 July 2011. The tax inspectors accepted the existence of valid economic grounds for the merger operation and its inclusion within the special tax system for mergers, spin-offs, contributions of assets and securities swaps.

The inspectors, for their part, queried the fulfilment of the requirements for application of the exemption in the payment of dividends for one of the non-resident shareholders, in particular, the requirements of holding the status of effective beneficiary, and this led to the signing of the contested tax assessments. On 3 and 17 July 2014, the Company lodged economic and administrative appeals at the Central Economic Administrative Court. On 29 May 2015 the Company reached an agreement with the shareholder that received the dividends so as to proceed to pay said amount, with settlement of the tax debt upon the shareholder's payment.

The other inspection actions concluded on 12 June 2014 with the signing of uncontested assessments for Corporate Tax for 2007-2009 and without any tax due, uncontested conclusions for VAT with the regularization of Acciona's differentiated activity sectors as a "mixed holding" (without fine), with application of part of the provisions allocated in Acciona, S.A., as well as contested assessments for Personal Income Tax withholdings relating to compensation for dismissal. The Group companies lodged economic and administrative appeals at the Central Economic Administrative Court. On 19 October 2015 this Court notified dismissal of the claims filed by Acciona Construcción, confirming settlement of the assessments for withholdings for the 2008 to 2011 periods, as well as the relevant fine proceedings. On 3 September 2015 the company filed appeal for judicial review at the National Appellate Court. The economic and administrative claims filed by the other companies about this matter are still pending a decision by the Central Economic Administrative Court. It is estimated that the risk that the proposed fines will be approved is remote.

With regards to Value Added Tax, the company heading the VAT company group (Acciona, S.A.) agreed to and signed the tax assessment dated 29 April 2014 for financial years-periods 2008 to January 2010, regularizing the input VAT deductible due to the "mixed holding" condition of the company.

On 21 May 2015 the Central Office of High-Income Taxpayers notified the start of inspection actions in relation to Corporate Tax for financial years 2010-2012, targeting Acciona, S.A., as the parent of the Group, and several subsidiaries. In addition to review of Corporate Tax of the Tax Group for said

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years, the VAT Company Group was included, years 2011, 2012 and 2013, and any other taxes for the years/periods from 04/2011 to 12/2012 of the Group companies under tax review.

The actions related to the VAT Group for financial year 2013 are partial and limited only to review of the deductible input VAT so as to regularise this VAT on the same terms as those agreed in previous tax audits that ended with assessments signed in agreement and with no fines. On 29 September 2015 the tax assessments were signed in agreement to regularise all the outstanding years (periods 01/2010 to 12/2013)

On 10 January 2013, the company Guadalaviar Consorcio Eólico, S.A. was notified of the inception of tax inspection actions relating to Corporate Tax and Value Added Tax for financial years 2008 and 2009, in which the value of the wind-power rights transferred in 2009 was reviewed. These actions concluded with the signing of a contested assessment for the measurement made by the tax auditors of the said wind-power rights, which increased the value declared by the parties. The company received the proposed settlement from the technical services from the Central Office for High-Income Taxpayers on 23 December 2013 and an economic-administrative appeal was filed at the Central Economic and Administrative Court on 13 January 2014. On 16 February 2017, the Central Economic and Administrative Court issued resolution accepting the claim in part and ordering the Inspection to proceed to notify the entity of its right to have a countervaluation by appraisal experts. The amount of the adjustment, including late-payment interest, for which the company would be liable, would come to 9,159 thousand euros and it is estimated that the possibility of these liabilities materialising is remote.

In the month of December 2014, the Mexican project companies Eurus SAPI de CV, CE Oaxaca III and CE Oaxaca IV received notice of tax settlements from Juchitán Town Council for municipal levies related to the 2011 to 2014 financial years. These companies lodged complaints or appeals (petitions for legal protection) before the District Court of Oaxaca and obtained the suspension of enforcement of the settlements. The external advisors engaged to carry out the process concluded that the likelihood that the appeals lodged would be upheld is high (75%), since there are solid arguments for the defence, constitutional principles had been breached and the issues in question are administrative acts contrary to law. All this is supported by the fact that a Mexican court, at the first instance, allowed cancellation of the municipal regulations on these contributions for 2015. In addition, on 28 January 2016 the Seventh District Court of Oaxaca issued ruling favourable to the company Oaxaca IV, allowing the appeal filed against the settlement of municipal contributions of the Juchitán Town Council, although this ruling is not final and can be appealed against by the Town Council through appeal for review. Therefore, the risk that material liabilities will materialise from this process is remote.

The directors of Acciona, S.A. consider that the liabilities that might arise from the open tax audits would not have a material effect on the equity of the Acciona Group.

At 31 December 2016, the years that have not lapsed and that have not been reviewed were subject to review by the tax authorities, both for Corporate Tax and for the other main taxes applicable to the companies in the consolidated tax group. In general, the other Spanish consolidated companies have the last four years open for review by the tax authorities for the main taxes applicable thereto.

In view of the varying interpretations that can be made of the applicable tax legislation, 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 cannot be objectively quantified at the present time. However, the probability of material liabilities arising in this connection additional to those already recognised is remote.

#### Receivables and payables with Public Administrations

Breakdown of receivables and payables with Public Administrations at 31 December 2016 and 2015 was as follows:

	2016		2015	
	Non-current	Current	Non-current	Current
<b>Tax receivables</b>				
VAT and other indirect taxation	--	133,328	--	143,822
Corporate Tax	--	95,872	--	68,298
Deferred tax	997,393	--	926,764	--
Other	--	13,723	--	17,401
<b>Total</b>	<b>997,393</b>	<b>242,923</b>	<b>926,764</b>	<b>229,521</b>
<b>Tax payables</b>				
Corporate Tax	--	57,927	--	25,784
Personal income tax withholdings	--	21,653	--	16,346
VAT and other indirect taxation	--	87,551	--	85,488
Deferred tax	804,282	--	739,686	--
Accrued social security charges	--	22,975	--	19,743
Other local taxes	--	39,674	--	37,246
Other	--	46,267	--	16,760
<b>Total</b>	<b>804,282</b>	<b>276,947</b>	<b>739,686</b>	<b>201,367</b>

In financial year 2016, the main variation in the outstanding balance for VAT and other indirect taxes came from the net decrease in tax to be recouped for the completion of international projects, mainly in Mexico, the VAT debit balance at the inception of the project being offset.

The line "Other local taxes" for balances payable included the Tax on the Value of Electricity Generation and the fee for the use of continental waters for electricity production. These charges were introduced by Act 15/2012 of 27 December and came into effect on 1 January 2013. In 2016, the main movement in "other" related to Transfer Tax and Stamp Duty, to which the ATLL concession is subject, for the amount of 33,350 thousand euros; the settlement of this tax is suspended since the court ruling is still pending.

The VAT refundable and VAT payable balances include the balances relating to the special VAT Company Groups system.

#### Reconciliation of accounting profit/ (loss) and the tax result

Reconciliation between the accounting result and the income tax expense, at 31 December 2016 and 2015, was as follows:

	2016	2015
Consolidated profit/(loss) before tax	407,635	318,583
Profit/(loss) before tax from discontinued operations	--	--
Permanent differences	(550,544)	(148,100)
Adjusted accounting profit/(loss)	(142,909)	170,483
Tax expense adjusted by tax rate	(34,822)	58,872
Tax credits	(5,811)	(11,436)
Offset of taxable amounts not posted to the accounts	(3,337)	(14,668)
Unrecognised tax credits	30,063	31,986
Year's tax expense	(13,907)	64,754
Tax rate change	253	805
Effect of tax adjustments from previous years and other	47,434	17,265
<b>Tax expense on the income statement</b>	<b>33,780</b>	<b>82,824</b>
Tax expense from discontinued operations	--	--

The "Permanent differences" item is made up of income and expenditure that are not eligible for inclusion in accordance with the applicable tax legislation. In addition, the heading also includes those results that are eliminated in the consolidation process but, nonetheless, are fully effective within the scope of the international tax returns of each entity in the Group, especially those that are not included



in the Tax Group. The most significant concept included in 2016 related to the tax-exempt gains obtained from the Nordex-AWP operation (see note 27). The tax result increases included the value impairment of the investments in Own Funds of entities for financial year 2016, in conformity with the provisions of Royal Legislative Decree 3/2016 of 3 December, for the amount of 35,119 thousand euros, as well as sundry non-deductible provisions and impairments.

The "Tax expense adjusted by tax rate" is the result of applying the different tax rates applicable to the adjusted accounting result for each of the different jurisdictions where the Group operates.

The line "Unrecognised tax credits" includes the tax effect derived from not recording the negative results generated by some subsidiaries outside the tax group.

Royal Legislative Decree 3/2016, of 2 December, which establishes measures in the taxation area aimed at the consolidation of public finances, and urgent measures in social matters, provides for the obligation of including in the taxable base the value impairments of investments that were fiscally deductible in periods prior to 2013, regardless of whether their value has been recovered or not. The regulatory provision establishes that such inclusion must be carried out no later than five years as from tax periods commencing on or after 01/01/2016. As regards the amounts estimated to be included in the taxable base in the next four years, the Group recognised deferred tax liability for 30,317 thousand euros, disclosed in the "Tax adjustments from previous years and other" item.

As a result of the reduction in the tax rate to 25% for the 2016 tax period, as approved in Spain under Corporate Tax Act 27/2014, of 27 November, the Group updated the deferred tax assets and liabilities generated in connection to transactions and operations performed in Spain, all of them being recorded at 25%.

The reconciliation of the pre-tax accounting profit/ (loss) and the tax result is shown below:

	2016	2015
Consolidated profit/(loss) before tax	407,635	318,583
Permanent differences	(550,544)	(148,100)
Temporary differences	197,277	(138,039)
Offsetting of tax loss carryforwards	(27,528)	(140,126)
<b>Taxable base</b>	<b>26.840</b>	<b>(107.682)</b>

The temporary differences for financial year 2016 included the limitation to deductibility of net finance costs, which meant an increase of some 170 million euros, as well as the movement in non-deductible provisions and impairments and related reversions on application thereof, together with the adjustments for the freedom of amortisation and the accelerated tax amortisation; they are detailed further below in the section about deferred taxes.

#### Tax recognised in equity

Independently from the tax on profit recognised on the consolidated income statement, in 2016 and 2015 the Group recognised the following amounts in consolidated equity:

	2016	2015
Translation differences	(10,546)	18,129
Fair value of financial instruments	(47,311)	(22,035)
Financial assets with changes in equity	(67)	10
Actuarial losses and gains on pension plans	226	(29)
<b>Total</b>	<b>(57,698)</b>	<b>(3,925)</b>

Deferred tax

In accordance with the tax legislation in force in the countries in which the consolidated companies are located, in 2016 and 2015 certain temporary differences arose that must be taken into account when quantifying the related income tax expense.

The deferred taxes arose in 2016 and 2015 as a result of the following:

Deferred tax receivable with origin in:	2016	2015
Tax loss carryforwards	254,831	195,111
Tax credit carryforwards	182,373	194,268
Derivative financial instruments	52,637	99,355
Translation differences	66,125	68,783
Prov over assets	34,108	12,909
Relating to taxation under the pass-through regime (UTEs)	27,875	30,757
Other	379,444	325,581
<b>Total deferred tax assets</b>	<b>997,393</b>	<b>926,764</b>
<b>Deferred tax liabilities originating in:</b>	<b>2016</b>	<b>2015</b>
Remeasurement of financial assets	117	58
Reversion of merger goodwill	0	184
Translation differences	48,443	40,011
Allocation of first-time consolidation differences to assets	129,004	138,408
Remeasurement of property, plant and equipment and investment property	40,076	43,880
Derivative financial instruments	6,070	218
Relating to taxation under the pass-through regime (UTEs)	7,163	10,524
Other	573,409	506,403
<b>Total deferred tax liabilities</b>	<b>804,282</b>	<b>739,686</b>

At 31 December 2016, the tax loss carryforwards, generated by the subsidiaries before their inclusion in the Tax Group of which Acciona, S.A. is the parent, amounted to 156.3 million euros. Of this amount, a total of 152.8 million euros related to tax loss carryforwards not capitalised on the consolidated balance sheet, corresponding to the Tax Group of which Acciona, S.A. is the parent, as there was no assurance of the achievement of sufficient future profits or because the tax regulations establish limits and requirements for them to be offset.

The subsidiaries of the Compañía Trasmediterránea Subgroup, which joined the Tax Group in 2010, contributed most of this balance. The company Compañía Urbanizadora el Coto, included in the tax group in financial year 2015, contributed 26 million euros as previous tax loss carryforwards.

For its part, as regards the interim settlement of Corporate Tax of the Tax Group for 2016, the Tax Group had a negative taxable base of 55 million euros, which, together with the balance for 2014, means negative taxable base pending application for 204 million euros.

In addition, some Energy Division subsidiaries in Mexico, the US and Australia, as well as Mostostal Warszawa and the concessions subsidiary in Chile also recognised tax credits for negative taxable bases pending offsetting.

At 2016 year-end, the deadlines for the tax credits recognised for negative taxable bases pending application were (in thousand euros):

	Amount	Lapse period
Acciona, S.A. tax group	51,009	No lapsing date
Acciona, S.A. tax group – previous capitalised	3,467	No lapsing date

	Amount	Lapse period
Spanish companies outside the Tax Group	1,874	No lapsing date
International – limited	5,413	2017
International – limited	3,609	2018
International – limited	1,136	2020
International – limited	15,275	2021
International – limited	7,345	2023
International – limited	29,086	2024
International – limited	43,830	2025
International – limited	44,789	2026
International – limited	392	2027
International – limited	1,888	2028
International – limited	0	2029
International – limited	0	2030
International – limited	6,131	2036
International – unlimited	39,587	No lapsing date
<b>Total</b>	<b>254,831</b>	

The Corporate Tax Act (Act 27/2014, of 27 November) eliminated, effective 1 January 2015, the deadline for offsetting negative taxable bases, which was set at 18 years, so this is now unlimited.

The unused tax credits, totalling 174,105 thousand euros, related mainly to those earned by the tax Group of which Acciona, S.A. is the parent. At 31 December 2016, the most significant unused tax credits were: R&D+I tax credits amounting to 88,624 thousand euros; tax credits for the reinvestment of extraordinary income amounting to 55,685 thousand euros; and environmental tax credits amounting to 14,356 thousand euros.

At the close of 2016, the deadlines for deduction of the unused tax credits recognised on the consolidated balance sheet of the Acciona Group were as follows (in thousand euros):

	Amount	Lapse period
Acciona, S.A. Tax Group – deductions for double taxation	1,030	No lapsing date
Acciona, S.A. Tax Group	9,762	2023
Acciona, S.A. Tax Group	11,187	2024
Acciona, S.A. Tax Group	10,120	2025
Acciona, S.A. Tax Group	25,845	2026
Acciona, S.A. Tax Group	35,169	2027
Acciona, S.A. Tax Group	33,255	2028
Acciona, S.A. Tax Group	27,113	2029
Acciona, S.A. Tax Group	6,530	2030
Acciona, S.A. Tax Group	6,217	2031
Acciona, S.A. Tax Group	5,424	2032
Acciona, S.A. Tax Group	863	2033
Acciona, S.A. Tax Group	1,588	2034
Non-resident companies	8,268	No lapsing date
<b>Total</b>	<b>182,371</b>	

Act 27/2014, of 27 November, on Corporate Tax, eliminated, effective 1 January 2015, the deadline for offsetting double-taxation deductions pending application from previous financial years, so the

period is unlimited, as provided for in section 39 of Act 27/2014, and extended from 15 to 18 years the period to offset other deductions.

At year-end there were no material unused tax credits that had not been recognised.

The Acciona Group expects to recover the tax loss and tax credit carryforwards recognised in the books, through the companies' ordinary activities and without any equity risk of losses.

Most of the deferred tax assets included in the line "Other" related to provisions for liabilities, risks and other non-deductible items amounting to 81,784 thousand euros, to the adjustment for non-deductible accounting amortization of 30% of the Spanish companies introduced on a temporary basis for the years 2013 and 2014 and which began to reverse in 2015, the amount of which is 41,511 thousand euros, to the limitation of finance costs recorded in 2016 for the amount of 34,720 thousand euros, as well as the homogenisations made as part of the consolidation process - such as the elimination of internal margins that reverse as the assets are amortized. Finally, this heading includes adjustments to the tax base through the application of other countries' specific regulations whereby certain expenses are not deductible until payment or do not follow the accounting accrual criterion for their deductibility, as is the case with Mexico, Australia and the United States, or because a billing-based criterion is applied instead of accounting accrual by stage of progress, as happens in Chile.

The line "Other" under the deferred tax liability heading includes the tax adjustments under the freedom to amortise established in the Eleventh Additional Provision included in RDL 4/2004 (consolidated text of the Corporate Tax Act) by Act 4/2008, whose application is currently limited depending on the taxable base. In financial year 2016, no adjustment was applied because there was a tax loss carryforward. Said account reflects the reversion of the adjustment from previous years for the amount of the accounting amortisation recognised and for derecognised assets. The accumulated amount of this adjustment at 31 December 2016 for the Spanish Tax Group companies amounted to 168 million euros for tax liability. It also included the amortisation effect for tax purposes of Mexico, the US and Australia, for approximately 151, 66 and 9 million euros for tax liability, respectively, as well as adjustments for application of the specific regulations of countries where accounting income is not recognised for tax purposes until the bill is issued or collected, instead of the principle of accounting accrual or stage of progress, mainly in Chile and Mexico, and deferment of income from uncertified works and advances to suppliers of several Mexican companies.

Based on the enactment of Royal Decree-Law 3/2016, of 2 December, which establishes measures in the taxation area aimed at the consolidation of public finances, and urgent measures in social matters, the total amount of the deferred tax liability related to the impairment of portfolio pending reversion was recorded, for 30,317 thousand euros. For quantification of this tax liability, the specific situations of each impairment of the securities representing the shareholding in capital or in capital and reserves of the investees that were fiscally deductible were considered, as well as potential legal or contractual restrictions or otherwise in connection to possible transferability of such shareholdings.

"Revaluation of property, plant and equipment and real property" reflects the difference between the carrying amount and the tax amount for the assets of the company Compañía Urbanizadora el Coto.

#### Reporting obligations

Current Corporate tax legislation provides tax incentives to encourage certain investments. The companies in the Tax Group have availed themselves of the benefits provided for under this legislation.

The Tax Group, through its Parent and certain of its subsidiaries, is required to fulfil the obligations assumed in connection with the tax incentives applied and, in particular, it must hold, for the stipulated period, the assets for which the investment or reinvestment tax credits were taken.

In financial years 2010, 2011, 2012, 2013 and 2014, the Parent and certain companies in the Tax Group availed themselves of the tax credit for reinvestment of extraordinary income provided for by Article 42 of Royal Legislative Decree 4/2004 (consolidated text of the Corporate Tax Act)<sup>1</sup>. The income qualifying for this tax credit in these years amounted to 86,550, 160,251, 8,640, 9,598 and 34,516 thousand euros, respectively. The income relating to 2009 and 2010 was reinvested in 2010, the income relating to 2011 was reinvested in 2011, the income relating to 2012 and 2013 was reinvested in 2013, and the income relating to 2014 in 2014. The assets in which the income was reinvested were as listed in Article 42 of Royal Legislative Decree 4/2004, i.e. property, plant and equipment, intangible assets, investment property and securities representing stakeholdings of no less than 5% in the share capital or equity of all manner of companies. The income was reinvested by the companies belonging to Tax Group 30/96.

Pursuant to sub-section 10 in section 42 of the consolidated text of the Corporate Tax Act, this information must be disclosed in the notes to the consolidated financial statements as long as the period for which the assets must be held, as established in section 42.8, is not complied with.

In accordance with the provisions contained in section 86 of Corporate Tax Act 27/2014, certain Group companies engaged in 2016 in the transactions listed below, to which the Special System for mergers, spin-offs, contribution of assets and securities swaps was applied:

- Special non-cash contribution by Acciona, S.A. to Acciona Service, S.L. of the stakeholdings in the companies Acciona Producciones y Diseño, S.A., Inetime, S.A., Acciona Airport Services, S.A., Interurbano de Prensa, S.A., Acciona Forwarding, S.A. Transurme, S.A. and Paktivity, S.A., documented in public deed dated 14 July 2016.

- Merger of the companies Eólica de Sanabria, S.L., Eólica de Moncayo, S.L., Parque Eólico de Tortosa, S.L., Sistemas Energéticos El Granado, S.L. and Corporación Eólica Zamora, S.L. (merged companies) and the company Sistemas Energéticos Valle de Sedano, S.A. (merging company), documented in deed dated 8 September 2016 and with backdated effect 1 January 2016.

- Special non-cash contribution by Acciona, S.A. to Corporación Acciona Infraestructuras, S.A. of the stakeholdings in the companies Acciona Infraestructuras, S.A., Acciona Service, S.L and Acciona Agua, S.A., documented in public deed dated 2 December 2016.

In accordance with the provisions contained in section 86.3 of Act 27/2014 of the consolidated text of the Corporate Tax Act, the information required for transactions carried out in previous financial years is detailed in the relevant separate annual reports approved after completion of the operations.

In 2008, 2009, 2010, 2011 and 2012, several companies in the tax group deducted the tax credit for impairment losses on ownership interests in Group companies, jointly controlled entities and associates, as provided for in Article 12.3 of Royal Legislative Decree 4/2004 (consolidated text of the Corporate Tax Act), regulated in Temporary Provision Sixteen of Act 27/2014.

Act 16/2013, of 29 October, repealed, with effect from 1 January 2013, section 12.3 of the consolidated text of the Corporate Tax Act in relation to deduction of impairment losses on such equity interests and established a transitional system for the inclusion of losses pending incorporation at 31/12/2012 in the taxable base.

Royal Decree-Law 3/2016, of 2 December, which establishes measures aimed at the consolidation of public finances and urgent measures in social matters, provides for mandatory minimum reversion of deductible portfolio reversions, which must be done in no later than five years, effective financial year 2016.

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<sup>1</sup> Regulated in the Twenty-Fourth Temporary Provision of Act 27/2014

The notes to the separate financial statements of these companies include the disclosures required by tax legislation concerning the change in the year in the investees' equity, the amounts included in the taxable base and the amounts yet to be included.

**23. - Non-current assets and liabilities classified as held for sale**

Detail of "Non-Current Assets Classified as Held for Sale" on the accompanying consolidated balance sheet at 31 December 2016 and 2015 was as follows:

	Balance at 31/12/2016	Balance at 31/12/2015
Energy division assets (manufacture of wind turbines)	--	429,425
Assets form the other activities division (investment property)	26,691	1,636
Assets form the construction division (concession asset)	300,470	--
<b>Total non-current assets classified as held for sale</b>	<b>327,161</b>	<b>431,061</b>

At 31 December 2016, detail, by division, of the main asset headings prior to their classification as "Assets Held for Sale" was as follows:

	Other Activities Division	Construction Division
Property, plant and equipment & intangible assets	--	907
Investment property	26,691	--
Deferred tax assets	--	12,919
Concessions under L/T financial model	--	243,040
Other non-current assets	--	2,454
Concessions under S/T financial model	--	10,340
Trade and other accounts receivable	--	14,138
Other current financial assets	--	7,840
Cash and cash equivalents	--	3,832
<b>Assets classified as held for sale</b>	<b>26,691</b>	<b>300,470</b>

In addition, detail at 31 December 2016 and 2015 of "Non-current liabilities Classified as Held for Sale" on the accompanying consolidated balance sheet was as follows:

	Balance at 31/12/16	Balance at 31/12/15
Energy division liabilities (manufacture of wind turbines)	--	418,406
Other Activities division liabilities (investment property)	14,453	1,660
Construction division liabilities (concession asset)	171,697	--
<b>Total non-current liabilities classified as held for sale</b>	<b>186,150</b>	<b>420,066</b>

At 31 December 2016, detail of the main liability items prior to their classification as held for sale was as follows:

	Other activities Division	Construction Division
Non-current bank borrowings	--	156,520
Deferred tax liabilities	--	6,157

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Non-current provisions	--	980
Current bank borrowings	14,453	5,844
Trade and other accounts payable	--	1,913
Other current liabilities	--	283
<b>Liabilities held for sale</b>	<b>14,453</b>	<b>171,697</b>

Accumulated income and expenses recognised directly in equity at 31 December 2016 in relation to assets classified as held for sale were as follows:

	Translation differences	Adjustments for change in value
Construction division (concession asset)	2	(24,440)
<b>Total recognised income and expense</b>	<b>2</b>	<b>(24,440)</b>

In 2016 the main changes in “Non-current assets and liabilities held for sale” related to the loss of control over Corporación Acciona Windpower subgroup after signature of the agreement with Nordex, S.E., which is detailed below and to the transfer to this caption of a concession asset and a property asset, as indicated at the end of this note.

In 2015 the Acciona group classified, after the signature of the agreements subscribed with Nordex S.E. and with Momentum-Capital Vermögensverwaltungsgesellschaft GmbH and Ventus Venture Fund GmbH & Co. Beteiligungs KG (then shareholders of Nordex S.E.), all the assets and liabilities contributed by the Acciona Windpower subgroup in “assets and liabilities held for sale”. Once the operation was concluded on last 4 April, as mentioned in note 3.2h), the balances under that heading were derecognised.

At 31 March 2016, date when control was lost over the abovementioned subgroup, breakdown of assets and liabilities in thousand euros was as follows:

ASSETS	AWP Subgroup
Property, plant and equipment	96,304
Other intangible assets	8,445
Other non-current assets	302
Inventories	133,878
Trade and other accounts receivable	75,335
Cash and cash equivalents	26,658
Other assets	96,774
<b>Total Assets</b>	<b>437,696</b>

LIABILITIES	AWP Subgroup
Non-current liabilities	68,239
Trade and other accounts payable	207,867
Other non-current liabilities	109,198
<b>Total Liabilities</b>	<b>385,304</b>

PROFIT/(LOSS)	AWP Subgroup
Revenue	129,701
Profit before tax from continuing activities	3,434
<b>Profit before tax</b>	<b>3,434</b>

Additionally, in financial year 2016, the Group classified in "Non-current assets and liabilities held for sale" an asset from the property division and a concession asset. The property asset is a hotel. The concession asset relates to the Chilean road transport infrastructure concession S.C. Acciona Concesiones Ruta 160, which was reclassified as the Acciona group expects to recover the value of this concession, as part of the rotation plan for concession assets, through a sale operation to take place in the short term.

#### 24. - Guarantee commitments to third parties

The companies had provided third-party bonds before clients, public agencies and financial institutions, for 3,580,304 thousand euros and 2,868,774 thousand euros at 31 December 2016 and 2015, respectively. The increase was mainly due to bonds delivered for new tenders within the construction division.

The purpose of most of the bonds provided was to guarantee good performance in the development of the works engaged by the infrastructure division.

In addition, collateral provided to cover future capital and reserves contributions in the concession company NX2, L.P. (Puhoi –Warkworth motorway (New Zealand)) was included, for the amount of 6 million euros within the infrastructure division.

The companies estimate that any liabilities as could arise from the guarantees provided would not be significant.

#### 25. - Income

Breakdown of the Group's revenue was as follows:

	2016	2015
Energy	1,795,829	2,718,721
Construction	2,266,967	2,169,666
Water	708,054	450,534
Services	676,816	715,845
Other Activities	668,274	613,458
Consolidation adjustments	(138,521)	(124,700)
<b>Total revenue</b>	<b>5,977,419</b>	<b>6,543,524</b>

Breakdown, by geographical area, of the Group companies' total production was as follows (in thousands of euros):

	Spain	European Union	OECD countries	Other countries	Total
<b>2016</b>					
Energy	1,145,017	94,869	385,153	170,790	1,795,829
Construction	626,676	322,648	966,432	351,211	2,266,967
Water	312,794	54,550	34,830	305,880	708,054
Services	499,151	107,370	56,762	13,533	676,816
Other Activities	600,153	15,150	45,350	7,621	668,274
Intra-Group transactions	(96,471)	(3)	(41,716)	(331)	(138,521)
<b>Total 2016 production</b>	<b>3,087,320</b>	<b>594,584</b>	<b>1,446,811</b>	<b>848,704</b>	<b>5,977,419</b>

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2015					
Energy	1,172,974	101,491	1,141,685	302,571	2,718,721
Construction	843,087	315,041	665,086	346,452	2,169,666
Water	178,012	45,059	16,309	211,154	450,534
Services	509,939	113,495	55,340	37,071	715,845
Other Activities	595,643	4,213	6,565	7,037	613,458
Intra-Group transactions	(86,616)	(4)	(37,774)	(306)	(124,700)
<b>Total 2015 production</b>	<b>3,213,039</b>	<b>579,295</b>	<b>1,847,211</b>	<b>903,979</b>	<b>6,543,524</b>

### Revenue from the Construction activity

#### **Concessions**

At 31 December 2016, the Acciona Group maintained its main service concession contracts in force in the construction and water divisions. The net amount of revenue at the close of the financial year for each category of concession agreement, including those within the scope of IFRIC 12, came to 258 and 106 million euros, respectively. Appendix V details the main concessions.

As indicated in Note 4.2 g), following the adoption of IFRIC 12, the Acciona Group recognises under "Non-Current Receivables and Other Non-Current Assets" concession business assets whose recovery is guaranteed under the concession contract by the grantor through the payment of a fixed or quantifiable amount and, accordingly, no demand risk is borne by the operator.

In relation to these concession assets, even during the construction phase the Group recognises income earned on interest, based on the effective interest rate of the financial asset. This interest income is recognised under "Revenue", and at 31 December 2016 and 2015 it amounted to 16,377 and 16,756 thousand euros, respectively.

#### **Construction**

The Group obtains substantially all its construction revenue in its capacity as prime contractor.

