KPMG

Acciona, S.A.

Annual Financial Statements

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

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

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

Independent Auditor´s Report on the Annual Financial Statements

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

To the Shareholders of Acciona, S.A.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Valuation of investments in group companies and associates
See notes 4.5.1 and 8 to the annual financial statements

Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company, which is the parent of the Acciona Group, has several investments in Group companies and associates. At 31 December 2017, total provisions for impairment of these investments amount to Euros 1,333 million. Management and the Directors assess whether there are indications of impairment of the aforementioned investments at each reporting date and, if this is the case, test the investments for impairment to determine the need to increase or decrease the impairment provisions recognised for these items. To this end, the recoverable amount of investments in group companies and associates is determined by applying valuation techniques that require management and the Directors to exercise judgement and make assumptions and estimates based on, among other aspects, macroeconomic trends, the internal circumstances of the investees and their competitors, discount and growth rates and business forecasts. Due to the uncertainty and judgement associated with the aforementioned estimates and the significance of the carrying amount of the investments, we have considered the measurement thereof to be a key audit matter.	Our audit procedures included, among others, the following: • We obtained an understanding of the process for estimating the recoverable amount of investments in group companies and associates, and evaluated the design and implementation of the relevant controls established by management in relation to this process. • We assessed the criteria used by the Company in determining whether there are indications that the investments in group companies and associates may be impaired. • We assessed the reasonableness of the methodology and assumptions used by the Company in estimating the recoverable amount of investments in group companies and associates, with the collaboration of our specialists in business valuations. We reviewed the extent of achievement of the estimates in past business plans and contrasted the information contained in the valuation model with the investees' business plans used by the Company, and with estimates and forecasts for the industry of which the investees form part, calculated by external sources. In addition, we evaluated the growth rates and discount rates used in the calculation of recoverable amounts, and their sensitivity to changes in key assumptions to determine their impact on the valuation. • We also assessed whether the information disclosed in the annual financial statements meets the requirements of the financial reporting framework applicable to the Company.

Litigation and contingencies See notes 4.9 and 12 to the financial statements	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
In the course of its activity, the Company is exposed to claims and disputes and may find itself becoming a party to administrative or judicial proceedings and arbitration. The process for controlling, monitoring and evaluating claims and disputes involving the Company is complex. Management and the Directors must exercise judgement to predict the outcome thereof and estimate the probability of a ruling against the Company, its possible economic consequences and, where appropriate, the amount of any provisions needed to cover the related obligations and other accounting impacts and/or disclosures to be included in the annual financial statements. Due to the judgement involved in predicting the outcome of these matters and the uncertainty inherent in the estimates related to claims and disputes, particularly those subject to a court ruling or arbitration, and because changes therein could give rise to significant differences with respect to the amounts recognised by the Company at the reporting date, we have considered litigation and contingencies to be a key audit matter.	Our audit procedures included, among others, the following: • We obtained details of claims and litigation involving the Company from the information provided by the Company´s legal counsel. • We evaluated the design and implementation of the relevant controls established by the Company in relation to the integrity of claims and litigation and to estimate the possible consequences thereof for the Company and, where appropriate, the necessary provisions and their corresponding recognition. • We obtained responses from the Company's lawyers containing their representations regarding the status, probability and possible consequences for the Company of the most significant claims and disputes in quantitative and qualitative terms. • In the case of the more significant claims and litigation, we evaluated the reasonableness of the assumptions and estimates made by management and the Directors and, where appropriate, the Company's lawyers. • We also assessed whether the disclosures in the annual financial statements meet the requirements of the applicable financial reporting framework.

Other Information: Directors' Report

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

Our audit opinion on the annual financial statements does not encompass the directors' report. Our responsibility regarding the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual financial statements, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual financial statements for 2017, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Financial statements

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

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

The audit committee is responsible for overseeing the preparation and presentation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual financial statements.

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

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

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

We also provide the Company's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Company, we determine those that were of most significance in the audit of the annual financial statements of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 26 February 2018.

Contract Period

We were appointed as auditor of the Company by the shareholders at the ordinary general meeting on 18 May 2017 for a period of three years, from the year ended 31 December 2017.

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

(Signed on the original in Spanish)

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

26 February 2018

ACCIONA, S.A.

ANNUAL FINANCIAL STATEMENTS

AND

DIRECTORS' REPORT

FINANCIAL YEAR 2017

CLARA LOIS LOZANO

TRADUCTORA INTERPRETE JURADA DE IN...

Nº. 10060

ACCIONA, S.A.

BALANCE SHEET AT 31 DECEMBER 2017 AND 2016

(Thousand euros)

ASSETS	Notes to financial statements	31/12/2017	31/12/2016
NON-CURRENT ASSETS		**5,790,338**	**5,667,121**
Property, plant and equipment	Note 6	**6,712**	**6,295**
Land and buildings		5,159	5,268
Other technical plant and fixtures & fittings		740	139
Other property, plant and equipment		813	888
Non-current investments in Group companies, joint ventures and associates	Notes 8.2.1 & 17.2	**5,563,584**	**5,416,742**
Equity instruments		5,559,895	5,376,958
Loans and credits to companies		3,689	39,784
Non-current financial investments	Note 8.1	**937**	**2,042**
Equity instruments		--	895
Other financial assets		937	1,147
Deferred tax assets	Note 14.6	**219,105**	**242,042**
CURRENT ASSETS		**197,295**	**121,271**
Non-current assets held for sale	Note 9	**3,000**	--
Trade and other accounts receivable		**154,160**	**111,520**
Clients, group companies and associates:	Note 17.2	55,439	51,259
Sundry receivable		327	76
Personnel		2,823	3,595
Current tax assets	Note 14.1	95,193	56,577
Other credits with Public Entities	Note 14.1	378	13
Current investments in Group companies and associates	Notes 8.2.2 & 17.2	**38,462**	**4,521**
Current credits to companies and other financial assets		38,462	4,521
Current prepayments		**393**	**1,416**
Cash and other cash equivalents	Note 10	**1,280**	**3,814**
Cash and banks		1,280	3,814
TOTAL ASSETS		**5,987,633**	**5,788,392**

EQUITY AND LIABILITIES	Notes to financial statements	31/12/2017	31/12/2016
EQUITY	Note 11	**3,659,413**	**3,657,425**
CAPITAL AND RESERVES		**3,659,413**	**3,657,425**
Capital		**57,260**	**57,260**
Issue premium		**170,110**	**170,110**
Reserves		**3,225,986**	**3,057,145**
Legal and statutory		695,652	656,992
Other reserves		2,530,334	2,400,153
Treasury stock		**(3,145)**	**(13,692)**
Year's profit /(loss)		**209,202**	**386,602**
NON-CURRENT LIABILITIES		**636,638**	**915,780**
Non-current provisions	Note 12	**125,502**	**166,293**
Other provisions		125,502	166,293
Non-current payables		**511,136**	**739,512**
Debentures and other negotiable securities	Note 13.2	194,609	308,342
Bank borrowings	Note 13.1	316,527	431,170
Deferred tax liabilities	Note 14.7	--	**9,975**
CURRENT LIABILITIES		**1,691,582**	**1,215,187**
Current provisions		**3,527**	**7,315**
Current payables		**244,739**	**145,331**
Debentures and other negotiable securities	Note 13.2	18,226	39,667
Other financial liabilities		13,472	13,472
Bank borrowings	Note 13.1	213,041	92,192
Current payables to Group companies and associates	Note 17.2	**1,379,688**	**988,338**
Trade and other accounts payable		**63,628**	**74,203**
Suppliers		13,073	10,475
Suppliers, group companies and associates	Note 17.2	4,617	4,867
Sundry payables		9,364	34,145
Personnel		18,377	20,598
Other payables to Public Entities	Note 14.1	18,197	4,118
TOTAL EQUITY AND LIABILITIES		**5,987,633**	**5,788,392**

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

ACCIONA, S.A.

INCOME STATEMENT FOR FINANCIAL YEARS 2017 AND 2016
(Thousand euros)

	Notes to financial statements	FY 2017	FY 2016
Net turnover	**Note 16.1**	**115,222**	**124,408**
Provision of services		60,860	51,064
Financial income from investments in equity instruments		51,942	45,869
Financial income from negotiable securities and other financial instruments	**Note 17.1**	2,420	27,475
Other operating income		**304**	**328**
Non-core and other current operating revenues		304	328
Personnel expenses	**Note 16.2**	**(53,460)**	**(52,319)**
Wages, salaries and similar		(42,290)	(42,346)
Welfare charges		(11,170)	(9,973)
Other operating costs		**(73,249)**	**(65,646)**
External services		(73,090)	(64,292)
Taxes		(159)	(83)
Losses, impairment and change in provisions for trade operations		2	(1,271)
Amortisation/depreciation of assets	**Note 6**	**(1,306)**	**(1,906)**
Impairment and profit/(loss) on disposal of financial instruments		**196,080**	**363,023**
Excess provisions	**Note 12**	**41,642**	**80,400**
OPERATING PROFIT/(LOSS)		**225,233**	**448,288**
Financial income		**763**	**375**
From negotiable securities and other third-party financial instruments		763	375
Finance costs		**(55,793)**	**(57,732)**
For payables to Group companies, jointly-controlled entities and associates	**Note 17.1**	(24,940)	(12,377)
For payables to third parties		(30,853)	(45,355)
Change in fair value of financial instruments		**--**	**--**
Trading portfolio and other		--	--
Translation differences		**(509)**	**(604)**
FINANCIAL PROFIT / (LOSS)		**(55,539)**	**(57,961)**
PROFIT/(LOSS) BEFORE TAX		**169,694**	**390,327**
Tax on profit	**Note 14.4**	39,508	(3,725)
YEAR'S PROFIT/(LOSS)		**209,202**	**386,602**

Accompanying Notes 1 to 20 and the appendices are an integral part of the income statement for 2017.

CLARA LOIS LOZANO
TRADUCTORA-INTÉRPRETE JURADA DE INGLÉS
Nº 10009

ACCIONA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR 2017 & 2016
A) STATEMENT OF RECOGNISED INCOME AND EXPENSES
(Thousand euros)

	FY 2017	FY 2016
RESULTS OF INCOME STATEMENT (I)	**209,202**	**386,602**
Income and expenses recognised directly in equity		
- For measurement of financial instruments:	--	--
Available-for-sale financial assets	--	--
Other income / expenses	--	--
- For cash flow hedges	--	--
- Grants, donations and legacies received	--	--
- For actuarial gains and losses and other adjustments	--	--
- Tax effect	--	--
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)	--	--
Transfers to income statement:		
- For measurement of financial instruments:	--	--
Available-for-sale financial assets	--	--
Other income / expenses	--	--
- For cash flow hedges	--	--
- Grants, donations and legacies received	--	--
- Tax effect	--	--
TOTAL TRANSFERS TO INCOME STATEMENT (III)	--	--
TOTAL RECOGNISED INCOME AND EXPENSES (I+II+III)	**209,202**	**386,602**

Accompanying Notes 1 to 20 and the appendices are an integral part of the statement of recognised income and expenses for 2017.

ACCIONA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR 2017 & 2016
B) COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY
(Thousand euros)

	Capital	Issue Premium	Reserves	Treasury Stock	Years' Profit/(Loss)	TOTAL
BALANCE AT 31/12/2015	**57,260**	**170,110**	**2,756,010**	**(19,527)**	**180,550**	**3,144,403**
Total recognised income and expenses	--	--	--	--	**386,602**	**386,602**
Operations with shareholders	--	--	**(20,359)**	**5,835**	**(180,550)**	**(195,074)**
- Application of results / dividends	--	--	37,401	--	(180,550)	(143,149)
- Operations with bonds			(57,658)	--	--	(57,658)
- Operations with treasury stock (net)	--	--	(102)	5,835	--	5,733
Other changes in equity - effect of corporate restructure	--	--	**321,494**	--	--	**321,494**
BALANCE AT 31/12/2016	**57,260**	**170,110**	**3,057,145**	**(13,692)**	**386,602**	**3,657,425**
Total recognised income and expenses	--	--	--	--	**209,202**	**209,202**
Operations with shareholders	--	--	**186,843**	**10,547**	**(386,602)**	**(189,212)**
- Application of results / dividends (Note 3)	--	--	221,981	--	(386,602)	(164,621)
- Operations with bonds	--	--	(35,711)	--	--	(35,711)
- Operations with treasury stock (net)	--	--	573	10,547	--	11,120
Other changes in equity -- effect of corporate restructure	--	--	**(18,002)**	--	--	**(18,002)**
BALANCE AT 31/12/2017	**57,260**	**170,110**	**3,225,986**	**(3,145)**	**209,202**	**3,659,413**

Accompanying Notes 1 to 20 and the appendices are an integral part of the comprehensive statement of changes in equity for financial year 2017.

CLARA LOIS LOZANO
TRADUCTORA-INTERPRETE JURADA DE INGLES
Nº. 10009

ACCIONA, S.A.
STATEMENT OF CASH FLOWS FOR FINANCIAL YEARS 2017 & 2016
(Thousand euros)

	FY 2017	FY 2016
CASH FLOWS FROM OPERATING ACTIVITIES	**(73,652)**	**(16,618)**
Profit / (loss) before tax	**169,694**	**390,327**
Adjustments:	**(196,118)**	**(456,943)**
Amortisation/depreciation of assets	1,306	1,906
Other adjustments (net)	(197,424)	(458,849)
Change in provisions	(196,216)	187,481
Profit/(loss) for derecognition and disposal of financial assets	(2,385)	(631,322)
Financial income	(3,183)	(27,475)
Dividends	(51,942)	(45,869)
Finance costs	55,793	57,732
Translation differences	509	604
Changes in working capital	**(14,261)**	**22,079**
Other cash flows from operating activities:	**(32,967)**	**27,919**
Interest paid	(58,053)	(44,313)
Dividends received	51,942	45,869
Interest received	3,183	26,120
Collections/(payments) for tax on profit	(30,039)	243
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(7,978)**	**508,609**
Payments for investments:	**(9,743)**	**(3,188,249)**
Group companies, associates and business units	(9,743)	(3,187,934)
PPE and intangible assets	--	(315)
Receipts from disinvestments:	**660**	**3,697,687**
Group companies, associates and business units	--	3,389,620
PPE and intangible assets	660	--
Available-for-sale financial assets	--	308,067
Other receipts/(payments) from investment activities	**1,105**	**(829)**
CASH FLOWS FROM FINANCE ACTIVITIES	**79,605**	**(491,498)**
Receipts and (payments) from equity instruments:	**395,527**	**5,835**
Acquisition	357,601	(338,284)
Disposal	37,926	344,119
Proceeds and (payments) from financial liability instruments:	**(126,708)**	**(296,420)**
- Issue of bank borrowings	6,206	309,672
- Repayments and amortisation of bank borrowings	591	(56,832)
- Repayment and amortisation of bonds and other negotiable securities	(133,505)	(549,260)
Payments for dividends and returns on other equity instruments	**(164,621)**	**(143,149)**
Other cash flows from financing activities	**(24,592)**	**(57,764)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS	**(509)**	**(604)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**(2,534)**	**(111)**
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,814	3,925
CASH & CASH EQUIVALENTS AT YEAR'S END	1,280	3,814
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR'S END	**1,280**	**3,814**
Cash and banks	1,280	3,814
TOTAL CASH & CASH EQUIVALENTS AT YEAR'S END	**1,280**	**3,814**

Notes 1 to 20 to the financial statements are an integral part of the statement of cash flows for financial year 2017.

ACCIONA, S.A.

NOTES TO THE FINANCIAL STATEMENTS

1. - Company Activities

Acciona, S.A. is the Parent Company of the Acciona group. It was established under the laws for the time being in force in Barcelona on 16 June 1916, for an indefinite period of time. Its registered office and main offices where it develops its activities are located at Avenida de Europa 18 in Alcobendas (Madrid). The Company is registered under the Spanish Classification for Business Activities with code number 6420.

The Company is part of a Group of companies that operate in different economic activity sectors, including most notably:

- Acciona Energy: including the electricity business and its various industrial and commercial aspects, from the construction of wind farms to the generation, distribution and retailing of the different 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 plants as well as the management of the entire water cycle, an activity that covers from the initial water collection, to its treatment, including desalination, to its purification and return to the environment after use. It also operates concessions for services related to the entire water cycle.

- Acciona Services: 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, real estate business, and other investments.

The Company may develop any and all activities to carry out and additional to the businesses above, and hold interests in other companies by way of investments.

The Company is the parent of a Group of subsidiaries and, in accordance with the regulations for the time being in force, it is under an obligation to prepare separate consolidated statements under the International Financial Reporting Standards adopted by the European Union (IFRS-UE), which show the following consolidated key figures, in thousand euros:

CLARA LOIS LOZANO
TRADUCTORA-INTÉRPRETE JURADA DE INGLÉS
Nº. 10039

Item	2017	2016
Total assets	17,147,358	17,407,764
Net equity	3,963,268	4,097,346
Net turnover	7,253.974	5,977,419
Consolidated profit attributable to the Parent Company	220,131	351,981

The annual financial statements for 2017 were prepared by the Directors, at meeting of the Board of Directors held on 26 February 2018.

The annual financial statements for 2016 were approved by the General Shareholders' Meeting of Acciona, S.A. held on 18 May 2017 and filed for deposit at the Madrid Companies Register.

2. - Bases of presentation of annual financial statements

2.1 Financial reporting standards framework applicable to the Company

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

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

b) General Accounting Plan as approved by Royal Decree 1514/2007.

c) The mandatory standards approved by Instituto de Contabilidad y Auditoría de Cuentas (Spanish Accounting and Accounts Audit Institute) within the development of the General Accounting Plan and its supplementary regulations.

d) Any other Spanish accounting regulations as applicable.

2.2 True and fair view

The annual financial statements for 2017 expressed in thousand euros, the functional currency of the Company, were obtained from the accounting records of the Company and they are presented in accordance with the financial reporting standards framework applicable to the Company and specifically with the principles and criteria contained therein so as to show a true and fair view of the equity, financial position and results of the Company, and of cash flows as occurred in the year. These annual financial statements, as prepared by the Directors of the Company, will be submitted to the General Shareholders' Meeting, for approval; and it is believed that they will be approved as they stand.

The annual financial statements for 2017 have been prepared including the joint ventures (see Note 4.13 and Note 8.2.3) where the Company participates, by applying the proportional integration method, that is, through inclusion of the Company's participation share in the joint ventures, in terms of profit/(loss) and balance carrying amount, with balances for assets and liabilities being duly eliminated as they applied, as well as operations carried out between the Company and the joint ventures in the year.

2.3 Non-mandatory accounting principles applied

Only mandatory accounting principles in force at the date of preparation of these annual financial statements were applied. Additionally, the Directors prepared these annual financial statements taking into account all the mandatory accounting principles and standards that are applicable and with a significant impact on said annual financial statements. There is no accounting principle, that being mandatory, has ceased beign applied.

2.4 Critical aspects concerning measurement and estimate of uncertainty

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

- Assessment of possible losses due to impairment of certain assets. (See Note 4.3)
- The useful life of PPE and intangible assets. (See Note 4.1 and 4.2)
- The fair value of certain financial instruments. (See Note 4.5)
- Estimate of provisions. (See Note 4.9)
- Tax results to be declared to the tax authorities in future, which served to record the different amounts related to corporate tax on these annual financial statements. (See Note 4.7)

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

2.5 Comparison of information

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

For comparative purposes, and as the Company's main activity is to hold shares, "Impairment and profit/(loss) on disposal of financial instruments" from financial year 2016 has been reclassified from financial profit/(loss) to operating profit/(loss).

In December 2016, Royal Decree 602/2016, of 2 December, was approved; it modifies, *inter alia*, the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November. Said Royal Decree 602/2016 is applicable to financial years beginning on or after 1 January 2016. As the Company does not have any intangible assets deemed to have an indefinite useful life previously or goodwill, the Company is not significantly impacted by such regulatory change.

Thus, the main changes introduced by Royal Decree 602/2016 affecting the Company refer to new disclosures of information in the notes, which include, as the most significant, employees with a disability higher than or equal to 33%.

In relation to the new information required under Royal Decree 602/2016, the Company opted for not disclosing comparative information in accordance with what is permitted in the aforementioned Royal Decree.

2.6 Grouping of items

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

2.7 Changes in accounting criteria and correction of errors

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

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

3. - Application of results

The proposed application of the results of financial year 2017 that the Board of Directors will submit to the General Shareholders' Meeting for approval is the following (in thousand euros):

	2017	2016
Distribution base:		
Acciona, S.A. profit or loss	209,202,462.05	386,601,903.47
Application:		
To legal reserve	--	--
To statutory reserve	20,920,246.21	38,660,190.34
To capitalisation reserves	4,667,230.18	--
To voluntary reserves	11,836,335.66	183,320,506.88
Dividends	171,778,650	164,621,206.25
Total	**209,202,462.05**	**386,601,903.47**

The proposed allocation contemplates the distribution of dividends of 3.00 euros per share.

The Board of Directors proposes to allocate the capitalisation reserve against the 2017 results in accordance with Article 25 of Act 27/2014, of 27 November on Corporate Tax, amounting to 4,667,230.18 euros and equivalent to 10% of the increase in own funds associated with the companies that are part of the tax group with Acciona, S.A. as the parent company. This reduction is limited to 10% of the tax base for the tax period obtained for the tax group, and the excess over this limit can be transferred to the next two tax periods.

Under the Articles of Association, the Company is under an obligation to allocate, if appropriate, 10% of net profit to the legal and statutory reserve, in such a manner that when the former is covered (20% of the share capital), the remaining amount resulting from such 10% must be allocated to the statutory reserve. This reserve is unrestricted.

4. Recognition and measurement standards

The recognition and measurement standards applied by the Company to the preparation of its financial statements, following the General Accounting Plan, were the following:

4.1. Intangible assets

As a general rule, intangible assets are initially measured at cost, be it the acquisition price or the production cost, and subsequently they are measured at their cost reduced by the relevant accrued amortisation and, if any, by impairment losses as occurred, in conformity with the criterion indicated in Note 4.3. These assets amortise on the basis of their useful life. When their useful life cannot be reliably estimated, they amortise in a period of 10 years.

a) Industrial property:

This account records the amounts paid for the acquisition of the property or the right to use the different manifestations of them (patents and trademarks), or for the expenses incurred as a result of the registration of the property developed by the company. Industrial property amortises by applying the straight-line method for a five-year period.

b) Software:

The Company records in this account the costs incurred in the acquisition and development of computer programs, including the development costs of web pages. Software maintenance costs are recorded on the income statement for the year in which they are incurred. Software amortises by applying the straight-line method for a four-year period.

At 31 December 2017 and 2016 these assets were fully amortised.

4.2. Property, plant and equipment

Property, plant and equipment is initially measured at the acquisition price and this is subsequently reduced by the relevant accrued depreciation and by impairment losses, if any, in accordance with the criterion mentioned in Note 4.3.

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

The Company depreciates property, plant and equipment following the straight-line method, applying annual depreciation percentages based on the years of useful life estimated for the relevant assets (or the years of useful life left, whichever is the lower), according to the following detail:

	Depreciation percentage
Buildings	2% - 7%
Tools and fixtures & fittings	10% - 15%
IT equipment	25% - 50%
Other PPE	10% - 20%

4.3. Value impairment of PPE and intangible assets

At the close of every year, the Company carries out an asset analysis to detect the existence of impairment losses that reduce the recoverable value of these assets to an amount lower than their carrying amount. This analysis is systematically performed for all goodwill or intangible assets with indefinite useful lives and for the remaining assets whenever there are objective indications that such losses could exist.

For the purposes of this analysis, known as "impairment test", the recoverable amount is determined as the fair value less estimated costs necessary for sale or the value in use, whichever is the higher. Fair value means the value at which the asset in question could be disposed of under normal conditions and is determined on the basis of market information, transactions external to the Group, etc. On the other hand, the procedures established by Management consist in calculating the value in use of the assets in question on the basis of the current value, discounted at rates representative of the Company's cost of, of the estimated future cash flows to be obtained for the asset in question.

An impairment test is applied for each asset considered separately where possible or for the set of assets in question that make up the "cash generating unit" for which it is possible to have the financial information required for the analysis.