Detail of infrastructure construction revenue by type of project was as follows:

	2016	2015
Civil engineering	1,549,529	1,458,144
Residential building construction	55,138	45,546
Non-residential building construction	292,162	379,247
Other business activities	260,297	181,779
<b>Total construction revenue</b>	<b>2,157,126</b>	<b>2,064,716</b>

Detail of infrastructure construction revenue by type of client was as follows:

	2016	2015
Central Government	215,557	189,218
Regional Governments	53,901	88,598
Local councils	13,843	24,956
Regional Agencies and Government-owned corporations	126,267	190,259
Public sector	409,568	493,031
Private sector	169,652	302,227
Total Spanish clients	579,220	795,258
Total clients abroad	1,577,906	1,269,458
<b>Total construction revenue</b>	<b>2,157,126</b>	<b>2,064,716</b>

The accumulated data on the contracts in progress in the construction activity at the close of financial years 2016 and 2015 were as follows:

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	2016	2015
Accumulated revenue from contracts in progress	6,434,610	8,146,076
Accumulated amount of costs incurred	6,017,642	7,731,297
Total accumulated earnings	416,968	414,779
Advances from clients (Note 14)	633,828	469,151
Withholdings	42,051	43,915

The geographical distribution of the infrastructure construction backlog at the close of 2016 and 2015 was as follows:

2016	Spain	Abroad
Civil engineering	1,001,133	5,918,390
Residential building construction	28,414	75,006
Non-residential building construction	201,893	105,058
Other business activities	185,624	624,287
<b>Total construction backlog</b>	<b>1,417,064</b>	<b>6,722,741</b>

2015	Spain	Abroad
Civil engineering	1,326,540	4,244,678
Residential building construction	12,581	54,823
Non-residential building construction	240,365	174,423
Other business activities	203,528	465,137
<b>Total construction backlog</b>	<b>1,783,014</b>	<b>4,939,061</b>

**26. - Expenses**

Breakdown of the Group's expenses was as follows:

	2016	2015
Procurements	1,595,057	1,830,221
Staff costs	1,287,557	1,254,250
Wages, salaries and similar	1,029,545	1,006,614
Social security costs	234,526	222,863
Other staff costs	23,486	24,773
Other external expenses	2,252,269	2,321,467
Taxes other than income tax	180,027	190,307
Other current operating expenses	34,082	17,847
<b>Subtotal</b>	<b>5,348,992</b>	<b>5,614,092</b>
Change in provisions	231,234	53,156
Depreciation and amortisation charge	547,147	509,962
<b>Total</b>	<b>6,127,373</b>	<b>6,177,210</b>

Employees:

The average number of employees in 2016 and 2015, by professional category, was as follows:

	2016	2015	Change
Management and supervisors	1,776	1,835	(59)
Qualified line personnel	5,418	5,483	(65)
Clerical and support staff	1,883	2,492	(609)
Other employees	23,758	22,337	1,421
<b>Total average number of employees</b>	<b>32,835</b>	<b>32,147</b>	<b>688</b>

The classification above broken down by gender in 2016 and 2015 was as follows:

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	2016			2015		
	Men	Women	Total	Men	Women	Total
Management and supervisors	1,435	341	1,776	1,505	330	1,835
Qualified line personnel	3,715	1,703	5,418	3,745	1,738	5,483
Clerical and support staff	744	1,139	1,883	720	1,772	2,492
Other employees	17,660	6,098	23,758	16,815	5,522	22,337
<b>Total average number of employees</b>	<b>23,554</b>	<b>9,281</b>	<b>32,835</b>	<b>22,785</b>	<b>9,362</b>	<b>32,147</b>

Breakdown of the Group's employees by line of business was as follows:

	2016	2015	Change
Energy	1,909	2,694	(785)
Construction	9,662	9,412	250
Water	3,345	2,333	1,012
Services	15,873	15,660	213
Other Activities	2,046	2,048	(2)
<b>Total average number of employees</b>	<b>32,835</b>	<b>32,147</b>	<b>688</b>

The classification above broken down by gender in 2016 and 2015 was as follows:

	2016			2015		
	Men	Women	Total	Men	Women	Total
Energy	1,337	572	1,909	2,057	637	2,694
Construction	7,888	1,774	9,662	7,667	1,745	9,412
Water	2,788	557	3,345	1,946	387	2,333
Services	10,184	5,689	15,873	9,753	5,907	15,660
Other Activities	1,357	689	2,046	1,362	686	2,048
<b>Total average number of employees</b>	<b>23,554</b>	<b>9,281</b>	<b>32,835</b>	<b>22,785</b>	<b>9,362</b>	<b>32,147</b>

In 2016 and 2015, respectively, 288 and 270 employees of the total headcount were employees of the Parent and the remainder were employed by the Group subsidiaries.

At 31 December 2016, the average number of employees with a disability level of 33% or over employed by the consolidated companies amounted to 793 (direct and indirect employment). The percentage of compliance with Act 13/1982, of 7 April, on Social Integration of Persons with Disabilities, which establishes a minimum quota of 2% for the recruitment of disabled persons in companies with more than 50 employees, was 3.51%.

Operating leases:

The "Leases" account under "Other External Expenses - Leases" on the accompanying consolidated income statement includes notably the costs incurred by the Compañía Trasmediterránea Subgroup for the charter of other shipping companies' vessels and cargo decks totalling 32 and 41 million euros in 2016 and 2015, respectively.

At 31 December 2016 and 2015, the lease terms and conditions and minimum payments (without taking into account inflation or possible updates) under the main vessel charter contracts entered into by the Compañía Trasmediterránea Subgroup were as follows:

2016 (miles de euros)					
Vessel	Arrangement date	Expiry date	Type	2017	2018-2020
Wisterna-Vronskiy	29/02/2012	15/11/2018	Time Charter	5,873	5,332
Tenacia	07/12/2011	31/12/2018	Time Charter	7,117	8,577

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Forza	12/01/2016	22/02/2020	Time Charter	7,608	18,794
Volcán de Teneguía	04/02/2013	31/05/2017	Time Charter	1,291	-
Snay Adriático	07/05/2015	07/05/2017	Time Charter	2,698	-

2015 (miles de euros)					
Vessel	Arrangement date	Expiry date	Type	2016	2017-2018
Wisteria/Vronskiy	29/02/2012	15/11/2016	Time Charter	4,602	-
Tenacia	07/12/2011	30/01/2017	Time Charter	6,548	540
Scandolla	21/02/2013	29/02/2016	Time Charter	25	-
Volcán de Teneguía	04/02/2013	30/06/2016	Time Charter	1,656	-
Snay Adriático	07/05/2015	07/05/2016	Time Charter	2,713	-

### Change in provisions:

Breakdown of the balance of “Change in Provisions” on the consolidated income statement was as follows (in thousand euros):

	2016	2015
Change in provision for uncollectible receivables	33,370	33,860
Change in provision for inventories	106,425	3,646
Other provisions	91,439	15,650
<b>Total</b>	<b>231,234</b>	<b>53,156</b>

At 31 December 2016, “Change in provisions for inventories” included mainly the impairments of inventories in the property division for 99.3 million euros, on the basis of appraisals by independent experts unrelated to the Acciona group (see note 4.2.J).

“Other provisions” related mainly to additions made for burdensome contracts and provision for litigation and provision for future replacement or large repairs in concessions recognised under the intangible model.

### Impairment and results on disposal of plant, property and equipment

Breakdown for this heading on the income statement for financial years 2016 and 2015 was as follows:

Impairment and profit/(loss) on disposal of plant, property and equipment	2016	2015
Profit/(loss) from plant, property and equipment	639,586	8,756
Other	0	1,857
Impairment of other assets (Notes 5 and 8)	(107,392)	(22,049)
<b>Total</b>	<b>532,194</b>	<b>(11,436)</b>

At 31 December 2016 the line “Profit/(loss) from property, plant and equipment” reflected mainly the gains recognised from the sale of the shares that the Group held in Corporación Acciona Windpower, S.A. under the agreement signed with the German listed company Nordex S.E., for 650.8 million euros. Additionally, the remaining gains from this sale, 6.7 million euros, was recorded in the translation differences account (see note 3.2.h)

In addition, “Profit/ (loss) from property, plant and equipment” included the loss of 21 million euros related to the resolution of litigation with a renewable energy project developer in Greece (see note 3.2.h) and the profit for 6.7 million euros from the sale of several property assets (see note 6).

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The line “Impairment of other assets” at 31 December 2016 included impairment of PPE for 73 million euros, mostly from several wind facilities in the energy division as detailed in note 5, as well as impairment for 30 million euros in intangible assets from the company holding a motorway concession in Brazil, Rodovia do Aço, S.A. (see note 8).

At 31 December 2015 the line “Profit/ (loss) from property, plant and equipment” reflected mainly the sale of the company Biodiesel Bilbao, with capital gains of 4 million euros. In addition, the company Acciona Solar Power sold rights over land that the company held for construction of a wind farm, and it obtained capital gains of 3.3 million euros.

In 2015 “Impairment of other assets” included mainly the impairment recognised for 19 million euros, in the company holding a motorway concession in Brazil, Rodovia do Aço, S.A.

#### Other gains or losses

In 2016, the capital gain of 30 million euros was recorded under this caption as a result of the purchase of 37.05% stake in ATLL Concesionaria de la Generalitat de Catalunya, S.A. (see note 27) and a reversion for 12 million euros of the provision for the third and final fine imposed by the National Market and Competition Commission to Compañía Trasmediterránea and resolved by the Supreme Court in a favourable manner (see note 27).

At 31 December 2015, two fines imposed on Compañía Trasmediterránea, S.A. in 2010 by the Spanish National Competition Commission were settled favourable for the Group, with the ensuing reversion of the provision recognised for 30 million euros.

#### Profit/(loss) from changes in the value of financial instruments at fair value

At 31 December 2016 this caption reflected mainly an expense of 7,270 thousand euros related to the change in fair value of the energy contract concluded in December 2015 by a subsidiary in the United States to supply a specific amount of energy in the long term.

In 2015 impairment was applied to the shareholding in the company “Agrupación Logística de Palencia, S.L.”, classified as financial asset available for sale; this had an impact of 2,000 thousand euros on the consolidated income statement (see note 10).

## **27. - Segment reporting**

### Basis of segmentation:

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment. This structure is in line with the information internally used by Acciona Group Management to assess the performance of the segments and to allocate resources among them.

The business lines described below are established by the Board of Directors on the basis of the Acciona Group’s organisational structure, taking into account the nature of the goods and services offered.

The structure of the information disclosed in this Note has been designed as if each line of business were a separate business. Costs incurred by the Corporate Unit are distributed *pro rata*, using an internal cost distribution system, among the different lines of business.

Inter-segment sales are made at market prices.

In order to help understand the results and in line with how the Acciona Group Directors manage this information, certain exceptional amounts that facilitate a better understanding of the ordinary course of

business are presented as an additional segment. Nonetheless, where these effects are material in respect of the Group's results, details are given as to how they affect each segment.

Segment information about these activities for 2016 and 2015 is shown below.

Balances at 31/12/16	Energy	Construc-tion	Water	Services	Other activities	Intra-group Operations	Extraordi-nary Items	Total Group
<b>ASSETS</b>								
Property, plant and equipment, intangible assets and investment property	7,498,359	458,271	1,128,287	57,682	863,215	(31,389)	—	9,974,425
Goodwill	—	346	27,976	50,962	—	—	—	79,284
Non-current financial assets	29,972	20,493	11,475	13,935	84,179	19,026	—	179,080
Investments accounted for using the equity method	1,021,769	66,107	68,982	449	3,614	—	—	1,160,821
Other assets	571,062	361,318	62,036	3,740	291,684	954	—	1,290,794
Non-current assets	9,121,162	906,535	1,298,656	126,768	1,242,692	(11,409)	—	12,684,404
Inventories	128,720	225,684	17,621	1,153	429,078	(19,531)	—	782,725
Trade and other receivables	684,618	1,037,885	266,316	199,453	185,873	(650,487)	—	1,723,658
Other current financial assets	175,077	17,869	4,245	2,813	10,675	544	—	211,223
Other assets	239,754	215,815	(11,264)	15,112	(412,593)	(2,625)	206,075	250,274
Cash and cash equivalents	(39,422)	1,219,750	217,945	10,960	38,656	(19,570)	—	1,428,319
Non-current assets classified as held for sale	—	300,470	—	—	26,691	—	—	327,161
Current assets	1,188,747	3,017,473	494,863	229,491	278,380	(621,669)	206,075	4,723,360
Total assets	10,309,909	3,924,008	1,793,519	356,259	1,521,072	(703,078)	206,075	17,407,764
<b>EQUITY AND LIABILITIES</b>								
Consolidated equity	3,564,000	470,882	276,292	160,651	(539,740)	(40,814)	206,075	4,097,346
Bank borrowings and other financial liabilities	4,541,567	722,143	227,469	48,182	62,891	—	—	5,602,352
Other liabilities	1,511,052	597,444	865,912	2,824	271,633	(11,776)	—	3,237,089
Non-current liabilities	6,052,619	1,319,587	1,093,381	51,006	334,524	(11,776)	—	8,839,341
Bank borrowings and other financial liabilities	137,782	42,804	16,025	2,981	968,914	—	—	1,168,506
Trade and other payables	297,998	1,618,649	290,419	91,294	152,643	(153,574)	—	2,297,429
Other liabilities	257,510	300,389	117,402	50,327	590,278	(496,914)	—	818,992
Liabilities directly associated with non-current assets classified as held for sale	—	171,697	—	—	14,453	—	—	186,150
Current liabilities	693,290	2,133,539	423,846	144,602	1,726,288	(630,488)	—	4,471,077
Total equity and liabilities	10,309,909	3,924,008	1,793,519	356,259	1,521,072	(703,078)	206,075	17,407,764
<b>Balances at 31/12/16</b>								
Total revenue	1,795,829	2,266,967	708,053	676,816	668,274	(138,520)	—	5,977,419
Revenue	1,764,112	2,216,260	707,878	625,278	663,890	—	—	5,977,419
Revenue to other segments	31,717	50,707	175	51,538	4,384	(138,521)	—	—
Other revenue and operating expenses	(1,056,170)	(2,093,352)	(589,065)	(648,842)	(537,246)	(138,781)	—	(4,785,892)
Gross operating result	739,659	173,615	118,988	27,974	131,028	263	—	1,191,527
Prov. amort. / depreciation	(390,874)	(96,221)	(46,528)	(12,648)	(45,672)	3,413	(189,851)	(778,381)
Impairment and profit/(loss) from disposal of plant,	375	6,433	308	416	(3,423)	(6,342)	534,427	532,194

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Balances at 31.12.16	Energy	Construction	Water	Services	Other activities	Intra-group Operations	Extraordinary Items	Group Total
property and equipment								
Other gains and losses	417	(68)	(112)	523	196	--	42,173	42,837
<b>Profit/(loss) from operations</b>	<b>349,577</b>	<b>83,759</b>	<b>72,656</b>	<b>16,265</b>	<b>81,837</b>	<b>(2,666)</b>	<b>386,749</b>	<b>988,177</b>
Financial profit/(loss)	(282,199)	(22,065)	(48,689)	(1,537)	2,753	--	(291,306)	(643,043)
Profit/(loss) due to changes in value	(6,545)	--	--	--	(524)	--	--	(7,069)
Profit/(loss) from entities accounted for by the equity method	46,533	7,347	14,057	258	1,375	--	--	69,570
<b>Profit/(loss) before tax</b>	<b>107,366</b>	<b>69,041</b>	<b>38,024</b>	<b>14,986</b>	<b>85,441</b>	<b>(2,666)</b>	<b>95,443</b>	<b>407,635</b>
Expense for Corporate Tax	(39,590)	(22,576)	(15,937)	(1,253)	(38,329)	667	83,238	(33,780)
<b>Consolidated profit/(loss) in the year</b>	<b>67,776</b>	<b>46,465</b>	<b>22,087</b>	<b>13,733</b>	<b>47,112</b>	<b>(1,999)</b>	<b>178,681</b>	<b>373,855</b>
Profit/(loss) after tax from discontinued activities	--	--	--	--	--	--	--	--
<b>Profit/(loss) in the year</b>	<b>67,776</b>	<b>46,465</b>	<b>22,087</b>	<b>13,733</b>	<b>47,112</b>	<b>(1,999)</b>	<b>178,681</b>	<b>373,855</b>
Non-controlling interests	(26,939)	(16,511)	(932)	(263)	(4,586)	(37)	27,394	(21,874)
<b>Profit/(loss) attributable to the Parent</b>	<b>40,837</b>	<b>29,954</b>	<b>21,155</b>	<b>13,470</b>	<b>42,526</b>	<b>(2,036)</b>	<b>206,075</b>	<b>351,981</b>

Balances at 31/12/15	Energy	Construction	Water	Services	Other activities	Intra-group Operations	Extraordinary Items	Total Group
<b>ASSETS</b>								
Property, plant and equipment, intangible assets and investment property	7,357,808	315,371	161,842	45,527	1,002,140	(34,802)	--	8,847,886
Goodwill	--	358	27,976	50,962	--	--	--	79,296
Non-current financial assets	37,858	16,901	11,498	11,955	73,382	8,451	--	160,045
Investments accounted for using the equity method	227,806	55,581	107,549	268	18,845	(935)	--	409,114
Other assets	461,749	579,076	39,798	2,603	304,152	1,227	--	1,388,605
<b>Non-current assets</b>	<b>8,085,221</b>	<b>967,287</b>	<b>348,663</b>	<b>111,315</b>	<b>1,398,519</b>	<b>(26,059)</b>	<b>--</b>	<b>10,884,946</b>
Inventories	162,383	180,221	14,546	1,064	457,905	(16,017)	--	740,102
Trade and other receivables	780,549	894,468	220,044	179,198	182,436	(644,277)	--	1,612,418
Other current financial assets	364,508	32,885	6,052	1,890	5,028	2,500	--	412,863
Other assets	64,672	145,714	12,937	20,868	3,991	(2,625)	(9,503)	236,054
Cash and cash equivalents	(1,018,266)	926,527	97,858	(31,419)	1,496,424	(10,951)	--	1,460,173
Non-current assets classified as held for sale	429,425	--	--	--	1,636	--	--	431,061
<b>Current assets</b>	<b>723,271</b>	<b>2,179,815</b>	<b>351,437</b>	<b>171,601</b>	<b>2,147,420</b>	<b>(671,370)</b>	<b>(9,503)</b>	<b>4,892,671</b>
<b>Total assets</b>	<b>8,808,492</b>	<b>3,147,102</b>	<b>700,100</b>	<b>282,916</b>	<b>3,545,939</b>	<b>(697,429)</b>	<b>(9,503)</b>	<b>15,777,616</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Consolidated equity</b>	<b>1,599,396</b>	<b>477,214</b>	<b>240,483</b>	<b>127,018</b>	<b>1,360,977</b>	<b>(41,440)</b>	<b>(9,503)</b>	<b>3,754,145</b>
Bank borrowings and other financial liabilities	3,718,160	345,201	118,171	5,701	1,707,796	--	--	5,895,028
Other liabilities	1,347,202	347,867	38,786	5,191	280,844	(11,712)	--	2,008,178
<b>Non-current liabilities</b>	<b>5,065,362</b>	<b>693,068</b>	<b>156,957</b>	<b>10,892</b>	<b>1,988,634</b>	<b>(11,712)</b>	<b>--</b>	<b>7,903,261</b>
Bank borrowings and other financial liabilities	1,327,416	382,650	2,765	25,541	(601,231)	--	--	1,137,141
Trade and other payables	285,093	1,335,159	245,529	99,700	214,508	(155,456)	--	2,024,533
Other liabilities	112,819	259,011	54,366	19,765	581,391	(488,821)	--	538,531
Liabilities directly	418,406	--	--	--	1,660	--	--	420,066

## TRANSLATION

Balances at 31/12/15	Energy	Construction	Water	Services	Other activities	Intra-group Operations	Extraordinary Items	Total Group
associated with non-current assets classified as held for sale								
<b>Current liabilities</b>	<b>2,143,734</b>	<b>1,976,820</b>	<b>302,660</b>	<b>145,806</b>	<b>196,328</b>	<b>(644,277)</b>	<b>--</b>	<b>4,120,270</b>
<b>Total equity and liabilities</b>	<b>8,808,492</b>	<b>3,147,302</b>	<b>700,100</b>	<b>282,916</b>	<b>3,545,939</b>	<b>(697,429)</b>	<b>(9,503)</b>	<b>15,777,616</b>

Balances at 31.12.15	Energy	Construction	Water	Services	Other activities	Intra-group Operations	Extraordinary Items	Group Total
Total revenue	2,718,721	2,169,666	450,534	715,845	613,457	(124,699)	--	6,543,524
Revenue	2,695,316	2,165,703	448,827	624,545	609,133	--	--	6,543,524
Revenue to other segments	23,405	3,963	1,707	91,300	4,324	(124,699)	--	--
Other revenue and operating expenses	(1,821,729)	(2,067,853)	(415,906)	(685,105)	(500,733)	121,884	--	(5,369,442)
<b>Gross operating result</b>	<b>896,992</b>	<b>101,813</b>	<b>34,628</b>	<b>30,740</b>	<b>112,724</b>	<b>(2,815)</b>	<b>--</b>	<b>1,174,082</b>
Prov. amort./depreciation	(418,145)	(59,739)	(6,296)	(13,189)	(41,905)	1,656	(22,500)	(563,118)
Impairment and profit/(loss) from disposal of plant, property and equipment	6,727	345	--	190	(68)	--	(18,630)	(11,436)
Other gains and losses	(1,688)	(1,808)	959	(439)	240	--	30,127	27,391
<b>Profit/(loss) from operations</b>	<b>483,886</b>	<b>40,611</b>	<b>29,291</b>	<b>17,302</b>	<b>67,991</b>	<b>(1,159)</b>	<b>(11,003)</b>	<b>626,919</b>
Financial profit/(loss)	(312,594)	(14,572)	(3,930)	(1,291)	(34,423)	--	--	(366,810)
Profit/(loss) due to changes in value	176	(2,000)	--	--	244	--	--	(1,580)
Profit/(loss) from entities accounted for by the equity method	26,595	9,119	15,679	(431)	9,092	--	--	60,054
<b>Profit/(loss) before tax</b>	<b>198,063</b>	<b>33,158</b>	<b>41,040</b>	<b>15,580</b>	<b>42,904</b>	<b>(1,159)</b>	<b>(11,003)</b>	<b>318,583</b>
Expense for Corporate Tax	(58,187)	(22,567)	(11,536)	(5,196)	12,894	288	1,500	(82,824)
<b>Consolidated profit/(loss) in the year</b>	<b>139,876</b>	<b>10,591</b>	<b>29,484</b>	<b>10,384</b>	<b>55,798</b>	<b>(871)</b>	<b>(9,503)</b>	<b>235,759</b>
Profit/(loss) after tax from discontinued activities	--	--	--	--	--	--	--	--
<b>Profit/(loss) in the year</b>	<b>139,876</b>	<b>10,591</b>	<b>29,484</b>	<b>10,384</b>	<b>55,798</b>	<b>(871)</b>	<b>(9,503)</b>	<b>235,759</b>
Non-controlling interests	(21,030)	(6,727)	--	(212)	(444)	(32)	--	(28,435)
<b>Profit/(loss) attributable to the Parent</b>	<b>118,846</b>	<b>3,864</b>	<b>29,484</b>	<b>10,172</b>	<b>55,354</b>	<b>(893)</b>	<b>(9,503)</b>	<b>207,324</b>

In financial year 2016, the "Extraordinary items" segment reflected the economic effects of the following unusual events:

- Sale of the shares held by the group in Corporación Acciona Windpower, S.A. as part of the agreement subscribed with the German listed company Nordex S.E., with capital gains of 657 million euros (see note 3.2h)).
- Capital gains of 30 million euros from the purchase concluded on 21 January 2016 of 37.05% in ATLL Concessionaria de la Generalitat de Catalunya, S.A. from Aigües de Catalunya, Ltd (see note 3.2.h)).
- Reversion of 12 million euros of the provision for the third and last fine imposed by the Spanish Market and Competition Commission upon Compañía Trasmediterránea, which was resolved favourably by the Supreme Court (see note 17).
- Acquisition of a discount debt, with profit of 11 million euros.



- Finance costs from cancellation of the debt associated with certain assets from the energy division, which meant a charge of 301 million euros to the income statement, mainly because of the rupture of derivatives (see note 18).
- Loss of 21 million euros in relation to the settlement of litigation with a renewable energy project developer in Greece (see note 17).
- Provision for the account receivable from a client because a project from the infrastructure division in Brazil came to a halt, for the amount of 26 million euros; recoverability is doubtful.
- Provision for negative results expected from a Project in Chile, for 16 million euros.
- Provision for several litigation cases, for 26 million euros, amongst them one of a national scope for the development of a logistics platform project (see note 17).
- Impairment losses for PPE and intangible assets, for 102 million euros, mostly from certain wind facilities from the energy division, for the impairment of a motorway concession company in Brazil and for the impairment in the property division for 101 million euros on the basis of appraisals by independent valuers and affecting mainly "Inventories" (see note 26).

In financial year 2015, the "Extraordinary items" segment reflected the economic effects of the following unusual events:

- Reversion of provision for liability, for 30 million euros, in relation to two proceedings involving Compañía Transmediterránea and instituted by the Spanish National Competition Commission; the proceedings were cancelled when ruling was issued allowing the appeals that the company had filed before the Supreme Court.
- Allocation for impairment in the value of an infrastructure concession located in Brazil and recognised in intangible asset on the balance sheet, in the amount of 19 million euros.
- Finally, losses were recognised for 22 million euros, on anticipated losses from certain contracts, as well as some receivables in respect of which the process for collection in the year led to doubts about their recoverability.

The table below shows disclosure of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them.

	Income		Total assets		Non-current assets		Current assets	
	2016	2015	2016	2015	2016	2015	2016	2015
Spain	3,087,320	3,213,039	10,070,966	10,141,662	7,436,472	6,844,830	2,634,494	3,296,832
European Union	594,584	579,295	1,743,308	1,194,614	1,390,619	751,826	352,689	442,788
OECD countries	1,446,812	1,847,211	4,410,442	3,597,214	3,149,363	2,718,400	1,261,079	878,814
Other countries	848,703	903,979	1,183,048	844,127	707,950	569,890	475,098	274,237
<b>Total</b>	<b>5,977,419</b>	<b>6,543,524</b>	<b>17,407,764</b>	<b>15,777,617</b>	<b>12,684,404</b>	<b>10,884,946</b>	<b>4,723,360</b>	<b>4,892,671</b>

## 28. - Finance income and costs and other profit/(loss) for the year

Detail of the Group's finance income and costs was as follows:

	2016	2015
<b>Finance income</b>	<b>61,921</b>	<b>34,844</b>
From equity investments	267	284
From other financial instruments in Associates	9,013	3,528
Other finance income	52,641	31,032
<b>Finance costs</b>	<b>(732,653)</b>	<b>(424,425)</b>
On payables to third parties	(738,330)	(428,223)
On ineffectiveness of derivatives (see Note 20)	---	---
Capitalisation of borrowing costs (note 5)	6,439	6,025
Change in financial provisions	(762)	(2,227)

#### Other finance income and costs:

The Group had capitalised borrowing costs amounting to 6.4 million euros at 31 December 2016 and 6 million euros at 31 December 2015, all of them practically capitalised in property, plant and equipment (see note 5). Borrowing costs capitalisation in inventories was not material in 2016 or 2015 (see Note 4.2 j).

#### Finance costs:

In 2016 payables to third parties subtracted from equity and included in "Finance Costs" relating to the periodic settlements of hedging derivatives and corresponding to fully consolidated Group companies amounted to 299,303 thousand euros (97,759 thousand euros in 2015). In addition, 20,291 thousand euros (23,347 thousand euros in 2015) relating to these periodic settlements were recognised as a decrease in the results of companies accounted for using the equity method, since it related to associates.

#### **29. - Proposed application of profit/(loss)**

Proposed application of the profit in financial years 2016 and 2015 of Acciona, S.A., as approved by the Annual General Shareholders' Meeting, in the case of 2015, and that the Board of Directors will submit to approval by the Annual General Shareholders' Meeting, in the case of 2016, is as follows (in euros):

	2016	2015
<b>Distribution basis:</b>		
Acciona, S.A. profit or loss	386,601,903.47	180,549,874.53
<b>Application:</b>		
To legal reserve	---	---
To statutory reserve	38,660,190.34	18,054,987.45
To voluntary reserves	183,320,506.88	19,346,012.08
Dividends	164,621,206.25	143,148,875.00
<b>Total</b>	<b>386,601,903.47</b>	<b>180,549,874.53</b>

Under its Articles of Association, Acciona, S.A. must, in any event, allocate 10% of net profit to legal and statutory reserves in such a manner that, when the former is covered (20% of the share capital), any remaining portion of the 10% of net profit must be transferred to the statutory reserve. This reserve is unrestricted.

#### **30. - Environmental matters**

ACCIONA backs the development of environmentally sustainable businesses: it generates electricity from renewable sources; it desalinates water and makes it drinkable and also cleans it; and it builds infrastructures and services where the environment variable is relevant in the taking of decisions.

In 2016, 42% of the Group's global sales and 72% of EBITDA were based on businesses included in what the United Nations Environment Programme (UNEP) defines as the Green Economy (<http://www.pnuma.org/eficienciarecursos/economia.php>).

In 2016 environmental expenses accounted for 2,438 million euros and environmental investments 599 million euros, which placed the company's global environmental activity at 3,037 million euros.

Out of that total figure, 61 million euros arose from management (prevention, mitigation or correction) of the environmental impacts generated by the Company's activity (57 million euros in expenses and 4 million euros in investments) and 2,976 million euros came from development of the businesses with a mainly environmental component (2,381 million euros in expenses and 595 million euros in investments); they are relevant because of the actual strategic orientation of the business, such as renewable energy generation and integral water cycle management, which centre on dealing with environmental impacts produced by other players and whose management is part of Acciona's business.

This economic figure for environment-related activities can be broken down as follows:

Category	Amount (Million €)
Measures to minimise environmental impact	32
Environmental research, development & innovation	12
Personnel involved in the environmental activity	10
Investments in plant, property and equipment to prevent environmental impacts and protect the environment	4
Environmental consultancy and advisory services	1
Other <sup>(*)</sup>	2
<b>Subtotal management environmental impacts caused by the Company's activity</b>	<b>61</b>
Renewable energy generation	2,248
Waste water treatment, Purification and Desalination	728
<b>Subtotal development of businesses with a mainly environmental component, relevant because of actual strategic orientation</b>	<b>2,976</b>
<b>TOTAL</b>	<b>3,037</b>

<sup>(\*)</sup> This category includes other environmental expenses, including Training, Environmental Management Systems, Environmental communication and awareness, Insurance and taxes.

In 2016, operating expenses for renewable energies and investments and expenses for desalination were included for the first time, as they are businesses with a mainly environmental component, which meant a change in environmental accounting criteria in respect of 2015.

It must also be noted that Acciona obtained in 2016 bonuses for the actions it carried out to promote environmental respect and protection, for the amount of 0.7 million euros.

### 31. - Earnings per share

#### - Basic:

Basic earnings per share are calculated by dividing the profit distributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the financial year.

The amounts for the periods closed at 31 December 2016 and 2015 are given below:

	2016	2015
Net profit for the year (thousand euros)	351,981	207,324
Weighted average number of shares outstanding	57,010,458	56,794,911
Basic earnings per share (euros)	6.17	3.65

- Diluted:

To calculate the diluted earnings per share, the entity adjusts the result of the financial year attributable to the holders of ordinary equity instruments and the mean weighted average of the number of outstanding shares for all diluting effects attached to the potential ordinary shares.

In January 2014, Acciona S.A. issued convertible bonds (see Note 18). The effect of this issue on the income statement for 2016 was 14,410 thousand euros, net of tax effect.

The amount for the period closed on 31 December 2016 and 2015 is given below:

	2016	2015
Net profit for the year (thousand euros)	370,794	225,650
Diluted weighted average number of shares outstanding	58,851,022	62,221,760
Diluted earnings per share (euros)	6.22	3.63

### 32. - Events after the reporting period

Last 10 January 2017, the sale of the hotel classified as asset held for sale at 31 December 2016 was concluded (see note 23). The sale price amounted to 28 million. In addition, the mortgage loan on that asset, for the amount of 14 million euros, was cancelled.

Last 16 January 2017, the company reported its intention to buy back up to 108.4 million euros of total face value of its bonds convertible to shares, which account for the total of bonds outstanding that the Company did not have as part of its treasury stock (see note 18 b)). This process ended on 19 January with the company's acceptance of the sale offers received from the bond holders for a face amount of 91.6 million euros as a whole, for the debentures bought back. After this operation, Acciona holds 95.09% of the convertible bonds issued, equivalent to 325.2 million euros.

In the month of February 2017 the company received three communications from investors holding convertible bonds to exercise their right to convert them to shares in the company. The total number of shares to deliver on account of said conversion is 33,966. The conversion will be formally implemented in the first week of March, in accordance with the provisions under the terms and conditions of the issue.