If a loss must be recognised for impairment of a cash generating unit where goodwill in whole or in part had been assigned, the carrying amount of goodwill corresponding to such unit is first reduced. If impairment exceeds the carrying amount, then, in proportion to their carrying amount, the carrying amount of the other assets in the cash generating unit is reduced, to the limit of their fair value less sale costs or their value in use or zero, whichever is the highest.

When an impairment loss subsequently reverses (which is not allowed specifically in the case of goodwill), the carrying amount of the asset or the cash-generating unit is increased to the revised estimate of its recoverable amount, but in such a way that the increased carrying amount will not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. The reversion of an impairment loss is immediately recognised as income.

As a result of the value impairment test applied, it was not necessary to allocate additional amounts to the impairments reflected on the financial statements for previous years (see Note 6).

4.4. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and profits associated to ownership of the leased asset object to the contract. All other leases are classified as operating leases. The Company only has operating leases.

__Operating lease__

Expenses resulting from operating leases are charged to income statemnet of the year in which they are accrued.

Any amount collected or paid when arranging an operating lease will be treated as early collection or payment to be recognised in results throughout the term of the lease, as the benefits from the leased asset are gradually transferred or received.

4.5. Financial instruments

4.5.1 __Financial assets__

Classification:

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

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. This category is comprised practically in its entirety of the assets recorded in "Trade and other accounts receivable" and "Loans and credits to companies" (both basically recorded with Group companies, Joint Ventures and Associates).

b) Held-to-maturity investments: Securities representing debt, with a fixed due date and collection of quantifiable amounts, traded on an active market and over which the Company expresses its intention and capacity to hold them until their due date.

c) Group companies are those over which the Company has control, directly or indirectly through subsidiaries, as established in article 42 of the Code of Commerce, or when companies are controlled by any means by one or more individual or legal entity acting jointly, or are managed on a unified basis through agreements or clauses in Articles of Association.

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Control means the power to govern a company's financial and operating policies in order to obtain profit from the company's activities, considering for these purposes the voting rights held by the Company or third parties that are exercisable or convertible at the end of the accounting period.

Associates are considered to be those on which the Company, directly or indirectly through subsidiaries, has significant influence. Significant influence is the power to participate in decisions on a company's financial and operating policies, without there being a control structure or joint control over the same. When evaluating the existence of significant influence, the potential voting rights that may be exercisable or convertible at the end of each accounting period are considered, as well as considering the potential voting rights held by the Company or by another company.

Jointly-controlled entities are those that are jointly managed by the Company or by one or more Group companies, including parent's entities or individuals, and one or more third parties outside the group.

d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial measurement:

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

Investments in Group companies, Joint Ventures and Associates are initial recognised at cost, which is equivalent to the fair value of the consideration given, including the transaction costs incurred for investments in associates and jointly-controlled entities.

Subsequent measurement:

a) Loan and accounts receivable are measured at their amortised cost.

b) Held-to-maturity investments are measured at their amortised cost.

c) Investments in the equity of group companies, joint ventures and associates are measured at their cost, reduced, if appropriate, by the accrued amount of impairment value adjustments. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount, the recoverable amount understood as the higher value between fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Impairment is calculated as the result of comparing the carrying amount of the investment with its recoverable value, understood as the value in use or the carrying amount less costs to sell, whichever is the higher.

In previous financial years reversals of impairment have been recognised to the extent that there is an increase in the recoverable value, with the limit being the carrying amount that the investment would have if the value impairment had not been recognised.

The loss or reversal of impairment is recognised on the income statement, except in the cases where it should be charged to equity.

d) Available-for-sale financial assets are measured at their fair value, any changes in said fair value being recognised in Equity, until the asset is disposed of or its value is impaired (steadily or permanently), at which time the cumulative gains or losses previously recognised in Equity are recognised on the income statement. In this respect, it is considered that there is impairment (permanent) if the trading value of the asset has fallen by over 40% for one and a half years and has not recovered, or if the value has dropped over an extended period of time.

   Investments in equity instruments the fair value of which cannot be reliably estimated are measured at their cost, less, if applicable, the cumulative amount of impairment value adjustments. In these cases, value adjustment is calculated in the same way as for investments in Group companies and Associates and reversion of the adjusted value recognised in previous years is not possible.

At least at the close of the financial year the Company implements an impairment test for the financial assets not recognised at their fair value. It is considered that there is objective evidence of impairment if the recoverable value of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

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

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

4.5.2 Financial liabilities

Financial liabilities, including trade and other accounts payable that are not classified as held for sale or as financial liabilities at fair value with changes in the income statement, are initially recognised at their fair value less any directly attributable transaction costs, if applicable.

Debits and accounts payable are initially measured at the fair value of the consideration received, adjusted by any directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

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The Company de-recognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity instruments

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

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

Treasury shares acquired by the Company in the year are recognised at the value of the consideration given in exchange, directly at lower value of equity. The results of purchase, sale, issue or retirement of own equity instruments are recognised directly in equity and no result is recognised on the income statement.

At 31 December 2017, Acciona, S.A. held 45,702 treasury shares representing 0.0798% of the share capital at the time. The acquisition cost of these shares amounted to 3.145 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 11.5).

At 31 December 2016, Acciona, S.A. held 215,898 treasury shares representing 0.3771% of the share capital at the time. In turn, its subsidiary Finanzas Dos, S.A. held 18,000 treasury shares representing 0.0314% of the share capital at the time. The acquisition cost of these shares amounted to 13,692 thousand euros for the treasury shares held by Acciona, S.A. and to 711 thousand euros for the treasury shares held by Finanzas Dos, S.A. The acquisition cost of the treasury shares and the gains or losses on transactions involving them were recognised directly in equity (see Note 11.5).

4.5.4 Derivative financial instruments

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

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

For this type of hedges, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the profit or loss statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed. In 2017 the Company did not use cash flow hedges.

4.6. Foreign currency transactions

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

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

4.7. Tax on profit

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

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

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

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

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

Deferred tax assets and liabilities arising from operations directly charged against or credited in equity accounts are also entered in the accounts with a balancing entry in equity.

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

Acciona, S.A. is allowed to apply the fiscal consolidation system for Corporate Tax, and it is part of the Fiscal Consolidation Group, where it is the Parent Company, under group number 30/96.

4.8. Income and expenses

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

Ordinary income from the provision of services is recognised by taking into account the degree of completion of the provision at the balance sheet date, provided that the outcome of the transaction may be reliably estimated.

Interest received from financial assets is recognised by applying the effective interest rate method and dividends are recognised when the shareholder's right to receive them has been declared. In any event, interest and dividends from financial assets as accrued after the time of acquisition are recognised as income on the income statement.

4.9. Provisions and contingencies

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

a) Provisions: Balances payable covering present obligations arising from past events, the cancellation of which is likely to give rise to an outflow of resources, but which are undetermined as regards the cancellation amount and/or timing.

b) Contingent Liabilities: Possible obligations that arise from past events, the future materialisation of which is conditional to the occurrence or non-occurrence of one or more future events beyond the Company's control.

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

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

4.10. Compensation for dismissal

According to the current employment legislation, companies are under an obligation to compensate employees when, under certain circumstances, their employment is terminated. Compensation for dismissal that can be reasonably quantified is registered as expense for the year when the decision about dismissal is taken. No provision for compensation for dismissal was recorded in these annual financial statements, since such situation was not foreseen.

4.11. Equity elements of an environmental nature

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

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

4.12. Share-based payments

The Company recognises, on the one hand, the goods and services received as an asset or an expense, depending on their nature, at the time of their acquisition and, on the other hand, the appropriate increase in net equity, if the transaction is settled with equity instruments, or the applicable liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in net equity are measured at the fair value of the transferred equity instruments, referring to the date of the granting agreement. If they are settled in cash, the goods and services received, and the related liability are recognised at the fair value of the latter, referred to the date on which the requirements for recognition are met.

4.13. Joint arrangements

The Company books its investments in Joint Ventures (JVs) recognising on the balance sheet proportionally, based on its share percentage, the portion of the assets jointly controlled and of the liabilities jointly incurred. In addition, the portion of income generated, and expenses incurred by the joint business and related to the Company, and the expenses incurred in relation to its holding in the joint venture, are proportionally recorded on the income statement. Similarly, the share that relates to the Company in the amounts for items in the joint business is recorded on the statement of changes in equity and on the statement of cash flows.

Joint arrangements are considered as those in which there is a contractual agreement or clauses in the articles of association to share control over an economic activity, in such a way that strategic decisions, both financial and operational, related to the activity require the unanimous consent of the Company and remaining parties.

Transactions, balances, income, expenses and reciprocal cash flows have been removed proportionally based on the share percentage held by the Company in the joint arrangement.

4.14. *Related-party transactions*

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

Transactions between group companies, except for those related to mergers, spin-offs and non-cash contributions to businesses are recognised at the fair value of the consideration given or received. The difference between this value and the agreed amount is recorded in accordance with the underlying economic circumstances.

4.15. *Current and non-current items*

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

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

4.16. *Disposable non-current assets and groups of elements held for sale*

The Company recognises under this heading disposable non-current assets or groups of elements at the carrying amount that will essentially be recovered through a sale transaction, rather than for their continued use. To classify disposable non-current assets or groups of elements as held for sale, these items must be available for immediate disposal in their current conditions, subject only to standard sale transaction terms; in addition, the derecognition of the asset must be considered to be highly likely.

Disposable non-current assets or groups of elements classified as held for sale do not amortise, but are valued at the carrying amount or at fair value less the sale costs, whichever is the lowest.

The company recognises initial and subsequent losses for value impairment of the assets classified in this category, charging it to the profit/(loss) of ongoing operations on the income statement, except in the case of discontinued operations. The losses of a CGU for value impairment are recognised by reducing the goodwill assigned to the CGU and then to the other non-current assets, pro-rata on the basis of the carrying amount of the assets. Impairment losses of goodwill are not recoverable.

Profit for increases in fair value less sale costs are recognised in profit/(loss) up to the limit of the accumulated impairment losses recognised in previous years, which is either measured at the fair value less sale costs or by the impairment losses recognised prior to the classification.

The Company measures non-current assets that are no longer classified as held for sale, or that cease to belong to a disposable group of elements, at the carrying amount before its classification less amortisation or depreciation that would have been recognised if it had not been classified as such, or the recoverable value at the re-classification date, whichever is the lowest. Valuation adjustments resulting from such re-classification are recognised in the profit/(loss) from ongoing operations.

4.17. Business combinations

Business combinations carried out after 1 January 2010 are recognised by applying the acquisition method established in Recognition and Measurement Standard 19 from the General Accounting Plan, as amended by article 4 of Royal Decree 1159/2010 which approves the standards for preparing consolidated financial statements and amends the General Accounting Plan.

The Company applies the acquisition method for business combinations except for mergers, spin-offs and non-cash contributions to business between group companies.

The acquisition date is the date on which the Company took over control of the business acquired.

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

The cost of the business combination excludes any disbursement that is not part of the exchange for the acquired business. The costs related to the acquisitions are recognised an expense as they are incurred.

The costs of issuing equity instruments and liability instruments are recognised according to the measurement standards applied to these transactions.

The Company recognises the assets acquired and the liabilities assumed at their fair value on the acquisition date. The liabilities assumed include contingent liabilities to the extent that they represent present obligations arising from past events and their fair value can be measured reliably. Likewise, the Company recognises indemnification assets assigned by the seller at the same time and following the same measurement criteria as the acquired business item subject to indemnification, considering the risk of insolvency and any other contractual limitation on the indemnification amount as applicable.

The excess between the cost of the business combination and the net amount of the assets acquired and the liabilities assumed is recorded as goodwill.

After evaluating the amount of the cost of the business combination and the net amount of the assets acquired and the liabilities assumed, any negative difference would lead to a reduction in the value of the intangible assets identified, the measurement of which cannot be calculated by referencing it to an active market (identifying the type of assets reduced, as applicable), and any asset assigned for a contingent consideration and the residual value, as applicable, is recognised as a negative difference for the asset on the income statement.

For business combinations carried out in stages, the excess between the cost of the business combination, plus the fair value of the previous share in the business acquired and the net amount of the assets acquired, and the liabilities assumed is recorded as goodwill. After evaluating the amount of the cost of the business combination plus the value assigned to the previous share and the net amount of the assets acquired and the liabilities assumed, any negative difference would lead to a reduction in the value of the intangible assets identified, the measurement of which cannot be calculated by referencing it to an active market (identifying the type of assets reduced, as applicable), and any asset assigned for a contingent consideration and the residual value, as applicable, is recognised as a negative difference for the asset on the income statement. The Company recognises the difference between the fair value of the previous share in the business acquired and the carrying amount in profit/(loss), according to its classification. Furthermore, the Company reclassifies the amounts deferred in recognised revenue and expenses corresponding to the previous share to profit/(loss) for the activity.

The Company determines the fair value of the previous share by taking the cost of the business combination as the reference point.

On 28 July 2017 the Parent Company acquired the additional 50% of the concessionaire Autovía de los Viñedos, S.A. for 8,219 thousand euros; hence the Group now holds 100% of this company and the consolidation method changes from being consolidated using the equity method to being fully consolidated.

4.18. Cash and other cash equivalents

Cash and other cash equivalents include cash on hand and bank deposits on demand. Other investments in short-term highly liquid investments are also included under this concept provided they are easily convertible to given amounts of cash and that they are subject to an insignificant risk of changes in value. Investments with maturities of less than three months from the acquisition date are also included under this heading.

5. – Intangible assets

The movement in intangible assets of the balance sheet in financial years 2017 and 2016 was the following (in thousand euros):

	COST			ACCRUED AMORTISATION		
	Patents	Software	Total cost	Patents	Software	Total amortisation
Balance at 31/12/2015	**536**	**2,565**	**3,101**	**(536)**	**(2,565)**	**(3,101)**
Additions or allocations	--	--	--	--	--	--
Balance at 31/12/2016	**536**	**2,565**	**3,101**	**(536)**	**(2,565)**	**(3,101)**
Additions or allocations	--	--	--	--	--	--
Balance at 31/12/2017	**536**	**2,565**	**3,101**	**(536)**	**(2,565)**	**(3,101)**

Total intangible assets	Cost	Amortisation	Total net
Balance at 31/12/2015	3,101	(3,101)	--
Balance at 31/12/2016	3,101	(3,101)	--
Balance at 31/12/2017	3,101	(3,101)	--

At the close of 2017 and 2016, the Company had fully amortised intangible asset elements still in use, according to the following detail (in thousand euros):

Description	Carrying amount (gross) 2017	Carrying amount (gross) 2016
Software	2,565	2,565
Patents	536	536
Total	**3,101**	**3,101**

At 31 December 2017 and 2016, intangible assets were fully amortised.

There were no firm commitments to buy intangible assets at the close of 2017. And there were no firm commitments to sell intangible assets at 31 December 2017.

6. – Property, plant and equipment

The movement in Property, plant and equipment on the balance sheet in financial years 2017 and 2016, and the main information on this caption was the following (in thousand euros):

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	COST				ACCRUED AMORTISATION				PROVISIONS	
	Land and buildings	Other plant/fix. & fittings	Other assets	**Total cost**	Land and buildings	Other plant/fix & fittings	Other assets	**Total amortisation**	Other plant/fix. & fittings	**Total provisions**
Balance at 31/12/2015	**5,378**	**11,832**	**2,603**	**19,813**	**(83)**	**(8,382)**	**(1,584)**	**(10,049)**	**(1,879)**	**(1,879)**
Additions or allocations	82	45	189	316	(109)	(1,477)	(320)	(1,906)	--	--
Balance at 31/12/2016	**5,460**	**11,877**	**2,792**	**20,129**	**(192)**	**(9,859)**	**(1,904)**	**(11,955)**	**(1,879)**	**(1,879)**
Additions or allocations	--	--	--	--	(109)	(1,122)	(75)	(1.306)	1,879	1,879
Removals	--	(5,548)	--	(5.548)	--	5,392	--	5,392		
Balance at 31/12/2017	**5,460**	**6,329**	**2,792**	**14,581**	**(301)**	**(5,589)**	**(1,979)**	**(7,869)**	--	--

Total PPE	Cost	Amortisation/ depreciation	Provision	Total net
Balance at 31/12/2015	19,813	(10,049)	(1,879)	**7,885**
Balance at 31/12/2016	20.129	(11,955)	(1,879)	**6,295**
Balance at 31/12/2017	14,581	(7,869)	--	**6,712**

The Company has real property the value of which, by land and buildings, at the close of 2017 and 2016, was as follows (in thousand euros):

Real Estate	Balance at 31/12/2017	Balance at 31/12/2016
Land	4,466	4,466
Buildings	994	994
Total	**5,460**	**5,460**

At the close of 2017 and 2016, the Company had fully amortised/depreciated property, plant and equipment elements still in use, according to the following detail (in thousand euros):

Description	Carrying amount (gross) 31/12/2017	Carrying amount (gross) 31/12/2016
Fixtures & fittings	1,368	1,123
Other PPE	1,298	1,272
Total	**2,666**	**2,395**

There were no firm commitments to buy PPE at the close of 2017. And there were no firm commitments to sell PPE at 31 December 2017. At the date when these annual financial statements were prepared there were no special circumstances that affected the availability of PPE goods, such as litigation, embargo, fixed-term leasing or otherwise.

The Company's policy is to take out insurance policies to cover the possible risks to which the various PPE elements are exposed. The Directors consider that the covers in place at the close of financial years 2017 and 2016 were adequate for the risks covered.

7. - Leases

At the close of 2017 and 2016, the Company had operating leases with the following regular payments under contract with the lessors, for the set of future years covered by the contracts currently in force (in thousand euros):

Operating leases Minimum regular payments	Nominal value 2017	Nominal value 2016
Less than one year	2,857	2,546
Between one and five years	4,563	2,436
Over five years	--	--
Total	**7,420**	**4,982**

The amounts above do not include contingent payments such as a charge for common expenses, future increases based on the CPI, or future updates on rents agreed on contract.

The main operating lease contract held by the Company as a lessee at the close of financial years 2017 and 2016 relates to the office building of 22,510 square metres where it develops its activity, located at Avenida de Europa 18 in Alcobendas (Madrid). The lease contract began on 15 December 1993 and the term of validity is for 25 years, which has been extended until the end of 2020.

8. – Financial investments (long- and short-term)

8.1. Long-term financial investments

The movement in this caption on the balance sheet in financial years 2017 and 2016, and the main information affecting this caption were the following (in thousand euros):

	Equity Instruments			Other long-term financial assets	Total
	Cost	Value impair-ment	Net carrying amount		
Balance at 31/12/2015	**1,058**	**(1,058)**	–	**1,213**	**1,213**
Additions	1,500	(605)	895	619	**1,514**
Removals	--	--	--	(685)	**(685)**
Balance at 31/12/2016	**2,558**	**(1,663)**	**895**	**1,147**	**2,042**
Additions	--	--	--	351	**351**
Removals	(1,500)	605	(895)	(561)	**(1,456)**
Balance at 31/12/2017	**1,058**	**(1,058)**	--	**937**	**937**

There are no significant differences between the carrying amount and the fair value of financial assets.

The items included in "Other long-term financial assets" related to guarantees and deposits and to other long-term time period adjustments.

Detail by category of the caption "Long-term financial investments" at 31 December 2017 and 2016 was the following (in thousand euros):

FY 2017	Long-term financial instruments		
Categories / Classes	**Equity Instruments**	**Credits and other**	**Total**
Investments held to maturity	--	398	**398**
Loans and items receivable and other	--	539	**539**
Total	--	937	**937**

FY 2016	Long-term financial instruments		
Categories / Classes	**Equity Instruments**	**Credits and other**	**Total**
Investments held to maturity	--	392	**392**
Loans and items receivable and other	--	755	**755**
Available-for-sale assets	895	--	**895**
Total	**895**	**1,147**	**2,042**

Detail by maturity of the items included in "Long-term financial investments" was the following (in thousand euros):

	2019	2020	2021	2022	2023 and subsequent years	Total
Investments held to maturity	54	344	--	--	--	**398**
Loans and items receivable	422		--	--	117	**539**
Total	**476**	**344**	--	--	**117**	**937**

8.2 Group companies, Joint Ventures and associates

8.2.1 Long-term investments in Group companies, Joint Ventures and associates

The movement in this caption on the balance sheet for 2017 and 2016 was the following (in thousand euros):

	Balance at 31/12/2015	Additions or allocations	Transfers (Note 8.2.2)	Re-movals	Balance at 31/12/2016	Additions or allocations	Transfers (Note 9)	Re-movals	Balance at 31/12/2017
Investment in group companies & associates	**2,758,579**	4,204,569	--	(58,750)	**6,904,398**	9,743	(3,000)	(20,496)	**6,890,645**
Impairment Investment in group companies & associates	**(1,014,078)**	(216,002)	(358,474)	61,114	**(1,527,440)**	(142,842)	--	339,532	**(1,330,750)**
Total Investments Net	**1,744,501**	**3,988,567**	**(358,474)**	**2,364**	**5,376,958**	**(133,099)**	**(3,000)**	**319,036**	**5,559,895**
Credits in group companies & associates	**103,537**	11,113	2,500	(28,095)	**89,055**	2,041	--	(56,160)	**34,936**
Impairment Credits in group companies & associates	**(38,696)**	(9,350)	(1,225)	--	**(49,271)**	--	--	18.024	**(31,247)**
Total Credits Net	**64,841**	**1,763**	**1,275**	**(28,095)**	**39,784**	**2,041**	--	**(38,136)**	**3,689**
Total Investments and Credits	**1,809,342**	**3,990,330**	**(357,199)**	**(25,731)**	**5,416,742**	**(131,058)**	(3,000)	**280,900**	**5,563,584**

There are no significant differences between the carrying amount and the fair value of financial assets.

a) *Investments in Group companies, Joint Ventures and Associates:*

Total investments in Group companies, Joint Ventures and Associates	Cost	Impairment	Total net
Balance at 31/12/2015	2,758,579	(1,014,078)	**1,744,501**
Balance at 31/12/2016	6.904,398	(1,527.440)	**5,376,958**
Balance at 31/12/2017	6,896,140	(1,333,245)	**5,562,895**

The main addition in 2017 corresponds to the purchase of an additional 50% in Autovía de los Viñedos, as detailed in section 4.17.

The removals are related to the non-cash contributions from the companies Sociedad Concesionaria Novo Hospital de Vigo S.A., Acciona Servicios Concesionales, S.L., Sociedad Concesionaria Hospital de Norte S.A., Nova Dársena Esportiva de Bara S.A., Autovía de los Viñedos S.A., Gran Hospital Can Misses S.A. and Sociedad Conceionaria del Canal de Navarra S.A. to the group company Acciona Concesiones, S.L.

The operation is part of a reorganisation process in the infrastructure division that began in 2016, under which Acciona S.A. subscribed a capital increase in Corporación Acciona Infraestructuras, S.L.U. for the amount of 761 million euros, as detailed in last year's financial statements.

With regards to the restructuring of the debt and equity of subsidiaries carried out by the Group in 2016, the following operations were carried out:

- Capital increase in Acciona Inmobiliaria S.L.U. for the amount of 1,311 million euros.

- Capital increase in Corporación Acciona Energías Renovables S.L.U. for the amount of 1,143 million euros.

- Capital increase in Acciona Financiación de Filiales S.A.U. for the amount of 412 million euros.

- Capital increase in Acciona Logística S.L.U. 275 million euros.

- Capital increase in Tictres S.A. for the amount of 13 million euros.

In addition, a relevant movement last year in this caption was the acquisition of 29.9% of Nordex S.E., for 754 million euros, upon completion on 4 April 2016 of the operations subscribed between the parties in October 2015. The sale of Mostostal to the subsidiary Acciona Infraestructuras (now called Acciona Construcción) was another significant operation in 2016.

Portfolio provisions

The forecasts for Corporación Acciona Energías Renovables and Acciona Inmobilaria have improved, resulting in reversal in the provisions of 221 and 93 million, respectively. The improved forecast in Corporación Acciona Energías Renovables is mainly driven by the new investments made at the end of 2016 in international projects such as El Romero and San Gabriel in Chile, Bannur in India, El Cortijo in Mexico, Mont Gellibrand in Australia, and Ripley in Canada. In Acciona Inmobiliaria, the reversal has been caused by the improvements in the valuations of assets and the expected growth that is being generated by the market.