### 33. - Related party transactions

As indicated in these notes to the consolidated financial statements, transactions performed by the Company with its subsidiaries (related parties) as part of its normal business activities, as regards their purpose and terms and conditions, were eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

#### Transactions with associates

At 31 December 2016 and 2015, detail of the balances receivable from and payable to associates was as follows (in thousand euros):

 M.<sup>o</sup> TERESA DE LA CUESTA BERNÁLDEZ  
Traductora-Intérprete Jurada de INGLÉS  
N<sup>o</sup> 661

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	Receivables / Expenses		Payables / Income	
	2016	2015	2016	2015
Trade and other receivables	92,027	67,953	--	--
Trade and other payables	--	--	66,193	30,899
Loans to associates	118,579	120,376	5,334	--
Income and expenses	17,234	4,616	114,902	235,977

The Income column basically reflects billings by Acciona Infrastructure to various concession holders, for the construction of their assets.

The balances payable related to the line "Loans to associates" were mainly made up of loans made by Acciona, S.A. and Acciona Energy, S.A. to associates.

These transactions were performed on an arm's length basis.

### Transactions with other related parties

At 31 December 2014, following the arrival of the KKR Fund in the shareholding structure of the Acciona Group subsidiary, Acciona Energy Internacional, S.A., this fund became a "related party" for the Group as the term is defined in IAS 24. The only transaction of note with the KKR Fund in financial year 2016 was the subordinated debt described in Note 21.

In addition, the contract signed between Acciona Energy, S.A. and said fund incorporates long-term collaboration agreements between the Acciona Group and KKR in certain affected countries, through certain rights of refusal that in no case represent a firm commitment.

### Transactions with shareholders

In 2016 there were no significant transactions involving a transfer of resources or obligations between the Parent or its Group companies and the Company's main shareholders.

### Transactions with directors or executives

The Group's "related parties" are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the Company Management's "key personnel" (members of its Board of Directors and of senior management, and their close relatives) and the entities over which key management personnel may exercise control or significant influence. The transactions performed by the Group in 2016 and 2015 with its related parties are listed below, differentiating between the Company's significant shareholders, members of the Board of Directors and Managers, and other related parties. Related party transactions are made on terms equivalent to those in arm's length transactions that usually take place in a normal business relationship with Acciona, S.A. or the Group companies within the scope of the ordinary course of trade of these entities and under market conditions. These transactions consisted basically of:

Expenses and income	31.12.2016				Total
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	





Expenses and income	Thousands of euros				
	31.12.2015				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
<b>Expenses:</b>					
Finance costs	---	---	---	---	---
Management or cooperation agreements	---	---	---	---	---
R&D transfers and licensing agreements	---	---	---	---	---
Leases	---	---	---	---	---
Services received	---	---	---	255	255
Purchase of goods (finished goods and work in progress)	---	---	---	580	580
Value adjustments due to uncollectible or doubtful debts	---	---	---	---	---
Losses on derecognition or disposal of assets	---	---	---	---	---
Other expenses	---	---	---	---	---
<b>Income:</b>					
Finance income	---	---	---	---	---
Management or cooperation agreements	---	---	---	---	---
R&D transfers and licensing agreements	---	---	---	---	---
Dividends received	---	---	---	---	---
Leases	---	---	---	---	---
Rendering of services	---	---	---	22,906	22,906
Sale of goods (finished goods or work in progress)	---	---	---	---	---
Gains on derecognition or disposal of assets	---	---	---	---	---
Other income	---	---	---	---	---
	31.12.15				
Other transactions	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchases of property, plant and equipment, intangible assets or other assets	---	---	---	---	---
Financing agreements: loans and capital contributions (lender)	---	---	---	---	---
Finance leases (lessor)	---	---	---	---	---
Repayment or cancellation of loans and leases (lessor)	---	---	---	---	---
Sales of property, plant and equipment, intangible assets or other assets	---	---	---	---	---
Financing agreements: loans and capital contributions (borrower)	---	---	---	---	---
Finance leases (lessee)	---	---	---	---	---
Repayment or cancellation of loans and leases (lessee)	---	---	---	---	---
Guarantees provided	---	---	---	---	---
Guarantees received	---	---	---	---	---
Obligations acquired	---	---	---	---	---
Obligations/guarantees discharged	---	---	---	---	---
Dividends and other profits distributed	---	---	---	---	---
Other transactions	---	---	---	---	---

### 34. - Remuneration and other benefits

#### A. Board of Directors

In 2016 the remuneration accrued by the members of the Company's Board of Directors, and taking into account that this remuneration is taken from the perspective of the Parent and its subsidiaries, totalled, in euros, the sum indicated in this Note.

According to article 31 of Articles of Association, the remuneration for Directors will consist in a fixed annual allocation determined for their membership of the Board of Directors and any Committees on which each Director may sit. The amount of the remuneration to be paid by the Company to the Directors as a whole for belonging to the Board of Directors and its Committees will be that determined for this purpose by the General Meeting of Shareholders. Once established, this amount shall remain in force until such time as it may be amended, and the Board of Directors may reduce the amount in the financial years where this is considered convenient.

The Board of Directors determines the exact amount to be paid within that limit and its distribution among the different Directors, with consideration being given to the functions and responsibilities of each member, sitting on the Board's committees and any other unbiased circumstances considered relevant by the Board.

Regardless of the provisions contained in section above, the remuneration deriving from membership of the Board of Directors shall be compatible with any other remuneration (fixed salary; variable bonuses depending on the attainment of business, corporate and/or performance goals; compensation for removal of the Director for reasons other than the failure to perform his or her duties; welfare systems; deferred remuneration items) that, following a proposal by the Appointments and Remuneration Committee and by resolution passed by the Board of Directors, could correspond to the Director for the performance of other functions in the Company, be they senior management executive functions or otherwise, apart from those of joint supervision and decision-taking carried out as mere members of the Board.

Following a resolution adopted by the General Shareholders' Meeting with the legally required scope, Executive Directors may also be remunerated through the delivery of shares or share option rights, or by means of any other remuneration referenced to the value of the shares.

Furthermore, art. 55 of the Regulations for the Board of Directors establishes that the Board determines the system for distributing the remuneration for Directors within the framework established in the Articles of Association.

The decision must take into account the report issued for the purpose by the Appointments and Remuneration Committee.

The Board of Directors shall strive to ensure that the Directors' remuneration is moderate and in line with that paid on the market in companies of a similar size and business activity, with preference for those formats relating a significant portion of the remuneration to their dedication to Acciona.

The system for remuneration of independent directors will strive to serve as a sufficient incentive for their dedication without compromising their independence.

The remuneration of external directors representing substantial shareholders for their performance as Directors must be proportional to that of other Directors and shall not represent any favoured treatment in the form of remuneration of the shareholder(s) designating them. The remuneration system will establish similar remuneration for comparable functions and dedication.

As regards remuneration of executive directors, article 55 A of the Regulations establishes that the Board of Directors must try and ensure that the remuneration policies in force at each time include for variable remuneration necessary technical safeguards to make sure that such remuneration is in line with the professional performance of its beneficiaries and does not arise simply from the general trend of markets or of the company's business sector or from other similar circumstances. The remuneration of directors must be transparent.

At its meeting on 28 February 2013, the Board of Directors resolved, at the proposal of the Appointments and Remuneration Committee, to reduce the amounts for membership of the Board of Directors and its Committees by 10%, and these were therefore set as follows:

- a) For each director belonging to the Board of Directors 67,500 euros.
- b) For each director belonging to the Executive Committee 45,000 euros.
- c) For each director belonging to the Audit Committee 45,000 euros.
- d) For each director belonging to the Appointments Committee 36,000 euros.
- e) For each director belonging to the Sustainability Committee 36,000 euros.

At the meeting held by the Board of Directors on 11 June 2015 additional remuneration was established: 10,000 euros for the directors holding the chair on the Committees, except in the case of the executive committee.

Executive directors who are members of the Executive Committee do not receive any remuneration specifically for belonging to that committee.

After a detailed analysis of the remuneration received at international companies and those included on the IBEX 35 index, the Appointments and Remuneration Committee considered the remuneration to be in line with what was paid on the market in companies of a similar size in the same business area, that similar remuneration was paid for comparable functions and dedication and, without compromising independence, remuneration is an adequate incentive to achieve, if possible, a greater engagement by directors in the different committees.

Furthermore, the General Shareholders' Meeting held on 6 June 2013 resolved to set, for the purposes established in new section 2 of article 31 of the Articles of Association, the amount of remuneration that may be paid by the Company to its Directors as a whole, for their membership of the Board of Directors and its Committees, at 1,503,000 euros. This amount shall remain in force until such time as the General Shareholders' Meeting decides to change it, but it may be reduced by the Board of Directors on the terms contained in the aforesaid section.

The total remuneration paid to the members of the Board for discharging their duties as Company directors in 2016 amounted to 1,330,500 euros. This amount is broken down in thousand euros, by member of the Board of Directors, in the following way:

	Fixed remuneration	Remuneration for membership of Board Committees	Total 2016	Total 2015
Mr. Daniel Entrecanales Domecq	67.5	82	149.5	126.5
(*) Ms. Sol Daurella Comadrán	--	--	--	56.2
Mr. Jeronimo Marcos Gerard Rivero	67.5	--	67.5	67.5
(*) Mr. Carlos Espinosa de los Monteros	--	--	--	56.2
Mr. Jaime Castellanos Borrego	67.5	136	203.5	198.5
Mr. Fernando Rodes Vila	67.5	72	139.5	139.5
Mr. José Manuel Entrecanales Domecq	67.5	--	67.5	67.5
Mr. Juan Ignacio Entrecanales Franco	67.5	--	67.5	67.5
Mr. Juan Carlos Garay Ibararay	67.5	136	203.5	153.5
(*) Mr. Valentín Montoya Moya	--	--	--	96.8
Ms. Belén Villalonga Morenes	67.5	--	67.5	67.5
Mr. Javier Enuecanales Franco	67.5	81	148.5	126
Ms. María del Carmen Becerril Martínez	67.5	36	103.5	85.5
(**) Ms. Ana Samz de Vicuña Bumberg	67.5	45	112.5	56.3
<b>TOTAL</b>	<b>742.5</b>	<b>588</b>	<b>1,330.5</b>	<b>1,365</b>

- (\*) Directors leaving the Board in 2015  
(\*\*) Directors joining the Board in 2015

The remuneration paid to Directors for the performance of senior management executive functions and for being members of the Board was 3,377 and 5,101 thousand euros in 2016 and 2015, respectively.

In addition, a non-executive director has a professional services contract signed with the Acciona Group for which she received 150 thousand euros in 2016.

In 2014, the Company implemented a savings plan related to a term life assurance, permanent disability in the degrees of total, absolute and grand invalidity, and death ("Savings Plan") aimed solely and exclusively at the Company's Executive Directors. The basic characteristics of the plan are as follows:

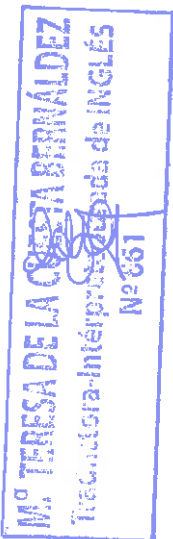
- a) It is a social welfare system based on a defined contribution.
- b) It is a system endowed externally through the payment by the Company of annual premiums to an insurance company in favour of the Participant for the coverage of survival and the risk contingencies, i.e., (i) death and (ii) permanent disability in the degrees established in the Regulations.
- c) Should the Participants cease to occupy positions as Executive Directors of Acciona for any reason, the Company shall cease to pay the premiums to the Savings Plan on the date on which they indisputably cease to hold their position, without prejudice to any economic rights recognised to Participants.
- d) The payment of the Benefit arising out of the Savings Plan will be made directly by the insurance entity to the Participants, net of any corresponding withholdings or payments on account of personal Income Tax that may be applicable in each case and payable by the beneficiary of the Benefit. For the rest of the contingencies, the payment of the Benefit will also be made directly by the insurance entity to any entitled parties.
- e) The status of Participant in the Savings Plan will be lost should any of the following circumstances arise: i) occurrence of any of the risk contingencies covered and collection of the Benefit; ii) attainment of the age of 65 years; iii) removal from the position of Executive Director of Acciona for any reason other than those indicated above.

The contributions to the Savings Plan in 2016 in favour of the Executive Directors came to 4,525 thousand euros. The contributions included those annually planned (75% of fixed salary) and an additional amount arising from extraordinary contributions related to part of the variable remuneration. The global remuneration related to rights accumulated by the Directors in this respect amounts to 7,188 thousand euros.

No obligations have been entered into in connection with pensions with respect to former and current members of the Board of Directors. Nor have any advances, credits or guarantees been given in favour of the members of the Board of Directors, except as indicated in this note.

In financial years 2016 and 2015 the directors of the Parent did not receive any remuneration for being members of other boards and/or senior management of Group Companies.

The remuneration of the board of directors of Acciona, S.A. in the year was, in thousand euros, 4,623 and 6,481 in financial years 2016 and 2015, respectively.



The Board of Directors of Acciona, S.A. approved on 26 February 2015, upon proposal by the Appointments and Remuneration Committee, amendment to the “Plan for Delivery of Shares and options to Senior Management of Acciona and its group” Regulations, preparing new regulations that affect the executive directors and the Group’s executives. The main characteristics are described below.

**B. Senior executives**

Senior Executives include those persons forming the top two levels of the Acciona group’s management and the Corporate Internal Audit Director. This classification is for information purposes only and without prejudice to their specific employment relationship.

The remuneration of the Company’s General Managers and persons discharging similar duties, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), and bearing in mind that this remuneration is taken from the perspective of Parent and subsidiaries, in 2016 and 2015 is summarised as follows:

Type of remuneration	2016	2015
Number of persons	39	36
Remuneration (thousand euros)	24,672	21,120

The figures appearing as remuneration (thousand euros) were included in the amounts related to compensation paid to the executives that left the company every year, for termination of their employment relationship, as well as the money settlement for differences in the options exercised during the year.

**Plan for delivery of shares and performance shares**

The General Shareholders’ Meeting held on 24 June 2014 approved the following agreement:

*A) To extend the term of validity of the Shares and Options Delivery Plan to Acciona group’s management, including Executive Directors, as was approved by the General Shareholders’ Meeting of Acciona, S.A. on 4 June 2009, for application in financial years 2014 to 2020, and to increase the maximum number of shares available by 200,000 shares.*

*B) To authorise the Board of Directors of the Company so that it may, to all the extent required by law and upon proposal by the Appointments and Remuneration Committee, amend the Plan Regulations under the terms and conditions that the Board considers convenient, establishing delivery conditions and times, accrual periods, allocation criteria and limits and any other aspect that the Board considers relevant, in order to align further the long-term interests of the Company’s Executive Directors and other executives of the Acciona Group with those of the shareholders of Acciona, S.A., and thus boost their motivation in the attainment of higher value and long-term stability for the group, and consolidate their loyalty and permanence in the Group.*

Pursuant to that authority, on 26 February 2015 the Board of Directors approved, upon proposal by the Appointments and Remuneration Committee, to amend the Plan Regulations, drawing up a new one whose term of validity covers the six-year period from 2014 to 2019, both inclusive; its main characteristics are the following:

**A) Purpose of the Plan:**

The purpose of the 2014 Plan for Delivery of Shares and “Performance Shares” to Acciona and its group’s management (the Plan for Delivery of Shares/Performance Shares) is to remunerate management, including the Executive Directors of Acciona, S.A. (“Acciona”) and of the business and company group whose parent is Acciona, S.A. or where Acciona, S.A. holds a significant interest in

management (“Acciona Group” or “Acciona and its group”) in such a manner as to boost the attainment of strategic business objectives of Acciona and its group to the benefit of Acciona’s shareholders, and the loyalty and permanence of executives.

**B) Strategic indicators and objectives to achieve**

Achievement of objectives will be based on business strategic indicators, which have been defined by the Board of Directors for financial years ranging from 2014 to 2019.

**C) Plan beneficiaries**

C.1. – Executive Directors

For Executive Directors, it is contemplated for the first time that they may have “performance shares” annually allocated by the Board of Directors. This does not give them the right to acquire the related shares (except where so provided by the Regulations) but it is an indication by the Board of Directors of the number of shares that the Board forecasts that can be allocated to these Executive Directors at a later date if two conditions are fulfilled: their permanence and the attainment of Acciona Group’s long-term strategic goals as established by the Board as a requisite for the Executive Directors to receive shares.

Reference period: The reference period of the business strategic indicators will be the 2014-2019 six-year period, although, for allocation of “performance shares”, the whole period from the start of the 2014 Plan application period to the end of the previous financial year will be considered.

“Performance shares” allocation: Upon completion of each financial year, the Board of Directors may assess the extent to which the long-term strategic objectives have been achieved up to that point.

The final allocation of treasury shares to Executive Directors will take place (a) at the end of the whole 2014 Plan period (in 2020) upon consideration of the assessment made for the whole 2014-2019 period and (b) at a midpoint milestone, in 2017, upon completion of the first three 2014-2016 financial years, upon consideration of the assessment made on the first 2014-2016 three-year period.

Based on the interest of the company and if circumstances so advise for Acciona and its group in the opinion of the Board of Directors, upon consideration of the recommendation from the Appointments and Remuneration Committee, the Board of Directors may put off to 2020 the delivery to the Executive Directors of the final shares allocated in 2017 (in relation to financial years 2014, 2015 and 2016), making the delivery of these shares coincide with the delivery of the shares that, if appropriate, should be delivered to the executive Directors at the end of the whole 2014 Plan period (in 2020).

Permanence condition: Delivery of the shares finally allocated to Executive Directors is dependent on the fact that, up to 31 March of the year when the shares are to be delivered, the Executive Director has not ceased to perform his/her senior management duties in Acciona or its Group for reasons attributable to the Director in question.

In no event may the number of allocated shares thus quantified exceed, together with those allocated under the 2014 Plan, the maximum number available approved by the GM.

Shares delivered in 2017 are subject to an option for Acciona to buy them back: Treasury shares transferred to Executive Directors in 2017 (in relation to financial years 2014, 2015 and 2016) will be subject to Acciona’s right to buy them back, a right that can be exercised if the Executive Director acquiring the shares ceases to perform his/her senior management duties in Acciona or its group before 31 March 2020 for breach of his/her contractual obligations or resignation of his/her own free will.

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## C.2. – Group’s Executives

For the other beneficiaries that are not executive directors, the Board of Directors will approve, upon considering proposal by the Appointments and Remuneration Committee, the amount for separate variable remuneration to be paid through delivery of the Acciona’s treasury shares allocated for each financial year to each executive that benefits from the 2014 Plan other than Executive Directors.

The allocation may be implemented through a number of treasury shares or in a cash amount. In the latter case, the equivalent number of shares will be based on the closing price on the last day of trading of March of the year when the Board of Directors determines the allocation. In no event will the number of allocated shares thus quantified exceed, together with the other shares allocated under the 2014 Plan, the maximum number approved by the GM.

Treasury shares transferred to these Beneficiaries are subject to Acciona’s right to buy them back, a right that can be exercised if the beneficiary acquiring the shares ceases his/her professional engagement with Acciona or its Group before 31 March of the third year following the year when delivery takes place, for reasons attributable to the Beneficiary. The Board of Directors may extend to a reduced group of executives the “performance share” and/or shares allocation system established for executive directors, with the changes as can be proposed by the Appointments and Remuneration Committee regarding interim allocation, tax system, objectives, midpoint milestones and delivery times, with the purpose of increasing their motivation in the attainment of higher value and long-term stability for the group, as well as consolidating their loyalty and permanence in the Group.

### **D) Number of shares available for the Plan**

Initially, the maximum number of shares that could be allocated to the Beneficiaries in application of the 2014 Plan was fixed at 258,035, although it could be increased by resolution of the General Shareholders’ Meeting.

In this respect, the General Shareholders’ Meeting held on 11 June 2015 and the GM held on 10 May 2016 agreed to increase the maximum number of shares available for the “2014-2019 Plan for Delivery of Shares and Performance Shares” by 100,000, without affecting later increases if so proposed by the Board of Directors and approved by the General Shareholders’ Meeting.

At the close of 2016 the maximum number of shares that could be allocated to implement the Plan, after 35,131 were used for delivery to executives other than executive Directors, was 393,253.

### **E) Recipients**

The annual number of Recipients shall not exceed 100.

### Plan to replace variable remuneration for shares

Upon proposal by the Appointments and Remuneration Committee, given the limited number of Beneficiaries of the former Plan, with the purpose of furthering and extending the objectives for building loyalty and retaining executives to the Group’s executives, on 26 March 2015 the Board of Directors approved the “Plan to Replace Variable Remuneration for Acciona shares, aimed to Acciona and its group’s management” (the Replacement Plan), excluding executive directors; the main characteristics of the plan are the following:

**Aim:** To retain and motivate the management team effectively and achieve higher alignment of their interests with those of the Company and its Group.

**Initial duration:** Six years (2014 to 2019).

**Purpose:** To offer discretionally the option of replacing or swapping, in whole or in part, variable remuneration in cash for Company shares to certain Acciona and its group’s executives, according to a

swap equation to be determined each year. In 2015 and 2016, the swap equation approved carried an incentive of 25% over the variable remuneration replaced.

**Beneficiaries:** The executives that the Board of Directors determines of its own free will. Executive Directors are excluded from this Plan.

**Restrictions on the shares delivered:** In general terms, the shares delivered cannot be (a) disposed of, encumbered or used under any title (except for mortis causa), and (b) no option right can be set up over them, or any other right limiting ownership or as security, until after 31 March of the third year following the year in which the shares in question were delivered to the Beneficiary.

Treasury shares transferred to these Beneficiaries, corresponding to the incentive and not to the portion of the shares related to the replaced remuneration as per the amendment approved on 29 February 2016 by the Board of Directors, are subject to Acciona's right to buy them back, a right that can be exercised if the Beneficiary acquiring the shares ceases his/her professional engagement with Acciona or its Group before 31 March of the third year following the year when delivery takes place, for reasons attributable to the Beneficiary.

The Acciona share price to be taken as benchmark to determine the swap equation will be the closing price on the last day of trading of March of the year when the Board of Directors determines the allocation of the replacement option.

#### SHAREHOLDERS' PLAN

The Board of Directors, following proposal by the Appointments and Remuneration Committee, with the purpose of facilitating participation in the company's shareholdings, approved on 29 February 2016 a new Plan that makes it possible to redistribute part of the variable and/or fixed money remuneration with the limit of 12,000 euros per year through delivery of shares in the Company in accordance with the current regulatory framework, which is favourable in terms of the fiscal treatment of this type of plan.

The plan is voluntary and it offers all employees with fiscal residence in Spain the opportunity of participating in the company's results by becoming shareholders. This Plan does not affect executive directors as their relationship is mercantile and not based on an employment contract. The shares were measured at the closing quotation price on 15 April 2016.

Finally, the number of shares delivered to Beneficiaries other than executive directors (45 Beneficiaries), under the **Plan for Delivery of Shares /Performance Shares**, in consideration of their dedication and performance in financial year 2016, was 35,131 shares at the fair value of 2,366 thousand euros.

Given that this plan accrues on a three-year basis, one third of the fair values mentioned above is reflected in "Staff costs" on the accompanying income statement at 31 December. The other two thirds will be recognised on the income statements for financial years 2017 and 2018.

As regards executive Directors, no firm allocation of performance shares or shares took place in 2016.

Finally, in application of the **Replacement Plan**, 15,297 shares in the Company were delivered in 2016, at the fair value of 1,030 thousand euros, to 25 executives of Acciona and its Group, in payment of part of their variable remuneration in cash in 2014.

The Company determined the fair value of the goods and services received by reference to the fair value of the equity instruments assigned.

The "Plan for delivery to Senior Management" replaced by the plan described in the paragraphs above established the replacement of shares with stock option rights (for Acciona, S.A. ordinary shares). The



options granted one year as part of the Plan could be exercised, in whole or in part, in one go or more, within the three-year period from (a) 31 March of the third calendar year following the year when they were allocated and (b) 31 March of the third year following the start of the period (the “exercising period”). The movement in 2016 in the number of options and weighted average of the prices to exercise the stock options was the following:

2016	Nº of options	Strike Price - Weighted Average (in euros)
Existing at the start of the financial year	118,713	68.97
Awarded during the period	--	--
Cancelled during the period	--	--
Exercised during the period	(13,292)	53.00
Lapsed during the period	(36,549)	91.10
Existing at the end of the period	68,872	60.31
Susceptible of being exercised at the end of the period	60,061	59.94

As regards the options existing at the end of the financial year, it should be indicated that the strike price ranged between 53 and 66.73 euros and that the weighted average of the remaining life of the contract was 1.05 years.

The valuation methodology applied is based on the Enhanced FASB 123 method (Accounting for Stock Based Compensation), which is in turn based on standard “fair value” methods of the CRR binomial type with certain modifications. The model consists in estimating the value of the option by trinomial tree methods and then adjusting this value by considering that the executive in question may leave the company during the maturity period, or may exercise the option when the share reaches a multiple of the strike value. The market inputs applied for valuation purposes are the closing price of the reference share on the date of issue of the plan and the strike price established for the exercise of the option, the track record of the reference share in terms of volatility calculated as the standard deviation from the quotation yields for a period equal to the duration of the plan and the risk-free interest rate.

Detail of the individuals who held Senior Management positions in the Group (taking the Parent and subsidiaries into account as Senior Management) in 2016 was as follows:


Name or registered name	Position(s) held
Alcazar Viela, Jesús	General Manager – Acciona Infrastructure - Latin America
Ancín Viguristi, Joaquín	General Manager – Acciona Energy – Engineering & Construction
Antunez Cid Isabel	General Manager – Acciona Property
Arilla de Juana, Carlos	General Manager - Economic and Financial Area
Beltrán Núñez, Raúl	Internal Audit Manager
Blanco Dieguez, José Luis	General Manager - Acciona Windpower
Cabanillas Alonso, Pío	General Manager - Corporate Image and Global Marketing
Callejo Maruñez, Alfonso	General Manager - Corporate Resources
Carrion López de la Garma, Macarena	General Manager - Office of the Chairman
Castilla Cámara, Luis	CEO - Acciona Infrastructure
Castillo García, Joaquín	Area General Manager - Acciona Energy Development
Claudio Vázquez, Adalberto	General Manager Civil Works - Acciona Infrastructure
Corella Hurtado, Olga	General Manager - Acciona Infrastructure - Economic Control Area
Cruz Palacios, Juan Manuel	General Manager - Acciona Infrastructure - Labour Relations, Environment Quality Plan and Sustainability

TRANSLATION

Name or registered name	Position(s) held
Díaz-Caneja Rodríguez, José Luis	Area General Manager - Acciona Water
Ezpeleta Puras, Arantza	General Manager – Technology & Innovation
Fajardo Gerez, Fernando	Area General Manager - Acciona Infrastructure – Australia and South-East Asia
Farto Paz, José María	Area General Manager - Acciona Infrastructure – Galicia
Fernández López, Roberto	Area General Manager - Acciona Infrastructure - Corporate Resources
Figuroa Gómez de Salazar, José Julio	Area General Manager – Legal Services
Gutiérrez Abarquero, David	Area General Manager – Fiscal
Jiménez Serrano, Ramón	Area General Manager – Acciona Industrial and Acciona service
Luna Butz, Walter	CEO - Acciona Property
Mateo Alcalá, Rafael	CEO - Acciona Energy
Mollinedo Chocano, José Joaquín	General Manager - Institutional Relations, Sustainability and Brand
Moreno Lorente, Huberto José	Area General Manager- Railway & Tunnels, Acciona Infrastructures
Muro-Lara Girod, Juan	General Manager – Corporate Development and Relations with Investors
Otazu Aguerri, Juan	Production Area General Manager - Acciona Energy
Quero Gil, Mario	Area General Manager - Acciona Trasmediterránea
Rego Prieto, Oscar Luis	Procurement Area General Manager - Acciona Infrastructure
Rivas Anoro, Félix	Area General Manager – Procurement, Innovation, The Environment & Quality
Rodríguez Hernández, José Luis	Area General Manager – Other Businesses and Investees
Santamaría-Paredes Castillo, Vicente	Area General Manager – Compliance
Silva Ferrada, Juan Ramón	Area General Manager – Sustainability
Soto Conde, Antonio	Area General manager - Grupo Bodegas Palacio 1894
Tejero Santos, José Ángel	Area General Manager - Economic Oversight and Finance
Terceiro Mateos, José Manuel	Area General Manager - Acciona Infrastructure - Economics and Finance
Vega-Pemichet Lopez, Jorge	General Secretary
Vicente Pelegrini, Justo	Area General Manager - Acciona Infrastructure Spain and Construction Africa, Sweden and Emirates

Detail of the individuals who held Senior Management positions (taking the Parent and subsidiaries into account as Senior Management) in 2015 was as follows:

Name or registered name	Position(s) held
Alcázar Viela, Jesús	General Manager – Acciona Infrastructure - Latin America
Ancín Viguiristi, Joaquín	General Manager – Acciona Energy - Engineering, Construction and Innovation
Antúnez Cid, Isabel	General Manager – Acciona Property
Arilla de Juana, Carlos	General Manager - Economic and Financial Area
Beltrán Núñez, Raúl	Director of Internal Audit
Blanco Diéguez, José Luis	General Manager - Acciona Windpower
Cabanillas Alonso, Pío	General Manager - Corporate Image and Global Marketing
Callejo Martínez, Alfonso	General Manager - Corporate Resources
Carrion López de la Garma, Macarena	General Manager - Office of the Chairman
Castilla Cámara, Luis	CEO - Acciona Infrastructure
Claudio Vázquez, Adalberto	General Manager Civil Works - Acciona Infrastructure
Corella Hurtado, Olga	General Manager - Acciona Infrastructure - Economic Control Area
Cruz Palacios, Juan Manuel	General Manager - Acciona Infrastructure - Labour Relations,

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Name or registered name	Position(s) held
	Environment Quality Plan and Sustainability
Díaz-Caneja Rodríguez, José Luis	Area General Manager - Acciona Water
Ezpeleta Puras, Arantza	General Manager - International Area - Office of the Chairman
Fajardo Gerez, Fernando	Area General Manager - Acciona Infrastructure – Australia and the South-East Asia
Farto Paz, José María	Area General Manager - Acciona Infrastructure – Galicia
Fernández López, Roberto	Area General Manager - Acciona Infrastructure - Corporate Resources
Figueroa Gómez de Salazar, José Julio	Area General Manager – Legal Services
Jiménez Serrano, Ramón	Area General Manager – Acciona Industrial, Acciona Engineering and Acciona service
López Fernández, Carlos	Area General Manager – Acciona Industrial Engineering
Luna Butz, Walter	CEO - Acciona Property
Mateo Alcalá, Rafael	CEO - Acciona Energy
Medina Sánchez, Eduardo	Area General Manager - Acciona Energy - Business Development
Molina Oltra, Ricardo Luis	Area General Manager - Acciona Service
Mollinedo Chocano, Joaquín	General Manager - Institutional Relations
Muro-Lara Girod, Juan Antonio	General Manager - Corporate Development and Relations with Investors
Navas García, Carlos	Area General Manager - Acciona Airport Services
Rivas Anoro, Félix	Area General Manager - Procurement, Innovation, Quality and the Environment
Santamaria-Paredes Castillo, Vicente	Area General Manager – Compliance
Silva Ferrada, Juan Ramón	Area General Manager – Sustainability
Soto Conde, Antonio	Area General Manager – Hijos de Antonio Barceló
Tejero Santos, José Ángel	Area General Manager - Economic Oversight and Finance
Tercero Mateos, José Manuel	Area General Manager - Acciona Infrastructure - Economics and Finance
Vega-Penichet Lopez, Jorge	General Secretary
Vicente Pelegrini, Justo	Area General Manager - Acciona Infrastructure Spain and Construction Africa, Sweden and Emirates

### C. Auditor

In 2016, the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., or by firms in the Deloitte organisation, and the fees billed by the auditors of the financial statements of the consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	Services provided by the main auditor		Services provided by other audit firms	
	2016	2015	2016	2015
Audit services	3,282	3,485	1,654	1,806
Other assurance services	383	451	1,037	379
<b>Total audit and related services</b>	<b>3,665</b>	<b>3,936</b>	<b>2,691</b>	<b>2,185</b>
Tax advisory services	807	608	790	914
Other services	3,537	1,659	3,998	4,541
<b>Total professional services</b>	<b>4,344</b>	<b>2,267</b>	<b>4,788</b>	<b>5,455</b>

**35. - Other disclosures concerning the Board of Directors**

Pursuant to Article 229 of Royal Legislative Decree 1/2010, of 2 July, whereby the rewritten text of the Capital Companies Act is approved, at 31 December 2015, according to the information available to the Company and notified by Directors and their related parties, they were not affected by any situations of conflict, whether direct or indirect, with the Company's interests.