Regarding the investments in Nordex, a company whose shares are traded on the Frankfurt Stock Exchange, the decline in the share price experienced in recent months has always been considered by the Group Management as an event that did not necessarily constitute an impairment in the intrinsic value of the business nor of its medium or long term financial return, because the share in Nordex is a strategic investment for the Acciona Group that aims to achieve synergies while maintaining a relevant position in the wind generation value chain. On the other hand, there is no doubt that the share price has been dragged by the markets' disproportionate reactions to one-off events that, on the other hand, have a broad impact on the sector.

However, the share price being at a level significantly below its carrying amount for a prolonged period of time, along with a downward re-estimation of the forecasts recently announced by the company, has been regarded as a sign of impairment. Therefore, the Acciona Group has carried out an impairment test to check whether the value of the investment in use has dropped below its carrying amount. The result of the test is that the value in use amounts to 623 million euros at 31 December 2017, and hence the Group has an impairment of 145 million euros to align the investment value until it reaches the 623 million euros indicated above.

The methodology for calculating the value in use is described in note 3.2.E), i.e., through discounting the cash flows at a rate (WACC) which considers the risks inherent to the company's business as well as the different markets in which it operates. A cash flow projection that covers a period of five years (2018-2022) has been calculated for this discount operation along with a terminal value that represents the value of the future cash flow from the sixth year which has been determined based on a standard cash flow estimate. The cash flow projection has been based on the estimates that the Nordex's management team has made public, and on indicators obtained from external sources specialised in the sector, producing results that are consistent with the historical evolution of the entity.

With regard to the growth of sales used for the standard period, which serves as a basis to calculate the terminal value ("g" parameter), a 1.5% growth has been estimated, despite the existence of growth prospects in the sector in which Nordex operates that support greater growth, among other reasons, due to the growing need for the replacement of conventional energies. However, given the uncertainty associated with projections for such large periods, it has been considered that 1.5% is a reasonable growth rate.

For the discounted cash flows, an after-tax WACC rate of 7.2% has been considered.

Also, in order to strengthen the consistency and reasonableness of the test, sensitivity analyses have been performed on changes reasonably expected to occur in the main hypotheses. Thus, a variation of +/- 50 basic points in the WACC would produce an additional impact on the impairment amount of +58 and -69 million euros, and a variation of +/- 50 basis points in the sales growth rate in the standard period ("g") would result in an additional impact on the impairment amount of -56 and +47 million euros.

The main information about the Group companies, Joint Ventures and Associates at 31 December 2017 and 2016 is as contained in Annex I.

b) Long-term credits to Group companies, Joint Ventures and Associates

Long-term "Credits to Group companies, Joint Ventures and Associates" caption reflect mainly the following subordinate or participative credits granted to investees, all of them granted on an arm's length basis:

- A participative loan to Sociedad Concesionaria Puente del Ebro, S.A. for 3 million euros, with due date on 30 December 2033.
- Subordinate loan to Infraestructuras y Radiales S.A for 26.5 million euros and due date in October 2021.

- A subordinate loan granted to the Mexican company Hospital de León Bajío, S.A. de CV, for 85 million Mexican pesos (in euros: 4 million), as part of the operation for financing given to this company for the construction of the hospital of the same name. This loan is due on 10 October 2027.

- Subordinate loan to Sociedad Concesionaria A2 tramo 2 for 2 million euros and due date in June 2025.

The main movement in 2016 was the cancellation of the loan with Acciona Inmobiliaria for 25 million euros.

8.2.2 <u>Short-term credits to Group companies, Joint Ventures and Associates, and other short-term financial assets</u>

The movement in this caption on the balance sheet for 2017 and 2016 was the following (in thousand euros):

Cost	Credits to group companies and Associates	Total impairment	Total
Balance at 31/12/2015	**3,402,339**	**(407,512)**	**2,994,827**
Additions	--	--	--
Transfers (Note 8.2.1)	(2,500)	359,699	357,199
Removals	(3,388,148)	40,643	(3,347,505)
Balance at 31/12/2016	**11,691**	**(7,170)**	**4,521**
Additions	814	--	814
Removals	(624)	--	(624)
Balance at 31/12/2017	**11,881**	**(7,170)**	**4,711**

In 2017, balances receivable with Group companies have been reclassified due to corporate tax. The amount comes to 34 million euros.

Significant movements took place in financial year 2016 related to the debt and capital restructure described in section 8.2.1 above, as a result of which Acciona S.A. collected certain credits with subsidiaries through the funds received via capital contribution. The most relevant movements were:

- Collection of credits and interest with Corporación Acciona Energías Renovables, S.L. for 1,404 million euros.

- Collection of the loan and interest with Acciona Financiación Filiales for 729 million euros for the cash & banks transferred through the cash pooling system implemented by the Group in 2014.

- Collection of the loan to Tictres S.A. for 13 million euros, as a result of the capital increase in said company, as detailed in section 8.2.1.

- Collection of the loans and interest with Acciona Inmobiliaria S.L.U. for 680 million euros, as a result of the capital increase in said company, as detailed in section 8.2.1.

- Collection of the loans granted to Acciona Logística S.A. for the gross amount of 414 million euros.

As regards the movement in impairment provisions, in financial year 2016 the provisions related to the loans were transferred to portfolio provisions associated with the capital increases.

This caption includes 33,751 thousand euros corresponding to debt items of Acciona, S.A. with its subsidiaries, for belonging to the Tax Group as detailed in section 4.7.

8.2.3 Joint ventures

At 31 December 2017 and 2016, the Company had the following percentage shares in Joint Ventures (JVs):

Name of Joint Venture	Activity	% Invest.	Location
Ineuropa Handling, U.T.E.	Airport services	80%	Sta Cruz de Tenerife
Ineuropa Handling Alicante, U.T.E.	Airport services	80%	Madrid
Ineuropa Handling Madrid, U.T.E.	Airport services	80%	Madrid
Ineuropa Handling Mallorca, U.T.E.	Airport services	80%	Madrid
Pasarela Barajas, U.T.E.	Airport services	10%	Madrid

The Handling JVs are undergoing a liquidation process, after in financial year 2006 the licences to operate in the airports of Madrid, Alicante and Tenerife were not renewed and in financial year 2007 the activity of the other JVs whose concessions were held (Mallorca, Menorca and Ibiza) was transferred to the Acciona Group company Airport Services, S.A., 100% invested by Acciona, S.A. No materially adverse effect on the Company is expected from the liquidation process.

The table below shows, in thousand euros, the attributable balances corresponding to the JVs included in the financial statements of Acciona, S.A., at 31 December 2016. All the Handling JVs are grouped together; their balances are of little significance as a result of the liquidation process indicated in the paragraph above (in thousand euros):

ASSETS	Amount	LIABILITIES	Amount
TOTAL NON-CURRENT ASSETS	**74**	Capital and reserves	15
		TOTAL NET EQUITY	**15**
Cash and cash equivalents	682	Trade and other accounts payable	741
TOTAL CURRENT ASSETS	**682**	**TOTAL CURRENT LIABILITIES**	**741**
TOTAL ASSETS	**756**	**TOTAL LIABILITIES**	**756**

8.3 *Information on the nature and risk level of financial instruments*

Liquidity risk:

The Acciona Group manages the liquidity risk with prudence, keeping an adequate level of cash and negotiable securities and with the arrangement of credit facilities undertaken for a sufficient amount to support projected needs.

At 31 December 2017, the Group had a negative working capital for the amount of 1,494 million euros (1,094 million euros at 31 December 2016). As indicated in Note 1, the Company is the parent company of a Group of companies that operate in different business activity sectors. At 31 December 2017, the group showed gross operating profit (allocations to amortisation/depreciation, changes in provisions, impairments and results on disposal of assets and other gains and losses being discounted) of 1,275 million euros (1,192 million euros at 31 December 2016) and consolidated profit attributable to Acciona S.A. as the Parent Company of 220 million euros (352 million euros at 31 December 2016) (see Note 1). Additionally, in accordance with what is indicated in Note 15 to the consolidated financial statements of the Acciona Group, at 31 December 2017 the Group companies had available cash & banks for 1,273 million euros and also unused additional financing for 1,827 million euros (see Note 18 in the consolidated financial statements).

Taking all these facts into consideration, the Directors of the Company consider that the liquidity risk is quite reduced.

Ultimate responsibility for liquidity risk management lies with the General Economic and Financial Department, which prepares the appropriate framework to control the Group's liquidity requirements in the short, medium 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 on-going basis and pairing them against financial asset and liability maturity profiles.

Interest rate risk

Bank borrowings engaged by the Company means that the Company is exposed to fluctuations in interest rates and this impact can be reduced on certain occasions by engaging derivative financial instruments for hedging (see Note 4.5.4). This risk is managed by the Group's Economic and Financial Department, with non-speculative hedge criteria being applied.

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

This sensitivity analysis to upward or downward changes of 0.50% in floating Euribor / Libor interest rates gave rise to a sensitivity in the Group's income statement arising from an increase or decrease in financial results due to interest payment, with the effect of derivatives being considered, of 1,368 thousand euros at 31 December 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 Company. The Company has adopted a policy of only negotiating with group companies so this risk is practically remote.

9. Non-current assets held for sale

On 25 October 2017, Acciona, S.A. signed a purchase agreement with Anarafe, S.L.U., a company belonging to the Naviera Armas Group, for all the stakeholdings that the Group holds in the Compañía Trasmediterránea subgroup, which amounts to 92.71% of its share capital. This agreement involves recognising an enterprise value for 100% of the Compañía Trasmediterránea subgroup of between 419 and 436 million euros, based on the level of achievement of an earn out agreed with the purchaser which is linked to the achievement of the EBITDA objectives. This operation is subject to a single condition precedent regarding achieving authorisation from Spanish competition authorities. The Group hopes to achieve this authorisation in the short term. Therefore, the Company's share in Compañía Trasmediterránea of 3,000 thousand euros at 31 December 2017 has been classified as held for sale.

10. Cash & Banks and other cash equivalents

Detail of the accounts in "Cash & Banks and other cash equivalents" at the close of 2017 and 2016 was as follows (in thousand euros):

	31/12/2017	31/12/2016
Cash and banks	1,280	3,814
Total	**1,280**	**3,814**

The Company invests its liquidity excess in remunerated accounts so as to obtain a market return. There are no restrictions as to the availability of those amounts.

11. Net equity

11.1. Capital

At 31 December 2017 and 2016, the share capital of the Company amounted to 57,260 thousand euros, represented by 57,259,550 shares with a face value of 1 euro each, all of the same class, fully subscribed and paid up.

The table below shows, following the notifications received by the Company, the holders of significant direct and indirect interests in the share capital at 31 December 2017 and 2016:

CLARA LOIS LOZANO

TRADUCTORA-INTÉRPRETE JURADA DE INGLÉS

Nº. 10009

	31/12/2017	31/12/2016
Tussen de Grachten, BV	27.80%	27.80%
Wit Europesse Investering, BV(*)	28.39%	28.23%
Capital Research and Management Company (**)	--	4.07%

(*) On 26 January 2018, the family Group of Mr. José María Entrecanales de Azcárate informed of the internal reorganisation carried out in the investment company that centralises Acciona, S.A. shares, under which La Verdosa S.L has become a direct holder of 5.31 % of Acciona. After this reorganisation, the investment company Wit Europesse Investering, B.V. Holds 25.01% of Acciona, S.A.

(**) Indirect holder of the ownership interest. The decrease in indirect ownership of this shareholder brought about the communication received on 213 March 2017 informing that its share in Acciona S.A. fell below 3%, and which previously amounted to 4.07% of the share capital.

11.2. Legal reserve

In accordance with the consolidated text of the Capital Companies Act, an amount equivalent to 10% of the year's profit must be applied to legal reserve until this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the capital already increased. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the close of financial years 2017 and 2016, this reserve was fully set up.

11.3. Issue premium

The balance in the "Issue Premium" account was due to the capital increases with issue premium on different dates. The consolidated text of the 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.

11.4. Other reserves

The main variation in "Other reserves" was due to the impact of non-cash contributions made in the course of the year on account of the capital increase of Corporación Acciona Infraestructuras S.L.U. discussed in section 8.2.1, as well as what is described in Note 13.2 "Debentures bonds and negotiable securities" in relation to the repurchase of convertible bonds.

11.5. Treasury stock

The movement in treasury stock in 2017 and 2016 was the following, in thousand euros:

	Number shares	Cost
Balance at 31/12/2015	**302,460**	**19,527**
Additions Liquidity Contract	4,992,255	338,284
Removals Liquidity Contract	(4,987,221)	(338,300)
Movements liquidity contract	**5,034**	**(16)**
Other additions	--	--
Other removals	(91,596)	(5,819)
Other movements	**(91,596)**	**(5,819)**
Balance at 31/12/2016	**215,898**	**13,692**
Additions Liquidity Contract	3,395,430	253,160
Removals Liquidity Contract	(3,392,916)	(253,024)
Movements liquidity contract	**2,514**	**136**
Additions 03/05/2017 (*)	221,357	16.569
Other additions	90,001	6,370
Other removals	(484,068)	(33,622)
Other movements	**(172,710)**	**(10,683)**
Balance at 31/12/2017	**45,702**	**3,145**

(*) Specific acquisition to meet the convertible bond conversion requirements

At 31 December 2017 and 2016, the Company had treasury stock in its power according to the following detail:

	No. of shares	Face value (euros)	Average acquisition price (euros)	Acquisition total cost (thousand euros)
Treasury stock at 31/12/2016	215,898	215,898	63.42	13,692
Treasury stock at 31/12/2017	45,702	45,702	68.84	3,146

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. On 10 July 2017, Acciona, S.A. cancelled said liquidity contract and on the same date, the Company signed a new liquidity contract with the terms detailed in Circular 1/2017 of the Spanish National Securities Market Commission (CNMV) for the purposes of their acceptance as a market practice. The cash accounts and securities accounts that were associated with the cancelled liquidity contract and amounted to 44,328 shares and 3,539,114.85 euros have been used to allocate cash and securities to the new liquidity contract, adjusting the amount in cash to the trading value of the shares assigned to the new contract, in accordance with the limits established in the new CNMV circular, which have been set at 44,328 shares and 3,340,000 euros.

At 31 December 2017 the shares under the liquidity contract lost 61 thousand euros, which was recognised in reserves caption.

As regards other movements, 484,068 shares were retired in 2017. The main movement in the period corresponds to the conversions associated with the early amortisation of the Convertible Bond, which has resulted in a reduction of 279,965 shares with a loss reflected in the reserves caption amounting to 2,484 thousand euros. To carry out this operation, the liquidity contract was temporarily suspended on 3 May 2017 and 221,357 shares at 74.85 euros each were acquired on the market.

Two block purchases were carried out on 18 December 2017 comprising a total package of 90,000 Acciona, S.A. treasury shares, representing 0.157% of the share capital at a price of 70.78 euros per share. These acquisitions came with an operation to deliver 104,096 shares to Executive Directors under the Performance Shares Plan (see Note 17.3).

The remaining shares retired, 100,006 shares, relate to the shares delivered to the Group's management. This delivery took place under the Share Delivery Plan and the variable remuneration Replacement Plan (see Note 17.3).

The profit reflected in reserves caption for these operations amounted to 1,154 thousand euros.

12. Provisions and contingencies

Detail of provisions on the balance sheet at 31 December 2017 and 2016, and the main movements in the financial year were as follows (in thousand euros):

Long-term provisions	Amount
Balance at 31/12/2015	**255,446**
Allocations	21,437
Applications & reversions	(103,295)
Transfer to S/T	(7,295)
Balance at 31/12/2016	**166,293**
Allocations	11,926
Applications & reversions	(52,717)
Balance at 31/12/2017	**125,502**

This caption includes provisions covering liabilities that could arise from various legal disputes, appeals, contested cases and obligations still unresolved at the close of the year.

13. Financial liabilities

13.1. Bank borrowings

The balance of short- and long-term bank borrowings at the close of financial years 2017 and 2016 was as follows (in thousand euros):

	2017		2016	
	L/T	S/T	L/T	S/T
Bank borrowings	316,527	213,041	431,170	92,192

Detail at 31 December 2017 by due date of the items in "Long-term bank borrowings" was as follows (in thousand euros):

	2019	**2020**	**2021**	**2022**	**2023 and subsequent years**	**Total**
Bank borrowings	171,736	54,077	90,714	--	--	**316,527**

The table below shows the movements in bank borrowings in 2017 and 2016:

	Balance at 31/12/2015	**Additions**	**Removals**	**Transfers**	**Balance at 31/12/2016**	**Additions**	**Removals**	**Transfers**	**Balance at 31/12/2017**
L/T bank borrowings	**209,666**	260,092	--	(38,588)	**431,170**	67,000	(50,143)	(131,500)	**316,527**
S/T bank borrowings	**57,252**	49,580	(53,228)	38,588	**92,192**	46,114	(56,765)	131,500	**213,041**
Total Bank Borrowings	**266,918**	**309,672**	**(53,228)**	--	**523,362**	**113,114**	**(106,908)**	--	**529,568**

The main movements in financial year 2017 related to:

i) Signature of two financing contracts with the purpose of financing green projects, for a total amount of 67 million euros and accruing market interest rates.

ii) Several short-term loans to finance tax payments.

The main movements in financial year 2016 related to:

i) Signature of a financing contract under the "Schuldschein" loan model, for the amount of 150 million euros and with the purpose of financing Green projects; it is structured in tiers with due date to 3 and 5 years and accruing market interest rates.

ii) Three loans with different entities for the amounts of 70, 50 and 40 million euros on an arm's length basis.

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The Company has loans granted by the European Investment Bank for the amount of 150 million euros, 50 million of which are to be repaid in 2018. The due date of the loans is between 2020 and 2021.

The Company is under an obligation to meet certain economic and equity ratios related to the Group's consolidated accounts, these ratios were met at 31 December 2017 and 2016. Similarly, no default is expected for 2018.

Acciona S.A. did not have any corporate credit policies at the close of financial years 2017 and 2016.

The finance costs associated with financing this kind of products were 12,471 thousand euros in 2017 (9,938 thousand euros in 2016).

At 31 December 2017 and 2016 none of the subsidiaries the financing of which Acciona, S.A. guarantees was in default of its financial obligations or any other obligation that could lead to early termination of its financial commitments.

In addition, in financial years 2017 and 2016, there were no defaults or any other non-payments of principal, interest or repayments in respect of interest bearing borrowings.

13.2. Debentures, bonds and negotiable securities

The balance of the accounts for short- and long-term debentures, bonds and negotiable securities at the close of 2017 and 2016 was as follows (in thousand euros):

	2017		2016	
	L/T	S/T	L/T	S/T
Debentures, bonds and negotiable securities	194,609	18,226	308,342	39,667

Detail at 31 December 2017 and 2016 by due date was as follows (in thousand euros):

2019	2020	2021	2022	2023 and subsequent years	Total
132,696	(150)	(150)	(150)	62,363	194,609

At 31 December 2017 and 2016, details of the issues making up the balance for this heading were as follows:

- On 16 January 2017, the company reported its intention to repurchase up to 108.4 million euros of the total face value of its bonds convertible to shares issued by Acciona, S.A. in 2014, and which accounted for the total of bonds outstanding that the Company did not have as part of its treasury stock after the repurchases made in the previous year. After this operation, Acciona holds 95.26% of the convertible bonds issued, equivalent to 409 million euros.

In addition, during February and May 2017, 39,050 shares have been delivered to the bondholders who have exercised their right to convert them according to the terms and conditions of the issuance, assuming the cancellation of 0.68 % of the convertible bond. (See Note 16.c).

On 20 June of 2017, the partial cancellation of 95.26% of the convertible bond is reached and the total amount of convertible financial debt debentures is proceeded to be cancelled as presented by the Acciona Group according to IAS 32, recording an impact of 36 million on reserves and of 4.3 million euros on the income statement for the period.

On 1 August 2017, the "Clean Up Call" clause was exercised, which was contained in the contract to effectively convert an additional 4.01% of the bond by delivering 240,915 shares, the remaining 0.06% of the bond was cancelled by bank transfer according to the terms contained in the contract.

- 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 a coupon at 5.55% annual interest payable on an annual basis . At 31 December 2017, the 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 61.8 and 2.5 million euros, respectively.

- Fixed-interest securities issue programme - Euro Medium Term Note Programme (EMTN) for a maximum amount of up to 1,000 million euros, which was renewed in 2015 by Acciona Financiación de Filiales, S.A., where Acciona S.A. is now the guarantor. In relation to this programme, the Group prepared a base leaflet that was approved by the Central Bank of Ireland. 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 2017 the balances registered in Acciona, S.A. against this EMTN programme in the non-current and current debentures and bonds accounts, net of transactions costs and considering interest accrued, amounted to 132.8 and 15.7 million euros, respectively. These issues accrue annual interest ranging from 3.6% to 4.625%, payable on an annual basis.

At the close of the financial year there were no issues convertible into shares other than the issue discussed in the paragraphs above, or issues granting rights or privileges that might, in the event of a contingency, make them convertible into shares of Acciona, S.A.

The finance costs associated with this kind of products were 18,214 thousand euros (34,051 thousand euros in 2016).

13.3. 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 outstanding at the closing date of the balance sheet	2017	2016
	Days	Days
Average period of payment to suppliers	59.29	43.99
Paid operations ratio	55.05	41.09
Unpaid operations ratio	91.84	63.32
	Amount (in thousand euros)	Amount (in thousand euros)
Total payments made	74,752	60,671
Total payments outstanding	9,743	9,678

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

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

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

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

14. Public Entities and Tax matters

14.1. Current balances with Public Entities

Current balances with Public Entities at 31 December 2017 and 2016 were as follows (in thousand euros):

Balances receivable

Item	2017	2016
Current tax assets	95,193	56,577
Inland Revenue – receivable for VAT	378	13
Total	**95,571**	**56,590**

Current tax assets show the projected amount to be returned for the 2017 tax form.

Balances payable

Item	2017	2016
Withholdings	4,462	768
Social security bodies - payable	409	355
Inland revenue – Payable for VAT	13,326	2,995
Total	**18,197**	**4,118**

14.2. Reconciliation of the accounting result and the taxable base

Reconciliation between the accounting result and the separate tax base for Corporate Tax at 31 December 2017 and 2016 was as follows:

FY 2017	**Thousand euros**		
	Increases	Decreases	**Total**
Accounting result before tax			**169,694**
Permanent adjustments to tax base	159,818	(501,316)	**(341,498)**
Temporary adjustments to tax base:	76,114	(23,188)	**52,926**
Originated in the year:	*67,625*	*(--)*	***67,625***
Originated in previous years	*8,489*	*(23,188)*	***(14,699)***
Taxable base			**(118,878)**

The positive permanent adjustments to the tax base in 2017 mainly related to the impairment of the share in Nordex-AWP (see Note 8.2.1) and to other non-deductible provisions. As negative effect, it is noticed the reversal of non-deductible provisions and portfolio impairments, as well as the exemption of dividends received to avoid double taxation.

The positive temporary adjustments correspond to the reversal of portfolio provisions according to Royal Decree Law 3/2016 and the charges to provisions for risk and long-term remuneration of staff. Negative adjustments are associated with the application of net excess non-deductible finance costs from 2016 and other non-deductible provisions.

FY 2016	**Thousand euros**		
	Increases	Decreases	**Total**
Accounting result before tax			**390,327**
Permanent adjustments to tax base	292,440	(680,388)	**(387,948)**
Temporary adjustments to tax base:	33,423	(101,948)	**(68,525)**
Originated in the year	*32,226*	--	***32,226***
Originated in previous years	*1,197*	*(101,948)*	***(100,751)***
Taxable base			**(66,146)**

The negative permanent adjustments to the tax base in 2017 mainly related to the tax-free gains obtained from the Nordex-AWP operation (see Note 9), tax exemption for the dividends received in order to avoid double taxation and, on the positive side, the allocations for portfolio impairment and other non-deductible provisions.

And temporary adjustments to the tax base mainly related to the reversion of provisions for obligations allocated in previous years and, on the positive side, to the limitation to deductibility of finance costs and the allocation of provisions for personnel remuneration.