**36. - Average period for payment 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:

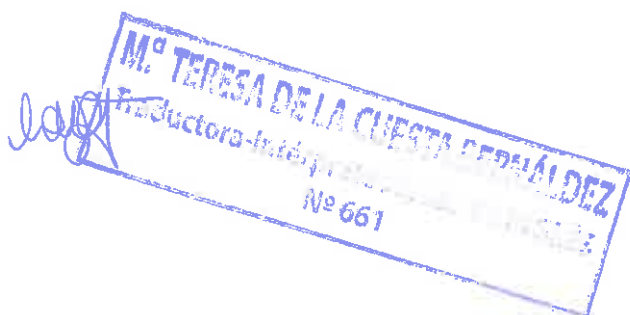
Average payment period and payments made and payments outstanding at the balance sheet date in Spain	2016	2015
	Days	Days
Average period for payment to suppliers	42	41
Paid operations ratio	40	38
Operations outstanding ratio	55	54
(thousand euros)	Amount	Amount
Total payments made	2,344,181	2,182,726
Total payments outstanding	411,792	502,125

“Average period for 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 for 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 operations outstanding 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 accounts) and whose denominator is the total amount of payments outstanding.



## APPENDIX I

GROUP COMPANIES

The subsidiaries of ACCIONA, S.A. considered to be Group companies were treated as such in accordance with IFRS. The companies fully consolidated in 2016, and the information thereon at 31 December 2016, were the following (amounts in thousand euros):

Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
3240934 Nova Scotia Company	--	Canada	Energy	100.00%	Subgroup Acciona Renewable Canadá	146
Acciona Wind Energy Canada Inc.	--	Canada	Energy	66.67%	Subgroup Acciona Energia Internacional	36,819
Acciona & Sogex Facility Services LLC	--	Oman	Urban Services	70.00%	Subgroup Acciona Facility Services	248
Acciona Agua Adelaide Pty Ltd	A	Australia	Water Treatment	100.00%	Subgroup Acciona Agua Australia	7
Acciona Agua Australia Proprietary, Ltd	A	Australia	Water Treatment	100.00%	Subgroup Acciona Agua	5
Acciona Agua Brasil - Tratamento De Agua Ltd	--	Brazil	Water Treatment	100.00%	Subgroup Acciona Agua	2,435
Acciona Agua Canada Inc	--	Canada	Water Treatment	100.00%	Subgroup Acciona Agua	7
Acciona Agua India Private Limited	F	India	Water Treatment	100.00%	Subgroup Acciona Agua	1,229
Acciona Agua Internacional Australia Pty, Ltd	A	Australia	Water Treatment	100.00%	Subgroup Acciona Agua Internacional	--
Acciona Agua Internacional Inc	--	Canada	Water Treatment	100.00%	Subgroup Acciona Agua Internacional	7
Acciona Agua Internacional, S.L	--	Madrid	Water Treatment	100.00%	Subgroup Acciona Agua	4
Acciona Agua Mexico, S R L De C V	B	Mexico	Water Treatment	100.00%	Subgroup Acciona Agua	5,612
Acciona Agua Servicios S.L	A	Madrid	Water Treatment	100.00%	Subgroup Acciona Agua	51,130
Acciona Agua, S.A	A	Madrid	Water Treatment	100.00%	Subgroup Corporación Acciona Infraestructuras	284,285
Acciona Airport Services Dusseldorf GmbH	A	Germany	Logistic Services	100.00%	Subgroup Acciona Airport Services Frankfurt	25
Acciona Airport Services Barcelona, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Airport Services	3
Acciona Airport Services Canarias, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Airport Services	3
Acciona Airport Services Chile, Spa	--	Chile	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	--
Acciona Airport Services Este, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Airport Services	3
Acciona Airport Services Frankfurt, GmbH	A	Germany	Logistic Services	100.00%	Acciona	5,637
Acciona Airport Services Madrid, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Airport Services	3
Acciona Airport Services Norte, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	2
Acciona Airport Services Sur, S.L	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Airport Services	3
Acciona Airport Services, S.A	A	Madrid	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	24,004
Acciona Biocombustibles, S.A	--	Navarra	Energy	100.00%	Subgroup Acciona Energia	12,871

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Acciona Biomasa	--	Navarra	Energy	100 00%	Subgroup Acciona Energía	3
Acciona Cerro Negro, S.A.	--	Chile	Water Treat/Construction	100 00%	Subgroup Acciona Construcción	4
Acciona Concesiones Australia Pty Limited	--	Australia	Concesion Operation	100 00%	Subgroup Acciona Concesiones	--
Acciona Concesiones Chile, S.A.	B	Chile	Holding Company	100 00%	Subgroup Acciona Construcción	57,731
Acciona Concesiones, S.L.	A	Madrid	Holding Company	100 00%	Acciona	4,988
Acciona Concessions Management Inc	A	Canada	Holding Company	100 00%	Subgroup Acciona Concesiones	4,142
Acciona Construccion, S.A.	B	Madrid	Construction	100 00%	Subgroup Corporación Acciona Infraestructuras	332,227
Acciona Copiapo, S.A.	--	Chile	Water Treat/Construction	100 00%	Subgroup Acciona Construcción	4
Acciona Corporacion, S.A.	--	Madrid	Instrumental	100 00%	Subgroup Finanzas y Cartera 2	60
Acciona Desarrollo Corporativo, S.A.	--	Madrid	Instrumental	100 00%	Subgroup Finanzas y Cartera 2	60
Acciona Do Brasil, Ltda	E	Brazil	Holding Company	100 00%	Subgroup Acciona Construcción	15,805
Acciona Energia Atlanta I, S.L.	--	Madrid	Energy	66 67%	Subgroup Acciona Energía Internacional	2
Acciona Energia Atlanta II, S.L.	--	Madrid	Energy	66 67%	Subgroup Acciona Energía Internacional	2
Acciona Energia Atlanta III, S.L.	--	Madrid	Energy	66 67%	Subgroup Acciona Energía Internacional	2
Acciona Energia Chile	B	Chile	Energy	100 00%	Subgroup Acciona Energía Global	37
Acciona Energia Chile Holdings, SA	B	Chile	Energy	100 00%	Subgroup Acciona Energía Global	143
Acciona Energia Costa Rica, S.A.	--	Costa Rica	Energy	100 00%	Subgroup Acciona Energía Global	479
Acciona Energia Global Italia, S.R.L.	A	Italy	Energy	100 00%	Subgroup Acciona Energía Global	3,347
Acciona Energia Global, S.L.	--	Navarra	Energy	100 00%	Subgroup Acciona Energía	12,307
Acciona Energia Internacional, S.A.	A	Navarra	Energy	66 67%	Subgroup Acciona Energía	324,000
Acciona Energia México Global LLC	A	Mexico	Energy	100 00%	Subgroup Acciona Energía Global	7,632
Acciona Energia Mexico, Srl	A	Mexico	Energy	66 67%	Subgroup Acciona Energía Internacional	3,300
Acciona Energia Servicios México S De RI De C V	A	Mexico	Energy	100 00%	Subgroup Acciona Energía Mexico Global	4,256
Acciona Energia Solar, S.L.	--	Navarra	Energy	100 00%	Subgroup Acciona Energía	1,797
Acciona Energia, S.A.	C	Navarra	Energy	100 00%	Subgroup Corp Acciona Energias Renovables	1,146,380
Acciona Energia D.O.O.	--	Croatia	Energy	100 00%	Subgroup Acciona Energía Global	--
Acciona Energy North America Corp	A	USA	Energy	66 67%	Subgroup Acciona Energía Internacional	224,438
Acciona Energy Australia Global, Pty Ltd	C	Australia	Energy	100 00%	Subgroup Acciona Energía Global	--
Acciona Energy Canada Global Corp	--	Canada	Energy	100 00%	Subgroup Acciona Energía Global	2,267
Acciona Energy Development Canada Inc	--	Canada	Energy	100 00%	Subgroup Acciona Energía Global Canadá	1,174
Acciona Energy Global Poland Sp. Z O O	C	Poland	Energy	100 00%	Subgroup Acciona Energía Global	716

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Acciona Energy India Private Limited	C	India	Energy	100.00%	Subgroup Acciona Energía Global	14,105
Acciona Energy Korea, Inc	--	South Korea	Energy	100.00%	Subgroup Acciona Energía Global	12,703
Acciona Energy Oceania Construction Pty Ltd	--	Australia	Energy	100.00%	Subgroup Acciona Energía Global Australia	1,143
Acciona Energy Oceania Financial Services Pty, Ltd	C	Australia	Energy	100.00%	Subgroup Acciona Energía Global Australia	35
Acciona Energy Oceania Pty. Ltd	C	Australia	Energy	66.67%	Subgroup Acciona Energía Internacional	102,736
Acciona Energy Poland Maintenance Services Sp. Z O O	C	Poland	Energy	100.00%	Subgroup Acciona Energía Global Polonia	24
Acciona Energy Poland Sp. Z O O	C	Poland	Energy	66.67%	Subgroup Acciona Energía Internacional	46,968
Acciona Energy South Africa (Proprietary) Limited	A	South Africa	Energy	66.67%	Subgroup Acciona Energía Internacional	34,852
Acciona Energy South Africa Global (Pty) Ltd	A	South Africa	Energy	100.00%	Subgroup Acciona Energía Global	10,823
Acciona Energy USA Global LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global	117,633
Acciona Engineering Qatar	--	Qatar	Engineering	100.00%	Subgroup Acciona Ingeniería	47
Acciona Eólica Calabria, Srl	--	Italy	Energy	100.00%	Subgroup Acciona Energía Global Italia	2,723
Acciona Eólica Cesa Italia, S R L.	A	Italy	Energy	66.67%	Subgroup Acciona Energía Internacional	5,571
Acciona Eólica Cesa, S L.	--	Madrid	Energy	100.00%	Subgroup Ceatesalas	93,938
Acciona Eólica De Castilla La Mancha, S L.	A	Madrid	Energy	100.00%	Subgroup Alabe	100
Acciona Eólica De Galicia, S A	A	Lugo	Energy	100.00%	Subgroup Corp Acciona Energías Renovables	35,716
Acciona Eólica Levante, S L.	A	Valencia	Energy	100.00%	Subgroup Alabe	19,314
Acciona Eólica Portugal Unipersonal, Lda	A	Portugal	Energy	66.67%	Subgroup Acciona Energía Internacional	24,457
Acciona EPC North America LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	9
Acciona Facility Services Automoción Catalunya, S L.	--	Madrid	Urban Services	100.00%	Subgroup Acciona Facility Services	3
Acciona Facility Services Belgique Sprl	--	Belgium	Urban Services	100.00%	Subgroup Acciona Facility Services	6
Acciona Facility Services Canada Ltd	--	Canada	Urban Services	100.00%	Subgroup Acciona Facility Services	--
Acciona Facility Services Este, S L.	--	Madrid	Urban Services	100.00%	Subgroup Acciona Facility Services	3
Acciona Facility Services Germany GmbH	--	Germany	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	5,044
Acciona Facility Services Holland B V	--	Holland	Urban Services	100.00%	Subgroup Acciona Facility Services	18
Acciona Facility Services Italia, Srl	--	Italy	Urban Services	100.00%	Subgroup Acciona Facility Services	12
Acciona Facility Services Portugal	E	Portugal	Urban Services	100.00%	Subgroup Acciona Facility Services	1,048
Acciona Facility Services Sur, S A	--	Toledo	Urban Services	100.00%	Subgroup Multiservicios Acciona Facility Services	262
Acciona Facility Services, S A	A	Barcelona	Urban Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	101,518
Acciona Financiacion De Filiales Chile Spa	B	Chile	Financial	100.00%	Acciona	21,144

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Acciona Financiación Filiales	A	Madrid	Financial	100 00%	Acciona	411 826
Acciona Forwarding Argentina, S.A.	--	Argentina	Logistic Services	100 00%	Subgroup Acciona Forwarding	673
Acciona Forwarding Brasil	E	Brazil	Logistic Services	98 71%	Subgroup Acciona Forwarding	3 305
Acciona Forwarding Canarias, S.L.	E	The Canaries	Logistic Services	100 00%	Subgroup Acciona Forwarding	389
Acciona Forwarding, S.A.	A	Madrid	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	5,628
Acciona Global Renewables, S.A.	--	Madrid	Energy	66 67%	Subgroup Acciona Energia	40
Acciona Green Energy Developments, S.L.	C	Navarra	Energy	100 00%	Subgroup Acciona Energia	1,000
Acciona Ground Services, S.L.	--	Madrid	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	2
Acciona Handling Services, S.L.	--	Valencia	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	--
Acciona Health Care Services, S.L.	--	Madrid	Urban Services	100 00%	Subgroup Acciona Facility Services	3
Acciona Industrial, S.A.	B	Sevilla	Construction	100 00%	Subgroup Acciona Construcción	35,060
Acciona Infraestructuras Colombia SAS	--	Colombia	Construction	100 00%	Subgroup Acciona Construcción	6
Acciona Infraestructuras Residenciales México S.A.	B	Mexico	Construction	100 00%	Subgroup Acciona Construcción	2
Acciona Infraestructuras-Electr. Hospital David	E	Panama	Construction	75 00%	Subgroup Acciona Construcción	6
Acciona Infrastructure Asia Pacific Pty Limited	--	Australia	Construction	100 00%	Subgroup Acciona Construcción	--
Acciona Infrastructure New Zealand, Ltd	--	New Zealand	Construction	100 00%	Subgroup Acciona Construcción	20
Acciona Infraestructures Australia Pty Ltd	B	Australia	Construction	100 00%	Subgroup Acciona Construcción	16,962
Acciona Ingeniería Colombia, S.A.S.	--	Colombia	Engineering	100 00%	Subgroup Acciona Ingeniería	6
Acciona Ingeniería Industrial S.A. De C.V.	B	Mexico	Engineering	100 00%	Subgroup Acciona Ingeniería	12,211
Acciona Ingeniería, S.A.	B	Madrid	Engineering	100 00%	Subgroup Acciona Construcción	12,409
Acciona Inmobiliaria, S.L.	A	Madrid	Real Estate	100 00%	Acciona	1,434,454
Acciona Instalaciones México, S.A De C.V.	B	Mexico	Construction	100 00%	Subgroup Acciona Industrial	122
Acciona Inversiones Corea, S.L.	--	Navarra	Energy	100 00%	Subgroup Acciona Energia Global	--
Acciona Logística, S.A.	--	Madrid	Holding Company	100 00%	Acciona	326,889
Acciona Mantenimiento De Infraestructuras, S.A.	B	Madrid	Construction	100 00%	Subgroup Acciona Construcción	278
Acciona Medioambiente, S.A.	A	Valencia	Urban Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	--
Acciona Multiservicios, S.A.	A	Madrid	Urban Services	100 00%	Subgroup Acciona Facility Services	700
Acciona Nieruchomosci, Sp. Z O O	--	Poland	Real Estate	100 00%	Subgroup Acciona Inmobiliaria	7,705
Acciona Operación y Mantenimiento S.R.L De C.V.	A	Mexico	Urban Services	100 00%	Subgroup Acciona Facility Services	681
Acciona Portugal II - Energia Global Lda	--	Portugal	Energy	100 00%	Subgroup Acciona Energia Global	1
Acciona Producciones y Diseño, S.A.	B	Madrid	Audio visual services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	7,805

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Acciona Project Management Mexico S A de C V	E	Mexico	Urban Services	100 00%	Subgroup Acciona Facility Services	1,170
Acciona Rail Services, S A	--	Madrid	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	256
Acciona Real Estate S A U	A	Madrid	Real Estate	100 00%	Subgroup Acciona Inmobiliaria	399,506
Acciona Redes y Mantenimientos Especializados, S L	--	Madrid	Urban Services	100 00%	Subgroup Acciona Facility Services	3
Acciona Renewable Energy Canada Gp Holdings Inc	--	Canada	Energy	100 00%	Subgroup Nova Scoua	3,994
Acciona Renewable Energy Canada Holdings LLC	--	USA	Energy	100 00%	Subgroup Acciona Energia Global USA	148
Acciona Saltos De Agua, S L U	A	Madrid	Energy	100 00%	Subgroup Corp Acciona Energias Renovables	70,603
Acciona Saudi Arabia For Contracting Llc	--	Arabia Saudi	Engineering	100 00%	Subgroup Acciona Industrial	123
Acciona Serv Hospitalarios, S L	--	Madrid	Holding Company	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	1,500
Acciona Service, S L	A	Madrid	Urban Services	100 00%	Subgroup Corporación Acciona Infraestructuras	143,538
Acciona Servicios Administrativos, S A de C V	B	Mexico	Real Estate	100 00%	Subgroup Acciona Facility Services	636
Acciona Servicios Concesionales, S L	A	Madrid	Concesion Operation	100 00%	Acciona	160
Acciona Servicios Ferroviarios, S L	A	Madrid	Logistic Services	100 00%	Subgroup Acciona Facility Services	21
Acciona Servicios Urbanos Medio Ambiente México, S A De C V	B	Mexico	Urban Services	100 00%	Subgroup Acciona Facility Services	1,790
Acciona Servicios Urbanos, S L	A	Madrid	Urban Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	30,809
Acciona Sistemas De Seguridad, S A	--	Madrid	Construction	100 00%	Subgroup Acciona Facility Services	411
Acciona Smart City Services, S L	--	Madrid	Urban Services	100 00%	Subgroup Acciona Facility Services	3
Acciona Solar Canarias, S A	--	The Canaries	Energy	100 00%	Subgroup Acciona Solar	617
Acciona Solar Energy LLC	--	USA	Energy	66 67%	Subgroup Acciona Energia North America	31,475
Acciona Solar Power Inc	--	USA	Energy	100 00%	Subgroup Acciona Energia Global USA	6 889
Acciona Solar S A	C	Navarra	Energy	100 00%	Subgroup Acciona Energia	4,882
Acciona Termosolar	C	Navarra	Energy	100 00%	Subgroup Acciona Energia	8,505
Acciona Water Supplies Technology Beijing Co Ltd	F	China	Water Treatment	100 00%	Subgroup Acciona Agua	319
Acciona Wind Energy Pvt Ltd	C	India	Energy	66 67%	Subgroup Acciona Energia Internacional	7,050
Acciona Wind Energy USA, LLC	--	USA	Energy	66 67%	Subgroup Acciona Energia North America	362,349
Aepo Gabon, S A	--	Gabon	Engineering	100 00%	Subgroup Acciona Ingenieria	4
Aepo Polska S P Z O O	--	Poland	Engineering	100 00%	Subgroup Acciona Ingenieria	18
Aerosite Energy Private Limited	C	India	Energy	100 00%	Subgroup Acciona Energia Global	3,020
AFS Efficient Energy Uk Limited	--	United Kingdom	Urban Services	100 00%	Subgroup Acciona Facility Services	--
AFS Empleo Social Barcelona, S L	--	Barcelona	Urban Services	100 00%	Subgroup Acciona Facility Services	3

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
AFS Empleo Social, S.L.	--	Barcelona	Urban Services	100.00%	Subgroup Acciona Facility Services	153
Agencia Marítima Transhispanica, S.A.	--	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	664
Agencia Schembri, S.A.	A	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	14.808
Agua Pilar De La Horadada S.L.	--	Madrid	Water Treatment	100.00%	Subgroup Acciona Agua Servicios	3
AIE Trafalgar	--	Cádiz	Energy	86.20%	Subgroup Acciona Energía	1.693
Alabe Mengibar, A.I.E.	--	Madrid	Energy	96.25%	Subgroup Ineuropa de cogeneración	59
Alabe Sociedad De Cogeneración, S.A.	--	Madrid	Energy	100.00%	Subgroup Corp Acciona Energías Renovables	7.448
Almeyda Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energía Global	--
Amherst Wind Construction Gp Inc	--	Canada	Energy	100.00%	Subgroup Acciona Energía Global Canadá	1.098
Anchor Wind, LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	3.511
Andrax Obres I Sanjament, S.L.	--	Mallorca	Water Treatment	100.00%	Subgroup Acciona Agua	4
Antigua Bodega De Don Cosme Palacio, S.L.	--	Alava	Winery	100.00%	Subgroup Palacio	744
Apoderada Corporativa General, S.A.	--	Madrid	Instrumental	100.00%	Acciona	60
Arsogaz 2005, S.L.	--	Madrid	Real Estate	100.00%	Subgroup Acciona Inmobiliaria	1.001
Asesores Turísticos Del Estrecho, S.A.	--	Málaga	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	186
ATLL Concesionaria De La Generalitat De Catalunya, S.A.	A	Barcelona	Water Treatment	76.05%	Subgroup Acciona Agua	47.424
Aulac Wind Power Lp	--	Canada	Energy	100.00%	Subgroup Acciona Energía Global Canadá	--
Avenir El Romero Spa	B	Chile	Energy	100.00%	Subgroup Acciona Energía Global	30.579
Bear Creek	--	USA	Energy	100.00%	Subgroup GWH Acciona Energy	1.589
Bestinver Gestion S C I I C, S.A.	C	Madrid	Financial	100.00%	Subgroup Bestinver	331
Bestinver Pensiones G.F.P., S.A.	C	Madrid	Financial	100.00%	Subgroup Bestinver	1.203
Bestinver Sociedad De Valores, S.A.	C	Madrid	Financial	100.00%	Subgroup Bestinver	5.267
Bestinver, S.A.	C	Madrid	Financial	100.00%	Acciona	6.113
Biocarburants De Catalunya, S.A.	--	Barcelona	Energy	90.00%	Subgroup Acciona Energía	1.947
Biodiesel Caparros, S.L.	--	Navarra	Energy	100.00%	Subgroup Acciona Energía	54.707
Biodiesel Del Esla Campos	--	Navarra	Energy	100.00%	Subgroup Biocombustibles	60
Biodiesel Sagunt, S.L.	--	Navarra	Energy	100.00%	Subgroup Biocombustibles	2.186
Biomasa Alcazar, S.L.	--	Madrid	Energy	100.00%	Subgroup Biomasa Nacional	303
Biomasa Briviesca, S.L.	C	Burgos	Energy	85.00%	Subgroup Biomasa Nacional	4.191
Biomasa Mijadas, S.L.	C	Madrid	Energy	100.00%	Subgroup Biomasa Nacional	3
Biomasa Sangüesa, S.L.	C	Navarra	Energy	100.00%	Subgroup Acciona Energía	100
Bodegas Palacio, S.A.	A	Alava	Winery	100.00%	Subgroup Sileno	1.526
Capey Venezuela	E	Venezuela	Construction	100.00%	Subgroup Acciona Construcción	3.883

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Ce Oaxaca Cuatro, S. De R.L. De C.V.	A	Mexico	Energy	66.67%	Subgroup Acciona Energía México	317
Ce Oaxaca Dos, S. De R.L. De C.V.	A	Mexico	Energy	66.67%	Subgroup Acciona Energía México	381
Ce Oaxaca Tres, S. De R.L. De C.V.	A	Mexico	Energy	66.67%	Subgroup Acciona Energía México	--
Ceatesalas S.L.	A	Madrid	Energy	100.00%	Subgroup Corp Acciona Energías Renovables	983,583
Cenago España, S.L.	A	Madrid	Logistic Services	92.71%	Subgroup Agencia Schembri	7,080
Centro De Servicios Compartidos De Acciona S.L.	--	Madrid	Instrumental	100.00%	Acciona	3
Ceólica Hispania S.L.	A	Madrid	Energy	100.00%	Subgroup Acciona Eólica Cesa	49,404
Cesa Eolo Steria Srl	--	Italy	Energy	66.67%	Subgroup Cesa Italia	10,581
Cirtover, S.L.	--	Madrid	Instrumental	100.00%	Acciona	3
Coefisa, S.A.	--	Switzerland	Financial	100.00%	Acciona	711
Combuslebor, S.L.	--	Murcia	Logistic Services	100.00%	Subgroup Olloquegu	506
Compañía De Aguas Paguera, S.L.	--	Mallorca	Water Treatment	100.00%	Subgroup Gesba	1,803
Compañía Eólica Granadina S.L.	A	Granada	Energy	50.00%	Subgroup Ceólica	2,930
Compañía Internacional De Construcciones	--	Panama	Financial	100.00%	Acciona	1,353
Compañía Trasmediterránea, S.A.	A	Madrid	Logistic Services	92.71%	Subgroup Acciona Logística	260,540
Compañía Urbanizada Del Coto, S.I.	A	Madrid	Real Estate	99.66%	Subgroup Acciona Real Estate	221,003
Consortio Acciona Ossa, S.A.	--	Chile	Construction	65.00%	Subgroup Acciona Construcción	5
Consortio Acciona_Ossa Andina S.A.	--	Chile	Construction	65.00%	Subgroup Acciona Construcción	4
Consortio Constructor Araucaria Ltd	--	Chile	Construction	60.00%	Subgroup Acciona Construcción	3
Consortio Eólico Chinpa, S.A.	A	Costa Rica	Energy	65.00%	Subgroup Acciona Energía	--
Construcciones Residenciales Mexico, C.B.	B	Mexico	Construction	100.00%	Subgroup Acciona Construcción	3,220
Constructora El Paso S.P.A.	--	Chile	Construction	100.00%	Subgroup Acciona Construcción	8
Constructora La Fauzana, Spa	--	Chile	Construction	100.00%	Subgroup Acciona Construcción	8
Constructora Ruta 160, S.A.	B	Chile	Construction	100.00%	Subgrupo Acciona Concesiones Chile	92,058
Copane Valores, S.L.	--	Madrid	Instrumental	100.00%	Acciona	55,779
Corporación Acciona Energías Renovables, S.L.	A	Madrid	Energy	100.00%	Acciona	2,917,224
Corporación Acciona Eólica, S.A.	A	Madrid	Energy	100.00%	Subgroup Corp Acciona Energías Renovables	343,503
Corporación Acciona Hidráulica, S.A.	A	Madrid	Energy	100.00%	Subgroup Corp Acciona Energías Renovables	65,003
Corporación Acciona Infraestructuras S.L.	--	Madrid	Holding Company	100.00%	Acciona	760,652
Corporación De Explotaciones y Servicios, S.A.	--	Madrid	Holding Company	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	3,829
Corporación Eólica Catalana S.L.	--	Madrid	Energy	100.00%	Subgroup Ceólica	12
Corporación Eólica De Valdivia S.L.	--	Madrid	Energy	100.00%	Subgroup Ceólica	12,405
Corporación Eólica La Cañada S.L.	--	Madrid	Energy	100.00%	Subgroup Ceatesalas	1,368
Corporación Eólica Sora S.A.	--	Zaragoza	Energy	60.00%	Subgroup Ceólica	835

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Demsey Ridge Wind Farm, LLC	A	USA	Energy	66.67%	Subgroup Acciona Wind Energy USA	143,729
Depurar 7B, S.A	E	Aragón	Water Treatment	100.00%	Subgroup Acciona Agua	4,892
Depurar 8B, S.A	E	Aragón	Water Treatment	100.00%	Subgroup Acciona Agua	5,939
Desarrolladora De infraestructura Hispano-Peninsular, S.A. De C.V	B	Mexico	Construction	60.00%	Subgroup Acciona Construcción	1
Desarrolladora De Infraestructuras Hispano-Mexicanas, S.A. De C.V	B	Mexico	Construction	100.00%	Subgroup Acciona Construcción	5
Desarrollos Revolt Del Llobregat, S.L	--	Madrid	Real Estate	100.00%	Subgroup Acciona Inmobiliaria	32,461
Desarrollos y Construcciones, S.A. De C.V	B	Mexico	Construction	100.00%	Subgroup Acciona Construcción	7,828
Dren, S.A	--	Madrid	Holding Company	100.00%	Acciona	1,115
Ecogrove	A	USA	Energy	66.67%	Subgroup Acciona Wind Energy USA	165,934
Ecovista Wind, LLC	--	USA	Energy	100.00%	Subgroup Ecoenergy	--
EFN Slovenia	--	Slovenia	Energy	100.00%	Subgroup Acciona Energia Global	--
Emp Diseño Constr. Cons. Jardines y Zonas Verdes, S.A	--	Málaga	Construction	100.00%	Subgroup Acciona Construcción	546
Empordavent S.L.U	C	Barcelona	Energy	100.00%	Subgroup Acciona Energia	14,206
Emprendimientos Eólicos Do Verde Horizonte, S.A	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	5,248
Emprendimientos Eólicos Ribadelide, S.A	A	Portugal	Energy	66.67%	Subgroup Acciona Eolica Portugal	3,662
Empresa Operadora ATLL, S.A	A	Barcelona	Water Treatment	100.00%	Subgroup Acciona Agua	60
Enalia, Ltda	E	Colombia	Winery	100.00%	Subgroup Hijos de Antonio Barceló	2,136
Energiea Servicios y Mantenimiento S.L	A	Barcelona	Energy	100.00%	Subgroup Terranova Energy Corporation	3
Energia Renovable Del Istmo II SA de Cv	--	Mexico	Energy	100.00%	Subgroup Acciona Energia Mexico Global	12,732
Energia Renovables De Barazar, S.L	--	Madrid	Energy	100.00%	Subgroup Ceatesalas	47,836
Energías Alternativas De Teruel S.A	--	Teruel	Energy	51.00%	Subgroup Acciona Energia	82
Energías Eólicas De Catalunya, S.A	C	Barcelona	Energy	100.00%	Subgroup Acciona Energia	6,000
Energías Renovables De Ricobayo S.A	--	Madrid	Energy	50.00%	Subgroup Ceólica	294
Energías Renovables El Abra S.L	--	Vizcaya	Energy	100.00%	Subgroup Ceólica	5,798
Energías Renovables Operación y Mantenimiento, S.L	A	Barcelona	Urban Services	100.00%	Subgroup Multiservicios Acciona Facility Services	3
Energías Renovables Peña Nebina S.L	A	Madrid	Energy	100.00%	Subgroup Ceólica	2,625
Entidad Efinea, S.A	--	Madrid	Instrumental	100.00%	Acciona	4,508
Entorno Urbano y Medio Ambiente, S.L	--	Murcia	Urban Services	50.00%	Subgroup Acciona Servicios Urbanos	2
Entrecanales y Tavora Gibraltar, Ltd	--	Gibraltar	Construction	100.00%	Subgroup Acciona Construcción	37,645
Eólica De Rubió S.A	C	Barcelona	Energy	100.00%	Subgroup Acciona Energia	6,000
Eólica De Zorraquín, S.L	C	Madrid	Energy	66.00%	Subgroup Acciona Energia	603
Eólica Villanueva, S.L	C	Navarra	Energy	66.66%	Subgroup Acciona Energia	867
Eolicos Breogan S.L	--	Pontevedra	Energy	100.00%	Subgroup Ceólica	5,028
ES Legarda, S.L	--	Navarra	Energy	100.00%	Subgroup	8,424


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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
					Biocombustibles	
Estibadora Puerto Bahía, S.A	--	Cádiz	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	--
Estudios y Construcciones De Obras, S.A. De C.V	--	Mexico	Construction	50.00%	Subgroup Acciona Construcción	--
Europa Ferrys, S.A.	A	Cadiz	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	18,669
Eurus S.A. P.I. De C.V	A	Mexico	Energy	62.67%	Subgroup Acciona Energia Mexico	2
Finanzas Dos, S.A.	--	Madrid	Instrumental	100.00%	Acciona	6,626
Finanzas Nec, S.A.	--	Madrid	Financial	100.00%	Subgroup Acciona Inmobiliaria	61
Finanzas y Cartera Dos, S.A.	--	Madrid	Holding Company	100.00%	Acciona	160
Finanzas y Cartera Uno, S.A.	--	Madrid	Instrumental	100.00%	Acciona	15
Flughafendienst Av GmbH	--	Germany	Logistic Services	100.00%	Subgroup Acciona Airport Services	28
Frigoriferi Di Favazzano, S.P.A.	--	Italy	Logistic Services	100.00%	Subgroup Acciona Logistica	2,858
Frigorificos Caravaca, S.L.	--	Murcia	Logistic Services	100.00%	Subgroup Olloquegui	3,893
Fujin Power Private Limited	C	India	Energy	100.00%	Subgroup Acciona Energia Global	3,020
Generación De Energia Renovable S.A.	--	Alava	Energy	100.00%	Subgroup Ceólica	4,438
Generica De Construcc Y Mto. Industrial, S.A.	--	Zaragoza	Construction	100.00%	Subgroup Acciona Construcción	107
Gestio Catalana D'Aigues, S.A.	--	Barcelona	Water Treatment	100.00%	Subgroup Acciona Agua	60
Gestion De Recursos Corporativos, S.L.	--	Navarra	Energy	100.00%	Acciona	3
Gestion De Servicios Urbanos Baleares, S.A.	--	Mallorca	Water Treatment	100.00%	Subgroup Acciona Agua Servicios	7,234
Gouda Wind Facility (Proprietary) Limited	A	South Africa	Energy	34.00%	Subgroup Acciona Energia Sudáfrica	5,760
Grupo Transportes Frigorificos Murcianos, S.L.	--	Murcia	Logistic Services	100.00%	Subgroup Olloquegui	934
Gsd Flughafen GmbH	--	Germany	Logistic Services	100.00%	Subgroup Acciona Airport Services	25
Guadalaviar Consorcio Eólico Alabe Energía, S.A.	--	Madrid	Energy	100.00%	Subgroup Alabe	250
Gunning Wind Energy Developments Pty Ltd	C	Australia	Energy	66.67%	Subgroup Gunning Wind Energy	1,827
Gunning Wind Energy Holdings Pty Ltd	C	Australia	Energy	66.67%	Subgroup Acciona Energia Oceania	1,827
Gwh-Acciona Energy LLC	--	USA	Energy	100.00%	Subgroup Acciona Energia Global USA	--
Heartland Windpower, LLC	--	USA	Energy	100.00%	Subgroup Acciona Energia Global USA	--
Hermes Logística, S.A.	A	Barcelona	Logistic Services	92.36%	Subgroup Acciona Trasmediterranea	3,855
Hidroeléctrica Del Serradó, S.L.	A	Barcelona	Energy	100.00%	Subgroup Acciona Saltos de Agua	1,844
Hijos De Antonio Barcelo, S.A.	A	Madrid	Winery	100.00%	Acciona	31,710
Hospital De Leon Bajo, S.A. De C.V.	E	Mexico	Concession	100.00%	Acciona	2,960
Iber Rail France, S.L.	--	France	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	170
Iberica Arabian Co Ltd	--	Saudi Arabia	Engineering	100.00%	Subgroup Acciona Ingenieria	120
Iberinsa Do Brasil Engenharia Ltda	--	Brazil	Engineering	100.00%	Subgroup Acciona Ingenieria	529
Inantic, S.A.	--	Madrid	Instrumental	100.00%	Subgroup Acciona Construcción	560
Intime, S.A.	--	Madrid	Urban Services	100.00%	Subgroup Acciona Servicios Urbanos y	--

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
					Medio Ambiente	
Ineuropa De Cogeneracion, S A	--	Madrid	Energy	100 00%	Subgroup Corp Acciona Energias Renovables	18,462
Infraestructuras Ayora, S L	--	Madrid	Energy	84 72%	Subgroup Guadalaviar	3
Inmobiliaria Parque Reforma, S A De CV	A	Mexico	Real Estate	100 00%	Subgroup Acciona Inmobiliaria	34,357
INR Eólica, S A	--	Sevilla	Energy	100 00%	Subgroup Acciona Energia	613
Interlogística Del Frio, S A	A	Barcelona	Logistic Services	100 00%	Subgroup Acciona Logística	16,819
Interurbano De Prensa, S A	A	Madrid	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	2,714
Kw Tarifa, S A	--	Madrid	Energy	100 00%	Subgroup Corp Acciona Energias Renovables	8,134
Lambarene Necso Gabon	D	Gabon	Construction	100 00%	Subgroup Acciona Construcción	152
Lameque Wind Power Lp	A	Canada	Energy	66 67%	Subgroup Acciona Wind Energy Canadá	14,086
Logística Del Transporte Sib, S A	--	Murcia	Logistic Services	100 00%	Subgroup Olloquegui	1,050
Lusoneco	--	Portugal	Real Estate	100 00%	Subgroup Acciona Inmobiliaria	6,573
Malgarda I Spa	--	Chile	Energy	100 00%	Subgroup Acciona Energia Global	--
Malgarda II Spa	--	Chile	Energy	100 00%	Subgroup Acciona Energia Global	--
Maritime Global Operator, Ltd	--	Malta	Logistic Services	92 71%	Subgroup Acciona Transmediterranea	172,510
MDC Airport Consult GmbH	--	Germany	Logistic Services	100 00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	1,685
Meltemi South Sp. Z O O	--	Poland	Energy	66 67%	Subgroup Acciona Energia Polonia	--
Meltemi Sp. Z O O	C	Poland	Energy	66 67%	Subgroup Acciona Energia Polonia	36,265
Metrologia y Comunicaciones, S A	--	Madrid	Construction	100 00%	Subgroup Acciona Construcción	150
Millatres 2003, S L	--	Tenerife	Logistic Services	92 71%	Subgroup Agencia Schemeri	3
Mostostal Warszawa S A	B	Poland	Construction	50 00%	Subgroup Acciona Construcción	24,316
Moura Fabrica Solar, Lda	B	Portugal	Energy	100 00%	Subgroup Acciona Energia Global	13,571
Mt Gellibrand Wind Farm Holding Pty Ltd	--	Australia	Energy	100 00%	Subgroup Acciona Energia Global	--
Mt Gellibrand Wind Farm Pty, Ltd	--	Australia	Energy	100 00%	Subgroup Acciona Energia Global Australia	397
Multiservicios Grupo Ramel, S A	--	Barcelona	Urban Services	100 00%	Subgroup Acciona Facility Services	1,500
Murfitrans, S L	--	Murcia	Logistic Services	100 00%	Subgroup Olloquegui	233
Necso Canada, Inc	B	Canada	Construction	100 00%	Subgroup Acciona Construcción	149,477
Necso Entrecanales Cubiertas Mexico, S A De CV	B	Mexico	Construction	100 00%	Subgroup Acciona Construcción	553
Necso Hong Kong, Ltd	--	Hong Kong	Construction	100 00%	Subgroup Acciona Construcción	1,936
Necso Triunfo Construccoes Ltda	--	Brazil	Construction	50 00%	Subgroup Acciona Construcción	155
Nevada Solar One, LLC	A	USA	Energy	66 67%	Subgroup NVS1 Investment Group	13,151


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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Northwinds Trading (Proprietary) Limited	--	South Africa	Engineering	100.00%	Subgroup Acciona Industrial	--
Notos Produção De Energia Lda	B	Portugal	Energy	46.67%	Subgroup Sayago	200
NvsI Investment Group LLC	--	USA	Energy	66.67%	Subgroup Acciona Solar Energy	13,151
Operadora De Servicios Hospitalarios, S.A. De C.V.	E	Mexico	Concession Operation	100.00%	Subgroup Acciona Servicios Hospitalarios	3
P & S Logistica Integral Peru	E	Perú	Logistic Services	89.54%	Subgroup Acciona Forwarding	757
Pacific Renewable Energy Generation LLC	--	USA	Energy	100.00%	Subgroup Acciona Energia Global USA	--
Packivity, S.A.	--	Madrid	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	65
Parco Eólico Cocullo S.P.A.	A	Italy	Energy	66.67%	Subgroup Cesa Italia	14,240
Paris Aquitaine Transports, S.A.	--	France	Logistic Services	100.00%	Subgroup Olloquegui	1,236
Parque Eólico Da Costa Vicentina, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	5,403
Parque Eólico Da Raia, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	1,843
Parque Eólico De Marnique, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	1,314
Parque Eólico De Ptaçana, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	1,139
Parque Eólico Do Marão, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	2,551
Parque Eólico Do Outeiro, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	14,483
Parque Eólico Dos Fiéis, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	882
Parque Eólico El Chaparro	--	Navarra	Energy	100.00%	Subgroup Alabe	5
Parque Eólico Escobar, S.A.	A	Toledo	Energy	100.00%	Subgroup Ceólica	1,539
Parque Eólico La Esperanza S.L.	A	Madrid	Energy	100.00%	Subgroup Ceólica	2,644
Parque Eólico Peralejo, S.A.	A	Toledo	Energy	100.00%	Subgroup Ceólica	1,020
Parque Eólico San Gabriel Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energia Global	4,133
Parque Eólico Villamayor S.L.	A	Madrid	Energy	100.00%	Subgroup Ceólica	6,127
Parque Reforma Santa Fe, S.A. De C.V.	A	Mexico	Real Estate	100.00%	Subgroup Parque Reforma	14,482
Parques Eólicos Celadas, S.L.	A	Madrid	Energy	100.00%	Subgroup Ceólica	4,599
Parques Eólicos De Ciudad Real S.L.	A	Madrid	Energy	100.00%	Subgroup Ceólica	7,844
Parques Eólicos Del Cerrato S.L.	A	Madrid	Energy	100.00%	Subgroup Ceólica	1,375
PAT Cargo, S.A.	E	Chile	Logistic Services	57.50%	Subgroup Acciona Forwarding	687
Pia Cos S.R.L.	--	Italy	Water Treatment	100.00%	Subgroup Acciona Agua	10
Pichilingue Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energia Global	--
Pihlin Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energia Global	--
Pitagora Srl	A	Italy	Energy	66.67%	Subgroup Cesa Italia	5,854
Press Cargo Colombia, S.A.	E	Colombia	Logistic Services	99.34%	Subgroup Acciona Forwarding Peru	361
Pridagua Tratamiento De Aguas y Residuos, Lda	--	Portugal	Water Treatment	100.00%	Subgroup Acciona Agua	--
Pridesa America Corporation	--	USA	Water Treatment	100.00%	Subgroup Acciona Agua	--
Punta Palmeras, S.A.	B	Chile	Energy	66.67%	Subgroup Acciona	28,990

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
					Energía Internacional	
Pyrenees Wind Energy Developments Pty Ltd	C	Australia	Energy	66.67%	Subgroup Acciona Energía Oceania	8,491
Pyrenees Wind Energy Holdings Pty Ltd	C	Australia	Energy	66.67%	Subgroup Pyrenees Wind Energy	5,675
Ramwork, S.A.	--	Barcelona	Urban Services	99.98%	Subgroup Acciona Facility Services	500
Ravi Urja Energy India Pvt Ltd	C	India	Energy	100.00%	Subgroup Acciona Energía Global	3,115
Red Hills Finance, LLC	A	USA	Energy	66.67%	Subgroup Acciona Wind Energy USA	8,863
Red Hills Holding, LLC	--	USA	Energy	66.67%	Subgroup Red Hills Finance	16,294
Rendos, S.A.	--	Madrid	Financial	100.00%	Acciona	18,720
Renovables Del Penedés, S.A.U.	--	Badajoz	Energy	100.00%	Subgroup Acciona Energía	3,590
Riacho Novo Empreendimentos Imobiliarios, Ltda	--	Brazil	Real Estate	100.00%	Subgroup Acciona Imobiliaria	3,900
Rio Paraíba Do Sul Serviços Ltda	--	Brazil	Concession Operation	100.00%	Subgroup Acciona do Brasil	551
Rodovia Do Aço, S.A.	E	Brazil	Concession	100.00%	Subgroup Acciona Construcción	75,856
Rústicas Vegas Altas, S.L.	C	Badajoz	Energy	100.00%	Subgroup Acciona Energía	7,000
S.C. A2 Tramo 2, S.A.	A	Guadalajara	Concession	100.00%	Acciona	14,876
S.C. Acciona Concesiones Ruta 160	B	Chile	Concession	100.00%	Subgrupo Acciona Concesiones Chile	34,082
S.C. DLP, S.A.	--	Madrid	Construction	60.00%	Subgroup Acciona Construcción	571
S.C. Hospital Del Norte, S.A.	A	Madrid	Concession	95.00%	Acciona	9,103
Salto Del Nansa, S.A.U.	A	Santander	Energy	100.00%	Subgroup Acciona Saltos de Agua	73,038
Salto y Centrales De Catalunya, S.A.	A	Barcelona	Energy	100.00%	Subgroup Acciona Saltos de Agua	38,238
San Roman Finance Llc	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	60,907
San Roman Holding Llc	--	USA	Energy	100.00%	Subgroup San Roman Holding Llc	60,907
San Roman Wind I, LLC	A	USA	Energy	100.00%	Subgroup San Roman Holding Llc	60,907
San Solar Energy Facility (Proprietary) Limited	A	South Africa	Energy	100.00%	Subgroup Acciona Energía Global Sudáfrica	418
Se Acciona Facility Services Automotive Srl	--	Romania	Urban Services	100.00%	Subgroup Acciona Facility Services	--
Sociedad Empresarial De Financiacion y Comercio, S.L.	--	Madrid	Financial	100.00%	Acciona	138
Sierra De Selva, S.L.	C	Navarra	Energy	100.00%	Subgroup Acciona Energía	17,126
Sileno, S.A.	--	Alava	Winery	100.00%	Subgroup Hijos de Antonio Barceló	7,615
Sishen Solar Facility (Proprietary) Limited	A	South Africa	Energy	34.00%	Subgroup Acciona Energía Sudáfrica	353
Sistemas Energéticos Sayago, S.L.	--	Madrid	Energy	66.67%	Subgroup Acciona Energía Internacional	213
Sistemas Energeticos Valle De Sedano, S.A.	A	Madrid	Energy	100.00%	Subgroup Ceólica	20,837
Sociedad Explotadora De Recursos Eólicos, S.A.	A	Portugal	Energy	66.67%	Subgroup Acciona Eólica Portugal	4,818
Sociedad Istmeña Desarrollo Eólico, SRL De C.V.	--	Mexico	Energy	100.00%	Subgroup Acciona Energía Mexico Global	1,206
Sociedad Levantina De Obras y Servicios, S.A.	--	Valencia	Construction	100.00%	Subgroup Acciona Construcción	1,503

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Sociedad San Rafael Hidráulica S.A. De C.V.	B	Mexico	Engineering	100.00%	Subgroup Acciona Ingeniería	11,849
Soconfil, S.A.	--	Madrid	Instrumental	100.00%	Subgroup Finanzas y Cartera 2	60
Solar Fields Energy Photo Voltaic India Pvt Ltd	C	India	Energy	100.00%	Subgroup Acciona Energía Global	2,298
Solomon Forks Wind Farm, LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	68
Starke Wind Goltee Sp. Z.O.O.	C	Poland	Energy	66.67%	Subgroup Acciona Energía Polonia	6,034
Sun Photo Voltaic Energy India Pvt Ltd	C	India	Energy	100.00%	Subgroup Acciona Energía Global	17,133
Surya Energy Photo Voltaic India Pvt Ltd	C	India	Energy	100.00%	Subgroup Acciona Energía Global	252
Table Mountain Wind LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	7
Tajro, Sp. Z.O.O.	--	Poland	Real Estate	100.00%	Subgroup Acciona Inmobiliaria	33,458
Tatanka Finance LLC	--	USA	Energy	66.67%	Subgroup Acciona Wind Energy USA	776
Tatanka Holding, L.L.C.	--	USA	Energy	26.00% (100% acciones clase B)	Subgroup Tatanka	1,319
Tecnomnia Española, S.L.	--	Barcelona	Urban Services	100.00%	Subgroup Acciona Facility Services	30
Terminal De Carga Rodada, S.A.	A	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	2,941
Terminal Ferry Barcelona, S.R.L.	A	Barcelona	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	16,244
Termosolar Alvarado Dos, S.L.	--	Badajoz	Energy	100.00%	Subgroup Acciona Energía	193
Termosolar Alvarado, S.L.	C	Badajoz	Energy	100.00%	Subgroup Termosolar Nacional	11,500
Termosolar Majadas, S.L.	C	Madrid	Energy	100.00%	Subgroup Termosolar Nacional	24,059
Termosolar Palma Saetilla, S.L.	C	Madrid	Energy	100.00%	Subgroup Termosolar Nacional	49,164
Ternua Holdings B.V.	--	Holland	Energy	100.00%	Subgroup Tecusa	985
Terranova Energy Corporation	--	USA	Energy	100.00%	Subgroup Acciona Eólica Cesa	52,289
Terranova Energy Corporation S.A.	--	Barcelona	Energy	100.00%	Subgroup Ceólica	15,933
Tibest Cuatro, S.A.	--	Madrid	Instrumental	100.00%	Acciona	13,523
Tierras, S.A.	--	Madrid	Instrumental	100.00%	Acciona	18,249
Tolehén Transmisión Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energía Global	270
Tolpan Sur, Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energía Global	1,470
Torre Lugano S.L.	--	Valencia	Real Estate	100.00%	Subgroup Acciona Real Estate	6,097
Tours And Incentives, S.A.U.	--	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	464
Towarowa Park Spolka Z.O.O.	--	Poland	Real Estate	100.00%	Subgroup Acciona Inmobiliaria	15,338
Transportes Frigoríficos Murcianos, S.L.	--	Murcia	Logistic Services	100.00%	Subgroup Olloquegui	1,257
Transportes Olloquegui, S.A.	--	Navarra	Logistic Services	100.00%	Subgroup Acciona Logística	44,063
Transurme, S.A.	--	Barcelona	Logistic Services	100.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	109
Trasmediterranea Cargo, S.A.	A	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	18,187

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Company	Audit	Location	Main activity	Effect. Share %	Holder of interest	Carrying amount
Trasmediterranea Shipping Maroc, S A R L	--	Tangiers	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	9
Ttanka Wind Power LLC	A	USA	Energy	26.00% (100% acciones clase B)	Subgroup Tatanka	152,365
Tucana, Sp. Z.O.O	A	Poland	Real Estate	100.00%	Subgroup Acciona Inmobiliaria	23,300
Tuppadahalli Energy India Private Limited	C	India	Energy	66.67%	Subgroup Acciona Energía Internacional	10,891
Turrano y Aventuras, S A U	--	Madrid	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	464
Usya Spa	--	Chile	Energy	100.00%	Subgroup Acciona Energía Global	--
Valgrand 6, S A	--	Madrid	Real Estate	100.00%	Subgroup Acciona Real Estate	8,832
Velva Windfarm, LLC	--	USA	Energy	66.67%	Subgroup Acciona Wind Energy USA	8,024
Viajes Eurotras, S A	--	Cádiz	Logistic Services	92.71%	Subgroup Acciona Trasmediterranea	927
Vifedós Viña Mayor, S L	--	Madrid	Winery	100.00%	Subgroup Hijos de Antonio Barcelo	4
Vjetroelektrana Čemernica D.O.O.	--	Croatia	Energy	100.00%	Subgroup Acciona Energía Global	122
Vjetroelektrana Jelina Doo	C	Croatia	Energy	66.67%	Subgroup Acciona Energía Internacional	8,002
Vjetroelektrana Opor D O O	--	Croatia	Energy	100.00%	Subgroup Acciona Energía Global	1,444
Voltser Serviços De Operação E Manutenção De Centr	--	Portugal	Energy	100.00%	Subgroup Acciona Energía Global Portugal II	79
White Shield Wind Project LLC	A	USA	Energy	66.67%	Subgroup Acciona Wind Energy Usa Llc	65,556
Wind Farm 66, LLC	--	USA	Energy	100.00%	Subgroup Acciona Energía Global USA	921
Zwitch Wind Power Lp Inc	--	Canada	Energy	100.00%	Subgroup Acciona Renewable Canada	907

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

*[Handwritten Signature]*  
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 Nº 661

## APPENDIX II

JOINTLY CONTROLLED ENTITIES

The jointly controlled entities proportionately consolidated in the year ended 31 December 2016, in accordance with IFRS, and the information related thereto are as follows (amounts in thousand euros):

Group company	Audit	Location	Main line of business	Effect. Share %	Holder of interest	Carrying amount
Bokpoort EPC Consortium (Pty) Ltd	A	South Africa	Engineering	30.00%	Subgroup Acciona Engineering	--
Chun Chute Windfarm JV	B	Canada	Energy	22.22%	Subgroup Acciona Wind Energy Canada	4,000
Consorcio Acciona Biotec Icafal S.A	A	Chile	Construction	60.00%	Subgroup Acciona Construcción	25,893
Consorcio Hospital Ege. S.A	--	Chile	Construction	80.00%	Subgroup Acciona Construcción	5
Iniciativas Energéticas Renovables, S.L.	--	Pamplona	Energy	50.00%	Subgroup Acciona Energy	15
Liciastar (Proprietary) Limited	--	South Africa	Engineering	50.00%	Subgroup Acciona Engineering	--
Magrath Windfarm Jv	B	Canada	Energy	22.22%	Subgroup Acciona Wind Energy Canada	1,095
Quarzazate Solar 1, S.a.r.l	--	Morocco	Engineering	37.50%	Subgroup Acciona Engineering	--
Proyecto F8 Troy Aym, S.A. de C.V.	B	Mexico	Engineering	40.00%	Subgroup Acciona Industrial	--
Ripley Windfarm JV	B	Canada	Energy	33.34%	Subgroup Acciona Wind Energy Canada	4,970
Sistema Eléctrico De Evacuacion Eólica En Subestac	--	Madrid	Energy	31.90%	Subgroup Acciona Eólica Cepsa	10

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

## APPENDIX III

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The associates accounted for using the equity method in the year ended 31 December 2016, in accordance with IFRS, and the information related thereto are as follows (amounts in thousand euros):

Group companies	Audit	Location	Main line of business	Effect. Share %	Holder of interest	Carrying amount
Acciona & Ghanim Bin Saad Alsaad And Sons Group Ho	--	Qatar	Urban Services	49.00%	Subgroup Acciona Facility Services	21
Acciona Agua & Sogex I Lc	A	Oman	Water Treatment	50.00%	Subgroup Acciona Agua	--
Acciona Waste Water Treatment Plant Limited	--	Trinidad and Tobago	Water Treatment	70.00%	Subgroup Acciona Agua	3,074
Acciona Wep Holdings Inc	A	Canada	Concession	33.33%	Subgroup Acciona Concesiones	2,072
Acciones Urbanas, Servicios y Medio Ambiente, S.L.	--	Murcia	Urban Services	50.00%	Subgroup Acciona Servicios Urbanos	2
Adelaideagua Pty Ltd	A	Australia	Water Treatment	50.00%	Subgroup Acciona Agua Adelaide	--
Aguas Tratadas Del Valle De Mexico S.A. De C.V.	A	Mexico	Water Treatment	24.26%	Subgroup Acciona Agua	21,592
Aleph Solar ISA PI De CV	--	Mexico	Energy	50.00%	Subgroup Acciona Energia Mexico Global	949
Aleph Solarfield I SA PI De CV	--	Mexico	Energy	50.00%	Subgroup Acciona Energia Mexico Global	574
Aleph Solarfield II SA PI De CV	--	Mexico	Energy	50.00%	Subgroup Acciona Energia Mexico Global	574
Aleph Solarfield SA PI De CV	--	Mexico	Energy	50.00%	Subgroup Acciona Energia Mexico Global	574
Aleph Solarfields México SA PI De CV	--	Mexico	Energy	50.00%	Subgroup Acciona Energia Mexico Global	986
Algerian Water Investment, S.L.	--	Madrid	Water Treatment	50.00%	Subgroup Acciona Agua	6,825
Altrac Light Rail Holdings I Pty Limited	C	Australia	Concession	5.00%	Subgroup Acciona Concesiones	8,614
Amper Central Solar Moura	B	Portugal	Energy	43.74%	Subgroup Acciona Energia Internacional	12,740
Ampliaci3n Facultad Dret, S.A.	B	Barcelona	Construction	50.00%	Subgroup Acciona Construcci3n	1,038
Aprofitament D'Energies Renovables De L'Ebre S.L.	--	Barcelona	Energy	9.76%	Subgroup Acciona Energia	378
Autovia De Los Viñedos	A	Toledo	Concession	50.00%	Acciona	24,846
Autovia Del Almanzora S.A.	D	Sevilla	Concession	23.75%	Subgroup Acciona Construcci3n	1,635
Baja California Power, S.A. De C.V.	B	Mexico	Engineering	65.00%	Subgroup Acciona Ingenieria	1
Bana H2 Szeletomu Megujulo Energia Hasznosito Kft	E	Hungary	Energy	49.25%	Subgroup Energy Corp Hungary	5
Bioetanol Energético	--	Madrid	Energy	50.00%	Subgroup Biocombustibles	804
Bioetanol Energético La Mancha	--	Madrid	Energy	50.00%	Subgroup Biocombustibles	931
Camarate Golf, S.A.	A	Madrid	Real Estate	22.00%	Subgroup Acciona Inmobiliaria	2,455
Canotavento S.A.	--	A Coruña	Energy	24.50%	Subgroup Eurovento	1
Cathedral Rocks Construce And Management Pty Ltd	--	Australia	Energy	50.00%	Subgroup Acciona Energia Global	--

Group companies	Audit	Location	Main line of business	Effect. Share %	Holder of interest	Carrying amount
					Australia	
Cathedral Rocks Holdings 2, Pty Ltd	--	Australia	Energy	33.34%	Subgroup Cathedral Rocks Holdings	8,680
Cathedral Rocks Holdings, Pty Ltd	--	Australia	Energy	33.34%	Subgroup Acciona Energía Oceanía	9,592
Cathedral Rocks Wind Farm, Pty Ltd	B	Australia	Energy	33.34%	Subgroup Cathedral Rocks Holdings 2	8,680
Chinook Highway Operations Inc	A	Canada	Concession Operation	50.00%	Subgroup Acciona Concesiones	1,126
Cogeneración Arrudas Ltda	--	Brazil	Water Treatment	50.00%	Subgroup Acciona Agua	55
Concesionaria De Desalacion De Ibiza, S A	F	Ibiza	Water Treatment	50.00%	Subgroup Acciona Agua	1,082
Concesionaria La Chita, S A	B	Perú	Water Treatment	50.00%	Subgroup Acciona Agua	6,364
Consorcio Tiza, S.A	D	Zaragoza	Concession	16.60%	Acciona	12,074
Constructora De Obras Civiles y Electromecanicas	A	Mexico	Water Treatment	24.50%	Subgroup Aguas Hispano Mexicana	1
Constructora Neco Sacyr Chile	--	Chile	Construction	50.00%	Subgrupo Acciona Concesiones Chile	7
Deputat P1, S A	--	Zaragoza	Water Treatment	50.00%	Subgroup Acciona Agua	1,035
Desarrollo De Energías Renovables De Navarra, S A	B	Pamplona	Energy	50.00%	Subgroup Acciona Energía	4,936
Divinopolis Saneamento, S A	--	Brazil	Water Treatment	15.00%	Subgroup Acciona Agua	214
East West Connect Holding 3 Pty Limited	--	Australia	Concession	5.00%	Subgroup Acciona Concesiones	--
EMSERVA, S A	--	Málaga	Water Treatment	49.00%	Subgroup Acciona Agua Servicios	50
Energías Renovables Mediterraneas, S A	A	Valencia	Energy	50.00%	Subgroup Acciona Energía	79,500
Energy Corp Hungary Kft	E	Hungary	Energy	50.00%	Subgroup Acciona Eólica Cesa	1,475
Eólicas Mare Nostrum S L	--	Valencia	Energy	50.00%	Subgroup Acciona Energía	4,515
Fólico Aljar, S A	A	Cádiz	Energy	50.00%	Subgroup Acciona Energía	2,791
Eurovento, S L	--	A Coruña	Energy	50.00%	Subgroup Tripower	31
Evacuacion Villanueva Del Rey, S L	--	Sevilla	Energy	44.75%	Subgroup Termosolar Palma Saetilla	1
Explotaciones Eólicas Sierra De Utrera S L	B	Madrid	Energy	25.00%	Subgroup Ceólica	817
Ferriaroc Agencias, S L	--	Almería	Logistic services	46.36%	Subgroup Cenargo España	14
Ferriaroc, S A	--	Morocco	Logistic services	46.36%	Subgroup Cenargo España	20
Firefly Investments 238 (Proprietary) Limited	A	South Africa	Energy	45.00%	Subgroup Acciona Energía Global South Africa	--
Gran Hospital Can Misses, S A	A	Ibiza	Concession	40.00%	Acciona	9,641
Helena Water Finance Pty Ltd	A	Australia	Water Treatment	25.05%	Subgroup Acciona Agua Internacional Australia	8,406
Infraestructuras Radiales, S A	A	Madrid	Concession	25.00%	Acciona	28,773
Infraestructuras Villanueva, S L	--	Madrid	Energy	40.53%	Subgroup Guadalquivir	1
Interboya Press, S A	F	Madrid	Logistic services	50.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	30
Líneas Electricas Asturianas S L	--	Asturias	Energy	50.00%	Subgroup Eurovento	2
Líneas Eléctricas Gallegas II S L	--	Galicia	Energy	50.00%	Subgroup Eurovento	2
Líneas Eléctricas Gallegas III S L	--	Galicia	Energy	50.00%	Subgroup Eurovento	2