14.3. Taxes recognised in Equity

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

FY 2017	Balance at 01/01/2017	Increases	Decreases	Balance at 31/12/2017
For current tax:	--	--	--	--
For deferred tax: *Hedge financial instruments*	--	--	--	--
Total deferred tax	--	--	--	--
Total tax directly recognised in Equity				

FY 2016	Balance at 01/01/2016	Increases	Decreases	Balance at 31/12/2016
For current tax:	--	--	--	--
For deferred tax: *Hedge financial instruments*	--	--	--	--
Total deferred tax	--	--	--	--
Total tax directly recognised in Equity				

14.4. Reconciliation between the accounting result and the expense for corporate tax

Reconciliation between the accounting result and the expense for Corporate Tax at 31 December 2017 and 2016 was as follows (in thousand euros):

	2017	2016
Accounting result before tax	**169,694**	**390,327**
Tax charge at 25%	**42,424**	**97,582**
Impact permanent differences	**(60,630)**	**(96,989)**
Adjustments consolidated taxation (*)	**(24,744)**	--
Deductions	(643)	(496)
Expense CI abroad	**88**	--
Adjusted expenses for final tax and effect of fiscal reform (**)	3,997	3,628
Total recognised expenses for tax	**(39,508)**	**3,725**

(*) Includes the tax effect of the reversal of portfolio provisions in companies of the previous Tax Group at 2013 and adjusted as non-deductible on consolidation.

(**) This concept includes the differences between the final Corporate Tax for 2016 and the movement of the provision for long term taxes.

14.5. Breakdown of expense for corporate tax

Breakdown of expense/income for corporate tax in financial years 2017 and 2016 was as follows (in thousand euros):

	2017	2016
Current tax	(30,363)	(18,466)
Deferred tax	(9,145)	22,191
Total expense/(income) for tax	**(39,508)**	**3,725**

14.6. Recognised deferred tax assets

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

Deductible temporary differences (Early taxes):	2017	2016
Provisions for liabilities and other adjustments	15,079	16,571
Hedge derivative instruments	--	--
Tax credits pending and other	145,008	174,105
Tax credit for tax loss carryforwards	59,018	51,366
Total deferred tax assets	**219,105**	**242,042**

Movements in financial year 2017 in relation to tax credits pending application, broken down by item and deadline for application, in thousand euros, were as follows:

Item	Balance 2016	Other variat. (*)	Additions	Removals	Balance 2017	Applic. deadlines
Foreign tax credits pending application	1,030		1,528		2,558	Indefinite
Other credits Corp. Tax :	173,075					
Credit for reinvestment	55,685	(30,383)			25,302	+ 15 years
Credit for R&D&I	88,625	(5,508)	2,526		85,643	+ 18 years
Credit for assets export	--					+ 15 years
Environment-related credits	14,356	1,366			15,722	+ 15 years
Other tax credits	14,409	(179)	1,553		15,783	+ 15 years
TOTAL	**174,105**	**(34,704)**	**5,607**		**145,008**	

(*) Removal of various companies from the tax group and adjustments on final tax form and inspection for 2010-2012.

The deferred tax assets indicated above were recognised on the balance sheet as the Directors of the Company considered that, according to the best estimate about the Company's future results, the assets in question were likely to be recovered.

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Corporate Tax Act 27/2014, of 27 November, eliminated, effective 1 January 2015, the deadline to offset tax loss carryforwards, which was set at 18 years, so this period is now unlimited.

This Act also eliminated the deadline for offsetting double taxation credits pending application from previous years, so now the period is unlimited, as provided for in article 39 of Act 27/2014, which extended the general period to offset other deductions to 15 years, except for R&D+I which was extended to 18 years.

14.7. Deferred tax liabilities

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

Deductible temporary differences (Deferred taxes):	2017	2016
Portfolio impairments	--	9,975
Total deferred tax liabilities	--	**9,975**

This balance includes the total amount of deferred tax liability related to portfolio impairment pending reversion that, at the very least must be done in the next five years, including 2016, as established in Royal Decree-Law 3/2016. 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.

14.8. Years open to review by the tax authorities

As indicated in Note 4.7, Acciona, S.A. is allowed to apply the special tax system under the Corporate Tax regulations for tax groups, acting as the Parent Company. Fiscal group 30/96 includes the subsidiaries that meet the requirements set by the regulations in force.

Effective 1 January 2008, the Company decided to apply the special system for VAT Company Groups, as set forth in Chapter IX under Title IX of Act 37/1992, of 28 December, on Value Added Tax, for which the parent company is Acciona, S.A.

Years subject to tax review:

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 company, 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 Value Added Tax (VAT Group) 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 regularisation 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 December 2015, an appeal was filed for judicial review at the National Appellate Court; this matter is still pending a vote and decision. It is estimated that the risk that the proposed fines will be approved is possible.

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, regularising 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 company of the Group, and several subsidiaries. In addition to review of Corporate Tax of the Tax Group for said years, it has included the VAT Company Group, 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. These inspections were concluded on 16 May 2017 with the signing of uncontested conclusions for VAT and uncontested assessments for Corporate Tax without any fines. No fees had to be paid for these activities, but rather the regularisation imposes a reduction in the tax credits related to deductions pending application.

As a result of the development of all these tax review procedures, the group applied in 2017 part of the provisions earmarked in previous years for this purpose (see Note 12).

At 31 December 2016, the years that had not lapsed and that had 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.

As tax legislation can be interpreted in different ways, the outcome of the tax audits that could be conducted by the tax authorities in the future for the years subject to verification might give rise to tax liabilities which cannot be objectively quantified at the present time. However, the possibility of material liabilities arising in this connection additional to those already recognised is remote, and the directors of Acciona S.A. Consider that the liabilities that might arise would not have a material effect on the equity of the Acciona Group.

14.9. Information to include in the Notes under application of sect. 42 of the consolidated text of the Corporate Tax Act, related to tax credits for reinvestment of extraordinary profit

The Corporate Tax legislation for the time being in force establishes various fiscal incentives with the purpose of promoting certain investments. The company applied the fiscal incentives provided for in said legislation.

In financial years 2008, 2011 and 2014, Acciona, S.A., as the Parent Company, together with other subsidiaries 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 on the consolidated text of the Corporate Tax Act, regulated since 1 January 2015 by the Twenty-Fourth Temporary Provision of Act 27/2014. The Company's income qualifying for this tax credit amounted to 139,075, 71,341 and 3,726 thousand euros, respectively. The reinvestment took place in the same years in which capital gains were generated. The equity elements reinvested were as listed in the Corporate Tax regulations, that is, property, plant and equipment, intangible assets, investment property and securities representing shareholdings of no less than 5% in the share capital or capital and reserves of all types of companies. The extraordinary 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, regulated by the Twenty-Fourth Temporary Provision of Act 27/2014, this information must be disclosed in the notes to the financial statements as long as the period for which the assets must be held, as established in sub-section 8 of section 42, is not fulfilled.

14.10. Information to include in the Notes to annual financial statements under application of section 86 of Corporate Tax Ac 27/2014 on operations with preferential tax treatment.

In accordance with the provisions contained in section 86 of Corporate Tax Act 27/2014, certain Group companies applied the Special System for mergers, spin-offs, contribution of assets and securities swaps, for the operations detailed below, in which Acciona, S.A. took part as contributing company and as legal person and member.

- Merger with backdated effects 1 January 2008 of the companies Eólica de Belorado, S.L. and Energías del Cantábrico, S.L. (merged companies) and Eólica de Sanabria, S.L. (merging company).

- Merger with backdated effects 1 January 2008 of the company Explotaciones Eólicas Monte Endino, S.L. (merged company) and Corporación Eólica de Zamora, S.L. (merging company).

- Merger with backdated effects 1 January 2008 of the company Ensenada de Renovables, S.L. (merged company) and Corporación Eólica Manzanedo, S.L. (merging company).

- Merger with backdated effects 1 January 2008 of the company Corporación Eólica Palentina, S.L. (merged company) and Corporación Eólica de Barruelo, S.L. (merging company).

- Merger with backdated effects 1 January 2008 of the company Corporación Eólica del Duero, S.L. (merged company) and Sistemas Energéticos Valle del Sedano, S.A. (merging company).

- Merger with backdated effects 1 January 2008 of the companies Energea Cogeneración y Térmico, S.L., Argoras Energía, S.L. and Asturalter, S.L. (merged companies) and Terranova Energy Corporation, S.A. (merging company).

- Merger with backdated effects 1 January 2008 of the companies Yagonova, S.L., Parque Eólico de Fonteavia, S.L., Parque Eólica de Goa, S.L., Parque Eólico Celada III,S.L., Parque Eólico Celada V, S.L., Parque Eólico Encinedo, S.L., Parque Eólico El Cuadrón, S.L., El Endino Eólica, S.L., Parque Eólico de Angostillos, S.L., Eólicas de Montellano, S.L., Renovables de Valdeoléa, S.L., Corporación Eólica Los Alcañices, S.L., Ingeniería de Energía Renovable, S.A.U and Eólica de Pisuerga, S.L. (merged companies) and Ceólica Hispania, S.L. (merging company).

- Merger with backdated effects 1 January 2008 of the company Sistemas Energéticos de Roa, S.L.U (merged company) and Parque Eólico Cinseiro, S.L. (merging company).

- Special non-cash contribution of assets effective 2 October 2008, by the company Acciona, S.A (contributing company) to the company Acciona Aparcamientos, S.L (acquiring company).

- Non-cash contribution of branch of activity with backdated effect 31 March 2008 by the company Acciona Biocombustibles, S.A. (contributing company) to the company Estación de Servicio Legarda, S.L (acquiring company).

- Special non-cash contribution of assets effective 1 October 2008, by the company Acciona Inmobiliaria, S.L (contributing company) to the company Valgrand 6, S.A.U. (acquiring company).

- Partial financial split of the shareholding in Acciona Windpower, S.A., with backdated effect 1 January 2008, by the company Acciona Energía, S.A. (transferor) to Corporación Acciona Windpower, S.L. (acquiring company).

- Partial financial split of the shareholding in Acciona Eólica de Galicia, S.A., with backdated effect 1 September 2008, by the company Ineuropa de Cogeneración, S.A.U. (transferor) to Corporación Acciona Energías Renovables, S.L.U. (acquiring company), documented in deed dated 16 January 2009.

- Non-cash contribution of shareholdings in Ceatesalas, S.L.U, Acciona Energía, S.A.U., KW Tarifa, S.A.U. Alabe Sociedad de Cogeneración, S.A.U. and Ineuropa de Cogeneración, S.A.U., by the company Acciona, S.A. (transferor) to Corporación Acciona Energías Renovables, S.L.U. (acquiring company), documented in deed dated 7 April 2009, and effective 1 January 2009 for accounting purposes.

- Merger effective 1 January 2009 of the companies Altai Hoteles Condal, S.L.U., Barcelona 2 Residencial, S.A.U., Construcciones Gumi, S.L., Gestión de Servicios y Conservación de Infraestructuras, S.L.U., Grupo Lar Gran Sarriá, S.L.U., Montaña Residencial, S.A.U. and Necsohenar, S.A.U. (merged companies) and the company Acciona Inmobiliaria, S.L.U. (merging company), documented in deed dated 7 August 2009.

- Merger of the company Caserío de Dueñas, S.A. and Hijos de Antonio Barceló, S.A. (merging company), documented in deed dated 17 September 2010 and with backdated effects 1 January 2010.

- Merger of the company AEPO, S.A.U. and Acciona Ingeniería, S.A. (formerly Ibérica de Estudios e Ingeniería) (merging company), documented in deed dated 24 September 2010 and with backdated effect 1 January 2010.

- Merger of the companies Grupo Entrecanales, S.A, Servicios Urbanos Integrales, S.A., Tivafen, S.A.U. and Osmosis Internacional, S.A.U. (merged companies) and Acciona, S.A. (merging company), documented in deed dated 11 July 2011 and backdated effect 1 January 2011.

- Non-cash contribution of the shareholdings in Acciona Servicios Urbanos, S.L. and Corporación de Explotaciones y Servicios, S.A. by Acciona, S.A. to Acciona Service, S.L., documented in deed dated 31 March 2014 and backdated effect 1 January 2014.

- Partial split due to segregation of assets and liabilities of Acciona Agua, S.A. to Acciona Agua Servicios, S.L.U., documented in deed dated 30 June 2014 and backdated effect 1 January 2014.

- Merger of the company P.E. Topacios, S.A. and Alabe Sociedad de Cogeneración, S.A. (merging company), documented in deed dated 18 September 2014 and backdated effect 1 January 2014.

- Merger of the company C.E. de Puerto Llano, S.L. and Global de Energías Eólicas Al Ándalus, S.A. (merging company), documented in deed dated 18 September 2014 and backdated effect 1 January 2014.

- Merger of the company Eólica Gallega del Atlántico, S.L. and Eólica Breogán, S.L. (merging company), documented in deed dated 18 September 2014 and backdated effect 1 January 2014.

- Merger of the companies C.E. de Barruelo, S.L. and C.E. de Manzanedo, S.L. Puerto Llano, S.L. (merged companies) and Sistemas Energéticos Valle de Sedano, S.A. (merging company), documented in deed dated 18 September 2014 and backdated effect 1 January 2014.

- Merger of the company Toyonova, S.L. and Eurovento, S.L., documented in deed dated 19 December 2014 and backdated effect 1 January 2014.

- Spin-off of the company Acciona Inmobiliaria, S.L. through segregation of the part of its corporate equity that comprises a branch of activity, under the terms set forth in section 71 of Act 3/2009, of 3 April, on Structural Modifications to Mercantile Businesses, with the economic unit being transferred to the beneficiary company Acciona Real Estate, S.A.U., documented in deed dated 30 September 2015.

- Merger of the company Global de Energías Eólicas Al Andalus, S.A. and Ceólica Hispania, S.L. (merging company), documented in deed dated 11 September 2015 and backdated effect 1 January 2015.

- Special non-cash contribution by Acciona, S.A. to Acciona Service, S.L., of the shareholdings in the companies Acciona Producciones y Diseño, S.A., Inetime, S.A., Acciona Airtport 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 shareholdings in in Acciona Infraestructuras, S.A., Acciona Service, S.L and Acciona Agua, S.A., documented in public deed dated 2 December 2016.

- Merger of the companies Acciona Energía Solar, S.L. and Acciona Solar Canarias, S.A. and by the company Acciona Solar, S.A. documented in deed dated 27 July 2017 and with backdated effect of 1 January 2017.

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- Special non-cash contribution by Acciona Service, S.L. to Acciona Aeropuertos, S.L. of the stakeholding in the company Acciona Airport Services, S.A,, documented in public deed dated 28 July 2017.

- Special non-cash contribution by Acciona, S.A. to Acciona Concesiones, S.L. of the stakeholdings in the companies Sociedad Concesionaria Novo Hospital de Vigo, S.A., Acciona Servicios Concesionales, S.L., Sociedad Concesionaria Hospital del Norte, S.A., Nova Darsena Esportiva de Bara, S.A., Autovía de los Viñedos, S.A., Sociedad Anónima Concesionaria de la Junta de Comunidades de Castilla La Mancha, Gran Hospital Can Misses, S.A. and Sociedad Concesionaria de la Zona Regable del Canal de Navarra, S.A., documented in public deed dated 21 December 2017.

Pursuant to sub-section 3 of section 86 of Act 27/2014 on the consolidated text of the Corporate Tax Act, the information required for operations carried out in previous years appears in the relevant separate notes to financial statements as approved.

14.11. Information to include in the notes to financial statements under application of sect. 12.3 of the consolidated text of the Corporate Tax Act in relation to deduction for impairment losses on securities representing shareholdings in the capital of companies and 16th Temporary Provision of Act 27/2014, amended by Royal Legislative Decree 3/2016, of 2 December.

Royal Legislative Decree 3/2016, of 2 December, amended the 16th Temporary Provision of Corporate Tax Act 27/2016, which regulated the system to include in the taxable base impairment losses in investments in group companies, joint and associates (sect. 12.3 of the consolidated text of the Corporate Tax Act) deducted in tax periods commencing before 1 January 2013. This amendment established a minimum annual amount for reversion in five years (that is, 20% per year) of the balance at 31 December 2015, unless reversion on the recovery of capital and reserves of investees and/or collected dividends is higher than that amount.

The information required under the tax regulations in relation to amounts deducted, difference in the year of capital and reserves of investees, as well as amounts included in the taxable base and amounts pending inclusion is indicated below.

1. - Amounts that reversed in financial year 2016:

Investee	Reversion	Total at 31/12/2016
MDC Airport Consult	190	759
Mostotal Warszawa	3,914	13,172
Infraestructuras y Radiales S.A	4,086	16,345
Nova Darsena Sportiva de Bara, S.A.	251	1,004
Sociedad Conc.Puente del Ebro, S.A.	532	2,129
Ecologia del Agua, S.A	4	15
Cía Tratamiento y Gestión Residuos Murcia	3	12
Parque Isla Mágica, S.A	130	519
Unión Deportiva Las Palmas	1	2

2. - Amounts that reversed in financial year 2017:

Investee	Reversion	Pending at 31/12/2017
MDC Airport Consult	190	569
Mostotal Warszawa	3,293	9.879
Infraestructuras y Radiales S.A	4,086	12,259
Nova Darsena Sportiva de Bara, S A	251	753
Sociedad Conc.Puente del Ebro, S.A	532	1,596
Ecología del Agua, S A	4	11
Cía Tratamiento y Gestión Residuos Murcia	3	9
Parque Isla Mágica, S A	130	389
Unión Deportiva Las Palmas	1	2

3.- Year's difference in capital and reserves of the investee:

Investee	Cap.& reserves at 31/12/2016*	Cap.& reserves at 31/12/2017*	Difference Cap.& reserves
MDC Airport Consult	4,262	4,262	0
Mostotal Warszawa	20,873	11,605	(9,268)
Infraestructuras y Radiales S.A.	(41,613)	(41,613)	0
Nova Darsena Sportiva de Bara. S A.	(1,542)	(1,634)	(92)
Sociedad Conc.Puente del Ebro, S.A.	363	363	0

* Capital and reserves adjusted at investment

15. Foreign currency

Detail of the main balances and transactions in foreign currency in financial years 2017 and 2016, measured at the closing exchange rate and average exchange rate, respectively, were the following:

	2017	2016
Loans granted	3,689	3,955
Accounts payable	160	3.068
Services received	1,962	1,550

16. Income and expenses

16.1. Net turnover

The Company, which heads its consolidated group, basically developed activities typical of a holding company in 2017 and 2016, and, as such, it did not engage in any significant commercial activity of its own, and, therefore, it does not have activity segments, so the figure for turnover on the income statement mainly related to the

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services rendered to Group companies and income from dividends received from the subsidiaries and financial income associated with the financing of the subsidiaries.

16.2. Personnel costs

Detail of personnel costs at 31 December 2017 and 2016 was as follows (in thousand euros):

	2017	2016
Wages, salaries and similar	42,290	42,346
Welfare charges	11,170	9,973
Total	**53,460**	**52,319**

In financial years 2017 and 2016 "Wages, salaries and similar" included compensation for the amount of 707 and 2,042 thousand euros, respectively.

Breakdown of the balance in the account "Welfare charges" in 2017 and 2016 was as follows (in thousand euros):

	2017	2016
Social security paid by the company	3,746	3,069
Other welfare charges	7,424	6,904
Total	**11,170**	**9,973**

17. Operations and balances with group companies and associates

17.1. Operations with group companies and associates

Detail of operations with related parties in 2017 and 2016 was as follows (in thousand euros):

2017	Group companies	Associates	Total
Provision of services	60.029	882	**60,911**
Services received	5,838	61	**5,899**
Income from interest	510	1,910	**2,420**
Expenses for interest	24.940	--	**24,940**
Dividends	51,942	--	**51,942**
2016	**Group companies**	**Associates**	**Total**
Provision of services	49.892	1.040	**50,932**
Services received	4,320	--	**4,320**
Income from interest	25,288	2,187	**27,475**
Expenses for interest	12,377	--	**12,377**
Dividends	45,869	--	**45,869**

17.2. Balances with group companies and associates

Balances with group companies and associates on the balance sheet at 31 December 2017 were as follows (in thousand euros):

2017	Group companies	Associates	Total
Long-term investments:	**4,928,901**	**634,683**	**5,563,584**
Equity instruments (Note 8.2)	4,925,212	634,683	5,559,895
Cost	6,092,007	798,638	6,890,645
Provisions	(1,166,795)	(163,955)	(1,330,750)
Credits (Note 8.2)	3,689	--	3,689
Credits to companies	5.409	29,528	34,937
Provisions	(1,720)	(29,528)	(31,248)
Non-current assets held for sale	**3,000**	--	**3,000**
Accounts receivable	**54,339**	**1,100**	**55,439**
Short-term investments:	**38,462**		**38,462**
Credits to companies and other	45,632	--	45,632
Provisions	(7.170)	--	(7,170)
Short-term debt	**1,379,688**	--	**1,379,688**
Trade payables:	**3,882**	**735**	**4,617**

2016	Group companies	Associates	Total
Long-term investments:	**4,597,790**	**818,952**	**5,416,742**
Equity instruments (Note 8.2)	4,569,905	807,053	5,376,958
Cost	6,049,978	854,420	6,904,398
Provisions	(1,480,073)	(47,367)	(1.527,440)
Credits (Note 8.2)	27,885	11,899	39,784
Credits to companies	31,625	57,430	89,055
Provisions	(3,740)	(45,531)	(49,271)
Non-current assets held for sale	--	--	--
Accounts receivable	**49,501**	**1,758**	**51,259**
Short-term investments:	**4,521**	--	**4,521**
Credits to companies	11,691	--	11,691
Provisions	(7,170)	--	(7,170)
Short-term debt	**998,338**	--	**998,338**
Trade payables:	**4,867**	--	**4,867**

Trade receivables related to invoices to group companies and associates. Short-term debts with group companies related mainly to balances from settlement of corporate tax of the companies the Parent Company of which is Acciona, S.A., in tax group 30/96 (see Note 4.7).

17.3. *Remuneration for the Board of Directors and Senior Management*

ACCIONA, S.A. is the group's parent company and its activity is limited to the management of shareholdings and to services to support its investees. Therefore, the remuneration of the Board of Directors and Senior Management must be interpreted from the Parent Company and subsidiaries perspective.

Operations with shareholders

In 2017 there were no significant transactions involving a transfer of resources or obligations between the Parent Company 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 2017 and 2016 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 basically consisted of:

	31.12.2017				
Expenses and income	**Significant shareholders**	**Directors and executives**	**Group employees, companies or entities**	**Other related parties**	**Total**
Expenses:					
Finance costs	--	--	--	--	--
Management or cooperation agreements	--	--	--	--	--
R&D transfers and licensing agreements	--	--	--	--	--
Leases	--	--	--	--	--
Services received	--	--	--	105	105
Purchase of goods (finished goods and work in progress)	--	--	--	--	--
Value adjustments due to uncollectable or doubtful debts	--	--	--	--	--
Losses on de-recognition or disposal of assets	--	--	--	--	--
Other expenses	--	--	--	--	--
Income:	--	--	--	--	--
Financial income	--	--	--	--	--
Management or cooperation agreements	--	--	--	--	--
R&D transfers and licensing agreements	--	--	--	--	--
Dividends received	--	--	--	--	--
Leases	--	--	--	--	--
Provision of services	--	--	--	228	228

Sale of goods (finished goods or work in progress)	—	—	—	—	—
Gains on de-recognition or disposal of assets	—	—	—	—	—
Other income	—	—	—	—	—
	31.12.2017				
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	—	—	—	—	—
	31.12.2016				
Expenses and income	**Significant shareholders**	**Directors and executives**	**Group employees, companies or entities**	**Other related parties**	**Total**
Expenses:					
Finance costs	—	—	—	—	—
Management or cooperation agreements	—	—	—	—	—
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	—	—	—	88	88
Purchase of goods (finished goods and work in progress)	—	—	—	—	—
Value adjustments due to uncollectable or doubtful debts	—	—	—	—	—
Losses on de-recognition or disposal of assets	—	—	—	—	—
Other expenses	—	—	—	—	—
Income:	—	—	—	—	—
Financial income	—	—	—	—	—
Management or cooperation agreements	—	—	—	—	—
R&D transfers and licensing agreements	—	—	—	—	—
Dividends received	—	—	—	—	—
Leases	—	—	—	—	—
Provision of services	—	—	—	87	87
Sale of goods (finished goods or work in progress)	—	—	—	—	—
Gains on de-recognition or disposal of assets	—	—	—	—	—

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Other income	--	--	--	--	--
	31.12.2016				
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	--	--	--	--	--

Remuneration and other benefits

A. Board of Directors

In 2017 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 Company 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 bis 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.