TRANSLATION

Group companies	Audit	Location	Main line of business	Effect. Share %	Holder of interest	Carrying amount
Líneas Eléctricas Gallegas S.L.	-	Galicia	Energy	35.00%	Subgroup Eurovento	1
Locubsa	E	Andorra	Construction	48.89%	Subgroup Acciona Construcción	26
Lugibérica de Prensa y Servicios, S.L.	--	Madrid	Logistic services	50.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	30
Maple Concessions Canada Inc	-	Canada	Holding Company	10.00%	Subgroup Acciona Concesiones	2,451
Mov-R HI Szeleornu Megajulo Energia Hasznosito Kft	E	Hungary	Energy	49.25%	Subgroup Energy Corp Hungary	1,161
Myah Typaza, Spa	E	Algeria	Water Treatment	25.50%	Subgroup Algerian Water Investment	6,858
Necsorgaz, S.L.	-	Madrid	Real Estate	50.00%	Subgroup Acciona Inmobiliaria	14
Nexus Infrastructure Holdings Unit Trust	A	Australia	Concession	20.00%	Subgroup Acciona Concesiones	5,830
NORDEX SE	B	Germany	Energy	29.90%	Acciona	753,942
Nova Darsena Deportiva De Bara, S.A.	E	Madrid	Concession	50.00%	Acciona	1,866
Nuevo Hospital De Toledo, S.A.	D	Toledo	Concession	33.33%	Subgroup Acciona Concesiones	1,984
Oakleaf Investment Holdings 86 (Proprietary) Limit	A	South Africa	Energy	50.00%	Subgroup Acciona Energía Global South Africa	6,845
Operador Del Mercado Ibérico - Polo Español, S.A.	-	Madrid	Energy	5.00%	Subgroup Acciona Energía	1,583
Operadora Can Misses S.L.	--	Ibiza	Concession Operation	40.00%	Subgroup Acciona Servicios Hospitalarios	281
Páramo De Los Angostillos, S.L.	C	Palencia	Energy	50.00%	Subgroup Acciona Energía	1,920
Parque Eólico A Runa S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	7,068
Parque Eólico Adriano S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	7,429
Parque Eólico Ameixenda Filgueira S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	6,648
Parque Eólico Cinseiro S.L.	A	Zamora	Energy	50.00%	Subgroup Ceólica	505
Parque Eólico Curas S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	1,885
Parque Eólico De Abara S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	1,663
Parque Eólico De Barbanza S.L.	D	A Coruña	Energy	12.50%	Subgroup Eurovento	450
Parque Eólico De Bobia y San Isidro S.L.	A	Asturias	Energy	50.00%	Subgroup Ceólica	548
Parque Eólico De Deva S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	3,505
Parque Eólico De Tea S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	6,393
Parque Eólico Vicedo S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	553
Parque Eólico Virxe Do Monte S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	5,147
Parques Eólicos De Buito S.L.	A	A Coruña	Energy	50.00%	Subgroup Ceólica	4,305
Polígono Romica, S.A.	--	Albacete	Real Estate	50.00%	Subgroup Acciona Inmobiliaria	937
Port City Water Services Inc	E	Canada	Water Treatment	50.00%	Subgroup Acciona Agua	--
Region Agua S C A R L	--	Italy	Water Treatment	50.00%	Subgroup Acciona Agua Servicios	3
Residencial Maranta Dos S.A. de C.V.	--	Mexico	Real Estate	10.00%	Subgroup Parque Reforma	389
S.C. Autovía De La Plata S.A.	A	Madrid	Concession	25.00%	Subgroup Acciona Construcción	11,531
S.C. Autovía Gerediaga Elorrio S.A.	B	Bilbao	Concession	22.80%	Subgroup Acciona Construcción	7,017
S.C. Del Canal De Navarra, S.A.	D	Pamplona	Concession	45.00%	Acciona	6,126
S.C. Novo Hospital De Vigo S.A.	D	Pontevedra	Concession	43.33%	Acciona	13,304

M<sup>o</sup> TERESA DE LA CUESTA BERNALDEZ  
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TRANSLATION

Group companies	Audit	Location	Main line of business	Effect. Share %	Holder of interest	Carrying amount
S.C. Puente Del Ebro, S.A.	A	Aragón	Concession	50.00%	Acciona	6,693
Servicio De Tratamiento De Aguas Pta. Caracol, S.A.	D	Mexico	Water Treatment	48.98%	Subgroup Acciona Agua	328
Servicios Comunitarios De Molina De Segura, S.A.	E	Murcia	Water Treatment	48.27%	Subgroup Acciona Agua Servicios	10,267
Sistemas Electricos Espluga, S.A.	--	Barcelona	Energy	50.00%	Subgroup Acciona Energía	31
Sociedad De Aguas Hispano Mexicana S.A De C.V.	A	Mexico	Water Treatment	50.00%	Subgroup Acciona Agua	1
Sociedad Explotadora Autovía Gerediaga - Elorrio S.L.	--	Spain	Concession Operation	28.70%	Subgroup Acciona Concesiones	50
Sociedad Mixta Del Agua- Jaen, S.A.	A	Jaén	Water Treatment	60.00%	Subgroup Acciona Agua Servicios	1,368
Sociedad Operadora Novo Hospital De Vigo S.A.	D	Pontevedra	Concession Operation	43.33%	Subgroup Acciona Servicios Hospitalarios	26
Solena Group	--	USA	Urban Services	25.00%	Subgroup Acciona Servicios Urbanos y Medio Ambiente	3,995
Tranvías Urbanos De Zaragoza S.L.	A	Zaragoza	Concession Operation	15.00%	Subgroup Acciona Concesiones	9
Tripower Wind B.V.	--	Holland	Energy	50.00%	Subgroup Caólica	11,561
Tuto Energy I, S.A.P.I. de C.V.	--	Mexico	Energy	50.00%	Subgroup Acciona Energía Mexico Global	--
Tuto Energy II, S.A.P.I. de C.V.	--	Mexico	Energy	50.00%	Subgroup Acciona Energía Mexico Global	--
Valdivia Energía Eólica, S.A.	A	Sevilla	Energy	50.00%	Subgroup Acciona Energía	3,145
Vento Mureno S.L.	--	A Coruña	Energy	24.50%	Subgroup Eurovento	1
Ventos e Terras Galegas II S.L.	--	Galicia	Energy	50.00%	Subgroup Tripower	2
Ventos e Terras Galegas S.L.	--	Galicia	Energy	50.00%	Subgroup Tripower	90
Vertex Residencial Cuajimalpa, S.A. De C.V.	A	Mexico	Real Estate	10.00%	Subgroup Parque Reforma	1,013

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

## APPENDIX IV

**CHANGES IN THE SCOPE OF CONSOLIDATION**

Changes in the consolidation scope in 2016 were as follows:

Company	Location	Main line of business	Change	2016 consolidation method
Acciona Agua & Sogex Llc	Oman	Water Treatment	Addition	Associates
Acciona Agua Canada Inc	Canada	Water Treatment	Addition	Group
Acciona Agua Internacional Inc	Canada	Water Treatment	Addition	Group
Acciona Airport Services Dusseldorf GmbH	Germany	Logistic Services	Addition	Group
Acciona Airport Services Chile, Spa	Chile	Logistic Services	Addition	Group
Acciona Concesiones Australia Pty Limited	Australia	Concession Op	Addition	Group
Acciona Financiación De Filiales Chile Spa	Chile	Financial	Addition	Group
Acciona Infrastructure New Zealand, Ltd	New Zealand	Construction	Addition	Group
Acciona Ingeniería Colombia, S.A.S	Colombia	Engineering	Addition	Group
Acciona Saudi Arabia For Contracting Llc	Saudi Arabia	Engineering	Addition	Group
Divinópolis Saneamento, S.A.	Brazil	Water Treatment	Addition	Associates
Energía Renovable Del Istmo II SA de CV	Mexico	Energy	Addition	Group
Liciastar (Proprietary ) Limited	South Africa	Engineering	Addition	MultiGroup
Mt Gellibrand Wind Farm Holding Pty Ltd	Australia	Energy	Addition	Group
NORDEX SE	Germany	Energy	Addition	Associates
Northwinds Trading (Proprietary) Limited	South Africa	Engineering	Addition	Group
Parque Eólico San Gabriel Spa	Chile	Energy	Addition	Group
Port City Water Services Inc	Canada	Water Treatment	Addition	Associates
Proyecto P8 Troy Aym, S.A. de C.V.	Mexico	Engineering	Addition	MultiGroup
Reghion Agua S.C.A.R.L.	Italy	Water Treatment	Addition	Associates
Residencial Maranta Dos S.A. de C.V.	Mexico	Real Estate	Addition	Associates
San Roman Finance Llc	USA	Energy	Addition	Group
San Roman Holding Llc	USA	Energy	Addition	Group
Sociedad Explotadora Autovía Gerdiaga - Florio S.L.	Spain	Concession Op	Addition	Associates
Tolchén Transmisión Spa	Chile	Energy	Addition	Group
Tolpan Sur. Spa	Chile	Energy	Addition	Group
Tuto Energy I, S.A.P.I. de C.V.	Mexico	Energy	Addition	Associates
Tuto Energy II, S.A.P.I. de C.V.	Mexico	Energy	Addition	Associates
Almeyda Spa	Chile	Energy	Addition on Split	Group
Margarida I Spa	Chile	Energy	Addition on Split	Group
Margarida II Spa	Chile	Energy	Addition on Split	Group
Pichilingue Spa	Chile	Energy	Addition on Split	Group
Pililin Spa	Chile	Energy	Addition on Split	Group
Usya Spa	Chile	Energy	Addition on Split	Group
Acciona - Vjetroelektrane D O O	Croatia	Energy	Removal	Group
Acciona Airport Services Berlin, S.A.	Germany	Logistic Services	Removal	Group

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Company	Location	Main line of business	Change	2016 consolidation method
Acciona Blades, S.A	Navarra	Energy	Removal	Group
Acciona Energiniki, S.A	Grecia	Energy	Removal	Group
Acciona Engineering Canada Inc	Canada	Engineering	Removal	Group
Acciona Las Tablas, S.L	Madrid	Real Estate	Removal	Group
Acciona Towers, S.L	Madrid	Energy	Removal	Group
Acciona Windpower Brazil Ltda	Brazil	Energy	Removal	Group
Acciona Windpower Chile, S.A	Chile	Energy	Removal	Group
Acciona Windpower Deutschland GmbH	Germany	Energy	Removal	Group
Acciona Windpower India Private Limited	India	Energy	Removal	Group
Acciona Windpower Internacional, S.L	Navarra	Energy	Removal	Group
Acciona Windpower Korea, Inc	South Korea	Energy	Removal	Group
Acciona Windpower México, S11 De C.V	Mexico	Energy	Removal	Group
Acciona Windpower North America L.L.C	USA	Energy	Removal	Group
Acciona Windpower Oceania, Pty, Ltd	Australia	Energy	Removal	Group
Acciona Windpower Ruzgar Enerjisi Sistemleri	Turkey	Energy	Removal	Group
Acciona Windpower South Africa (Pty) Ltd	South Africa	Energy	Removal	Group
Acciona Windpower, S.A	Navarra	Energy	Removal	Group
Arturo Soria Plaza, A.I.F	Madrid	Real Estate	Removal	Associates
Constructora Sacyr Necso Chile, S.A.	Chile	Construction	Removal	Associates
Corporación Acciona Windpower, S.L	Madrid	Energy	Removal	Group
Energía Renovable De Teruel, S.L	Teruel	Energy	Removal	Group
Eoliki Evripoy Cesa Hellas Epe	Greece	Energy	Removal	Group
Eoliki Panachaikou Sa	Greece	Energy	Removal	Group
Eoliki Paralimnis Cesa Hellas Epe	Greece	Energy	Removal	Group
Gestion De Edificios Comerciales, S.A.	Madrid	Real Estate	Removal	Associates
Hsd Flughafen GmbH	Germany	Logistic Services	Removal	Group
Industria Toledana De Energías Renovables, S.L.	Toledo	Energy	Removal	Group
Secomsa Gestió, S.L	Tarragona	Urban Services	Removal	Associates
Shanghai Acciona Windpower Technical Service Co., Ltd	China	Energy	Removal	Group
Tratamiento De Residuos De La Rad, S.L	La Rioja	Urban Services	Removal	Group
Vector-Cesa Hellas Likosterna Epe	Greece	Energy	Removal	Group
Yeong Yang Windpower Corporation II	South Korea	Energy	Removal	Group
Acciona Energía Solare Italia, S.R.L.	Italy	Energy	Removal on Merger	Group
Acciona Eólica Basilicata, Srl	Italy	Energy	Removal on Merger	Group
Acciona Eólica Molise, Srl	Italy	Energy	Removal on Merger	Group
Acciona Rinnovabili Calabria, Srl	Italy	Energy	Removal on Merger	Group
Acciona Rinnovabili Italia, Srl	Italy	Energy	Removal on Merger	Group
Corporación Eólica De Zamora, S.L.	Madrid	Energy	Removal on Merger	Group
Eólica De Sanabria, S.L.	Madrid	Energy	Removal on Merger	Group
Eólicas Del Moncuyo, S.L.	Soria	Energy	Removal on Merger	Group
Parque Eólico Tortosa, S.L.	Barcelona	Energy	Removal on Merger	Group

TRANSLATION

Company	Location	Main line of business	Change	2016 consolidation method
Sistemas Energéticos FJ Granada S.A	Seville	Energy	Removal on Merger	Group
ATLL Concesionaria De La Generalitat De Catalunya, S.A.	Barcelone	Water Treatment	Change in Method	Group
Parques Reforma Santa Fe, S.A. De C.V.	Mexico	Real Estate	Change in Method	Group

Changes in the consolidation scope in 2015 were as follows:

Company	Location	Main line of business	Change	2015 consolidation method
Acciona & Sogex Facility Services LLC	Oman	Urban Services	Addition	Group
Acciona Energia Chile Holdings, Sa	Chile	Energy	Addition	Group
Acciona Global Renewables, S.A.	Madrid	Energy	Addition	Group
Acciona Infraestructuras Colombia SAS	Colombia	Construction	Addition	Group
Acciona Infrastructure Asia Pacific Pty Limited	Australia	Construction	Addition	Group
Acciona Real Estate, S.A.U.	Madrid	Real Estate	Addition	Group
Acciona Waste Water Treatment Plant Limited	Trinidad & Tobago	Water Treatment	Addition	Associates
Acciona Water Supplies Technology Beijing Co. Ltd	China	Water Treatment	Addition	Group
Acciona Windpower Deutschland GmbH	Germany	Energy	Addition	Group
Acciona Windpower India Private Limited	India	Energy	Addition	Group
Aerosite Energy Private Limited	India	Energy	Addition	Group
Aleph Solar I SA PI De CV	Mexico	Energy	Addition	Associates
Aleph Solarfield I SA PI De CV	Mexico	Energy	Addition	Associates
Aleph Solarfield II SA PI De CV	Mexico	Energy	Addition	Associates
Aleph Solarfield SA PI De CV	Mexico	Energy	Addition	Associates
Aleph Solarfields Mexico SA PI De CV	Mexico	Energy	Addition	Associates
Altrac Light Rail Holdings 1 Pty Limited	Australia	Concession	Addition	Associates
Ampliación Facultad Dret, S.A.	Barcelona	Construction	Addition	Associates
Avenit El Romero Spa	Chile	Energy	Addition	Group
Corporación Acciona Infraestructuras S.L.	Madrid	Instrumental	Addition	Group
Fujin Power Private Limited	India	Energy	Addition	Group
Gsd Flughafen GmbH	Germany	Logistics Services	Addition	Group
Nexus Infrastructure Holdings Unit Trust	Australia	Concession	Addition	Associates
Nuevo Hospital De Toledo, S.A.	Toledo	Concession	Addition	Associates
San Roman Wind I, LLC	US	Energy	Addition	Group
Sociedad Operadora Novo Hospital De Vigo S.A.	Pontevedra	Concession Operation	Addition	Associates
Autopista Del Mar Atlántica, S.L.	Madrid	Logistics Services	Removal	Group
Biodiesel Bilbao	Vizcaya	Energy	Removal	Group
Deep River Wind Facility (Proprietary) Limited	South Africa	Energy	Removal	Group
Eurovento Renovables, S.L.	Corunna	Energy	Removal	Associates
Kimberly Solar Facility (Proprietary) Limited	South Africa	Energy	Removal	Group
Natural Climate Systems, S.A.	Pamplona	Energy	Removal	Associates
Terminal De Contenedores Algeciras, S.A.	Algeciras	Logistics Services	Removal	Group
Transcarga Grupajes, S.A.	Madrid	Logistics Services	Removal	Group
Transcarga Magreb, S.A.	Madrid	Logistics Services	Removal	Group

TRANSLATION

<b>Company</b>	<b>Location</b>	<b>Main line of business</b>	<b>Change</b>	<b>2015 consolidation method</b>
Global De Energías Eólicas Al-Andalus S.A	Zamora	Energy	Removal on merger	Group
Toyonova S.L	Corunna	Energy	Removal on merger	Associates
Entorno Urbano y Medio Ambiente. S.L.	Murcia	Urban Services	Change in method	Group
Parque Reforma Santa Fe, S.A. De C.V	Mexico	Real Estate	Change in method	Associates
Torre Lugano S.L	Valencia	Real Estate	Change in method	Group

**APPENDIX V**

**DETAIL OF MAIN CONCESSION**

**Water Division:**

Name	Description	Period	Country	ACCIONA	Status	Accounting Method	Type of Asset
EDAR 8B	Construction, operation and maintenance of the wastewater treatment plant "08B Zone" of Aragon	2008 - 2031	Spain	100%	Operational	Global integration	Intangible asset
EDAR 7B	Construction, operation and maintenance of the wastewater treatment plant "07B Zone" of Aragon	2011 - 2031	Spain	100%	Operational	Global integration	Intangible asset
IDAM Alicante	Construction, operation and maintenance of the sea water desalination plant in Alicante	2000 - 2018	Spain	50%	Operational	Proportional integration	Financial asset
IDAM Arosa	Construction, operation and maintenance of the sea water desalination plant in Arosa	2001 - 2023	Spain	100%	Operational	Global integration	Financial asset
IDAM Cartagena	Construction, operation and maintenance of the sea water desalination plant in Cartagena	2001 - 2020	Spain	63%	Operational	Proportional integration	Financial asset
IDAM Tuzka	Construction, operation and maintenance of the sea water desalination plant in Tuzka	2008 - 2030	Argentina	26%	Operational	Equity method	Financial asset
IDAM Ibiza-Portmany	Reconstruction, works operation and maintenance of the sea water desalination plant in San Antonio Portmany and Ibiza	2009 - 2024	Spain	50%	Operational	Equity method	Financial asset
ITAM Atlahuacán	Construction, operation and maintenance of the wastewater treatment plant in Atlahuacán	2010 - 2031	Mexico	70%	Construction	Equity method	Financial asset
WWTP Mandaring	Construction, operation and maintenance of the wastewater treatment plants in Mandaring	2011 - 2048	Australia	23%	Operational	Equity method	Financial asset
PTAP La Cueva	Construction, operation and maintenance of the wastewater treatment plants in La Cueva	2011 - 2037	Peru	80%	Operational	Equity method	Financial asset
IDAM Arucas Moya	Extension, operation and maintenance of the sea water desalination plant in Arucas / Moya	2008 - 2024	Spain	100%	Operational	Global integration	Intangible asset
Red de saneamiento en Andara	Construction, operation and maintenance of the waste-water treatment plants in Andara	2009 - 2044	Spain	100%	Construction	Global integration	Intangible asset
PPP Divinópolis	Construction, operation and maintenance of the wastewater treatment plant in Divinópolis	2015 - 2041	Brazil	13%	Construction	Equity method	Financial asset / Intangible asset
Port City Water	Design, construction, financing, operation and maintenance of a water treatment plant and storage reservoirs in Saint John	2010 - 2048	Canada	49%	Construction	Equity method	Financial asset
ATLL	Upstream water supply service in Ter-Llobregat	2013 - 2062	Spain	76%	Operational	Global integration	Intangible asset
Agua de Segura	Public-private company whose principal activity is the water supply to Molina de Segura	1976 - 2040	Spain	43%	Operational	Equity method	Intangible asset
Bombajes	Public-private company to manage integrated water cycle of public services in some relevant Municipalities of Provinces of Jara	2007 - 2032	Spain	60%	Operational	Equity method	Intangible asset
Gruba	Water supply service in Andara and Dalí (Málaga)	1994 - 2044	Spain	100%	Operational	Global integration	Intangible asset
Paguera	Water supply service in Calvià (Mallorca)	1969 - 2019	Spain	100%	Operational	Global integration	Intangible asset
Costa Tropical	Integrated water cycle service in Costa Tropical (Granada)	1963 - 2045	Spain	49%	Operational	Proportional integration	Intangible asset

M.ª TERESA DE LA CUESTA BERNÁLDEZ  
 Traductora-Intérprete Jurada de Castellón  
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Infrastructure Division:

	Name	Description	Period	Country	ALCER/A	status	Accounting Method	Type of Asset	
Roads	Ditlock Road (SBS7)	Pay for availability road integrated in the Calgary ring motorway (25km)	2010 - 2043	Canada	5%	Operational	Equity method*	Financial asset	
	Avenida de la Vida	Construction, operation and maintenance of road CM-42 between Comayaga & Pineda (14.5km) Shadow toll	2013 - 2033	Spain	50%	Operational	Equity method	Intangible asset	
	Ruta 160	Reforma, mantenimiento and operation of 51km toll road between Coronel and Tron Pleno (Exploit toll)	2008 - 2042	Chile	100%	Operational	Global integration	Financial asset	
	Latacruza - Loja (R-2)	Construction and operation of 87km toll road motorway R-2 connecting Loja-Latacruza and access to the main roads of part of the province of Loja (Exploit toll)	2014 - 2033	Ecuador	97%	Operational	Equity method	Intangible asset	
	Rodovia do Aço	Construction, operation and maintenance of RD-302 (200.4km) used in the Rio de Janeiro area (between Volta Redonda & Jaboá) Explicit toll	2008 - 2035	Brazil	100%	Construction & Operational	Global integration	Intangible asset	
	A2 - Navean 2	Rebuilding, maintenance, expansion and maintenance of a 74 Km stretch of existing road between A-2 and A-39 (part of province of Basque Country) Shadow toll	2007 - 2026	Spain	10%	Operational	Global integration	Intangible asset	
	Puente del Ebro	Toll expressway connecting N-10 & N-232 (5.4km, 400m above the Ebro river, Shadow toll)	2005 - 2036	Spain	50%	Operational	Equity method	Intangible asset	
	Wisconsin Greenway Parkway	Design, construction and operation of 111 km highway connecting Wisconsin Dunes & Canada (and P. S. Road) (Detroit - Michigan)	2010 - 2048	Canada	5%	Operational	Equity method	Financial asset	
	Nouvelle Autoroute A-30	Construction and operation of toll road-Highway 30 in Montreal, between Clarendon and Verdun/Dorval (74km). Explicit toll	2006 - 2043	Canada	5%	Operational	Equity method*	Financial asset	
	Avenida Coronado - Fátima	Construction, construction and operation of N-675 road, connecting Fátima, Alcañices and Casar de Palancares and operation of Variante de Ebro, strada built pay for availability	2015 - 2042	Spain	25%	Operational	Equity method	Financial asset	
	Autovía del Almarzom	Construction and operation of the 40.75km road in Almería, connecting Fusinares and the Autovía del Mediterráneo (A-7) Availability payment	2012 - 2044	Spain	24%	Construction	Equity method	Financial asset	
	Autovía de la Plata	Construction, construction and operation of Autovía de la Plata (A-66) road between Romerías and Zamora. Shadow toll (Camfronador) - Santoviana del Lala, Santoviana del Lala - Pineda de Guzmán, Pineda de Guzmán - Zamora. Pay for availability	2012 - 2042	Spain	25%	Operational	Equity method	Financial asset	
	Toowoomba Second Range Crossing (Nexus)	Design, construction and operation of 41km of the north ring road in Toowoomba (Queensland), from Helidon Spa to Adul, through Charlton. Availability payment (25 year operation from construction end)	2015 - 2043	Australia	20%	Construction	Equity method	Financial asset	
	Palmar Westport Rd	Finance, design, construct and maintain the new 20km Westport motorway. The 20km Westport motorway is located on the Southern Harbour Motorway (SH1) 18.5km from the intersection of SH1 towards the south of Westport.	2015 - 2045	New Zealand	5%	Construction	Equity method	Financial asset	
	Rail	Concepción Traza (Través Zamozas)	Construction & operation of the railway line across the city (2.8km)	2009 - 2044	Spain	17%	Operational	Equity method	Both models
		Sydney Light Rail	Design, construction and O&M of light rail line from Circular Quay via George Street to Queen Street across Sydney CBD to Metro Park, Barangaroo, Kingsford and Randwick. It includes operation of other light rail	2015 - 2044	Australia	5%	Construction	Equity method	Financial asset
	Canal	Canal de Navarr	Construction & operation of the last phase of the Canal de Navarre irrigation area	2006 - 2036	Spain	45%	Operational	Equity method	Both models
	Port	Redo de Navarre / Puerto de Bara	Construction & operation of the Redo de Bara (main entrance from Navarre to Bara & passage to) (7.77km)	2003 - 2043	Spain	50%	Operational	Equity method	Both
	Hospital	Fer St John	DBFOM for a new 55-bed hospital (plus 123 nursing home patients)	2009 - 2044	Canada	5%	Operational	Equity method*	Financial asset
Hospital de León Paje		Design, construction, equipment and O&M of the Hospital covering an area of 23,500m² (184 beds)	2015 - 2045	Spain	100%	Operational	Global integration	Financial asset	
Hospital del Norte (Madrid)		DBFOM of the hospital with an area of 90,000m² divided in 4 blocks (283 beds)	2005 - 2035	Spain	95%	Operational	Global integration	Financial asset	
Osas Hospital Unit, Masera (Nure)		DBFOM of the hospital with an area of 72,000m² (300 beds) (201 beds)	2010 - 2045	Spain	40%	Operational	Equity method	Financial asset	
Novo Hospital de Vigo		DBFOM of 3 hospitals with an area of 300,000m² (175,000m² hospital y 125,000m² cur park). (2007 beds)	2011 - 2035	Spain	45%	Operational	Equity method	Financial asset	
Centro Hospitalario Universitario de Toledo	Construction and operation of Hospital Universitario de Toledo, with 700 beds	2015 - 2045	Spain	10%	Construction	Equity method	Financial asset		


\*Indirect shareholding through MAPLE Concessions Canada Inc., where 10% shareholding is held.

**ACCIONA, S.A. AND SUBSIDIARIES  
(CONSOLIDATED GROUP)  
DIRECTORS' REPORT FOR FINANCIAL YEAR 2016**

ACCIONA discloses its results in accordance with the International Financial Reporting Standards (IFRS) under a corporate structure, which comprised three divisions:

- Energy comprises the electricity business, from construction of wind farms to the generation, distribution and marketing of different energy sources.
- Infrastructure:
  - Construction includes mainly construction, industrial and engineering activities as well as transport and hospital concession activities.
  - Water includes the construction of desalination, water and wastewater treatment plants, as well as integral water services management from bulk water abstraction all the way to discharging treated wastewater to the environment. ACCIONA Agua also operates water concessions across the entire water cycle.
  - Services include the activities of facility services, airport handling, waste collection and management and logistic services among others.
- Other activities includes the businesses of Trasmediterránea, real estate, Bestinver (fund manager), wineries and other businesses.

On 3 July 2016 Guidelines on Alternative Performance Measures (APM) published by ESMA came into force. This requires an explanation in the management report on how financial parameters or performance measures that do not appear directly on the financial statements are calculated. To meet this guideline, the APM's used in this report by ACCIONA Group are listed and defined below including an explanation of why these APM are used:

  
M.<sup>a</sup> TERESA DE LA CUESTA FERNÁNDEZ  
Traductora-Intérprete Jurada de Idiomas  
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**EBITDA:** it is defined as operating income before depreciation and amortization and variations in provisions, that is, it shows the operating result of the Group. It is calculated by taking the following items of the consolidated income statement: “net revenue”, “other revenues”, “change in inventories of finished goods and work in progress”, “procurement”, “personnel expenses” and “other operating expenses”.

**Net Debt:** it shows the Group’s debt, in net terms, deducting cash and cash equivalents. It is calculated by taking the following items from the consolidated balance sheet: “non-current interest bearing borrowings” and “current interest bearing borrowings”, which includes debt on financial derivatives, less “cash and cash equivalents” and “other current financial assets”.

**Non-recourse debt:** as indicated in Note 18 to the consolidated financial statements, it reflects debt that does not have corporate guarantees, and therefore its recourse is limited to the debtor’s assets and cash flows.

**Recourse debt:** Debt with a corporate guarantee.

**Financial gearing:** it shows the relation between the Group’s financial debt and its equity. It is calculated dividing “net debt” (calculated as explained above) by “equity”.

**Backlog:** is defined as the pending production, that is to say, contractual amounts or customer orders after having deducted the amounts already accounted for as income on the income statement. It is calculated on the basis of orders and contracts awarded to the Group, deducting the realized portion that is accounted on “net revenue” and adding or subtracting “other variations”, which correspond to forex adjustments, modifications to the initial contracts and other changes to be made to the awarded backlog.

**Net Capex:** it is defined as the net change in the balance of property, plant & equipment, intangible, financial and real estate assets during the period, corrected by:

- Depreciation, amortization and impairment of assets during the period
- Results on disposal of non-current assets
- Forex fluctuations

When dealing with changes in the consolidation perimeter, net capex is defined as the net outflow/inflow of used/sourced resources in the purchase/sale of net assets.

Management uses these APMs to take financial, operational or planning decisions. They are also used to evaluate the performance of the Group and its subsidiaries.

Management considers these APMs provide useful additional financial information to evaluate the performance of the Group and its subsidiaries as well as for decision-making by the users of the financial information.

## Executive Summary

### Income Statement Data

<i>(Million euro)</i>	Jan-Dec 15	Jan-Dec 16	Chg.(%)
Revenues	6,544	5,977	-8.7%
EBITDA	1,174	1,192	1.5%
EBIT	627	988	57.6%
Ordinary EBIT	330	312	-5.3%
EBT	319	408	28.0%
Net attributable profit	207	352	70.0%

## Balance Sheet Data and Capital Expenditure

(Million euros)	31-Dec-15	31-Dec-16	Chg. %
Equity	3,754	4,097	9.1%
Net debt	5,159	5,131	-0.5%
Ordinary capital expenditure	171	852	n.a.

## Operating Data

	31-Dec-15	31-Dec-16	Chg. %
Construction backlog (Million euros)	6,722	8,140	21.1%
Water backlog (Million euro)	3,536	10,469	196.0%
Total wind installed capacity (MW)	7,212	7,260	0.7%
Total installed capacity (MW)	8,619	8,913	3.4%
Total production (GWh) (Jan-Dec)	20,875	20,830	-0.2%
Average workforce	32,147	32,835	2.1%

## CONSOLIDATED INCOME STATEMENT

(Million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	6,544	5,977	-566	-8.7%
Other revenues	247	555	307	124.2%
Changes in inventories of finished goods and work in progress	-3	8	11	n.a.
Total Production Value	6,788	6,541	-248	-3.6%
Procurement	-1,830	-1,595	235	-12.8%
Personnel expenses	-1,254	-1,288	-33	2.7%
Other expenses	-2,530	-2,466	63	-2.5%
EBITDA	1,174	1,192	17	1.5%
Depreciation and amortization	-510	-547	-37	7.3%
Provisions	-53	-231	-178	n.a.
Impairment of assets value	-20	-107	-87	n.a.
Results on non-current assets	9	640	631	n.a.
Other gains or losses	27	43	15	56.4%
EBIT	627	988	361	57.6%
Net financial result	-389	-671	-281	72.2%
Translation differences (net)	23	28	5	21.6%
Var provisions financial investments	-2	-1	1	-65.8%
Share in results of associates accounted for by the equity method	60	70	10	15.8%
Variation in fair value of financial instruments	0	-6	-7	n.a.
EBT	319	408	89	28.0%
Tax on profit	-83	-34	49	-59.2%
Profit/(loss) from Continuing Activities	236	374	138	58.6%
Non-controlling interests	-28	-22	7	-23.1%

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 TERCERA DE LA CUESTA PERMANENTE  
 Tribunal Interprovincial de Justicia  
 de Madrid



<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
<b>Attributable Net Profit</b>	207	352	145	69.8%

In order to facilitate the analysis of financial results for the period, a simplified Income Statement separating ordinary from extraordinary results is provided below:

<i>(Million Euros)</i>	Jan-Dec 15 Ordinary (€m)	Jan-Dec 16 Ordinary (€m)	Jan-Dec 16 Extraord.	Jan-Dec 16 Total (€m)	Var. Ordinary %
<b>Revenues</b>	6,544	5,977	0	5,977	-8.7%
Procurement, expenses and other income	-5,369	-4,786	0	-4,786	-10.9%
<b>EBITDA</b>	1,174	1,192	0	-1,192	1.5%
Depreciation and amortisation	-510	-547	0	-547	7.3%
Provisions, impairments and other	-37	-42	386	344	n.a.
<b>EBIT</b>	627	601	387	988	-4.1%
Net financial result	-389	-373	-298	-671	-4.3%
Income from associates booked by the equity method	60	70	0	70	15.8%
Other financial results	21	13	7	20	-35.9%
<b>EBT</b>	319	312	95	408	-2.2%
Income tax	-83	-117	83	-34	41.0%
<b>Profit from continuing activities</b>	236	195	179	374	-17.3%
Non-controlling interests	-28	-49	27	-22	72.3%
<b>Attributable net profit</b>	207	146	206	352	-29.6%

## Revenues

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	2,719	1,796	-923	-33.9%
Infrastructure	3,306	3,611	305	9.2%
Construction	2,171	2,267	96	4.4%
Water	451	708	258	57.2%
Services	716	677	-39	-5.5%
Consolidation Adjustment	-32	-41	-9	-27.4%
Other activities	613	668	55	8.9%
Consolidation Adjustment	-95	-98	-3	3.3%
<b>TOTAL Revenues</b>	6,544	5,977	-566	-8.7%

Consolidated revenues fell by 8.7% to €5,977 million, mainly due to the combined effect of the following factors:

- The decline in Energy revenues (-33.9%) mainly as a result of the deconsolidation of AWP (wind turbine business) from 1 April 2016.
- Increase in revenues in most infrastructure lines, Water in particular (+57.2%) due to the full consolidation of the ATLL concession as of 1 January 2016.
- Revenues from Other Activities increased by 8.9% due to the Real Estate business.

## EBITDA

(Million euros)	Jan-Dec 15	% EBITDA	Jan-Dec 16	% EBITDA	Chg. (€m)	Chg. (%)
Energy	897	76%	740	62%	-157	-17.5%
Infrastructure	167	14%	321	27%	153	91.8%
Construction	102	9%	174	15%	72	70.5%
Water	35	3%	119	10%	84	243.6%
Services	31	3%	28	2%	-3	-9.0%
Other activities	113	10%	131	11%	18	16.2%
Consolidation adjustments	-3	n a	0	n a	3	n a
<b>TOTAL EBITDA</b>	<b>1,174</b>	<b>100.0%</b>	<b>1,192</b>	<b>100.0%</b>	<b>17</b>	<b>1.5%</b>
Margin (%)	17.9%		19.9%			+2.0pp

Note: EBITDA contributions calculated before consolidation adjustments.

EBITDA increased slightly (1.5%) to €1,192 million mainly due to the higher contribution from Infrastructure (91.8%) and Other Activities (16.2%), which offset the lower contribution from the Energy business (-17.5%).

The Group's EBITDA margin stood at 19.9%, 2.0 percentage points higher than in FY2015.

With regards to contribution by division, the main contribution to EBITDA came from Energy (62%), followed by Infrastructure (27%). Other activities contributed 11% of EBITDA.

## EBIT

EBIT reached €988 million, 57.6% higher than the previous year, mainly due to net extraordinary items for a total amount of €387 million, mostly related to the capital gain from the contribution of the AWP business to Nordex, which was partially offset by negative items as described below.

## EBT

(Million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	198	107	-91	-45.8%
Infrastructure	90	122	32	35.9%
Construction	33	69	36	108.2%
Water	41	38	-3	-7.4%
Services	16	15	-1	-3.8%
Other activities	43	85	43	99.1%
Consolidation adjustments	-1	-3	-2	130.1%
<b>Ordinary EBI</b>	<b>330</b>	<b>312</b>	<b>-17</b>	<b>-5.3%</b>
Extraordinaries	-11	95	106	n a
<b>TOTAL EBI</b>	<b>319</b>	<b>408</b>	<b>89</b>	<b>28.0%</b>
Margin (%)	4.9%	6.8%		+2.0pp



Ordinary EBT fell by 5.3% to €312 million, mainly due to the lower Energy business contribution which fell by 45.8%. Both Infrastructure and Other Activities improved their EBT.

Total EBT, however, increased by 28.0%. This increase is mainly explained by the net extraordinary results of €95 million registered during the period, which included the following effects:

- Positive effects amounting to €721 million on the back of AWP-Nordex merger capital gain (€657 million); the capital gain derived from the acquisition of a 37.05% stake in ATLL from BTG Pactual; the unwinding of a provision due to the favourable court resolution regarding the last penalty imposed by the Spanish competition authority (CNMC) to Trasmediterránea; and the purchase of a debt at a discount.
- Negative effects amounting to €626 million, which include the financial costs related to the cancelation/refinancing of the debt associated to certain assets of the Energy division in order to reduce the cost of debt and optimize cash and cash equivalents, all of which entailed in aggregate a charge of €301 million on the income statement, mostly representing the unwinding of financial derivatives. Other negative effects include the provision for a client receivable due to a project that was suspended in Brazil, impairment losses in Real Estate (land plots), certain international Energy assets and a construction project in Brazil, as well as other costs mainly related to legal disputes.

### Attributable Net Profit

Attributable net profit amounted to €352 million (69.8% higher than in FY 2015).

### Consolidated Balance Sheet

<i>(Million euros)</i>	31-Dec-15	31-Dec-16	Chg. (€m)	Chg. (%)
Property, Plant & Equipment and Intangible assets	8,855	9,974	1,120	12.6%
Financial assets	569	1,340	771	135.4%
Goodwill	79	79	0	0.0%
Other non-current assets	1,382	1,291	-91	-6.6%
<b>NON-CURRENT ASSETS</b>	<b>10,885</b>	<b>12,684</b>	<b>1,799</b>	<b>16.5%</b>
Inventories	740	783	43	5.8%
Accounts receivable	1,612	1,724	111	6.9%
Other current assets	236	250	14	6.0%
Current financial assets	413	211	-202	-48.8%
Cash and Cash equivalents	1,460	1,428	-32	-2.2%
Assets held for sale	431	327	-104	-24.1%
<b>CURRENT ASSETS</b>	<b>4,893</b>	<b>4,723</b>	<b>-169</b>	<b>-3.5%</b>
<b>TOTAL ASSETS</b>	<b>15,778</b>	<b>17,408</b>	<b>1,630</b>	<b>10.3%</b>
Capital	57	57	0	0.0%
Reserves	3,249	3,437	188	5.8%
Profit attributable to equity holders of the parent	207	352	145	69.8%
Treasury stock	-20	-14	6	-28.8%
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>3,493</b>	<b>3,831</b>	<b>338</b>	<b>9.7%</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>261</b>	<b>266</b>	<b>5</b>	<b>1.9%</b>
<b>EQUITY</b>	<b>3,754</b>	<b>4,097</b>	<b>343</b>	<b>9.1%</b>
Interest-bearing borrowings	5,895	5,602	-293	-5.0%
Other non-current liabilities	2,008	3,237	1,229	61.2%

<b>NON-CURRENT LIABILITIES</b>	<b>7,903</b>	<b>8,839</b>	<b>936</b>	<b>11.8%</b>
Interest-bearing borrowings	1,137	1,169	31	2.8%
Trade payables	2,025	2,297	273	13.5%
Other current liabilities	539	819	280	52.1%
Liabilities associated to assets held for sale	420	186	-234	-55.7%
<b>CURRENT LIABILITIES</b>	<b>4,120</b>	<b>4,471</b>	<b>351</b>	<b>8.5%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,778</b>	<b>17,408</b>	<b>1,630</b>	<b>10.3%</b>

### Attributable Equity

ACCIONA's attributable equity at 31 December 2016 reached €3,831 million, 9.7% higher than at 31 December 2015, due to the net income generated in 2016 and the reduction in treasury stock.

### Net Financial Debt

<i>(Million euros)</i>	31-Dec-15		31-Dec-16		Chg. (€m)	Chg. (%)
	(€m)	% Total	(€m)	% Total		
Interest-bearing borrowings without recourse	4,629	66%	2,254	33%	-2,376	-51.3%
Interest-bearing borrowings with recourse	2,403	34%	4,517	67%	2,114	88.0%
<b>Total interest-bearing debt</b>	<b>7,032</b>	<b>100.0%</b>	<b>6,771</b>	<b>100%</b>	<b>-261</b>	<b>-3.7%</b>
Cash + Cash equivalents	-1,873		-1,640		233	-12.5%
<b>Net financial debt</b>	<b>5,159</b>		<b>5,131</b>		<b>-28</b>	<b>-0.5%</b>

\* Financial debt includes debentures and bonds.

Net financial debt as of December 2016 amounted to €5,131 million, 0.5% lower than in December 2015. This variation in debt was mainly due to the combination of the following factors:

- The operating cashflow amounted to €780 million.
- The vigorous investment activity with an investment net cash outflow of €719m.
- The payment of the 2015 dividend during the third quarter of 2016.
- The reclassification of the net debt of a transport concession and a property asset as a liability associated to assets held for sale, since the transport concession is in a competitive process for disinvestment and the property asset was sold in January for a total amount of €186m.

The mix of Recourse and Non-recourse debt shows the increased weight of Recourse Debt, mainly as a result of the refinancing transactions carried out during the year.

Financial gearing evolved as follows:

<i>(Million euros)</i>	31-Dec-15	31-Dec-16
Net debt	5,159	5,131
Gearing (Net Debt/Equity) (%)	137%	125%

### Capital Expenditure

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16
------------------------	------------	------------

Energy	130	489
Infrastructure	79	358
Construction	49	223
Water	19	107
Services	11	28
Other activities	13	69
<b>Total Gross CAPEX</b>	<b>222</b>	<b>916</b>
Divestment	-51	-64
<b>Total Net CAPEX</b>	<b>171</b>	<b>852</b>

Gross capital expenditure across ACCIONA's divisions in FY2016 amounted to €916 million.

Energy represented the greatest share of the investment effort with €489 million – mainly related to the development of new capacity in Chile, USA and India - followed by Construction with €223 million mostly related to the investment in heavy machinery required for international construction projects (Norway, Canada and Ecuador).

It is worth mentioning the acquisition of an additional 37.05% stake in the water concession ATLL for €74 million. Capital Expenditure in the period also reflects the purchase of two vessels for Trasmediterránea.

In terms of divestments, the group sold certain commercial properties belonging to the Real Estate division for €64 million.

As a result, net capital expenditure amounted to €852 million, which represented €720 m in terms of net investment cashflow.

## Results by Division

### Energy

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Generation	1,329	1,266	-63	4.7%
Spain	845	765	-80	-9.3%
International	484	501	17	3.5%
Non-generation	1,743	880	-863	-49.5%
Consolidation adjustments and other	-353	-350	2	-0.7%
<b>Revenues</b>	<b>2,719</b>	<b>1,796</b>	<b>-923</b>	<b>-33.9%</b>
Generation	848	782	-65	-7.7%
Spain	489	412	-77	-15.8%
International	359	370	12	3.3%
Non-generation	93	27	-66	-71.0%
Consolidation adjustments and other	-44	-70	-26	58.1%
<b>EBITDA</b>	<b>897</b>	<b>740</b>	<b>-157</b>	<b>-17.5%</b>
<i>Margin (%)</i>	<i>33.0%</i>	<i>41.2%</i>		
<b>EBI</b>	<b>198</b>	<b>107</b>	<b>-91</b>	<b>-45.8%</b>

(Million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Margin (%)	7.3%	6.0%		

ACCIONA Energy revenues decreased by 33.9% to €1,796 million. EBITDA decreased by 17.5% to €740 million. EBT amounted to €107 million if compared to €198 million in FY2015.

These results were mainly driven by the following factors:

- 7.7% decrease in EBITDA from the Generation activity, down to €782 million. This was mainly due to lower EBITDA in Spain, which fell by 15.8% due to the combination of the following factors:
  - Significant drop in electricity prices, which fell to €39.67MWh in average in 2016, 21% lower than in FY 2015.
  - This effect was partially mitigated by the recognition of a regulatory receivable during 3Q 2016 derived from the banding mechanism – as established in Royal Decree 413/2014 and Ministerial Order IET 1045/2014 - for an amount of €33 million.
  - International wind production increased by 4.4% thanks to new installed capacity in the United States, Chile, South Africa and Poland becoming operational between 2015 and 2016.
- Non-Generation EBITDA in FY 2016 decreased by €66 million mainly due to the deconsolidation of AWP.

In the last twelve months, consolidated installed capacity increased by 294MW, mainly due to the incorporation of 246MW solar PV in Chile, 93MW wind in USA and 3MW wind in India. The 48MW located in Greece were written off following the negative outcome of a legal dispute with a partner.

In terms of new growth opportunities, ACCIONA increased its firm pipeline of energy projects thanks to the success in public and private tenders and auctions in Chile, Mexico and Australia, securing approximately 700 MW (net) to be installed during the next few years.

At an operational level, consolidated production amounted to 17,354GWh, 0.9% higher than in FY 2015 due to the higher International wind resource which compensated the lower wind and hydro production in Spain.

### Breakdown of Installed Capacity and Production by Technology

31-Dec-16	Total		Consolidated		Net	
	Installed MW	Produced GWh	Installed MW	Produced GWh	Installed MW	Produced GWh
<b>Spain</b>	<b>5,950</b>	<b>12,847</b>	<b>4,673</b>	<b>10,111</b>	<b>5,279</b>	<b>11,393</b>
Wind	4,747	9,847	3,470	7,111	4,079	8,410
Hydraulic	888	2,198	888	2,198	888	2,198
Solar Thermoelectric	250	421	250	421	250	421
Solar PV	3	4	3	4	3	4
Biomass	61	376	61	376	59	360
<b>International</b>	<b>2,963</b>	<b>7,983</b>	<b>2,677</b>	<b>7,243</b>	<b>1,865</b>	<b>4,757</b>
Wind	2,512	7,524	2,272	6,875	1,524	4,528
USA	721	2,068	646	1,814	467	1,236
Mexico	557	2,191	557	2,191	361	1,424



	Total		Consolidated		Net	
Australia	303	961	239	805	180	589
Italy	156	272	156	272	104	181
South Africa	138	316	138	316	47	107
Portugal	120	299	120	299	75	183
Canada	181	459	103	268	69	178
Poland	101	189	101	189	67	126
India	89	229	89	229	60	153
Costa Rica	50	254	50	254	32	165
Chile	45	95	45	95	30	63
Croatia	30	83	30	83	20	56
Greece	0	59	0	59	0	42
Hungary	24	48	0	0	12	24
Solar PV	386	340	341	249	298	150
Chile	246	39	246	39	246	39
South Africa	94	210	94	210	32	71
Portugal	46	92	0	0	20	40
Solar Thermoelectric (USA)	64	119	64	119	43	79
<b>Total Wind</b>	<b>7,260</b>	<b>17,371</b>	<b>5,742</b>	<b>13,986</b>	<b>5,602</b>	<b>12,937</b>
<b>Total other technologies</b>	<b>1,653</b>	<b>3,459</b>	<b>1,607</b>	<b>3,367</b>	<b>1,541</b>	<b>3,213</b>
<b>Total Energy</b>	<b>8,913</b>	<b>20,830</b>	<b>7,349</b>	<b>17,353</b>	<b>7,143</b>	<b>16,150</b>

Annex 2 shows greater detail on MWs and productions.

### Infrastructure

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€ m)	Chg. (%)
Construction	2,171	2,267	96	4.4%
Water	451	708	258	57.2%
Services	716	677	-39	-5.5%
Consolidation adjustments	-32	-41	-9	-27.4%
<b>Revenues</b>	<b>3,306</b>	<b>3,611</b>	<b>305</b>	<b>9.2%</b>
Construction	102	174	72	70.5%
Water	35	119	84	243.6%
Services	31	28	-3	-9.0%
<b>EBITDA</b>	<b>167</b>	<b>321</b>	<b>153</b>	<b>91.8%</b>
<i>Margin (%)</i>	<i>5.1%</i>	<i>8.9%</i>		
<b>EBT</b>	<b>90</b>	<b>122</b>	<b>32</b>	<b>35.9%</b>
<i>Margin (%)</i>	<i>2.7%</i>	<i>3.4%</i>		

ACCIONA Infrastructure revenues amounted to €3,611, that is, an increase of 9.2% if compared to FY2015. EBITDA also increased by 91.8% to €321 million.

EBITDA and EBT margins increased up to 8.9% and 3.4%, respectively.

**A. Construction**

(Million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Construction & Engineering	2,065	2,157	92	4.4%
Concessions	106	110	4	3.6%
<b>Revenues</b>	<b>2,171</b>	<b>2,267</b>	<b>96</b>	<b>4.4%</b>
Construction & Engineering	54	122	68	126.5%
Margin (%)	2.6%	5.6%		
Concessions	48	52	4	8.2%
Margin (%)	45.4%	47.4%		
<b>EBITDA</b>	<b>102</b>	<b>174</b>	<b>72</b>	<b>70.5%</b>
Margin (%)		7.7%		
<b>EBT</b>	<b>33</b>	<b>69</b>	<b>36</b>	<b>108.2%</b>
Margin (%)	1.5%	3.0%		

Revenues amounted to €2,267 million, 4.4% higher than in FY 2015 mainly due to the increase in international construction.

EBITDA increased by 70.5% to €174 million backed by the good performance of the International construction activity which showed a significant improvement in margins, which offset lower construction activity in Spain.

The concession business EBITDA grew by 8.2% relative to the same period last year.

**Construction & Industrial Backlog**

At 31 December 2016, backlog amounted to €8,140 million, 21% higher than in FY2015. The international backlog reached an overall weight of 83% of the total backlog if compared to 73% a year ago.

(Million Euros)	31-Dec-15	31-Dec-16	Chg. %	Weight (%)
Total Spain	1,783	1,417	-21%	17%
<b>Total International</b>	<b>4,939</b>	<b>6,723</b>	<b>36%</b>	<b>83%</b>
Latin America	2,031	2,710	33%	33%
EMEA	1,416	2,407	70%	30%
Australia	987	1,146	16%	14%
Canada	505	459	-9%	6%
<b>TOTAL</b>	<b>6,722</b>	<b>8,140</b>	<b>21%</b>	<b>100%</b>

**Concessions**

At 31 December 2016 ACCIONA held a portfolio of 24 concessions with a book value of €1,377 million (€494 million "equity" and €883<sup>2</sup> million net debt).

Annex 3 contains detail on the concessions portfolio at 31 December 2016.

<sup>2</sup> This figure includes net debt from concessions held for sale (€151m) and those accounted by the equity method (€564m).



## B. Water

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	451	708	258	57.2%
EBITDA	35	119	84	243.6%
Margin (%)	7.7%	16.8%		
EBT	41	38	-3	-7.4%
Margin (%)	9.1%	5.4%		

The Water division increased its turnover by 57.2% and its EBITDA more than tripled if compared to 2015, mainly due to the full consolidation of ATLL - the water mains concession in the Barcelona region – since 1 January 2016.

Excluding ATLL's business, revenues were up 24.2% while EBITDA increased by 6.1% thanks to the growth achieved by the international Design and Construction activity, mainly linked to two desalination plants which ACCIONA Agua is building in Qatar.

### Water Backlog

Water Backlog as of December 2016 amounted to €10,469 million, almost tripling the amount at the close of 2015.

<i>(Million euros)</i>	31-Dec-15	31-Dec-16	Chg. (%)
D&C	573	555	-3%
O&M	2,963	2,117	-29%
ATLL	0	7,796	n a
<b>TOTAL</b>	<b>3,536</b>	<b>10,469</b>	<b>196%</b>
<i>(Million euros)</i>	31-Dec-15	31-Dec-16	Weight (%)
Spain	2,147	9,141	87%
International	1,389	1,328	13%
<b>TOTAL</b>	<b>3,536</b>	<b>10,469</b>	<b>100%</b>

Annex 4 details the water concessions portfolio subject to IFRIC 12 at 31 December 2016.

## C. Services

<i>(Million euros)</i>	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	716	677	-39	-5.5%
EBITDA	31	28	-3	-9.0%
Margin (%)	4.3%	4.1%		
EBT	16	15	-1	-3.8%
Margin (%)	2.2%	2.2%		

ACCIONA Service encompasses the following services: O&M of large scale infrastructures, O&M in the industrial sector and urban services.

The division reported a decrease in revenues of 5.5% to €677 million. It's EBITDA decreased by 9.0% reaching €28 million, mainly due to lower activity in the airport handling and forwarding services.

### Other Activities

(Million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Trasmediterránea	424	431	7	1.6%
Real estate	51	105	54	104.8%
Bestinver	91	85	-6	-6.7%
Winery	40	41	1	1.8%
Corp. & other	7	7	0	-3.7%
<b>Revenues</b>	<b>613</b>	<b>668</b>	<b>55</b>	<b>8.9%</b>
Trasmediterránea	41	61	20	48.5%
Real estate	6	14	8	122.1%
Bestinver	67	59	-8	-11.8%
Winery	5	5	0	9.6%
Corp. & other	-6	-8	-2	-88.7%
<b>EBITDA</b>	<b>113</b>	<b>131</b>	<b>18</b>	<b>16.2%</b>
<i>Margin (%)</i>	<i>18.4%</i>	<i>19.6%</i>		
<b>EBI</b>	<b>43</b>	<b>85</b>	<b>43</b>	<b>99.1%</b>
<i>Margin (%)</i>	<i>7.0%</i>	<i>12.8%</i>		

During FY2016 the Other Activities division, which includes Trasmediterránea, Real Estate, Bestinver, Wineries and others, reported revenues of €668 million, 8.9% higher than in FY2015.

EBITDA increased by 16.2% to €131 million thanks to the good performance of Trasmediterránea and better contribution from Real Estate, which more than offset the lower result from Bestinver.

### **Trasmediterránea:**

Trasmediterránea improved its EBITDA in nearly €20 million thanks to an increase in traffic levels, improved operational efficiency and lower fuel costs.

During this period, the number of passengers, lane metres and vehicles increased by 2.3%, 2.3% and 5.7%, respectively.

	Jan-Dec 15	Jan-Dec 16	Chg. (%)
Passengers served	2,451,323	2,508,535	2.3%
Cargo handled (lane metres)	5,651,087	5,780,966	2.3%
Vehicles	544,999	575,991	5.7%

### **Real Estate:**

EBITDA increased by 122.1% due to the delivery of a real estate development property in Mexico.

### **Bestinver:**

Bestinver's assets under management stood at €5,222 million at 31 December 2016. It reported an EBITDA of €59 million.

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## MATERIAL INFORMATION, DIVIDEND AND SHARE DATA

### Significant communications to the stock market

- **17 March 2016: ACCIONA reports new Board of Directors**
  - ACCIONA reported the composition of the new Board of Directors following recent changes in the management of the group
  - The Board of Directors is composed by the following Executive Directors: Mr. José Manuel Entrecanales Domecq and Mr. Juan Ignacio Entrecanales Franco and the following Executives: Mr. Carlos Arilla de Juana, Ms. Arantxa Ezpeleta Puras, Mr. Pio Cabanillas Alonso, Mr. Alfonso Callejo Martínez, Ms. Macarena Carrión López de la Garma, Mr. Luis Castilla Cámara, Mr. Rafael Mateo Alcalá, Mr. Joaquín Mollinedo Chocano, Mr. Juan Muro-Lara Girod and Mr. Jorge Vega-Penichet López
- **4 April 2016: ACCIONA reports the closing of the transaction with Nordex for the transfer of ACCIONA Windpower**
  - ACCIONA announced the transfer to Nordex SE of all the share capital of Corporación ACCIONA Windpower SL (“AWP”) had been concluded, resulting in an Enterprise Value of €785 million. The estimated equity value of AWP based on the 31 December 2015 debt adjustment amounted to €742.8 million. ACCIONA received as consideration:
    - 16,100,000 new issued shares of Nordex SE representing 16.6% of its corporate capital for a per share value of €26 totalling €418.6 million.
    - A cash payment of €324.2 million.
- **7 April 2016: Official announcement and submission of proposals to the Annual General Meeting**
  - On 7 April 2016, the company sent to CNMV (Spanish Stock Market Regulator) the notice of meeting of the Annual General Meeting to be held on 9 May 2016 at first call, or on 10 May 2016 at second call, and the proposed agreements.
- **11 April 2016: ACCIONA reports the closing of the transaction for the acquisition of 13.3% in the share capital of Nordex**
  - ACCIONA announced the closing of the acquisition to Momentum-Capital Vermögensverwaltungsgesellschaft GmbH, and Ventus Venture Fund GmbH & Co. Beteiligungs KG of 12,897,752 Nordex shares representing 13.3% of its corporate capital. ACCIONA currently holds 29.9% shareholding in the corporate capital of Nordex SE.
- **28 April 2016: ACCIONA reports on the approval of a Shareholders’ Plan addressed to all employees that are Spanish tax residents**
  - ACCIONA agreed the approval of a “shareholders’ plan” which allows employees that are Spanish tax residents to receive part of the monetary remuneration in shares with a limit of €12,000 per year. This plan gives the employees, except for the executive directors, the opportunity to become shareholders. Shares will be delivered considering the closing stock price at 15 April of each year.
- **10 May 2016: Annual General Meeting – Approval of Agreements**

On 10 May 2016 the Annual General Meeting approved, among others, the following agreements:

- To approve a €2.50 dividend per share (or greater amount fixed by the board and its members with delegated powers if there are treasury shares) to be paid on 1 July 2016.
- To amend the articles of association and regulations of the General Shareholders Meeting to adapt them to the amendments of the [Spanish] Capital Companies Act in relation to corporate governance.
- To authorize the Board of Directors for a period of five years to increase the share capital on one or more occasions, through cash contributions and up to a maximum current amount of €28,629,775, equivalent to half of the capital, in the terms and conditions that the Board decides in each case, with further power to exclude the preferential right of subscription up to 20% of the share capital.
- To authorize the Board of Directors for a five year term to issue bonds and other fixed income securities, either simple and/or convertible or exchangeable for shares of the company, as well as other instruments carrying the right to acquire shares or outstanding shares of the company, with the limit of €3,000m and further power to exclude in any event the preferential right of subscription up to 20% of the share capital.
- Acknowledgment of the Shares Delivery and Performance Shares Plan for 2014-2019, the Replacement Plan and the Shareholders' Plan, as well as of the number of shares delivered under the Shares Delivery and Performance Shares Plan, according to the report from the Board of Directors, ratifying said report to the extent necessary. To increase the maximum number of available shares for the Shares Delivery and Performance Shares Plan for 2014-2019 in 100,000 shares, without prejudice to subsequent increases, if proposed by the Board of Directors and approved by the General Meeting.
- Acknowledgment of the amendments to the Board of Directors Regulations in accordance with the Board of Directors.
- To Approve the Annual Directors' Remuneration Report for the year 2015.
- To approve The Sustainability Report 2015.
- **12 July 2016: ACCIONA reports the terms of the novation of the Syndicated Loan Agreement that it intends to sign**
  - ACCIONA announced that the syndicated loan facility of €1,800m signed on 25 March 2015 was to be novated.
  - The loan tranche amount would increase by €400m to €760m. The amount of the credit tranche would stay at €1,440m, so the novated syndicated facility would total €2,200m.
  - The term would be extended to 5 years from the signing of the novation, maturing July 2021.
  - The margin spread would be reduced.
- **12 July 2016: ACCIONA announces the signing of the Syndicated Loan Facility novation agreement**

ACCIONA reported the signing of the novation agreement of the bank syndicate loan described above.
- **7 October 2016: ACCIONA reports new Management Committee**

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- ACCIONA reported the composition of the new Management Committee following recent changes in the management of the group
- The Management Committee is composed by the following Executive Directors: Mr. José Manuel Entrecanales Domecq and Mr. Juan Ignacio Entrecanales Franco and the following Executives: Mr. Carlos Arilla de Juana, Ms. Arantxa Ezpeleta Puras, Mr. Alfonso Callejo Martínez, Ms. Macarena Carrión López de la Garma, Mr. Luis Castilla Cámara, Mr. Rafael Mateo Alcalá, Mr. Joaquín Mollinedo Chocano, Mr. Juan Muro-Lara Girod and Mr. Jorge Vega-Penichet López.
- **17 November 2016: ACCIONA reports the alternatives for its Real Estate division**
  - ACCIONA reported that it was not then considering an IPO of its real estate assets. Regarding its real estate rental assets, the company was analyzing an eventual rotation of same.

From 31 December 2016, ACCIONA has released the following material information:

- **16 January 2017: ACCIONA reports the buyback of its remaining convertible bonds up to a maximum of €108.4m**
  - The Company announced its intention to repurchase up to €108.4m in aggregate principal amount of its Bonds, representing the outstanding balance of the Bonds not already held by the Company in treasury stock.
  - The Repurchase period was expected to close as soon as practicable on 19 January 2017 after market close, subject to the right of the Company to close or extend, at its sole discretion, the Repurchase at any time.
- **19 January 2017: ACCIONA reports the final terms & conditions of the buyback of its remaining convertible bonds**

The final terms & conditions of the Repurchase were the following:

- (i) The aggregate principal amount of the Bonds to be repurchased would be €91,600,000.
- (ii) The repurchase price per Existing Bond would be 134.80% of its principal amount, which represents an aggregate consideration of approximately €123.48m for the Repurchase as a whole.
- (iii) The Company had accepted all offers for repurchase of the Existing Bonds.
- (iv) Given that, following completion of the Repurchase, less than 15% in aggregate principal amount of the Bonds originally issued would be outstanding, the Company would be able to exercise its early redemption call in relation to all remaining Bonds at its principal amount plus accrued and unpaid interests, subject to the decision of the Board of Directors.

### **Dividend**

On 10 May 2016 ACCIONA's AGM approved the payment of a €2.5 gross dividend per share against 2015 results. The dividend was paid on 1 July 2016.

**Share data and share price performance****ACCIONA Share Price Evolution (€/share)**

[There follows a diagram that shows the share price evolution from January 2016 to December 2016.]