On 18 May 2017, the General Shareholders' Meeting approved the Directors Remuneration Policy for the years 2018-2020, without prejudice to the fact that amendments introduced by the Policy shall apply to remuneration accrued from the date the Policy was approved.

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 a maximum of 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. This amount has been set at 1,700,000 euros by the Remuneration Policy 2018-2020.

The total remuneration paid to the members of the Board for discharging their duties as Company directors in 2017 amounted to 1,308,247 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 2017	Total 2016
Mr. Daniel Entrecanales Domecq	67.5	82	149.5	149.5
Mr. Jerónimo Marcos Gerard Rivero	67.5	--	67.5	67.5
Mr. Jaime Castellanos Borrego	67.5	136	203.5	203.5
Mr. Fernando Rodés 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 Ibargaray	67.5	136	203.5	203.5
Ms. Belén Villalonga Morenes	67.5	--	67.5	67.5
Mr. Javier Entrecanales Franco	67.5	81	148.5	148.5
(*) Ms. María del Carmen Becerril Martínez	25.8	13.7	39.5	103.5
Ms. Ana Sainz de Vicuña Bemberg	67.5	45	112.5	112.5
(**) Ms. Karen Christiana Figueres Olsen	41.7		41.7	

TOTAL	**742.5**	**565.7**	**1,308.2**	**1,330.5**

(*) Directors leaving the Board in 2017
(**) Directors joining the Board in 2017

The remuneration paid to Directors for the performance of senior management executive functions and for being members of the Board was 16,027 and 3,277 thousand euros in 2017 and 2016, respectively.

With regards to long term variable remuneration linked to Company shares following what was established in the Plan 2014 regulations and based on an evaluation of the results obtained during the three year period from 2014 to 2016, following a proposal by the Appointments and Remuneration Committee the Board of Directors approved to deliver a total of 104,096 shares to Executive Directors in 2017, with a fair value of 7,277 thousand euros.

In addition, a non-executive director that left her position on 18 May 2017 had a professional services contract signed with the Acciona Group for which she received 63 thousand euros in 2017.

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 with the Participant as the beneficiary, 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 2017 in favour of the Executive Directors came to 5,125 thousand euros. These contributions included 75% of the fixed annual salary and an additional amount arising from extraordinary contributions to the Savings Plan related to part of the variable remuneration in 2017.

The global remuneration related to rights accumulated by the Directors in this respect amounts to 12,768 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 2017 and 2016 the directors of the Parent Company did not receive any remuneration for being members of other boards and/or senior management of Group Companies.

The remuneration of members of the board of directors of Acciona, S.A. was, in thousand euros, 17,263 and 4,623 in financial years 2017 and 2016, 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 Management

Senior Management includes those people 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 people 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 Company and subsidiaries, in 2017 and 2016 is summarised as follows:

Type of remuneration	2017	2016
Number of people	35	39
Remuneration (thousand euros)	21.551	24,672

The figures for 2016 appearing as remuneration (thousand euros) included 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. In 2017 no settlements were paid to Senior Management.

The civil liability premium for directors and executives as paid in 2017 amounted to 1,211 thousand euros.

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 extend 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. In addition, and making use of the approval of the General Shareholders' Meeting on 18 May 2017, following a proposal from the Appointments and Remuneration Committee, the Board of Directors approved an additional amendment to the Plan Regulations at their meeting held on 14 December 2017 with the aim of adapting it to corporate governance best practices regarding deferral, malus and clawback on the variable remuneration of executive directors, and to the principles and guidelines contained in the Directors Remuneration Policy approved by the General Shareholders' Meeting.

The main characteristics are as follows:

A) Purpose of the Plan:

The purpose of the 2014 Plan for Delivery of Shares and "Performance Shares" is to remunerate management, including the Executive Directors of Acciona in such a manner as to boost the attainment of strategic business objectives to the benefit of the Company'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.

The actual share delivery date in accordance with the provisions in the preceding sections shall be determined by the Board of Directors or their delegates, and in any case, it shall be done after the General Shareholders' Meeting of the year in which the shares are to be delivered has taken place. Delivery of 20% of the shares that the Executive Directors have a right to receive shall be subjected to a minimum deferral period of one (1) year, and its accrual shall be subject to their permanence as an Executive Director as detailed in the Regulations, and on there not being any causes that in the opinion of the external auditors could lead to a material restatement of the

Acciona Group's consolidated financial statements, as determined by the Board of Directors following a proposal by the Appointments and Remuneration Committee, except when this arising from an amendment to accounting standards.

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) have been subjected 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.

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.

The 2014 Plan does not provide for the possible sale of shares delivered in order to pay the tax incurred by the Beneficiary as a result of such delivery. The cost of the payment on account of the 2014 Plan performance shall not be passed on to the beneficiaries, and the Company shall assume the tax cost that this payment may have on the personal income tax of the beneficiaries with the established limits.

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, 10 May 2016 and 18 May 2017 agreed to increase the maximum number of shares available for the "2014-2019 Plan for Delivery of Shares and Performance Shares" by 100,000 for each year, without affecting later increases if so proposed by the Board of Directors and approved by the General Shareholders' Meeting.

At the close of 2017 the maximum number of shares that could be delivered to implement the Plan, was 353,240, after 35,917 were used in 2017 for delivery to executives other than Executive Directors, and 104,096 shares were used for delivery to Executive Directors. Without prejudice to the foregoing, in 2017, 26,025 shares have been assigned to have a delivery deferred for a period of three years on a straight-line basis in implementation of the Plan.

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, 2016, and 2017, 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 28 February 2017 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 13 April 2017.

Finally, the number of shares delivered to Beneficiaries other than executive directors (47 Beneficiaries), under the **Plan for Delivery of Shares /Performance Shares**, in consideration of their dedication and performance in financial year 2017, was 35,917 shares at the fair value of 2,678 thousand euros.

Given that this plan accrues on a three-year basis, one third of the fair values mentioned above is reflected in "Personnel costs" on the accompanying income statement at 31 December. The other two thirds will be recognised on the income statements for financial years 2018 and 2019.

As regards Executive Directors, one allocation and delivery of shares took place in 2017. A total of 104,096 shares were delivered to Executive Directors and 26,025 shares have been assigned with a deferred delivery on a straight-line basis over a three-year period.

Finally, in application of the **Replacement Plan**, 22,086 shares in the Company were delivered in 2017, at the fair value of 1,651 thousand euros, to 37 executives of Acciona and its Group, in payment of part of their variable remuneration in cash in 2016.

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 2017 in the number of options and weighted average of the prices to exercise the stock options was the following:

2017	Nº of options	Strike Price - Weighted Average (in euros)
Existing at the start of the financial year	**68,872**	**60.31**
Granted during the period	-	-
Cancelled during the period	-	-
Exercised during the period	(45,150)	46.15
Lapsed during the period	-	-
Existing at the end of the period	**23,721**	**63.25**
Susceptible of being exercised at the end of the period	23,721	63.25

As regards the options existing at the end of the financial year, it should be indicated that the strike price ranged between 56.21 and 66.73 euros and that the weighted average of the remaining life of the contract was 0.8 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 2017 was as follows:

Full name or corporate name	Position(s) held
Alcázar Viela, Jesús	General Manager – Acciona Infrastructure - Latin America
Ancín Viguiristi, Joaquín	General Manager – Acciona Energy – Engineering & Construction
Antúnez Cid, Isabel	General Manager – Acciona Property
Arilla de Juana, Carlos María	General Manager - Economic and Financial Area
Beltrán Núñez, Raul	Internal Audit Manager
Callejo Martínez, Alfonso	General Manager - Corporate Resources
Carrión 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	Area General Manager - Acciona Infrastructure Contract Management and Studies
Corella Hurtado, Olga	General Manager - Acciona Infrastructure - Economic Control Area
Cruz Palacios, Juan Manuel	General Manager - Acciona Infrastructure - Labour Relations, OHS and Sustainability
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

Full name or corporate name	Position(s) held
Fernandez Lopez, Roberto	Area General Manager - Acciona Infrastructure - Corporate Resources
Figueroa Gómez de Salazar, José Julio	Area General Manager – Legal Services
Gutierrez Abarquero, David	Area General Manager – Fiscal
Jiménez Serrano, Ramón	Area General Manager – Acciona Industrial and Acciona Service
Mateo Alcalá, Rafael	CEO - Acciona Energy
Mollinedo Chocano, José Joaquín	General Manager - Institutional Relations, Sustainability and Brand
Moreno Lorente, Huberto José	General Manager – Acciona Infrastructure - Construction Area
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 – Trasmediterránea
Rego Prieto, Oscar Luis	Procurement Area General Manager - Acciona Infrestructure
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-Penichet Lopez, Jorge	General Secretary
Vicente Pelegrini, Justo	Area General Manager - Acciona Construction - Spain, Portugal and Africa

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:

Full name or corporate name	Position(s) held
Alcázar Viela, Jesús	General Manager – Acciona Infrastructure - Latin America
Ancín Viguiristi, Joaquín	General Manager – Acciona Energy – Engineering & Construction
Antúnez Cid, Isabel	General Manager – Acciona Property
Arilla de Juana, Carlos María	General Manager - Economic and Financial Area
Beltrán Núñez, Raúl	Internal Audit Manager
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
Carrión Lopez 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
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 Lopez, Roberto	Area General Manager - Acciona Infrastructure - Corporate Resources
Figueroa Gómez de Salazar, José Julio	Area General Manager – Legal Services
Gutierrez Abarquero, David	Area General Manager – Fiscal
Jiménez Serrano, Ramón	Area General Manager – Acciona Industrial and Acciona Service
Luna Butz, Walter	CEO - Acciona Energy
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

Full name or corporate name	Position(s) held
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 – Trasmediterranea
Rego Prieto, Oscar Luis	Procurement Area General Manager - Acciona Infrestructure
Rivas Anoro, Felix	Area General Manager - Procurement, Innovation, Quality and the Environment
Rodríguez Hernández, José Luis	Area General Manager – Other Businesses and Investees
Santamaria-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-Penichet Lopez, Jorge	General Secretary
Vicente Pelegrini, Justo	Area General Manager - Acciona Infrastructure Spain and Construction Africa, Sweden and Emirates

18. Environment-related information

Given the activities it develops, the Company has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could be material in relation to the Group's equity, financial position and results. For this reason, no specific disclosures are contained in these notes.

19. Other disclosures

19.1 Personnel

The average number of employees in financial years 2017 and 2016, by category, was as follows:

Categories	2017	2016
Management and supervisors	117	97
Qualified line personnel	136	128
Clerical and support staff	59	62
Other employees	1	2
Total	**313**	**289**

Distribution by gender in the course of 2017 and 2016, broken down by category at the close of the year, was as follows:

	2017		2016	
Categories	**Men**	**Women**	**Men**	**Women**
Management and supervisors	89	52	73	48
Qualified line personnel	64	65	56	59
Clerical and support staff	18	41	18	43
Other employees	1	--	1	--
Total	**172**	**158**	**148**	**150**

In financial year 2017, 3.60 % of the group's headcount had a disability equal to or over 33%, mostly under the category of clerical and support personnel.

19.2 Auditor's fees

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

	Services provided by the main auditor		Services provided by other audit firms	
	2017	**2016**	**2017**	**2016**
Auditing services	596	451	–	–
Other verification services	77	107	218	175
Total audit and related services	**673**	**558**	**218**	**175**
Fiscal advice services	83	–	78	167
Other services	1,367	2,871	3,547	2,754
Total professional services	**1,450**	**2,871**	**3,625**	**2,921**

With regards to the main auditor, "other verification services" includes mainly advisory services in the scope of sustainability and corporate social responsibility, services to issue "comfort letters", and reports on agreed procedures. The concept of "fiscal advice services" includes mainly fees for advisory services on transfer pricing, corporate tax and indirect taxation documentation. Finally, "other services" mainly includes advisory services for the Group's management of expatriate staff, advice regarding information security and information technology consultancy services.

Information relating to the services provided by KPMG Auditores, S.L. to companies controlled by Acciona, S.A. for the year ended 31 December 2017 is included in the consolidated financial statements of Acciona, S.A. and subsidiaries at 31 December 2017.

20. Events after the reporting period

On 21 February 2018, Acciona Group and the company ATLL Concessionària de la Generalitat de Catalunya S.A. became aware of the judgement handed down by the Supreme Court on the cassation appeal filed by the Generalitat de Catalunya against the High Court of Justice of Catalonia (TSJC) ruling which invalidated the procedure to award said concession (appeal 2725/2015). This judgement dismisses the claims brought forward by the Generalitat and confirms the TSJC ruling. The Acciona Group is currently waiting for notification of the cassation appeal 2682/2015 filed by Gestió Catalana de Aigues, and appeal 2678/2015 filed by the Concessionaire and by Acciona Agua against the TSJC judgement which invalidated the procedure to award said concession.

On 26 February 2018, an agreement has been reached for the sale of the thermal solar business in Spain to subsidiaries of the company Contour Global, consisting of five plants with a total capacity of 250 MW for an amount of 1,093 million euros (including debt). In addition, the parties have agreed to the payment of an earn-out of up to 27 million euros. The effectiveness of the operation is conditional upon compliance with several conditions precedent.

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 2017, and the information thereon at 31 December 2017, were the following (amounts in thousand euros):

				2017			Shareholding %				Subsidiary Information					
Name	Location	Division	Audited Co.	Investment	Provision	Net Carrying Amount	Direct	Indirect	Sum	Dividends received	Capital	Reserves	Trans. Diff.	Attributed Result	Dividend	Non-Controlling Interest
Acciona Airport Services Frankfurt, Gmbh	Germany	Services	C	5.637	0	5.637	100.00%	0.00%	100.00%	0	4.627	3.401	0	2.343	0	0
Corporación Acciona Energías Renovables, S.L.	Madrid	Energy	C	2,917,224	(373,640)	2,543,584	100.00%	0.00%	100.00%	0	329,251	1,914,796	0	14,317	0	0
Acciona Concesiones, S.L.	Madrid	Concessions	C	59,060	0	59,060	100.00%	0.00%	100.00%	0	7,268	49,232	0	(7,574)	0	0
Acciona Financiación Filiales	Madrid	Other activities	C	411,826	0	411,826	100.00%	0.00%	100.00%	0	82,413	374,446	0	76,814	0	0
Acciona Inmobiliaria S.L	Madrid	Other activities	C	1,434,454	(540,821)	893,633	100.00%	0.00%	100.00%	0	285,192	535,199	0	(6,898)	0	0
Gestion De Recursos Corporativos, S.L	Navarra	Other activities	–	3	(3)	0	100.00%	0.00%	100.00%	0	5	(9)	0	(1)	0	0
Bestinver, S.A.	Madrid	Other activities	C	6.113	0	6.113	100.00%	0.00%	100.00%	48.078	6,010	2,800	0	49,344	(48,078)	0
Bestinver Gestion S.G.I.I.C., S.A.	Madrid	Other activities	C	0	0	0	0.01%	99.99%	100.00%	1	331	8,947	0	45,539	(29,095)	0
Bestinver Pensiones G.F.P., S.A.	Madrid	Other activities	C	0	0	0	0.00%	100.00%	100.00%	0	1,204	2,837	0	6,561	(5,052)	0
Bestinver Sociedad De Valores, S.A.	Madrid	Other activities	C	0	0	0	0.01%	99.99%	100.00%	0	4,515	4,816	0	277	0	0
Corporación Acciona Infraestructuras S.L.	Madrid	Constr.&Engineering	–	760,052	0	760,052	100.00%	0.00%	100.00%	0	70,000	690,047	0	(224)	0	0
Compañía Internacional De Construcciones	Panama	Other activities	–	1,353	0	1,353	100.00%	0.00%	100.00%	0	1,114	5,007	(97)	632	0	0
Cirtover, S.L.	Madrid	Other activities	–	3	(3)	0	100.00%	0.00%	100.00%	0	3	92	0	(1)	0	0
Coefisa, S.A	Switzerland	Other activities	–	711	0	711	100.00%	0.00%	100.00%	0	785	584	(107)	(43)	0	0
Copane Valores, S.L.	Madrid	Other activities	–	55,779	0	55,779	100.00%	0.00%	100.00%	0	2,383	55,593	0	717	0	0
Centro De Servicios Compartidos De Acciona S.L.	Madrid	Energy	–	3	0	3	100.00%	0.00%	100.00%	0	0	0	0	0	0	0
Dren, S.A.	Madrid	Other activities	–	1,335	0	1.335	100.00%	0.00%	100.00%	0	1.002	(302)	0	(1)	0	0
Apoderada Corporativa General, S.A	Madrid	Other activities	–	60	(60)	0	100.00%	0.00%	100.00%	0	60	(445)	0	(28)	0	0
Entidad Efinen, S.A.	Madrid	Other activities	–	4,508	(2,937)	1.571	100.00%	0.00%	100.00%	0	183	1.389	0	(1)	0	0
Acceso Entrecanales Cubiertas Mexico, S.A. De CV	Mexico	Constr.&Engineering	C	10	(10)	0	0.00%	100.00%	100.00%	0	1,536	21,329	(7,691)	(7,663)	0	0
Finanzas y Cartera Uno, S.A.	Madrid	Other activities	–	15	(12)	3	100.00%	0.00%	100.00%	0	5	(2)	0	(1)	0	0
Finanzas y Cartera Dos, S.A.	Madrid	Other activities	–	160	(39)	121	100.00%	0.00%	100.00%	0	34	89	0	(3)	0	0
Finanzas Dos, S.A	Madrid	Other activities	–	6,626	(5,169)	1,457	100.00%	0.00%	100.00%	0	691	160	0	606	0	0
Hijos de Antonio Barceló,	Madrid	Other activities	C	31,710	0	31,710	100.00%	0.00%	100.00%	0	26,294	30,230	0	1,038	0	0

Name	Location	Division	Audited (*)	2017 Investment	Provision	Net Carrying Amount	Shareholding % Direct	Indirect	Sum	Dividends received	Subsidiary Information Capital	Reserves	Trans. Diff.	Attributed Result	Dividend	Non-Controlling Interest
S.A.																
Hospital De Leon Bajio, S.A. De C.V.	Mexico	Concessions	C	2,901	0	2,901	98.00%	2.00%	100.00%	2,288	2,960	23,499	(7,701)	1,665	0	0
Inantic, S.A.	Madrid	Other activities	--	70	(70)	0	100.00%	0.00%	100.00%	0	210	(210)	0	(1)	0	0
Apoderada General de Service	Madrid	Other activities	--	18,720	(18,526)	194	100.00%	0.00%	100.00%	0	206	(2)	0	(11)	0	0
S.C. A2 Tramo 2, S.A.	Guadalajara	Concessions	C	14,876	(13,527)	1,349	100.00%	0.00%	100.00%	0	14,876	(17,853)	0	4,326	0	0
Acciona Logística, S.A.	Madrid	Other activities	--	326,888	(194,123)	132,765	100.00%	0.00%	100.00%	0	75,700	22,188	0	34,878	0	0
Sodad Empresarial De Financiacion y Comercio, S.L.	Madrid	Other activities	--	138	(138)	0	100.00%	0.00%	100.00%	0	15	218	0	(1)	0	0
Tibest Cuatro, S.A.	Madrid	Other activities	--	13,523	0	13,523	100.00%	0.00%	100.00%	0	11,195	3,597	0	396	0	0
Tictres, S.A.	Madrid	Other activities	--	18,249	(17,717)	532	100.00%	0.00%	100.00%	0	2,702	(2,010)	0	(160)	0	0
Compañía Trasmediterránea, S.A.	Madrid	Other activities	C	3,000	0	3,000	12.86%	79.85%	92.71%	381	127,329	84,986	0	146	0	0
Total Group Companies				6,095,007	(1,166,795)	4,928,212										

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

CLARA LOIS LOZANO

JOINT VENTURES, ASSOCIATES AND OTHER

At 31 December 2017 associates consolidated by application of the equity method were the following:

				2017			Shareholding %				Subsidiary Information					
Name	Location	Division	Audited (*)	Investment	Provision	Net Carrying Amount	Direct	Indirect	Sum	Dividends received	Capital	Reserves	Trans. Diff.	Attributed Result	Dividend	Non-Controlling Interest
Constructora Necso Sacyr Chile	Chile	Constr.&Engineering	--	0	0	0	0.01%	49.99%	50.00%	0	18	(1,195)	1.013	0	0	0
Infraestructuras Radiales, S A	Madrid	Concessions	--	25,896	(25,896)	0	22 50%	2 50%	25 00%	0	11,610	(367,470)	0	(30,783)	0	0
S.C. Puente Del Ebro, S.A.	Aragón	Concessions	--	6,693	(6.693)	0	50.00%	0.00%	50.00%	0	13.385	(22,551)	0	(9,290)	0	0
Consorcio Traza, S A	Zaragoza	Concessions	D	12.074	0	12.074	16 60%	0 00%	16 60%	0	575	34.973	0	(6,066)	0	7,936
NORDEX SE	Germany	Energy	B	753.942	(131,333)	622.609	29.90%	0.00%	29.90%	0	96.982	834.140	(13,290)	6.777	0	0
Other				33	(33)	0										
				798,638	(163,955)	634,683										

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

ACCIONA discloses its results in accordance with the International Financial Reporting Standards (IFRS) under a corporate structure, which comprises 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 include the businesses of Trasmediterránea, Real Estate, Bestinver (fund manager), wineries and other businesses.

The Alternative Performance Measures or APM's used constanly in this half period report by ACCIONA Group are listed and defined below:

EBITDA: is defined as operating income before depreciation and amortisation, that is, it shows the operating result of the Group. The Company presents the EBITDA calculation in the income statement (see consolidated income statement in part 2 of the Directors' Report). 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", "cost of goods sold", "personnel expenses" and "other operating expenses".

Net debt: it shows the Group's debt, in net terms, deducting cash and cash equivalents. The detailed reconciliation is broken down in the Cash-flow and Net Financial Debt Variation section of the Directors' Report. It is calculated by taking the following items from the consolidated balance sheet: "non-current interest-bearing borrowings", "current interest-bearing borrowings", less "cash and cash equivalents" and "other current financial assets".

Non-recourse debt: as indicated in Note 18 to the consolidated financial statements, it corresponds to 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 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 realised portion that is accounted on "net revenue" and adding or subtracting "other variations", that corresponds to forex adjustments, modifications to the initial contracts and other changes to be made to the awarded backlog.

Net Capex: 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, amortisation 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.

Operating Cash Flow: The Operating Cash Flow represents the ability of assets to generate resources in terms of net debt. It is obtained as follows:

EBITDA plus/minus change in operating working capital minus net financial cost plus/minus cash inflow/outflow of capital gains plus income from associates plus/minus other cash inflow/outflow different from those included in the Net Investment Cashflow and from those which constitute remuneration to shareholders.

Net Investment Cashflow: It is calculated by adding Net capex plus/minus change in payable to capex providers.

Ordinary EBT: it is defined as earnings before tax excluding those accounting impacts related to exceptional decisions made by the Group's management, which go beyond the usual course of business operative decisions made by the different division's top management and are detailed in segment information note.

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

Key Highlights of the period:

- ACCIONA generated an income of €7,254 million that represents an increase of 21.4% vs. FY2016.

- The EBITDA reached €1,275 million during FY2017, 7.0% more than in FY2016. This year is characterised by a higher contribution from Infrastructure division (+€106 million) which largely offset the slight decrease in the Energy division (-€14 million) and the lower contribution from Other Activities (-€7 million).

- The Energy division has delivered slightly lower EBITDA (-1.9%) vs FY2016, even though the Generation business improved its results (+2.5%). Mainly, due to the lower contribution from third-party turnkey activity, now that the Energy division has decided to focus exclusively on the construction of assets for its own portfolio.

- The Generation business in Spain increased its EBITDA by 9.7% thanks to the higher level of wholesale electricity prices as well as higher regulated incomes over to the periodic review, even these drivers were significantly mitigated by the regulatory banding mechanism, forward sales, and lower production.

- The International Generation business suffered from lower generation volumes -partly due to events of force majeure- which led to declining EBITDA (-5.5%), despite the new capacity in operation.

- The Infrastructure division EBITDA increased across all its business lines and consolidated its margin levels. The volume in construction business is exceptionally high due to the simultaneous execution of five big projects.

- In Other Activities, the increased contribution of Bestinver (+18.9%) should be highlighted, with an EBITDA approaching historical highs.