**Key Share Data**

	31-Dec-16
Price at 30 December 2016 (€/share)	67.27
Price at 1 January 2016 (€/share)	79.08
Low in FY 2015 (11/02/2016)	61.99
High in FY 2016 (01/01/2016)	79.08
Average daily trading (shares)	213,129
Average daily trading (€)	14,433,468
Number of shares	57,259,550
Market capitalisation at 30 December 2016 (€ millions)	4,004

**Share capital information**

At 31 December 2016 the share capital of ACCIONA amounted to €57,259,550 divided into 57,259,550 shares with a face value of €1 each.

At 31 December 2016, Acciona, S.A. and its subsidiary Finanzas Dos, S.A. held 233,898 treasury shares, equivalent to 0.4085 % of the share capital at that date. The acquisition cost of said shares came to 14,403 thousand euros.

Movement in treasury shares in FY 2016 was as follows:

	2016	
	Number of shares	Cost
Opening balance	320,460	20,238
Additions	4,992,255	338,284
Retired	(4,987,221)	(338,300)
Liquidity contract	5,034	(16)
Additions	--	--
Retired	(91,596)	(5,819)
Other movements	(91,596)	(5,819)
End balance	233,898	14,403

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**Subsequent events**

On 10 January 2017, the sale of the hotel classified as an asset held for sale at 31 December 2016 (see note 23) was concluded. The purchase price amounted to 28 million. Also, the mortgage loan associated with the asset was cancelled, for the amount of 14 million euros.

On 16 January 2017, the Company announced its intention to repurchase up to 108.4 million euros of total face value of its Bonds, which represent the total outstanding Bonds that the Company did not have in treasury stock (see note 18 (b)). This process ended on January 19 with the acceptance by the company of the offers of sale received from the bondholders for a combined nominal amount of 91.6 million euros of repurchased bonds. Following the repurchase, Acciona has 95.09% of the convertible bonds issued, equivalent to 325.2 million euros.

In February 2017 the company received three communications from investors holding convertible bonds to exercise their right to convert them into shares of the company. The total number of shares to be delivered in connection with such conversion is 33,966. Said conversion will be formally done during the first week of March, in accordance with the provisions under the terms and conditions of the issue.

### **Main Risks associated with the ACCIONA Group's business activities**

The risk scenarios considered in the ACCIONA Risk Management System have been classified into four groups: financial, strategic, operational and unforeseeable, with the first two groups identified by the Group's executives as those presenting a higher risk profile.

In addition, due to the reform of the Criminal Code in 2015, ACCIONA adapted its Risk Management System to this new scenario by incorporating into the Risk Map those related to compliance and prevention of crimes that may affect ACCIONA's criminal liability. Compliance risks have been included within the category of strategic risks.

#### **1. Economic and financial risks:**

These risks are mainly fluctuations in exchange rates, interest rates and financial markets, changes in the prices of raw materials, liquidity, cash flow, late payment or loss of clients.

In order to mitigate the exchange rate risk, ACCIONA engages currency derivatives and exchange-rate hedging instruments to cover significant future transactions and cash flows in line with the tolerated risk thresholds. Note 19 to the annual accounts for 2016 includes detail of current and non-current assets and liabilities and of net equity at 31 December 2016 in the main currencies in which the Group operates.

Interest rate risk is particularly material with regard to the funding of infrastructure projects, in concession contracts, in the construction of wind farms or solar plants and other projects where the variation in interest rates may have a strong impact on their profitability. It is mitigated by hedging transactions through the engagement of derivatives (basically interest rate swaps). Note 20 to the annual accounts for 2016 includes detail of interest rate derivatives in place at 31 December 2016.

The risk of fluctuations in prices of raw materials, when stockpiling for construction work and particularly fuel for transportation, is fundamentally mitigated in the short term by specific hedging transactions generally through the engagement of derivatives.

As regards credit and liquidity risks, the Group negotiates operations solely and exclusively with solvent third parties and requires sufficient assurances to mitigate the risk of financial losses in the event of any default. It also constantly monitors the forecasts and the current levels of cash flows to match these against the maturity profiles for financial assets and liabilities.

## 2. Strategic risks:

ACCIONA minimises these risks through its own strategy and business model by applying adequate sectoral and geographic diversification of its businesses; the performance of exhaustive market research, surveys of competitors and the countries in which its activities are carried out; as well as through the encouragement of Research and Development.

## 3. Operational risks:

In each business area, specific systems are established to cover all the business requirements, to systematise and document processes, and to manage quality, operations, planning and financial control.

In order to mitigate the risks in the procurement process, controls have been established to favour free competition and transparency in the processes and to avoid violating ACCIONA's commitment to ethical behaviour in these processes.

Every year ACCIONA draws up a map of the risks with its critical suppliers, analysing the main risks in its supply chain from the perspectives of economics, the environment, the prevention of occupational hazards, the activity and the country of origin.

Risks derived from irregular behaviour. ACCIONA has put in place a Code of Conduct establishing the basic principles and commitments that must be respected and complied with by executives and employees of the divisions as well as by suppliers and third parties working with the Company in the exercise of their activities. A whistleblowing channel has been communicated at all levels of the Organization, and enables the reporting, in total confidence, of any irregular conduct related to accounting, control or auditing issues as well as any violation or breach of the ethical behaviour outlined in the Code.

In September 2011, the Board of Directors resolved to subscribe Acciona, S.A. to the Code of Good Tax Practices in order to combine and complement the control, prevention and regulatory compliance systems already in place to reduce the material tax risks and to prevent behaviour capable of generating these issues.

## 4. Unforeseeable Risks:

Environmental risks. – ACCIONA has its own Corporate System in place for the Management of Environmental Crises. This system includes the measures to be followed and the responsibilities and resources necessary for the proper handling of a crisis situation due to any incident arising at the facilities owned or operated by the Company and entailing an impact on the environment.

ACCIONA consolidated its initiatives regarding environment risk management, focusing its efforts on identifying and implementing measures to mitigate the most relevant risks, preparing a document to deal specifically with those risks for all the group divisions.

Occupational hazards. – The management of Employee Health and Risk Prevention is one of the priorities of all the Divisions and lines of business: a large part of our activities are included among those considered by legislation to be high risk (especially the Infrastructure and Energy divisions). Prevention activities are carried out through Management Systems under international premises certified under OHSAS 18001 standard.

After the Criminal Code was amended, ACCIONA established a crime prevention model in which, based on existing rules and procedures, the risks are assessed and the processes and controls established to prevent or mitigate certain crimes are defined. The crime prevention model established

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for Spain will be gradually implemented, adapted where appropriate to the requirements of local legislation, in the other countries where the Group's activity is carried out.

As regards the tax risks faced by the Group, these are basically procedures, communication with business areas that may lead to an inadequate technical analysis, changes in tax regulations or administrative and jurisprudential criteria, as well as the reputational risk arising from tax decisions that may damage the Group's image and reputation.

### Sustainability

ACCIONA deploys its sustainability strategy through the Sustainability Master Plan (*PDS*). After assessing the achievements and challenges experienced in the 5 years of implementation of the previous *PDS*, the Company defined a new sustainability strategy to cover the period up to 2020.

The new 2020 Sustainability Master Plan (<http://pds2020.acciona.com/>) is structured in strategic and operational objectives, applicable to the whole organization, with specifications for the different lines of business, within the following areas:

- For Society, the strategic objective is to collaborate in the improvement of the quality of life of people. To this end, challenges related to social impact management, dialogue and leadership, social action and volunteering were identified.
- ACCIONA also assumes the mitigation of climate change as its main strategic objective, committing its investment capacity. It is worth noting the Company's commitment to achieve carbon neutrality as from 2016, reducing and offsetting its CO2 emissions.
- Collaborating with sustainable water management is the strategic objective in the Environment area.
- Good Governance: human rights, ethics, corporate governance, risk management and transparency objectives were established.
- For People, the goals set relate to health and safety at work, development and incentives, diversity and inclusion, and training.
- For the Value Chain, the Company has objectives regarding its supply chain, as well as partners and clients.
- In the Innovation area, in addition to seeking to maintain an innovation figure over sales above the European average, ACCIONA set goals both in the field of collaborative innovation and of operational innovation.

Since 2009, sustainability-related actions and undertakings are promoted by the Board of Directors' Sustainability Committee, the body in charge of supervising and approving the goals of the Sustainability Master Plan. The various sustainability committees created in the main divisions are, in turn, the route for bringing sustainability closer to business areas. Their function is to drive and monitor specific initiatives in these divisions within the *PDS* framework. Another route to drive the implementation of the Company's sustainability strategy and the achievement of its targets was, once again, to link part of the variable remuneration of executives, managers and part of technical and support employees to the achievement of sustainability targets.

In the course of 2016 ACCIONA carried out a widespread campaign to disseminate internally the new 2020 Sustainability Master Plan, presenting it to its employees in various countries.

In addition, the Company joins several initiatives that promote more sustainable development through the collaboration of the different social, political and economic agents. Throughout 2016, ACCIONA continued to have an active presence in different forums and organizations, such as Sustainable Energy for All (SE4ALL), Global Compact LEAD and Caring for Climate within the United Nations; The Prince of Wales's Corporate Leaders Group, World Business Council for Sustainable Development, the World Economic Forum, the CEO Climate Leadership Group and the Spanish Green Growth Group in the public-private sector, and the Summit on Climate Change in Marrakech (COP22).

It is to be noted that in the course of 2016 the Company increased the implementation of its methodology of social impact management in projects in the Energy, Construction, Water, Industrial and Services divisions. Some phases of this methodology were implemented in more than 80 projects in different countries (Australia, Cape Verde, United Arab Emirates, Spain, Mexico, Canada, Ecuador, Chile, Norway, Peru, Brazil, Qatar, Nicaragua, Portugal, Trinidad and Tobago, Turkey, Oman, India, the United States, Costa Rica, Poland and South Africa), an increase of more than 70% over the previous year. The social impact of the Company's operations was managed in projects of a different nature, such as wind farms, photovoltaic facilities, construction of metro lines, water treatment plants, roads and motorways, bridges, airport terminals, airport services and water purification works, among others.

In 2016, based on the initial diagnosis of the UN Guiding Principles on Business and Human Rights, ACCIONA updated its assessment of human rights risks in the countries in which it operates and extended the scope of its diagnosis. The procedures and policies of the different business lines were analysed more in depth, taking as reference the standards of The Danish Institute for Human Rights and the United Nations Global Pact and an action plan was developed with the aim of improving the existing controls.

All the advances in the fulfilment of these sustainability targets and the actions carried out in 2016, together with the challenges faced by the Company, are described in detail in the Sustainability Annual Report and on the corporate website (<http://www.acciona.es/sostenibilidad>).

#### Analysis of materiality in sustainability matters

In order to maintain an attitude of continuous monitoring of new trends and challenges in sustainability matters, and to delve deeper into the social, environmental and governance aspects of relevance for the business and to focus on accountability, ACCIONA draws up a materiality survey every year.

In 2016 the materiality analysis was updated based on the previous year's study, which identified and prioritized issues relevant to each of ACCIONA's main lines of business (Energy, Construction and Industrial, Water and Services) and their impact along the value chain. This year's study analysed in depth the issues identified as relevant and was expanded with current issues according to different sources: international institutions, sectoral entities, press releases, among others.

As a novelty in 2016, the scope of the analysis was extended to other ACCIONA activities (Bestinver, Grupo Bodegas Palacio 1894, Real Estate and Trasmediterránea), thus identifying and prioritizing issues relevant to all business lines. The analysis process made it possible to create a matrix with the material issues by business on the basis of the relevance of each issue for the Company and its stakeholders.

As regards the key issues identified by ACCIONA's line of business, "Ethics and anti-corruption" and "Climate change mitigation" stand out as relevant in all major businesses. In addition, the issue "Innovation" is most relevant in businesses such as Energy, Construction, Industrial and Water. Finally, it should be noted that the issues of "Risk Management in Sustainability" and "Human Rights at Work" increase their relevance in respect of the previous year's results.

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### **Quality, Environment**

For ACCIONA, the fight against Climate Change, the sustainable use of Natural Resources and the protection of Biodiversity make up the principal thrusts of its **environmental strategy**.

As of 2016, ACCIONA achieves carbon neutrality, becoming a **company with a net zero emissions balance**, a commitment acquired within the framework of its new PDS 2020 Sustainability Master Plan

In 2016 the Company consolidated its position as a leading company in the fight against climate change and water sustainable management, opting for investing in renewable technologies in developing countries and mitigating the water shortage and the water stress in numerous areas on the plant, all of which places the Company at the avant-garde of the most advanced environmental standards worldwide.

These efforts were acknowledged by the **main international benchmarks** for transparency and environmental behaviour in 2016:

#### **CDP:**

International organisation representing 827 major institutional investors with assets worth \$100 billion and that require environmental data about the companies they rank:

- CDP gave ACCIONA, for the sixth consecutive year, the **highest possible score for its performance against climate change**. Only 193 companies out of over 1,000 analysed worldwide were recognized for their actions to reduce emissions and mitigate climate change. The Company was awarded the "*A List*" award.
- CDP also gave ACCIONA, for the fourth year running, the **highest rating as a Sustainable Supplier**, with the Company now listed on the exclusive list that recognises globally only 2% of the assessed companies as suppliers of sustainable products and services.
- In terms of water management, ACCIONA achieved the **highest rating** and joined the CDP Water A List 2016 as **the only Spanish company and one of only two Utilities**. Only 24 companies worldwide appear on this list, out of 2,500 companies evaluated. The results were announced in the city of Marrakech within the COP 22 framework and highlight the use of best practices in the field of sustainable water management by the Company, which values factors such as responsible use of water, the objectives of improvement, the strategy and the management of the risks and opportunities associated with water resources.

#### **Dow Jones Sustainability Index World:**

- ACCIONA obtained the **highest score in *Climate Strategy, Environmental Reporting, Electricity generation based on renewable energies policies* and Biodiversity**, achieving an overall environmental score **higher than 98% of all the electricity companies assessed**.

The Company's **main figures** in environmental matters in 2016 were:

- Acciona avoided the emission of 14.8 million tons of CO2 into the atmosphere in 2016, thanks to its activity of electricity generation from exclusively renewable sources.

- As for the emissions generated as a result of its other productive activity, ACCIONA has been a **carbon neutral company since 2016<sup>3</sup>**, so it compensates for all the annual emissions generated through the purchase of certified carbon credits.
- By extending its commitment to its value chain, for the third year running, Acciona **calculated the greenhouse gas emissions of 100% of its supply chain**, tracking the countries, purchasing sectors and Divisions that concentrate the highest percentage of emissions, on which efforts must be intensified in the fight against Climate Change.
- In 2016 progress was made in **SCO2PE by ACCIONA, a collaboration program with suppliers to drive the reduction of emissions** in the supply chain.
- Acciona also strengthened its **environmental risk management** through the adoption of a Standard and three Corporate Procedures in environmental risk management (Environmental Responsibility, Climate Change and Water Resources). In addition:

- **An analysis of the environmental risks associated with climate change** was carried out for Acciona and its supply chain. Taking into account the methodology of the Intergovernmental Panel on Climate Change (IPCC), the interrelationship of the most significant hazards was analysed, with the exposure of ACCIONA and its suppliers (depending on the activity in each country) and vulnerability to each hazard.

- Additionally, the **analysis of the environmental risks associated with water resources for Acciona and its supply chain** was prepared.

- In terms of water, the balance of the company is clearly favorable to the environment, with a **positive water footprint for the planet of 525 hm<sup>3</sup>**, a figure equivalent to the annual household consumption of more than 10 million inhabitants.
- **17.6%** of the Company's total water consumption comes from **reused or recycled water**.
- Acciona calculated for the second year running the **water consumption of 100% of its supply chain**, which has made it possible to analyse more in depth the risks of suppliers associated with water resources, quantifying the weight that each country, procurement sector, Division, and link on the chain, have on the figure obtained for consumption.
- Promotion of environmental offsetting services, with the organisation of **20 carbon footprint neutral events** for both its clients and for its own events, such as, for example, ACCIONA's General Shareholders' Meeting.
- **Sustainable Mobility**. In this area, it is worth noting the Company's commitment to the promotion of alternative means of transport in its Businesses and among its stakeholders. There stands out the successful conclusion of the Dakar rally with a 100% electric vehicle, it being the only vehicle of these characteristics in achieving this milestone.
- **ACCIONA environmental economic figures**. In 2016, 3,037 million euros<sup>4</sup> were earmarked for environmental activity in ACCIONA. **Environmental expenses** amounted to 2,438 million euros and **investments** to 599 million.
- 42% of the Group's Global Sales and 72% of EBITDA were based on businesses included in what the United Nations Environment Program (UNEP) defines as the Green Economy. <http://www.pnuma.org/eficiencia/recursos/economia.php>
- **Environmental outcrop**. In 2016, ACCIONA identified, analysed and evaluated **460 environmental actions** developed by the Business Lines, selecting those considered to be **good practices and / or unique actions**.
- Progress in the development of the **Biodiversity Compensation and Improvement Program** and in the methodological development of calculation of the **footprint on biodiversity**.

<sup>3</sup> Compensation will materialise after external verification of the calculation of emissions generated in 2016.

<sup>4</sup> This figure included, for the first time, operating expenses in renewable energies and investment and expense in desalination.

- Definition of the **2016-2020 Waste Management Plan to promote the Circular Economy in ACCIONA**. The Plan covers the most representative types of waste in ACCIONA, and is articulated as a guide to promote within the organization the Circular Economy model, to be progressively implemented.

ACCIONA has an **organizational structure** that facilitates the integration of environmental variables into business operations and ensures the application of policies, principles and strategies in these matters.

This structure is reinforced by the company's efforts in Training, which contributes to the continuous improvement of the qualification of professionals and their active participation in the environmental culture. ACCIONA employees received **55,520 hours of environmental training** in 2016.

## Quality

ACCIONA works with a management model based on efficiency, integrating the different aspects that are relevant to its stakeholders, with the objective of satisfying the expectations of its clients and achieving the economic and environmental sustainability of its activities, within the highest quality standards.

This commitment is reflected in the Corporate Policies of the Company and in the Sustainability Master Plan and is materialized in the establishment of improvement objectives, the creation of an organizational structure that promotes excellent management and the recognition of employees as fundamental elements for improvement in the Organization.

Throughout 2016, ACCIONA advanced in the performance of increasingly efficient processes and in the provision of sustainable and high-quality products and services:

It continued with the certification of its management systems according to the internationally recognized applicable standards:

- In 2016 ACCIONA's certified revenue percentages under ISO 9001 and ISO 14001 amounted to 90% and 87%, respectively.
- The quality and environmental management systems (under ISO 9001 and ISO 14001) of ACCIONA Water and ACCIONA Energy in Chile, ASUMA in Mexico and ACCIONA Construcción in Canada were certified.
- Within the framework of the Company's commitment to energy efficiency, the following ISO 50001 certifications were obtained:
- ACCIONA Facility Service certified the activity of energy efficiency, both in the projects carried out for third parties, and in the energy management of its headquarters.
- ACCIONA Airport Services certified its Energy Management System at Frankfurt airport for handling services.
- ACCIONA Water increased the scope of its ISO 50001 certification, including three new centres: Villarrubia de los Ojos Water Service, ETAP Gartzeta and EDAL Falset.
- **Grupo Bodegas Palacio 1894**: Bodegas VIÑA MAYOR was the first winery of the Ribera del Duero Appellation Contrôlée to obtain the "**Wineries for Climate Protection**" certification, the only international certification in terms of sustainability, specific to the wine sector, which aims at improving processes, reducing emissions and improving energy efficiency.
- Concession companies "A2 Tramo 2" and "Autovía de la Plata", managed by ACCIONA **Concesiones**, were the first motorways in Spain to implement and certify a road safety management system according to ISO 39001.

As part of the continuous improvement cycle, the performance of management systems implemented in the Company was audited, with **more than 500 internal audits** (46% more than in 2015), **39 projects and improvement groups** where over 190 people worked where developed and **290 lessons learned and good practices** were identified and disseminated, more than double than in 2015.

**Environment-related figures for 2016:**

The environmental investments and expenditure made by ACCIONA in 2016 covered the following items:

- Measures to minimise environmental impact
- Environmental research, development and innovation
- Personnel
- Investments in plant, property and equipment to prevent impacts and protect the environment
- Environment advice and consultancy
- Other
- Generation of renewable energies
- Treatment of waste water and drinking water and desalination

In 2016, environmental expenditure amounted to 2,438 million euros, and investments, to 599 million euros, which placed the company's global environmental activity at 3,037 million euros.

**Innovation**

ACCIONA is aware that technology is always behind the great advances of history and that its development is getting faster, as technology becomes cheaper, more global and more accessible – a key piece to acquire competitive advantages that generate a multiplier effect in the possibility of creating new businesses and optimising existing ones.

As a result, ACCIONA continues to focus on innovation as the main tool for the development of its businesses, focusing on ensuring its sustainability and creating added value for its products and services.

The new era will be characterized by the digitization of our processes and interconnectivity, which makes it necessary to adopt new more agile ways of thinking and working, while fostering internal collaboration and training our teams in new digital capacities.

In 2016 ACCIONA accredited an innovation figure of 193.9 ME, which translates into an innovative intensity ratio of 3.2 over 1.2 of the European average, once again reaching a peak in its history. The Innovation Figure reflects in a tangible way the Company's commitment to remain at the forefront of technological innovation, and the effort to internationalize innovation, with 71.8% of the total being developed outside our borders.

2016 was characterized by the development and application of new technologies, including virtual reality (VR). In addition, thanks to Collaborative Innovation, projects were carried out that provided clear competitive advantages for the company and that demonstrate ACCIONA's commitment to advanced technologies.

The commitment to innovation and the efforts made, have enabled ACCIONA to remain on the main national and international rankings, it being the 6<sup>th</sup> Spanish company and the 152<sup>nd</sup> in Europe that

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Product Controller  
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more innovative effort makes by R&D&I figure according to the report “The 2016 EU Industrial R&D Investment Scoreboard” put together by the European Commission IRI (*Economics of Industrial Research and Innovation*).

In addition, the “2016 Global Innovation 1000 Report” by Strategy & (PWC strategic consultancy), which includes the 1000 companies that invest the most in R&D worldwide, highlights ACCIONA among the 7 Spanish companies appearing on the ranking.

Once again, ACCIONA Innovation continues to be at the forefront of technology, as demonstrated by the installation of the world’s first pedestrian bridge made with additive manufacturing in the Municipality of Alcobendas, and the continuous national and international awards received, among which we highlight:

- Cien Ideas Award, given by the magazine *Actualidad Económica*, for its 'Captured Reality' project, implemented by ACCIONA Innovation Department, transferred to ACCIONA Service and marketed by ACCIONA Facility Services.
- Inter-American Development Bank Award “Infrastructure 360°” for the Atotonilco WWTP in recognition of the integral implementation of a sustainability strategy.
- “Best renewable energy project of the year 2016” award for the CSP solar thermal plant Bokpoort, given by the National Energy Association of South Africa (SANEA).
- JEC International World 2016 Innovation Award for the Composite Materials lighthouse in Valencia.

In the course of 2016, the R&D&I Management System (SGIDI) was continued, and the system contributed to the correct achievement of the company's innovation objectives. A continuous review of activities was carried out through the new management indicators and the Committees for Analysis and Evaluation of the R&D&I Contribution to the Business were held to follow up on the Annual Innovation Plans and update the Strategic Plans for the coming years.

ACCIONA's continuous effort and its commitment to innovation were rewarded in the Group's audit of recertification carried out by AENOR, where it was demonstrated, once again, that our SGIDI complies with the requirements specified in standard UNE 166002: 2014, achieving for the first time zero Non-Conformities.

**[Diagram: It shows the trend of the figure for innovation from 2006 to 2016.]**

### Foreseeable trend

2016 was a complicated year in geopolitical terms, with two important events that have had a direct impact on the prospects of world economic growth. On the one hand, the June vote in which the UK decided to leave the European Union raised doubts both in the future of Europe and in the horizon of institutional and trade agreements between the two parties. On the other hand, the unexpected victory of Donald Trump in the US presidential election, coupled with weaker-than-expected growth in the US economy, has led to an increase in uncertainty that widens the dispersion of possible outcomes regarding the expected growth projections. As a result, the IMF expects 2016 to close with global inter-annual growth of 3.1% and it maintains global growth projections for both 2017 and 2018 at 3.4% and 3.6%, respectively.

As regards advanced economies, forecasts have been revised upwards after a better 2016 closure than expected, mainly thanks to the Spanish, German and British economy and, to a lesser extent, Japan. As mentioned above, the incoming US government has generated greater dispersion among the country's

growth prospects, but the IMF believes that the fiscal stimulus that the Trump administration will certainly apply will have a positive impact on US GDP, which has also improved growth expectations. The estimated growth for 2016 is 1.6%, with projections rising to 1.9% for 2017 and reaching 2.0% in 2018.

The euro zone is expected to continue its reactivation over the next two years, albeit with somewhat lower growth rates than in 2015. Low oil prices, lax monetary policy and modest fiscal expansion will be the pillars that will support growth. The euro area is expected to close 2016 with a growth of 1.7% and projected growth for 2017 and 2018 of 1.7% in both years.

As for Spain, the IMF estimates that it will close 2016 with a year-on-year growth of 3.2%, almost twice the euro zone average, and it forecasts growth of 2.3% and 2.1% for 2017 and 2018, respectively. After an uncertain 2016 in the political arena, the market has valued positively that the leaders have been able to culminate an agreement to unlock the country's political situation. The current government has taken a step forward towards meeting the objectives set by the European Union after presenting a draft budget in line with the fiscal rules established from Brussels, and its main challenge is now to continue working to reduce the unemployment rate.

Emerging and developing market economies will continue to be the main driver of global growth, thanks to a large extent to the relaxation of the macroeconomic tensions of certain large economies. Specifically, growth at the close of 2016 for emerging economies is expected at 4.1%, with projected rates of 4.5% and 4.8% for 2017 and 2018, respectively.


The Chinese economy is expected to end 2016 with a growth rate of 6.7%. The IMF projected growth of 6.5% for 2017 and 6.0% for 2018. In the middle term, projections assume that the economy will continue to rebalance, increasingly focusing on the consumption and services sector, leaving aside industrial activity and investment, all as a result of reforms to strengthen the social protection network and the deregulation of the services sector. The main brake on growth in the middle term, according to the IMF, could be triggered by the uncontrolled rise in non-financial debt and resource allocation inefficiency.

As for Russia, IMF estimates predict that the economy will close 2016 with a negative rate of -0.6% and return to positive rates in 2017 with a growth of 1.1%. This improvement is mainly attributed to the increase in the price of oil experienced since last April, which was received as an oxygen balloon for Russian exporters of this raw material.

Finally, economic activity in Latin America and the Caribbean continues to lose momentum with an expected negative rate for 2016 of -0.7% and projected growth for 2017 of 1.2% and 2.1% in 2018. The area continues to suffer from the severe recession of the Brazilian economy that contrasts with the growth shown by Mexico, Chile, Peru or Colombia. Specifically, Brazil will close 2016 with a negative growth of -3.5% and will again grow positively in 2017 and 2018 with rates of 0.2% and 1.5%, respectively, as long as political uncertainty is reduced and the effects of previous economic shocks continue to weaken.

#### Average period of payment to suppliers and Corporate Social Responsibility

To the effects of the provisions in article 262.1 of Royal Legislative Decree 1/2010, of 2 July, whereby the consolidated text of the Capital Companies Act is approved, the information on the average period for payment to suppliers is contained in note 36 to the financial statements. In addition, and in conformity with recommendation 55 of the Code of Good Governance of Listed Companies, it is hereby indicated that the aspects related to Corporate Social Responsibility are discussed in the Sustainability Report.

 **M<sup>o</sup> TERESA DE LA CUESTA BERNÁLDEZ**  
Traductora-Intérprete Jurada de INGLÉS  
N<sup>o</sup> 651



Annual Corporate Governance Report

The Annual Corporate Governance Report is available in its entirety on the web site of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)) and on the Company's web page ([www.acciona.es](http://www.acciona.es)).

In addition, the Annual Corporate Governance Report will be notified to the National Securities Market Commission as a Material Event.

CERTIFICATION: Ms. M. Teresa de la Cuesta Bernaldez, Sworn English Interpreter, certifies that the foregoing is a truthful and complete translation into English of a document written in Spanish. Madrid, 03 April 2017.

CERTIFICACION: Dña. M. Teresa de la Cuesta Bernaldez, intérprete jurado de inglés, certifica que la que antecede es traducción fiel y completa al inglés de un documento redactado en español. En Madrid, a 03 de abril, 2017.



M. TERESA DE LA CUESTA BERNÁLDEZ  
Traductora-Intérprete Jurada de INGLÉS  
Nº 661

TRANSLATION

For the purposes of Royal Decree 1362/2007, of 19 October (art.8.1 b), the Directors of Acciona, S.A. now subscribe the following **declaration under their own responsibility**:

To the best of their knowledge, the Consolidated Annual Accounts drawn up in accordance with the applicable accounting principles offer a true and fair view of the equity, financial situation and results of the issuer and of the companies included in the scope of consolidation taken as a whole, and the directors' report includes a faithful analysis of the business trend and results and of the position of the issuer and the companies included in the scope of consolidation taken as a whole, together with the description of the main risks and uncertainties faced.

**Formal Note** added to state for the record that the Directors of ACCIONA, S.A. are aware of the entire contents of the Annual Accounts and the Directors' Report corresponding to the 2016 financial year of Acciona, S.A. and its subsidiaries (Consolidated Group), as submitted to the Board of Directors and duly prepared by the Board at meeting held on 28 February 2017, printed on 205 sheets, all of them signed by the Secretary and with the corporate Seal affixed and numbered as follows:

Cover Page .....	Page 1
Content .....	Pages 2 and 3
Consolidated Balance Sheet .....	Page 4
Consolidated Income Statement.....	Page 5
Consolidated Statement of Comprehensive Income .....	Page 6
Consolidated Statement of Changes in Total Equity.....	Pages 7 and 8
Consolidated Statement of Cash Flows.....	Page 9
Notes to the Consolidated Accounts.....	Page 10 to Page 171
Consolidated Directors' Report.....	Page 172 to Page 205

Therefore, in witness of their agreement herewith, this note is signed by all of the members of the Board of Directors:

Mr. José Manuel Entrecañales Domecq  
Chairman  
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Mr. Juan Ignacio Entrecañales Franco  
Vice-Chairman  
[blank]

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Mr. Javier Entrecañales Franco  
Member  
[blank]

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Mr. Juan Carlos Garay Ibargaray  
Member  
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Mr. Daniel Entrecañales Domecq  
Member  
[blank]

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Ms. María del Carmen Becerril Martínez  
Member  
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Mr. Jaime Castellanos Borrego  
Member  
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Ms. Belén Villalonga Morenés  
Member  
[blank]

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TRANSLATION

Mr. Fernando Rodés Vilá  
Member  
[blank]

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Ms. Ana Sainz de Vicuña Bemberg  
Member  
[blank]

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Mr. Jerónimo Marcos Gerard Rivero  
Member  
[blank]

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CERTIFICATION: Ms. M. Teresa de la Cuesta Bernaldez, Sworn English Interpreter, certifies that the foregoing is a truthful and complete translation into English of a document written in Spanish. Madrid, 03 April 2017.

CERTIFICACION: Dña. M. Teresa de la Cuesta Bernaldez, intérprete jurado de inglés, certifica que la que antecede es traducción fiel y completa al inglés de un documento redactado en español. En Madrid, a 03 de abril, 2017.