- In terms of investment force, the Gross Capital Expenditure, in FY2017 reached €920 million, which compares to the €916 million invested in FY2016. The Group's core businesses attracted the majority of the capex, with €468 million in Energy and €359 million across the Infrastructure division, which included one-off investments. Net Investment Cash-flow amounted to €609 million.

- Net Debt reached €5,224 million, 1.8% higher than in FY2016, highlighting the improvement of working capital and the closing of the sale of Ruta 160 in Q4 2017.

- On the other hand, ordinary financial expenses have decreased by 23.0%, consolidating the Group's new funding model as well as marginally improving financial expenses. Cost of debt decreased to 3.77% in FY2017 vs. 4.74% in FY2016.

- FY2017 has been a year of intense M&A activity, notably divestment deals as the sell agreement Trasmediterránea (expecting close for H1 2018), the contribution of Real Estate assets to Testa Residencial and the sale of Ruta 160 concession that was liquidated in Q4 2017.

Income Statement Data

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. %
Revenues	7,254	5,977	21.4%
EBITDA	1,275	1,192	7.0%
EBIT	720	988	-27.1%
Ordinary EBT	382	312	22.3%
EBT	356	408	-12.6%

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Net attributable profit	220	352	-37.5%

Balance Sheet Data and Capital Expenditure

(Million Euros)	31-Dec-17	31-Dec-16	Chg. %
Equity	3,963	4,097	-3.3%
Net debt	5,224	5,131	1.8%

(Million euros)	Jan-Dec 17	Jan-Dec 16	Chg. %
Gross Capex	920	916	0.4%
Net Capex	719	852	-15.7%
Net Investment Cashflow	609	719	-15.3%

Operating Data

	31-Dec-17	31-Dec-16	Chg. %
Construction backlog (Million euros)	6,768	8,140	-16.9%
Water backlog (Million euro)	11,165	10,469	6.6%
Total installed wind capacity (MW)	7,382	7,260	1.7%
Total installed capacity (MW)	9,022	8,913	1.2%
Total production (GWh) (Jan-Dec)	20,431	20,830	-1.9%
Average workforce	37,403	32,835	13.9%

Consolidated Income Statement

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Revenues	**7,254**	**5,977**	**1,277**	**21.4%**
Other revenues	613	555	59	10.6%
Changes in inventories of finished goods and work in progress	29	8	21	247.4%
Total Production Value	**7,896**	**6,541**	**1,356**	**20.7%**
Cost of goods sold	(1,976)	(1,595)	(381)	23.9%
Personnel expenses	(1,497)	(1,288)	(209)	16.3%
Other expenses	(3,149)	(2,466)	(682)	27.7%
EBITDA	**1,275**	**1,192**	**82**	**7.0%**
Depreciation and amortisation	(633)	(547)	(86)	15.7%
Provisions	(30)	(231)	201	87.1%
Impairment of asset value	(7)	(107)	101	93.7%
Results of non-current assets	111	640	(528)	-82.6%
Other gains or losses	4	43	(39)	-91.2%

EBIT	**720**	**988**	**(268)**	**-27.1%**
Net financial result	(322)	(671)	349	-52.1%
Translation differences (net)	(10)	28	(38)	-135.7%
Change in financial investment provisions	(2)	(1)	(1)	-129.8%
Share in results of associates accounted for by the equity method	(70)	70	(139)	-199.9%
Change in fair value of financial instruments	39	(6)	45	n.a
EBT	**356**	**408**	**(51)**	**-12.6%**
Tax on profit	(105)	(34)	(72)	211.8%
Profit / (loss) from continuing activities	**251**	**374**	**(123)**	**-32.9%**
Non-controlling interests	(31)	(22)	(9)	-20.9%
Attributable Net Profit	**220**	**352**	**(132)**	**-37.5%**

In order to facilitate the analysis of financial results for the period, a simplified Income Statement separating ordinary from exceptional impacts is provided below.

(Million Euros)	Jan-Dec 17			Jan-Dec 16			Chg. Ordinary %
	Ordinary	Excep. Impact	Total	Ordinary	Excep. Impact	Total	
Revenues	**7,254**	-	**7,254**	**5,977**		**5,977**	**21.4%**
Cost of goods sold, expenses and other income	(5,979)	-	(5,979)	(4,786)	-	(4,786)	24.9%
EBITDA	**1,275**	-	**1,275**	**1,192**	-	**(1,192)**	**7.0%**
Depreciation and amortisation	(633)	-	(633)	(547)	-	(547)	15.7%
Provisions, impairments and other	(37)	115	78	(43)	387	344	-14.5%
EBIT	**605**	**115**	**720**	**601**	**387**	**988**	**0.6%**
Net financial result	(322)	0	(322)	(373)	(298)	(671)	-13.7%
Share in results of associates accounted for by the equity method	75	(145)	(70)	70	0	70	8.5%
Other financial results	23	4	27	13	7	20	66.5%
EBT	**382**	**(26)**	**356**	**312**	**95**	**408**	**22.5%**
Tax on profit	(108)	3	(105)	(117)	83	(34)	-7.4%
Profit / (loss) from continuing activities	**274**	**(23)**	**251**	**195**	**179**	**374**	**40.4%**
Non-controlling interests	(41)	10	(31)	(49)	27	(22)	-17.2%
Attributable Net Profit	**233**	**(13)**	**220**	**146**	**206**	**352**	**59.8%**

Revenues

(Million euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Energy	1,737	1,796	(59)	-3.3%
Infrastructures	4,940	3,611	1,329	36.8%
Other activities	690	668	22	3.2%
Consolidation adjustments	(113)	(98)	(15)	-15.7%

TOTAL Revenue	**7,254**	**5,977**	**1,277**	**21.4%**

Consolidated revenues increased by 21.4% to €7,254 million, mainly due to the combined effect of:

- The decline in Energy revenues (-3.3%) mainly due to the AWP desconsolidation (wind turbine business) from 1st April 2016, and despite of the higher revenues from generation (+4.6%)
- Increase in revenues in all Infrastructure business lines (+36.8%)
- Revenues from Other Activities slightly increased by 3.2%

EBITDA

(Million Euros)	Jan-Dec 17	% EBITDA	Jan-Dec 16	% EBITDA	Chg. €m	Chg. %
Energy	726	57%	740	62%	(14)	-1.9%
Infrastructures	426	33%	321	27%	106	33.0%
Other activities	124	10%	131	11%	(7)	-5.2%
Consolidation adjustments	(1)	1%	0	0%	(1)	n.a
TOTAL EBITDA	1,275	100%	**1,192**	100.0%	**84**	**7.0%**
Margin (%)	**17.6%**		*19.9%*			***-2.4pp***

Note: EBITDA contributions calculated before consolidation adjustments.

EBITDA increased by 7.0% to €1,275 million. This amount is reached due to the higher contribution of Infrastructure (+33.0%), which largely offset the slight decrease in Energy division (-1.9%) and the lower contribution from Other Activities (-5.2%).

EBIT

EBIT amounted to €720 million, 27.1% lower than in FY2016. This was mainly due to the accounting of exceptional impacts last year for a total amount of €375 million (mainly related to capital gains derived from the AWP-Nordex deal).

Earnings Before Tax (EBT)

(Million Euros)	Jan-Dec 16	Jan-Dec 17	Chg. €m	Chg. %
Energy	134	107	(27)	25.1%
Infrastructures	120	122	(2)	-1.9%
Other activities	127	85	42	48.9%
Consolidation adjustments	1	(3)	4	n.a
Ordinary EBT	**382**	**312**	70	**22.3%**
Extraordinaries	(26)	95	**(121)**	-126.7%
TOTAL EBT	**356**	**408**	(51)	**-12.6%**
Margin (%)	**4.9%**	**6.8%**		**-1.9 pp**

Ordinary EBT increased by 22.3% to €382 million boosted not only by the increase in EBITDA, but also by the lower financial expenses.

Including the exceptional results derived from the contribution of Real Estate assets to Testa Residential, Ruta 160's capital gain and the impairment of the Group's stake in Nordex total EBT reached €356 million, -12.6% vs. FY2016.

Attributable Net Profit

Attributable net profit amounted to €220 million, 37.5% lower than in FY2016 mainly due to higher taxes, since in 2016 a large part of the exceptional impacts generated tax credits. However, ordinary attributable net profit reached €233 million, which means an annual growth of 59.5%.

Consolidated Balance Sheet

(Million Euros)	31-Dec-17	31-Dec-16	Chg. €m	Chg. %
Property, plant and equipment & intangible assets	8,393	9,974	(1,581)	-15.9%
Financial assets	1,523	1,340	183	13.7%
Goodwill	186	79	106	134.2%
Other non-current assets	1,083	1,291	(208)	-16.1%
NON-CURRENT ASSETS	**11,184**	**12,684**	**(1,500)**	**-11.8%**
Inventories	821	783	38	4.9%
Accounts receivable	1,892	1,724	168	9.8%
Other current assets	298	250	48	19.1%
Current financial assets	247	211	36	16.9%
Cash and cash equivalents	1,273	1,428	(156)	-10.9%
Assets held for sale	1,432	327	1,105	333.7%
CURRENT ASSETS	**5,963**	**4,723**	**1,239**	**26.2%**
TOTAL ASSETS	**17,147**	**17,408**	**(260)**	**-1.5%**
Capital	57	57	-	0%
Reserves	3,486	3,437	49	1.4%
Profit / (loss) attributable to the Parent Company	220	352	(132)	-37.5%
Treasury stock	(3)	(14)	11	78.2%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	3,760	3,831	(71)	-1.9%
NON-CONTROLLING INTERESTS	203	266	(63)	-30.9%
EQUITY	**3,963**	**4,097**	**(134)**	**-3.4%**
Interest-bearing borrowings	5,272	5,602	(330)	-5.9%
Other non-current liabilities	2,805	3,237	(432)	-15.4%
NON-CURRENT LIABILITIES	**8,077**	**8,839**	**(762)**	**-9.4%**
Interest-bearing borrowings	1,472	1,169	304	26.0%
Trade payables	2,199	2,297	(98)	-4.3%
Other current liabilities	962	819	143	17.4%

Liabilities associated to assets held for sale	474	186	287	154.4%
CURRENT LIABILITIES	**5,107**	**4,471**	**636**	**14.2%**
TOTAL LIABILITIES AND EQUITY	**17,147**	**17,408**	**(260)**	**-1.5%**

(Million euros)	**Jan-Dec 17**	**Jan-Dec 16**	**Chg.**	**Chg. (%)**
EBITDA	1,275	1.192	83	7.0%
Financial results	(254)	(330)	76	23.0
Working capital	(343)	162	(505)	n.a
Other operating cashflow	(251)	(244)	(7)	-2.9%
Operating cashflow	**427**	**780**	**(353)**	**-45.3%**
Gross ordinary Capex	(920)	(916)	(4)	-0.4%
Divestments	201	64	137	n.a.
Other investment cashflow	110	133	(23)	-17.3%
Net Investment Cashflow	**(609)**	**(719)**	**110**	**15.3%**
Treasury stock	(6)	-	(6)	n.a
Debt derivatives	25	(12)	37	n.a
Forex	105	(81)	186	n.a
Dividend	(165)	(143)	(22)	-15.4%
Changes in scope and others inc. convertible bonds	130	203	(73)	-36.0%
Financing/others cashflow	**89**	**(33)**	**122**	**369.7%**
Change in net debt decrease/(increase)	**(93)**	**28**	**(121)**	**432.1%**

Attributable Equity

ACCIONA's attributable equity as of 31st December 2017 reached €3,760 million, 1,9% lower than the previous year.

Net Financial Debt

	31-Dec-17		**31-Dec-16**		**Chg. €m**	**Chg. %**
	Amount	**Total**	**Amount**	**Total**		
Non-recourse financial debt	1,889	28%	2,254	33%	(365)	-16.2%
Recourse financial debt	4,855	72%	4,517	67%	338	7.5%
Financial debt (*)	**6,744**	**100%**	**6,771**	**100%**	**(27)**	**-0.4%**
Cash + Cash equivalents	**(1,520)**		**(1,640)**		**(120)**	**-7.3%**
Net financial debt	**5,224**		**5,131**		**93**	**1.8%**

** Financial debt includes debentures and bonds.*

Net financial debt as of 31st December 2017 totalled €5,224 million, 1.8% above December 2016 levels. This variation in debt was mainly due to the combination of the following factors:

- The Operating Cash-flow amounted to **€427 million.** This figure has been affected by:
  - The improvement in EBITDA by €83 million
  - The investment in working capital vs. the cash received in FY2016 (-€343 million vs. +€162 million in 2016) had a negative impact. The main cause of this variation is the collection of prepayments from construction projects in 2016 that have been partially consumed in 2017.
  - The positive effect of the reduction in financial outflows that fell to -€254 million (€76m lower than in FY2016)
- The Net Investment Cash-flow of -€609 million included a few one-off investments in Infrastructure and Energy divisions.
- The positive effect of the exchange rates (-€81 million in 2016 vs. +€105 million 2017).

Financial gearing has evolved as follows:

(Million Euros)	31-Dec-17	31-Dec-16
Gearing (Net Debt/Equity) (%)	132%	125%

Capital Expenditure

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	468	489	(21)	-4.3%
Infrastructures	359	358	1	0.3%
Construction and Industrial	[illegible]	205	[illegible]	[illegible]
Concessions	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	(69)	[illegible]
Services	18	28	[illegible]	[illegible]
Other activities	93	69	24	34.3%
Total Gross Capex	**920**	**916**	**4**	**0.4%**
Divestments	(201)	(64)	(137)	-215.2%
Total Net Capex	**719**	**852**	**(134)**	**-15.7%**

Gross capital expenditure across ACCIONA's divisions in FY2017 amounted to €920 million.

Energy and Infrastructure divisions comprise the greatest investment effort. The Energy division invested €468 million related to, among others, the last payments for projects already in operation, the construction of new wind power capacity in Mexico, Australia and Chile and the acquisition of an additional 50% of a wind farm in Canada. Infrastructure division investments worth €359 million, including the acquisition of Geotech (€139 million).

In terms of divestments, they include the sell of a real estate asset division and Ruta 160 concession (debt was already classified as liability held for sale).

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As a result, Net Capex has reached €719 million. In terms of cash outflows, Net Investment Cash-flow amounted to €609 million.

Results by Division

Energy

(Million Euros)	Jan-Dec 16	Jan-Dec 16	Chg. €m	Chg. %
Generation	1,324	1,266	58	4.6%
National	823	765	58	7.6%
International	501	501	-	0%
Non-generation	758	880	(122)	-13.9%
Consolidation adjustments and other	(345)	-350	6	1.6%
Revenues	**1,737**	**1,796**	**(59)**	**-3.3%**
Generation	802	782	20	2.5%
Spain	452	412	40	9.7%
International	350	370	(20)	-5.5%
Non-generation	(32)	27	(59)	-219.1%
Consolidation adjustments and other	(44)	-70	25	36.5%
EBITDA	**726**	**740**	**(14)**	**-1.9%**
Margin (%)	*41.8%*	*41.2%*		
EBT	**134**	**107**	**27**	**25.1%**
Margin (%)	*7.7%*	*6.0%*		

ACCIONA Energy's turnover fell by 3.3% compared to FY2016 to €1,737 million. EBITDA slightly decreased to €726 million (-1.9%).

Generation EBITDA improved by a 2.5% to €802 million.

The Generation business in Spain grew thanks to higher wholesale prices (€52.24/MWh vs €39.67/MWh in FY2016) and higher regulated revenues after the periodic review at the beginning of the year, however, these factors have been mitigated by the regulatory band mechanism (-€25 million), forward sales and lower production.

The International Generation business also suffered from lower generation volumes - partly due to events of force majeure (Mexico and USA), although such effect was partly offset by the new capacity in operation.

EBITDA contribution coming from Non-Generation activities decreased mainly due to the reduction in the turnkey project business and AWP deconsolidation.

EBT amounted to €134 million, 25.1% higher than FY2016.

Over the last 12 months, consolidated installed capacity increased by 148MW due to the increase of the international installed capacity and the reduction of 37MW of wind in Spain (repowering of a wind farm), and 12MW hydro in Spain (end of this concession). Internationally, 84MW of wind have been added in Mexico, 75MW of wind in India and 38MW of wind in Canada.

At operational level, consolidated production amounted to 16,929GWh, 2.4% lower than in FY2016, due to lower hydro and wind power production in Spain and despite the new international capacity in operation.

Breakdown of Installed Capacity and Production by Technology

	Total		Consolidated		Net	
31-Dec-17	**Installed MW**	**Produced GWh**	**Installed MW**	**Produced GWh**	**Installed MW**	**Produced GWh**
Spain	**5,901**	**12,529**	**4,623**	**9,749**	**5,229**	**11,054**
Wind	4,710	9,850	3,433	7,069	4,042	8,392
Hydro	876	1,804	876	1,804	876	1,804
Solar Thermoelectric	250	457	250	457	250	457
Solar PV	3	4	3	4	3	3
Biomass	61	414	61	414	59	397
International	**3,122**	**7,901**	**2,874**	**7,180**	**2,055**	**4,923**
Wind	2,671	7,208	2,469	6,584	1,711	4,456
USA	[illegible]	[illegible]	646	1,808	[illegible]	[illegible]
Mexico	[illegible]	1,835	[illegible]	1,835	[illegible]	1,191
Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	252	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India	[illegible]	304	164	304	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	290	[illegible]	178
Canada	[illegible]	467	[illegible]	[illegible]	[illegible]	[illegible]
Poland	[illegible]	[illegible]	[illegible]	[illegible]	67	[illegible]
Costa Rica	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chile	[illegible]	120	[illegible]	[illegible]	[illegible]	[illegible]
Croatia	[illegible]	[illegible]	[illegible]	[illegible]	20	52
Hungary	24	[illegible]			[illegible]	[illegible]
Solar PV	386	572	341	476	301	387
Chile	246	[illegible]	246	[illegible]	[illegible]	[illegible]
South Africa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	96			[illegible]	[illegible]
Solar Thermoelectric (USA)	64	121	64	121	43	80
Total Wind	**7,382**	**17,058**	**5,902**	**13,653**	**5,753**	**12,848**
Total other technologies	**1,640**	**3,373**	**1,595**	**3,277**	**1,531**	**3,130**
Total Energy	**9,022**	**20,431**	**7,497**	**16,929**	**7,284**	**15,977**

Infrastructures

(Million euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Construction	3,131	1,983	1,148	57.9%
Industrial	274	174	100	57.4%
Concessions	140	110	30	27.7%
Water	682	708	(26)	-3.7%
Services	753	677	76	11.2%
Consolidation adjustments	(39)	-41	2	4.9%
Revenues	**4,940**	**3,611**	**1,329**	**36.8%**
Construction	197	116	81	70.4%
Industrial	10	6	4	60.4%
Concessions	56	52	4	6.7%
Water	130	119	11	9.2%
Services	34	28	6	22.6%
EBITDA	**426**	**321**	**106**	**33%**
Margin (%)	8.6%	8.9%		
EBT	**120**	**122**	**(2)**	**-1.9%**
Margin (%)	2.4%	3.4%		

Revenues increased in both businesses amounting to €3,131 million in Construction (+57.9%) and €274 million in Industrial (+57.4%).

EBITDA stood at €207 million backed by the growth of works in progress, as well as the growth of capital-intensive construction projects, with greater EBITDA margins. It should be noted that such high level of income and EBITDA is exceptional due to the simultaneous development of important projects that are investment intensive.

Construction & Industrial Backlog

(Million Euros)	31-Dec-17	31-Dec-16	Chg. %	Weight (%)
Construction	6,287	7,527	-16.5%	33%
Industrial	481	613	-21.5%	3%
Water	11,165	10,469	6.6%	59%
Services	898	783	14.7%	5%
TOTAL	**18,831**	**19,392**	**-2.9%**	**100%**

A. Construction and Industrial

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Construction	3,131	1,983	1,148	57.9%
Industrial	274	174	100	57.4%
Revenues	**3,404**	**2,157**	**1,247**	**57.8%**
Construction	197	116	81	70.4%
Margin (%)	6.3%	5.8%		
Industrial	10	6	4	60.4%
Margin (%)	3.5%	3.5%		
EBITDA	**207**	**122**	**85**	**69.9%**
Margin (%)	6.1%	5.6%		
EBT	**57**	**56**	**1**	**1.9%**
Margin (%)	1.7%	2.6%		

Revenues increased in both businesses amounting to €3,131 million in Construction (+57.9%) and €274 million in Industrial (+57.4%).

EBITDA stood at €207 million backed by the growth of works in progress, as well as the growth of capital-intensive construction projects, with greater EBITDA margins. It should be noted that such high level of income and EBITDA is exceptional due to the simultaneous development of important projects that are investment intensive.

Construction & Industrial Backlog

As of 31st December 2017, backlog amounted to €6,768 million, 16.9% lower than in FY2016.

It is to be highlighted the award of the contract for the construction of the Ciudad de Mexico International Airport's terminal, as well as the new construction projects of Cebu Bridge in Philippines, Pan America road in Panamá and Marga Marga Hospital in Chile.

Furthermore, ACCIONA-Geotech was awarded during 2017 with a contract regarding the modernization of the Ballarat Rail Line in Australia, which also contributed to the construction backlog.

(Million Euros)	31-Dec-17	31-Dec-16	Chg. %	Weight (%)
Total Spain	**1,247**	**1,417**	**-12.0%**	**18%**
Total International	**5,521**	**6,723**	**-17.9%**	**82%**
Latin America	2,151	2,710	-20.6%	32%
EMEA (not inc. Spain)	1,738	2,407	-27.8%	26%
Australia & South East Asia	1,026	1,146	-10.5%	15%
North America	606	459	32.1%	9%
TOTAL	**6,768**	**8,140**	**-16.9%**	**100%**

B. Concessions

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Revenues	**140**	**110**	**30**	**27.7%**
EBITDA	**56**	**52**	**4**	**6.7%**
Margin (%)	39.6%	47.4%		
EBT	**10**	**13**	**(3)**	**-20.3%**
Margin (%)	7.3%	11.7%		

Concessions increased its revenues by 27.7% to €140 million and EBITDA to €56 million.

As of December 31st 2017, Book Value of concessions amounted to €1,211 million (€368 million in "equity" and €844[1] million in net debt) and has a total amount of 20 concessions.

[1]This figure includes the proportional part of the net debt from those concessions accounted by the equity method (€568m)

C. Water

(Million Euros)	Jan-Dec 16	Jan-Dec 17	Chg. €m	Chg. %
Revenues	**682**	**708**	**(26)**	**-3.7%**
EBITDA	**130**	**119**	**11**	**9.2%**
Margin (%)	19.1%	16.8%		
EBT	**38**	**38**		**1.1%**
Margin (%)	5.6%	5.4%		

The Water division revenues fell by 3.7%, but EBITDA increased by 9.2% to €130 million, primarily due to the increase of O&M activity which has higher margins.

Water Backlog

Water Backlog as of December 2017 stood at €11,165 million, increasing by 6.6% compared to FY2016. Among the new-awarded concessions, it is worth to mention the construction of water treatment facilities in Canada and Panama, as well as the water management service of Boca de Rio in Mexico.

(Million euros)	31-Dec-17	31-Dec-16	Chg. (%)	Weight (%)
D&C	537	555	-3.3%	5%
O&M	2,769	2,117	30.8%	25%
ATLL	7,858	7,796	0.8%	70%
TOTAL	**11,165**	**10,469**	**6.6%**	**100%**

(Million euros)	31-Dec-17	31-Dec-16	Chg. (%)	Weight (%)
Spain	9,194	9,141	0.6%	82%
International	1,970	1,328	48.4%	18%
TOTAL	11,165	10,469	6.6%	100%

D. Services

(Million euros)	Jan-Dec 17	Jan-Dec 16	Chg €m	Chg %
Revenues	**753**	**677**	**76**	**11.2%**
EBITDA	**34**	**28**	**6**	**22.6%**
Margin (%)	4.6%	4.1%		
EBT	**14**	**15**	**(1)**	**-8.5%**
Margin (%)	1.8%	2.2%		

The division reported an increase in revenues of 11.2% to €753 million and an EBITDA increase of 22.6% to €34 million, mainly due to higher volumes in the airport business.

Other Activities

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. €m	Chg. %
Trasmediterránea	426	431	(5)	-1.2%
Real Estate	113	105	8	7.7%
Bestinver	106	85	21	24.9%
Corp. and other	45	48	(2)	-5.0%
Revenues	**690**	**668**	**22**	**3.2%**
Trasmediterránea	45	61	(16)	-26.0%
Margin (%)	10.5%	14.1%		
Real Estate	12	14	(2)	-13.3%
Margin (%)	10.8%	13.4%		
Bestinver	70	59	11	18.9%
Margin (%)	66.1%	69.4%		
Corp. and other	(3)	(3)	-	-9.6%
EBITDA	**124**	**131**	**(7)**	**-5.2%**
EBT	**127**	**85**	**42**	**48.9%**
Margin (%)	18.4%	12.8%		

During FY2017, Other Activities division, which includes Trasmediterránea, Real Estate, Bestinver and others, reported revenues of €690 million, up to 3.2% vs. FY2016.

EBITDA decreased to €124 million (-5.2%), mainly due to Trasmediterránea's results and despite the increase in contribution of Bestinver.

Trasmediterránea:

It presents a relatively flat revenues level (-1.2%) with an increase in passengers, vehicles and lane meters. EBITDA fell to €45 million, due to the increase in fuel costs related to increase in oil prices.

	Jan-Dec 17	Jan-Dec 16	Chg. (%)
Passengers served	2,547,566	2,508,535	1.6%
Cargo handled (lane metres)	6,057,793	5,780,966	4.8%
Vehicles	612,046	575,991	6.3%

Real Estate:

Turnover increased by 7.7% due to the asset rotation strategy (land).

EBITDA, however, fell however by 13.3%, mainly due to desconsolidation of the divestment of patrimonial assets and relaunching of development activity.

Bestinver:

Bestinver's AUMs reached €6,058 million as of 31st December 2017, and improved EBITDA, up to €70 million, 18.9% mainly due to higher average managed funds vs. FY2016.

MATERIAL INFORMATION, DIVIDEND AND SHARE DATA

Significant communications to the stock market

- **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 informs about the terms & conditions of the buyback of its remaining convertible bonds**

- The definitive terms & conditions of the Repurchase were the following:
- The aggregate principal amount of the Bonds to be repurchased would be €91,600,000.
- The repurchase price per Existing Bond will be 134.80% of its principal amount, which represents an aggregate consideration of approximately €123.48m for the Repurchase as a whole.
- The Company has accepted all offers for repurchase of the Existing Bonds.
- Given that, following completion of the Repurchase, less than 15% in aggregate principal amount of the Bonds originally issued will be outstanding, the Company will 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.

- **08 March 2017: ACCIONA Construction Australia-Geotech Group Transaction**

- ACCIONA Construcción S.A has indirectly acquired through ACCIONA Geotech Holding Pty Ltd the 82.4% of Geotech Holdings Pty Ltd, parent company of the Australian construction group Geotech for a cash consideration of AUD197m (subject to potential working capital, net debt and capex adjustments) and the assignment to ACCIONA Australia of three projects currently under tender. The transaction values Geotech at AUD262m (Enterprise Value) and the undertaking that ACCIONA Australia will be the bidding vehicle for future civil construction projects in Australia and New Zealand.

- **06 April 2017: Official announcement and submission of proposal of the Annual General Meeting**

- On 6 April 2017, the company informed the CNMV (Spanish Stock Market Regulator) of the Annual General Meeting announcement for 17 May 2017 for its first call, or the 18 May 2017 for its second one, and submitted the proposed agreements.

- **28 April 2017: Liquidity contracts and specialists**

- On 28 April 2017, the Company informed about the temporary suspension of the Liquidity Contract subscribed with *Bestinver Sociedad de Valores* to manage its treasury stock in order to allow the purchase of 300,000 shares of ACCIONA S.A by ACCIONA S.A. that represent 0.523% of the share capital that is intended to cover 4.5% outstanding from the Senior Convertible Bonds, after direct repurchases and the ones made on the 17th, 18th and 19th of January 2017.

- **28 April 2017: Liquidity contracts and specialists**

- On 28 April 2017, ACCIONA acquired, through a mass operation, a total share issue of 221,357 treasury stocks that represent a 0.386% of the social capital whose unit price is €74.70. After this transaction, the Company informed about the resumption of the operations under the liquidity contract subscribed on 3 July 2015 with *Bestinver Sociedad de Valores S.A.* in order to manage its treasury stock.

- **18 May 2017: Annual General Meeting – Approval of Agreements**

- On 18 May 2017 the Annual General Meeting adopted, among others, the following agreements:
- To approve the individual annual accounts of ACCIONA S.A. for 2016, as well as the consolidated annual accounts of the group companies for which ACCIONA S.A. is the parent.
- To appoint *KPMG Auditores S.L.* as the accounts auditor of ACCIONA S.A. and its corporate group for a period of three years.
- To re-elect Mr. Jerónimo Gerard Rivero as Independent Director and appoint Ms. Karen Christiana Figueres Olsen as Independent Director.
- To authorise the purchase of shares of ACCIONA S.A. by the Company and other companies of the Group, respecting the legal limits and requirements and the agreed conditions, invalidating the authorisation approved at the AGM of Shareholders on 24 May 2012 for the unused amount.
- To approve the ACCIONA S.A.'s Directors' Remuneration Policy for the years 2018, 2019 and 2020. To empower the Board of Directors to interpret, develop, formalise and execute this agreement.
- To increase the maximum number of available shares for the Shares Delivery Plan and Performance Shares 2014-2019 by 100,000 shares, without prejudice to subsequent increases, if proposed by the Board of Directors and approved by the General Shareholders' Meeting.
- To approve, for information purposes, the Directors' Remuneration Report for the year 2016.
- To approve the Sustainability Report 2016.

- **10 July 2017: The Company announces the completion of the liquidity contract signed on 2 July 2015**

- ACCIONA informs that the liquidity contract subscribed with Bestinver Sociedad de Valores, SA has been cancelled due to the entry into force on 11 July 2017, of Circular 1/2017 of 10 May, by the CNMV on liquidity contracts.

- **10 July 2017: ACCIONA announces the subscription of a new liquidity contract in accordance with Circular 1/2017 of the CNMV**

- ACCIONA informs that it has entered into a liquidity agreement with Bestinver Sociedad de Valores, S.A. for the management of its treasury stock.
- The Contract will have a duration of twelve months, which may be extended tacitly for an equal period.

- **27 July 2017: ACCIONA reports the agreement reached with Testa Residencial for the contribution of real estate assets**

- ACCIONA via its subsidiary ACCIONA Real Estate, S.A.U. has signed an agreement to contribute its residential rental business to Testa Residencial SOCIMI, S.A. for €336m. As consideration, ARE will receive newly issued shares in Testa representing 21% of the total share capital.

- **1 August 2017: ACCIONA reports the early redemption call of the outstanding Convertible bonds**

- ACCIONA informs that there are in circulation less than the 15% of the Bond's aggregate principal amount originally issued.
- The Company has decided to exercise its early redemption call on all current remaining Bonds at its principal amount plus accrued and unpaid interest up to (but excluding) the redemption date pursuant to the terms and conditions of the Bonds, and redeem and cancel the issuance entirely.

- **11 August 2017: ACCIONA announces the agreement for the sale of the Chilean highway concession, Ruta 160**

- The Company, via its subsidiaries ACCIONA Concesiones Chile Limitada and ACCIONA Construcción, S.A., has entered into an agreement with Globalvia for the sale of 100% of the Ruta 160 shares. The consideration transaction amounts to €335m, including the assumption of €117m of project debt and €33m corresponding to the market value of the financial derivatives associated to the debt.

- **25 October 2017: ACCIONA announces the disposal of its stake in Trasmediterránea**

- ACCIONA has reached an agreement with Naviera Armas Group for the sale of its holdings in Trasmediterránea (92.71%). The agreement implies an enterprise value for 100% of the company in a range of €419m to €436m, depending on the level of achievement of an *earn out* agreed with the Purchaser. The sale price for the shares owned by the Company amounts to €260.4m, of which €30.4m have been unconditionally deferred. In addition, the Purchaser will assume the repayment of a debt between Trasmediterránea and other companies belonging to the ACCIONA Group for an amount of €127.3m. The transaction is subject to the fulfilment of a condition precedent.

- **14 December 2017: ACCIONA reports on the modification of the Plan 2014 for Delivery of Shares and Performance Shares**

- The Board of Directors of ACCIONA has approved the amendment of the regulation of the Plan 2017 for Delivery of Shares and Performance Shares to the management of ACCIONA and its group.
- Amendments to the regulation of the Plan consist of:

a) Regarding Executive Directors:

- Deferral, of at least one year, in the delivery of 20% of the shares they are entitled to receive, also subject to the condition that their delivery does not disclose a material restatement of the ACCIONA Group's consolidated financial statements.
- Possibility of claiming, under certain circumstances and during the 3 years following the date on which the delivery of the shares has been made, the refund of the equivalent amount ("claw-back").
- Delivery date: The date specifically determined by the Board of Directors after the Ordinary General Shareholders' Meeting.
- The tax regime applicable to the Executive Directors is in line with that established for the other beneficiaries of the Plan's regulations.
- Remuneration may be replaced at the proposal of Appointments and Remuneration Committee, in the delivery of shares or different Alternative Instruments provided for in the Plan's regulations.

b) Regarding Beneficiaries other than Executive Directors:

- Extend the Plan duration by two additional years (that is, up to and including 2021) under the terms and conditions provided for in the Plan's regulations.
- It is foreseen the possibility of making an extraordinary allotment and delivery of ACCIONA shares in multi-annual periods (minimum of three years) to one or more Beneficiary Executives (other than Executive Directors) for the achievement of extraordinary results.
- Remuneration may be replaced at the proposal of Appointments and Remuneration Committee, in the delivery of shares or different Alternative Instruments provided for in the Plan's regulations.

- **18 December 2017: ACCIONA announces the temporary suspension of Liquidity Contract**

– ACCIONA announces the temporary suspension of the Liquidity Contract signed on 10 July 2017 with Bestinver Sociedad de Valores, S.A., for the management of its treasury stock to allow the purchase by ACCIONA, S.A., of up to 90,000 shares of ACCIONA, S.A., representing 0.157% of the social capital through two block transactions. Shares that will be used to implement the Plan of Delivery of Shares and Performance Shares.

- **18 December 2017: ACCIONA informs of the resumption of operations under the Liquidity Contract subscribed after the block transactions.**

– ACCIONA has acquired, through two block transactions, a total package of 90,000 company's own shares, representing 0.157% of the social capital at the cost of €70.71 per share. In addition, once completed the reported operations, the Company informs of the resumption of the transaction under the Liquidity Contract signed on 10 July 2017 with Bestinver Sociedad de Valores, S.A., for the management of its treasury stock.

From 31 December 2017, ACCIONA has released the following material information:

- **26 January 2018: The Company communicates the internal reorganisation carried out by one of the reference shareholders and the subsistence of the Pacto Parsasocial de Estabilidad**

– The family Group of Mr. José María Entrecanales de Azcarate, in order to rationalise the management of its participation, updating and simplifying its corporate governance, has implemented an internal reorganisation resulting in La Verdosa SL directly owning 5.31% of ACCIONA.

- The terms of the aforementioned Pacto Parsasocial de Estabilidad, to which La Verdosa SL adheres, have not been modified, with each of its signatories retaining full freedom to vote and, therefore, there is no agreement on ACCIONA's management.

- **09 February 2018: ACCIONA reports on the news published in the newspaper "El Economista" regarding certain energy assets.**
  - In relation to the news published in the newspaper "El Economista", ACCIONA informs that it is holding negotiations with Contour Global to carry out a corporate operation related to energy assets, but neither the perimeter, nor the valuations, nor the other terms and conditions mentioned in the article reflect the reality of it.

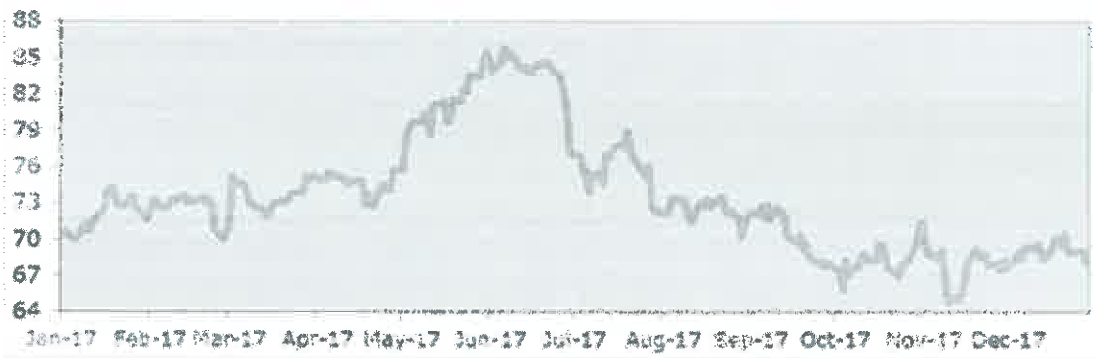
- **22 February 2018: ACCIONA reports on the news published by the media regarding the Alta Ter-Llobregat (ATLL) water management contract.**
  - Regarding the news published by the media in relation to the Supreme Court ruling dismissing the Generalitat de Catalunya and Sociedad General de Aguas de Barcelona, S.A. contentious-administrative appeal against the ruling of the High Court of Justice of Catalonia dated 22 June 2015, confirming the annulment of the award of the alta Ter-Llobregat water management contract already decreed by the High Court of Justice of Catalonia. ACCIONA reports that its appeal, based on different grounds than those portrayed on these appeals, has not yet been resolved. Therefore, no sentence has been notified regarding this matter.
  - Once the Sentence is notified, ACCIONA will analyse the grounds for its decision and will determine the appropriate legal and/or judicial actions.
  - In any case, it should be remembered that in accordance to Article 56 related to the public tender and decision of the Regional Departments of Economy & Knowledge and Territori i Sostenibilitat of the Generalitat de Catalunya dated 5 July 2013, ATLL Concesionaria de la Generalitat de Catalunya is obliged to continue providing service until the compensation set on the terms of reference and on the Consolidated Text of the Public Contract Law is paid and until the minutes in relation to the return of the assets and rights linked to the public service is signed.

Dividend

On the 28 February 2017, ACCIONA's AGM proposed the payment of a dividend of €164.6m (€2.875 per share) against the results of 2016 fiscal year. The payment was made on 3 July 2017.

Share data and share price performance

ACCIONA Share Price Evolution (€/share)



Key Share Data

	31-Dec-17
Price at 29 December 2017 (€/share)	68.04
Price at 30 December 2016 (€/share)	69.93
Low in FY 2017 (10/11/2017)	64.85
High in FY 2017 (06/06/2017)	85.87
Average daily trading (shares)	172,797
Average daily trading (€)	12,753,544
Number of shares	57,259,550
Market capitalisation at 29 December 2017 (€ millions)	3,896

Share Capital

At 31 December 2017 the share capital of ACCIONA amounted to €57,259,550 divided into 57,259,550 shares with a face value of €1 each.

The group's treasury shares as of December 31st 2017 amounted to 45,702 shares, which represent a 0.08% of the share capital.

The changes in treasury shares in financial year 2017 were as follows:

	2017		2016	
	Number of shares	Cost	Number of shares	Cost
Opening balance	**233,898**	**14,403**	**320,460**	**20,238**
Additions	3,395,430	253,160	4,992,255	338,284
Retirements	(3,392,916)	(253,024)	(4,987,221)	(338,300)
Liquidity contract	**2,514**	**136**	**5,034**	**(16)**
Additions 03/05/2017 (*)	221,357	16,569	--	--
Other additions	90,001	6,370	--	--
Retirements	(502,068)	(34,332)	(91,596)	(5,819)
Other movements	**(190,710)**	**(11,393)**	**(91,596)**	**(5,819)**
Closing balance	**45,702**	**3,146**	**233,898**	**14,403**

(*) Specific acquisition to meet the convertible bond conversion requirements

Events after the reporting period

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

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

On 26 February 2018, an agreement has been reached for the sale of the thermal solar business in Spain to subsidiaries of the company Contour Global, consisting on five plants with a total capacity of 250 MW for an amount of 1,093 million euros (including debt). In addition, the parties have agreed to the payment of an *earn-out* of up to 27 million euros. The effectiveness of the operation is conditional upon compliance with several conditions precedent.

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 unpredictable, with the first two groups identified by the Group's executives as those presenting a higher risk profile.

1. Financial and Economic Risks:

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 (mainly 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 2017 includes detail of current and non-current assets and liabilities and of net equity at 31 December 2017 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. (Mainly Interest Rate Swaps, IRS).

The risk of fluctuations in prices of raw materials, mainly when purchasing fuel, 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 exclusively with solvent third parties and requires sufficient assurances to mitigate the risk of financial losses in the event of any default.

Together with a suitable level of reserves, 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:

They are risks that have the consequences of reducing the growth of the company and failing to meet the objectives due to inability to respond to a dynamic and competitive environment. These risks include organisational changes, investments and divestments, threats from competitors, economic, political and legal changes, and the impact of new technologies or research and development.

ACCIONA minimises this type of risk 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.

Risks derived from contrary conduct to ethics and integrity. The markets in which ACCIONA operates could be exposed to risks of an ethical nature that go against the principles of integrity and respect in existing legislation. ACCIONA has put in place a Code of Conduct which establishes the basic principles and commitments that all directors and employees of the divisions as well as suppliers and third parties in contact with these companies must fulfil and respect when carrying out their activities. There is a whistleblowing channel, communicated at all levels of the Organisation, to enable information to be passed on, with guarantees of confidentiality, regarding any irregular conduct relating to accounting, supervision and auditing as well as any other non-compliance or breach of the behaviour promulgated in the Code.

3. Operational Risks:

They are risks concerning processes, people and products. They are related to regulatory, legal and contractual compliance, control systems and procedures, the supply chain, auxiliary services, information systems, employee productivity and the loss of key personnel.

In each line of business, specific systems are implemented to cover their business requirements, systematizing and documenting processes, quality assurance, operations, planning and economic oversight.

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.

4. Unforeseeable Risks:

They are risks related to damage caused to company assets and civil liability risks that could negatively impact the company's performance, including criminal acts of a cyber nature.

ACCIONA has a Corporate Management System for Environmental Crises. This system includes measures to be followed and the allocation of responsibilities and resources necessary for the adequate management of a crisis situation following any incident occurring at facilities owned or operated by the Company and leading to consequences for the environment.

ACCIONA has consolidated its initiatives for management of risks to the environment, focusing its efforts on the identification and implementation of measures for the mitigation of the most relevant risks.

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.

Non-Financial Information Statement

Through ACCIONA's sustainability strategy defined in its Sustainability Master Plan (SMP), the company responds to the main challenges of sustainable development, particularly regarding the mitigation of climate change, the provision of solutions to address water stress and the design of infrastructure adapted to the new realities.

With a time frame up to 2020, the SMP (http://pds2020.acciona.com/) is structured in strategic and operational objectives, applicable to the whole organisation, with specifications for the different business lines, within the following areas:

- Society: social impact management, dialogue and leadership, social action and volunteering.
- Climate Change: carbon neutrality, climate risks and education.
- Environment: eco-efficiency in operations, sustainable water management, biodiversity.
- Good Governance: ethics, human rights, corporate governance, risk management and transparency.
- People: health and safety, development and incentives, diversity and inclusion, and training.
- Value Chain: sustainable management of the supply chain, partners, and clients.
- Innovation: being at the forefront in the field of collaborative innovation and operational innovation.

Since 2009, sustainability-related actions and undertakings as well as the objectives in the field of sustainability are promoted by the Board of Directors' Sustainability Committee. In addition, the Management Committee includes a body in charge of sustainability matters. At the same time, the specific objectives and initiatives of each division within the SMP framework are driven through the Sustainability Committees of each business.

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 2017 the materiality analysis was updated based on the previous year's study, which identified and prioritised issues relevant to each of ACCIONA's main lines of business and their impact along the entire value chain. With regards to the key issues identified, "Climate change", "non-financial risks", "Ethics and anti-corruption ", "Human Rights at Work" and "Occupational Safety and Health" stand out as relevant in the ACCIONA's main businesses.

Based on this materiality analysis, ACCIONA exhaustively reports on its commitments, practices and performance each year in the Annual Sustainability Report, which is published on the corporate website (http://www.acciona.com).

As required by Royal Decree-Law 18/2017 on non-financial information and diversity, and in accordance with Directive 2014/95/EU, relevant information relating to environmental and social issues is provided below, as well as information regarding staff, respect for human rights and the fight against corruption and bribery[1].

Environmental issues

ACCIONA has four specific policies adopted by the Board of Directors' Sustainability Committee, which apply to all business lines and countries in which the company operates: Environmental Policy, Climate Change Policy, Water Policy and Biodiversity Policy.

In addition, the Code of Conduct includes the duty of ACCIONA and all its staff to know and adopt the Environmental Policy, and to strive to minimise the environmental impact of their activities.

ACCIONA's environmental management model is based on the principles of improving environmental performance, and it establishes a common action framework for all company divisions. This model involves considering environmental aspects from the perspective of an entire life cycle, as well as the identification of risks and opportunities to ensure improvement and the planned results. Environmental objectives are established in all business lines, taking as a reference the objectives included in the SMP and management systems.

The company's environmental management systems are certified under various international standards. Those certified under ISO 14001 for example are 100 % of the company's certifiable installed MW, 100 % of the marketing and sale of renewable energy with guarantees of origin accredited by the CNMV, 100 % of the construction activity in several countries (Spain, Chile, Mexico, Canada, Poland, Australia, etc.), among other ACCIONA activities. Energy management systems are also certified according to ISO 50001:2011, as well as all activities carried out by ACCIONA Agua in 12 of its centres for example, in addition to EMAS certifications for the water distribution network centres of ATLL, among others. Likewise, the Wineries for Climate Protection certification has been renewed at Bodegas Viña Mayor.

Environmental risk management is carried out by applying a procedural[2] methodology, with which the risks are identified, assessed, prioritised and communicated to the decision-making bodies, as well as the potential environmental events that could impact the company and its centres, and the events generated by the company and its centres which in turn could impact on the environment, in order to establish action policies and tolerance thresholds. The focus is on the risks that ACCIONA's activities pose to the environment, the risks associated with climate change and those associated with water resources. In addition, the company has procedural mechanisms to manage risks, with the aim of addressing risks that have turned into environmental crises.

1 Issues relating to the diversity of the Board of Directors are included in ACCIONA's 2017 *Annual Corporate Governance Report*.

2 Corporate Standards on Environmental Risk Management and associated Procedures (Environmental Responsibility, Climate Change and Water Resources).

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- In 2017, ACCIONA carried out a top-down analysis of the environmental risks associated with climate change, following the Intergovernmental Panel on Climate Change (IPCC) methodology. Further work has also been done on the identification and assessment of risk scenarios that could specifically impact ACCIONA's centres, activities and locations. The analysis carried out has obtained a total of 87 climate risk scenarios, of which 13% correspond to significant risk scenarios.

- In addition, a top-down analysis of risks and opportunities associated with water resources was carried out, which was able to identify 77 risk scenarios, 13% of which are significant risk scenarios.

- With regard to the risks that ACCIONA's activities pose to the environment, 115 risk scenarios have been analysed and evaluated within the scope of environmental risk standards.

ACCIONA has made a commitment to be a carbon neutral company and therefore, all emissions generated since 2016 that could not be reduced, are compensated through certified carbon credits. Thanks to ACCIONA's electricity generation activities being 100% from renewable sources, ACCIONA has avoided the emission of more than 14 million tonnes of CO2.

With the aim of contributing to the mitigation of climate change, the company has developed plans and programmes to reduce energy consumption and emissions of greenhouse gases, with a focus on energy efficiency and the use of renewable energy. In 2017, more than 200 centres have consumed energy from 100% renewable energy sources3.

Regarding water management, in 2017, ACCIONA's water footprint has generated a positive impact on the planet. In addition, plans to monitor and reduce water consumption3 have been developed in production centres with intensive use of water resources.

ACCIONA is committed to driving the transition towards a circular economy. In 2017, progress has been made in setting and achieving specific annual goals within the framework of its Waste Management Plan 2016-2020 promoting a circular economy, which at the group level sets a target to recover 50% of the waste generated in 2020, and to reduce the total amount of waste generated and not recovered by 10% when compared to 2015. During 2017, the company has recovered approximately 40% of the waste generated[3].

Finally, the new life cycle analyses undertaken during 2017 has been incorporated into the company's portfolio, reaching a total of 50 analyses corresponding to 19 ACCIONA Construcción, ACCIONA Agua, ACCIONA Service, ACCIONA Energía and Bodegas Palacio 1894 Group projects, in which the standardised environmental impacts of various company products and services are exposed.

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[3] The consolidated data on emissions, energy consumption, water consumption, waste, among others, are published in the Sustainability Report, after the calculations were verified by an external entity (ongoing at the date the Management Report was finalised).

ACCIONA has a total of 187 facilities that are located completely or partially in protected areas or non-protected areas with high biodiversity values, occupying around 8,000 hectares. The company has identified and assessed the most significant impacts for each of the facilities at these locations, taking into account the affected species, the surface area of the facility, the duration of the impacts and their reversibility or irreversibility. In 2017, the main impacts have been on the water environment (43 %), fauna (23 %), vegetation (15 %) and to a lesser extent on the atmosphere, soil, landscape and habitat. ACCIONA has protected and restored more than 120 hectares in the surroundings of its projects. In addition, the company has a Biodiversity Compensation and Improvement Programme which consists in designing and implementing voluntary initiatives that go beyond the administrative environmental requirements.

On the other hand, and aiming to extend its environmental commitment to its suppliers, ACCIONA has calculated the greenhouse gas emissions of 100 % of its supply chain for the fourth consecutive year, and the water consumption of 100 % of the suppliers for the third consecutive year, which makes it possible to carry out an analysis by country, procurement sector and division.

Social issues and issues related to staff

ACCIONA has a specific Human Resources and Occupational Health and Safety Policy which reflects the company's commitment to ensure the respect for human rights and the principles governed by the International Labour Organisation, as well as its support for the objectives of the Seoul Declaration on Safety and Health at Work. In addition, Acciona's Code of Conduct sets conduct standards regarding respect for people, equality and safety and health at work, among others.

With a workforce of 37,403 employees of 111 nationalities, 41 % being of non-Spanish nationality, ACCIONA considers it essential to attract and retain the best talent to compete in a global market and achieve the strategic goals that are pursued. Human capital management at ACCIONA is designed based on the definition of the human resources strategy and each year it is readjusted to the new business requirements.

For the period 2018-2020, the company sets as its main priority the need to put the employees at the centre of its strategy, with five basic management pillars. During 2017, the selection methodology has been revised, incorporating new tests that allow the capabilities that are required to be detected in a more effective way, and it has defined an internal mobility control panel. In the same way, a new Performance Management Model has been developed formed by four gears, launched through the first two phrases: Target Setting, Performance Status, My Development and Pay Decisions.

In addition, the company considers training to be an essential part for the professional development of individuals and therefore, in 2017, has carried out various initiatives such as the M3 Plus manager training, the TMAX+ programme for technicians, the new programme on Digital Skills and the new ACCIONA Sustainability Course, among others.

In 2017, voluntary rotation has decreased compared to the previous year to 3.7, the total rotation having increased from 6.59 in 2016 to 7.6 this year.

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At ACCIONA, nearly all employees are covered by collective labour regulations in different countries (in certain countries, and due to commissioning reasons or legal framework reasons, there may be a minimum number of workers who are not covered, in any case this is less than 1% of the total staff).

Depending on the country and the performed activity, the occupational and social risks associated with the projects carried out by the company are different: the most labour-intensive businesses increase the risk associated with personnel management. Also, the protection of minorities stands out in certain countries (BBEEE requirements in South Africa, First Nations in Canada, Indigenous Peoples in Australia), as well as the promotion of equality (Europe, Canada, etc.), and the protection of immigrant groups (Middle East and Asia). The management of these risks at ACCIONA involves aligning the overall processes and objectives of diversity and socially responsible recruitment with the development of specific plans and procedures where required. To do this, external audit processes on working conditions are established in certain high-risk situations, as is the case of the United Arab Emirates.

In order to ensure these objectives are met, the results obtained in the field of equality and socially responsible recruitment are reported on a monthly basis. These results are analysed by each business and country division in order to determine the action and/or correction plans required to ensure the objectives are met.

In the specific case of Spain, all activity sectors are covered by Equality Plans in accordance with Organic Law 3/2007 for effective gender equality between women and men, signed with the most representative labour unions, in which the results are reported and assessed jointly every six months. Similar mechanisms are implemented in countries such as Australia, Mexico and Canada.

Regarding the gender diversity, in 2017, 30% of the total staff are women, occupying 12.8% of the total number of Director positions and 19.8% of management positions. With regards to the employability of people with disabilities, 3.52% of the equivalent employment of the total workforce in Spain has been reached.

In matters regarding occupational safety and health, ACCIONA has action plans and specific objectives for promoting the health of its employees and collaborators and preventing occupational risks. Within the occupational risk management system, the company makes a continuous effort to assess the specific risks associated with each activity (e.g., risks associated with occupational diseases, construction works, machinery, work at height, electrical contacts, etc.).

It should be noted that the majority of ACCIONA's businesses are certified according to the OHSAS 18001 standard (100% of ACCIONA Energy, 97% of ACCIONA Infrastructure, 100% Corporate, 100% ACCIONA Real Estate and 100% Bestinver). In addition, ACCIONA Infrastructure has other local voluntary certifications, such as the COR in Canada and the OFSC Federal Safety in Australia.

The Prevention Committee holds a meeting twice a year, made up of the OHS Managers from ACCIONA's different divisions and business lines and the human resources department; the aim is to follow up on the projects that are ongoing and their level of development, as well as the occupational accidents in the period.

In the last such Committee, the data on accidents occurred on 2017 was analysed and the investigations into the causes and corrective measures of fatal accidents both of employees and subcontracted employees were reviewed. [4]

The company carries out different preventive actions such as the Health and Welfare Plan, the Road Safety Plan, actions in the field of education in all divisions, raising awareness and disseminating information relating to safety, among others. Some of the infrastructure division's initiatives should be noted, for example, the Leader Project which establishes leadership habits in OHS, as well as the Behaviour Based Safety for You (BBS4U) project, the aim of which is to control and prevent risks related to worker's behaviour from occurring. At ACCIONA Energía, the Think Safe programme has been implemented to improve the preventive culture of all the employees of the division, by taking part in awareness meetings.

ACCIONA extends its culture and commitment to health and safety through its entire supply chain, involving contractors or subcontractors in preventive and training activities, and monitoring the accident rate statistics of contractors and subcontractors. In addition, specific initiatives have been developed, such as for example, the Voluntary Protection Programme for companies collaborating with ACCIONA Infrastructuras, so that these companies improve the occupational risk prevention standards and can be certified with a seal of approval which qualifies them as "safe companies". The implementation of this programme has resulted in 39 improvement plans in 2017.

Social issues related to local communities

ACCIONA's Sustainability Policy, approved by the Board of Directors' Sustainability Committee in 2013, includes the company's commitment to create value for the communities where it operates, as well as to maintain regular and fluid dialogue with its interest groups. This commitment to the interests of local communities is also incorporated into the Code of Conduct. In addition, by the end of 2017, work has been done on developing a specific relational policy with interest groups which will be adopted in 2018.

The company has developed its own methodology for Social Impact Management (SIM), to analyse and address the social consequences of the projects on people, both negative and positive. This methodology is being implemented through a specific corporate procedure and is applicable to construction, operation and service projects of ACCIONA Infrastructure and ACCIONA Energy. The Social Impact Management methodology includes the following phases:

- Characterisation of the social risk: study of the degree of social risk of the project through the characterisation of the social risk starting at the design and bid phase.
- Social evaluation of the project: analysis of the socio-demographic characteristics of the populations in the area of influence of the project, identification and assessment of the positive or negative social impacts, and preparation of a social action proposal.

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[4] Accident rates are published in the Sustainability Report, after the calculations were verified by an external entity (ongoing at the date the Management Report was finalised).

- Communication and dialogue with communities: depending on the type of project, means of communicating are established with local communities and other interest groups to inform them of the project, its main impacts, and the social measures to be carried out.
- Implementation and monitoring of the measures: implementation of the measures identified to avoid and mitigate negative social impacts, as well as to strengthen the positive impacts.

The possible negative impacts that the SIM methodology focuses on are, among others: those affecting basic services and supplies to the communities; problems of road safety in urban environments; alteration of basic rights such as education and health; and changes in housing prices. On the other hand, the positive impacts that are generated when projects are developed are the recruitment of local staff, improvement of access to traffic routes and stimulating the local economy, among others, are highlighted.

With regards to the communications and dialogue with local communities, ACCIONA Energy, in addition to the usual channels within the projects, has a form on its website through which any person or group affected by the projects can raise a query and/or suggestion. ACCIONA Infrastructure establishes a suggestions and complaints channels for projects in which the client requires it or allows it.

During 2017, the SIM methodology has been implemented in a total of 100 ACCIONA projects (a 22% increase compared to 2016) in 33 countries (compared to 23 in the previous year), 13 projects belong to ACCIONA Energy and 87 belonging to ACCIONA Infrastructure (Construction, Water, Industrial and Services).

In addition, social impact management has been carried out in 12 projects of the Infrastructure division that have been classified as relevant, i.e. projects which although are not within the scope of the methodology, are considered as strategic for the business.

The projects involved are diverse: construction of linear infrastructures and buildings, construction and operation of water treatment plants, and construction and operation of wind farms and photovoltaic plants, among others. For example, in 2017, the social impacts have been managed on the construction of the Quito Metro (Ecuador), a water treatment plant in Metesusto (Colombia), a solar thermal plant in Kathu (South Africa), a wind farm in Bannur (India), the El Romero Solar photovoltaic plant (Chile), etc.

The main social measures implemented to mitigate negative impacts and enhance the positive impacts in 2017 have been information campaigns about the project, rehabilitation and improvement of areas surrounding the projects, professional training for project workers, as well as environmental awareness-raising and social actions, education and health campaigns for schools, collaboration agreements to activate the local economy, among others.

As a novelty, in 2017, 9 external audits have been carried out, 2 on Energy projects and 7 on Infrastructure projects in order to assess the degree of implementation of the SIM methodology.

Issues related to human rights

As set out in the Code of Conduct, the Human Rights Policy, and the Human Resources and Occupational Health and Safety Policy approved by the Board of Directors, ACCIONA is committed to respecting the human rights and public freedoms recognised in the Universal Declaration of Human Rights of the United Nations; ACCIONA assumes the Declaration on Fundamental Principles and Rights at Work, the ILO Agreements, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact, among others, as basic conduct guidelines. Any alleged breach or violation of the conducts contained in the Code of Conduct, including human rights issues, can be communicated through the company's Ethical Channel.

The company developed a human rights risk diagnosis, taking the UN's Guiding Principles on Business and Human Rights as a frame of reference. During 2017, the human rights risk categories have been reviewed and the risks associated in the countries in which the company carries out its activities have been analysed. It was concluded that 52 % of the countries in which ACCIONA operates have a severe or very severe risk of violating human rights, according to Maplecroft.

The human rights risks analysed include freedom of opinion and expression, rights of minorities, rights of indigenous people, women and girls, rights to basic services, violations by hired security forces, migrant workers' rights, working conditions, health and safety, forced labour and child labour.

Taking the standards of the Danish Institute for Human Rights and the United Nations Global Compact as a reference, with regard to the control measures identified based on the analysis of the company's procedures and policies, it was concluded that 43% are completed covered, 52% are partly covered, 3% have insufficient coverage and it does not apply to 2%.

On the other hand, in relation to the rights of local and work communities that may be affected by ACCIONA's activities, the Social Impact Management (SIM) methodology has been used to study possible infringements of human rights that a particular project or service could inflict on communities and other interest groups, among other factors. In addition, it evaluates the social impacts in terms of severity if significant changes are incurred in the social, economic or cultural structure of a certain population or group of employees, or if human rights are affected. In this case, the SIM methodology requires prevention and mitigation measures for these impacts to be established.

In 2017, 12 of the projects in which the SIM methodology has been implemented identified possible risks of violating human rights. In all of these cases, measures have been taken to prevent such violations from occurring.

During 2017, different educational initiatives that include human rights issues have also been implemented. In ACCIONA's Sustainability Course released to more than 10,000 employees from all divisions and geographical areas, training on the company's responsibility to respect labour and civil rights is included. In addition, ACCIONA offers a specific course on the Code of Conduct which includes human rights within their 17 basic action guidelines. In relation to the training provided to suppliers, ACCIONA has designed an online course on "Sustainability applied to your company" in collaboration with the Spanish Network for the United Nations Global Compact, which includes a specific module on human rights and social action. It is expected that a specific course on human rights for company employees will be developed in 2018.

Issues relating to the fight against corruption and bribery

The policies established by the ACCIONA group to fight against corruption and bribery are the following:

- Code of Conduct: establishes the values that should guide the behaviour of all managers, directors, employees and suppliers of ACCIONA group companies. The Code of Conduct, adopted in 2007, was revised in 2011 and again in 2016 by the Board of Directors.

- Anti-corruption Policy: approved in 2013, establishes the ACCIONA Group's clear position against any corrupt or criminal act, as well as the extrapolation of this commitment to all the people that make up the group.

- Anti-corruption Action Standards: approved by the Board of Directors in January 2016, provide compliance guidelines to prevent misconduct which are mandatory for all employees and parties associated with ACCIONA (including agents, intermediaries, advisers, consultants and suppliers).

- Corporate Standard on donations and non-commercial sponsorships: approved in 2017, developed from the anti-corruption standards.

The Compliance Management department, created in 2015 and reporting directly to the Executive Presidency and to the Board of Directors' Audit Committee, supervises the respect for and the effectiveness of the procedures, controls and internal commitments established to ensure compliance with voluntary and regulatory obligations regarding ethical, organisational, environmental and social matters, and the identification, prevention and mitigation of associated risks.

The ACCIONA Group maintains relations with Public Administrations and participates in tender processes for infrastructure in different countries when carrying out its activities, and therefore the risks of public corruption are analysed in each project, evaluating the country and importance of the project.

ACCIONA has adopted and implemented a Crime Prevention and Anti-Corruption Model which has the following features:

- The model is arranged according to ACCIONA group's organisational structure, and it specifies the criminal risks and their corresponding controls for each department of the group in separate sections.

- Internal controls are associated to each identified risk which mitigate or, at any rate, decrease the chances of each criminal risk occurring.

- The model documents these internal controls, with a series of attributes that characterise them which include the area or administration responsible for implementing the control, and a specific description of the control activity.

- In addition, the model includes controls from ACCIONA group's Internal Control over Financial Reporting Systems (ICoFRS) which are suitable for preventing certain offences from being committed.

The crime prevention model established for Spain and adapted to local legislative requirements as applicable is progressively being implanted to the other countries in which the group's activities are carried out.

In addition, control measures have been implemented to prevent or identify potential cases of corruption. The most important controls are reviewed periodically by the assigned managers. The following actions, among others, are highlighted.

The group has implemented an Ethical channel since 2007 which allows others to communicate any irregular behaviour related to accounting, monitoring, auditing or any breach or violation of the conducts contained in the Code and internal standards. The internal standards impose an obligation to let the company know immediately of any potential irregularities or breaches of the code that employees might become aware of, as well as to report any fact, act, conduct or behaviour that is contrary to the Anti-Corruption Standards.

The Code of Conduct Committee ensures that complaints regarding any possible breaches are analysed thoroughly, always guaranteeing the confidentiality of the complaints, as well as ensuring that there is no retaliation of any kind against those who make the complaints in good faith and respecting, in any case, the people allegedly involved.

In 2017, 45 communications were received through the Ethical Channel compared to 26 in 2016. Specific instructions were carried out for 51% of the communications received, involving an external instructor in many cases. The other 49 % were closed without any instruction, since they were not related to the Code of Conduct (non-financial anonymous complaints that were merely about labour, organisational or functional issues) without prejudice to the fact that a preliminary investigation was conducted for the majority of the archived files without a specific instructor being assigned.

The Code of Conduct, the Corporate Policies, and the Anti-Corruption Standards have been communicated to the employees and published on the company's intranet and web page. In addition, employees must mandatorily read and accept the Code of Conduct and the Anti-Corruption Standards

In 2017, the Compliance Management department published relevant information on anti-corruption on the intranet page, such as examples of reasonable gifts following the standards of the Foreign Corrupt Practices Act, instructions regarding contracts with agents and intermediaries, and clauses that must be contained in the agreements, the importance of the Ethical Channel in order to communicating irregularities, and a summary of their activities.

Likewise, two training activities were held in 2017. On the one hand, 1,400 executives and managers were trained in an Anti-Corruption Course. On the other hand, 6,213 employees were trained in a course on the Code of Conduct, which is available to all employees in 7 languages.

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With regard to due diligence on the knowledge of third parties, the group has implemented a tool that allows an initial analysis to be carried out on the third parties that ACCIONA will/or aims to have a commercial/partnership relationship with, and which improves the risks management in projects. At the end of 2017, more than 170 third parties were evaluated.

Supply Chain: environmental, social, labour, human rights and anti-corruption issues.

ACCIONA works to extend sustainability to its supply chain and promotes the adoption of the values contained in its Code of Conduct among its suppliers and contractors. In addition, this Code sets specific guidelines on relations with suppliers. Similarly, the Ethical Principles for Suppliers, Contractors and Partners which were approved in 2011 cover aspects regarding transparency and ethics, human and social rights, health and safety, and quality and the environment. In addition, the company has established minimum standards in the field of ethics and integrity, human rights and corporate responsibility, environment, safety and health, among others, contained in the No Go Policies.

The main tool used for supply chain management at ACCIONA is PROCUR-e, the Supplier Portal and Tender Tool, in which increasingly detailed controls are established as the criticality increases. All suppliers registered are required to accept the Supplier's Self-Declaration of Compliance document, which reflects ACCIONA's commitment with international standards, the Code of Conduct, Ethical Principles for suppliers, and minimum standards in the field of integrity, environment and quality. This requirement has already been formally accepted by more than 23,500 suppliers.

Any supplier that submits an offer through PROCUR-e, must complete the self-assessment questionnaire regarding corporate responsibility (CR) and sustainability; from this moment on the supplier forms part of the Supplier Risk Map which monitors and updates the level of risk on a daily basis which is based on 10 variables including Integrity, Country Risk, CR and Sustainability (focussing on Human Rights), Health and Safety, the Environment, Assessment, etc. By the end of 2017, more than 16,700 suppliers have a Risk Map.

The following control is established for critical suppliers during the Evaluation and Approval Process, through which the criticality regarding the level of Integrity, country risk, CR, sustainability, OHS risk, environmental risk, legal documentation and assessment are reviewed. By the end of 2017, ACCIONA has 3,850 approved suppliers. Within the approval process, 296 auditing process have been carried out on suppliers, 47 of them on suppliers from risk countries, in order to ensure the non-infringement of human rights in those areas, among other aspects. 88.46 % suppliers on ACCIONA sites in risk countries have been audited.

Focus has been on issues relating to the fight against corruption and bribery, and in 2017, the Integrity variable has been monitored for 5,947 suppliers.

ACCIONA offers its suppliers and contractors training programmes in subjects such as the Code of Conduct, sustainability, human rights, prevention of discrimination, among others.

Foreseeable Evolution

In 2017, the upturn in activity that began in mid-2016 was confirmed. This growth, which occurred surprisingly in Europe and Asia, led to an increase in the global product which was estimated at 3.7% over the past year, half a point higher than what was projected in 2016 for the end of 2017.

This growth force, the high confidence levels, and the US fiscal reform are the main factors that have led to the global growth expectations being revised, placing them at 3.9% per year for 2018 and 2019. There are a number of risks that threaten this growth, although these seem to be balanced. The possible correction of financial markets is highlighted, as a result of the increase in the value of assets over the past few years with very small volatilities, in addition to some isolating measures, the geopolitical tension in some parts of the globe, and the political uncertainty in certain countries.

It can be concluded that the upward revision of the global outlook is the result of advanced economies, expecting a growth of 2.3% and 2.2% for 2018 and 2019, respectively. This revision reflects the expectation that the acceleration of demand and investment will be maintained, which are the result of the favourable financial conditions and the improvement in the confidence level.

In addition, as noted, it is expected that the tax reform in the United States is a temporary boost in the growth of the United States, which was corrected by the IMF in its latest growth forecasts published in January 2018 to 2.7% in 2018 and 2.5% in 2019, as well as the growth of its trading partners, especially Mexico and Canada. Although, it should be noted that even if this stimulus will boost growth in the coming years, the forecasts then reduce for a few years from 2022.

With regards to the euro zone, the forecasts have also been revised upwards, particularly those of Italy, Germany and Holland, thanks to the increase in the internal and external debt. The forecasts are 2.2% for 2018 and 2% for 2019.

With regards to Spain, it should be noted that the growth expected by the end of 2017 will be far greater than the potential, standing at 3.1%. However, political uncertainty due to the Catalonia situation and its effect on the demand and confidence have led to the growth expectations for 2018 to be revised downwards, which have changed from the initially estimated 2.5% to the current 2.4%, and to 2.1% in 2019. In this way, the Spain forecast is the only one of the large economies that has been reduced for 2018. However, it remains to be the economy with the highest growth rate among the major European economies as a result of the reforms adopted in the past and the optimism of the macro-economic situation in Europe.

The growth forecasts in other advanced economies have also been revised upwards, especially as a result of the higher growth in the advanced economies of Asia. This is due to the fact that these economies are more susceptible to changes in the investment and international trade prospects, as is the case with Japan, whose growth expectations have been revised upwards for 2018 and 2019 and are set at 1.2% and 0.9%, respectively.

The growth of the economies in emerging markets is expected to be 4.9% in 2018 and 5% in 2019, although there is a wide dispersion between the development of each economy. The Asian region of emerging economies produces more than half of the global growth, and will grow by around 6.5% in 2018 and 6.6% in 2019, at the same rate as in 2017. It is expected that the growth in India will increase to 7.4% in 2018 and to 7.8% in 2019, while in China the growth projections moderate its growth gradually and it is estimated to be at 6.6% and 6.4% for 2018 and 2019, respectively.

The emerging economies of Europe enjoy relaxed financial conditions and an increase of exports to the euro zone, which has led to an upward revision of its growth, especially in Poland and Turkey.

In Latin America, the forecasts show that the recovery will be strengthened, and the growth has been revised upwards, noting that it will be at 1.9% in 2018 and 2.6% in 2019. This upward revision occurs as a result of the strengthening of Brazil's recovery, of the new perspectives of Mexico as a result of the tax reform in the United States, and the effect of the price increase of raw materials and the easing of financial conditions in some raw material exporting countries. On the other hand, the Venezuelan economy has been revised downward, which is loosely offset by upward revisions in the remaining Latin American countries.

The revision of generalised growth caused the growth expectation of Russia to be revised slightly upward to 1.7% in 2018 and 1.5% in 2019, which has led to an increase in the growth expectations of the Commonwealth of Independent States, exceeding 2% in both years.

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.

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) and on the Company's web page (www.acciona.es).

In addition, the Annual Corporate Governance Report will be notified to the National Securities Market Commission as a Material Event.

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Nº. 10009

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 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 the directors' report includes a faithful analysis of the business trend and results, 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 2017 financial year of Acciona, S.A., as submitted to the Board of Directors and duly prepared by the Board at meeting held on 26 February 2018, printed on 117 sheets, all of them signed by the Secretary and with the corporate Seal affixed and numbered as follows:

Therefore, in witness of their agreement herewith, this note is signed by all of the members of the Board of Directors:

Mr. José Manuel Entrecanales Domecq
Chairman
[blank]

Mr. Juan Ignacio Entrecanales Franco
Vice-Chairman
[blank]

Mr. Javier Entrecanales Franco
Member
[blank]

Mr. Juan Carlos Garay Ibargaray
Member
[blank]

Mr. Daniel Entrecanales Domecq
Member
[blank]

Ms. Karen Christiana Figueres Olsen
Member
[blank]

Mr. Jaime Castellanos Borrego
Member
[blank]

Ms. Belén Villalonga Morenés
Member
[blank]

Mr. Fernando Rodés Vilá
Member
[blank]

Ms. Ana Sainz de Vicuña Bemberg
Member
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Mr. Jerónimo Marcos Gerard Rivero
Member
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