

# Itínere Infraestructuras, S.A. and Subsidiaries

## **Consolidated Annual Accounts**

31 December 2016

## **Consolidated Directors' Report**

2016

(With Independent Auditor's Report Thereon)

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



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

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

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

To the Shareholders of  
Itínere Infraestructuras, S.A.

### **Report on the Consolidated Annual Accounts**

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

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

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

#### *Auditor's Responsibility*

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

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

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

*Opinion*

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

**Report on Other Legal and Regulatory Requirements**

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

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Gustavo Rodríguez Pereira

6 April 2017

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Annual Accounts  
and consolidated Directors' Report  
for the year ending 31 December 2016  
(together with the Audit Report)**

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**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Balance Sheet  
31 December 2016 and 2015  
(in thousands of euros)**

	NOTE	2016	2015 Restated (*)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>3,973,044</b>	<b>4,031,369</b>
Property, plant and equipment	4	3,065	3,423
Concession arrangements	5	2,630,310	2,688,646
Investment property	6	1,423	1,599
Other intangible assets	7	523	526
Goodwill	8	986,045	986,045
Investments in associates and joint ventures	9	193,968	200,806
Non-current financial assets	10	232	2,323
Deferred tax assets	23	157,478	148,001
<b>CURRENT ASSETS</b>		<b>272,305</b>	<b>389,639</b>
Inventories		1,288	1,631
Trade and other receivables		42,485	71,775
Trade receivables for sales and services	11	9,655	9,057
Current tax assets	23	262	11,356
Other receivables from public authorities	12	30,186	49,409
Other receivables	13	2,381	1,953
Current financial investments		1,703	1,309
Cash and cash equivalents	14	226,175	313,068
Other current assets		654	1,855
<b>TOTAL ASSETS</b>		<b>4,245,349</b>	<b>4,421,008</b>

(\*) See note 2 (c).

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2016

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Balance Sheet  
at 31 December 2016 and 2015  
(in thousands of euros)**

	NOTE	2016	2015 Restated (*)
<b>EQUITY</b>		<b>1,079,905</b>	<b>1,120,911</b>
<b>Equity attributed to the parent company's shareholders</b>	15	<b>1,078,952</b>	<b>1,120,229</b>
Registered capital		221,874	221,874
Share premium		1,038,560	1,038,560
Own shares		(212)	(212)
Reserves		(7,148)	(10,888)
Accumulated earnings and other reserves		(174,122)	(129,105)
<b>Minority Shareholder's Equity</b>	15	<b>953</b>	<b>682</b>
<b>NON-CURRENT LIABILITIES</b>		<b>3,055,457</b>	<b>3,082,995</b>
Deferred income	16	123	186
Provision for replacement activities	20	53,443	62,734
Other provisions	26	150	150
Non-current financial liabilities	17	2,875,429	2,880,773
Non-current liabilities	19	54,240	57,069
Deferred tax liabilities	23	72,036	82,064
Non-current accruals		36	19
<b>CURRENT LIABILITIES</b>		<b>109,987</b>	<b>217,101</b>
Current financial liabilities	17	24,930	156,608
Provision for current replacement activities	20	14,879	13,856
Current liabilities		70,178	46,637
Derivatives	19.3	5,418	4,404
Current tax liabilities	23	235	183
Other debt with Public Administrations	12	25,481	8,520
Other current liabilities	21	39,045	33,530
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,245,349</b>	<b>4,421,008</b>

(\*) See note 2 (c).

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2016

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Statement of Profit or Loss  
for 2016 and 2015  
(in thousands of euros)**

	Note	2016	2015 Restated (*)
Revenues	24	268,722	259,792
Work carried out by the Group for assets		887	860
Other operating revenues		3,668	3,531
Subsidies recognised in the income statement		110	35
Gains and losses on disposal of assets		1	1
Overprovision	20	304	11,296
<b>Total operating revenues</b>		<b>273,692</b>	<b>275,515</b>
Supplies		(1,656)	(1,596)
Staff expenses	25	(32,583)	(32,945)
Provisions for amortisation and depreciation	4,5,6 and 7	(128,932)	(129,150)
External services and other operating expenses	26	(24,805)	(26,194)
Change in traffic provisions		(18)	(13)
Provision for replacement activities	20	(2,261)	(3,761)
<b>Total operating expenses</b>		<b>(190,255)</b>	<b>(193,658)</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>83,437</b>	<b>81,857</b>
Other interest and similar income		2,563	2,642
<b>Total finance income</b>		<b>2,563</b>	<b>2,642</b>
Finance and similar expenses		(128,936)	(150,579)
<b>Total finance expenses</b>		<b>(128,936)</b>	<b>(150,579)</b>
<b>Changes in the fair value of financial instruments</b>	19	<b>(1,770)</b>	<b>(721)</b>
<b>Impairment and gains/(losses) on disposal of financial instruments</b>		<b>-</b>	<b>56</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	27	<b>(128,143)</b>	<b>(148,602)</b>
Profit/(Loss) of companies recorded under the equity method	9	605	(79)
<b>CONSOLIDATED PRE-TAX PROFIT/(LOSS)</b>		<b>(44,102)</b>	<b>(66,824)</b>
Income tax	23	14,698	6,658
<b>CONSOLIDATED PROFIT/(LOSS) FROM CONTINUING ACTIVITIES</b>		<b>(29,403)</b>	<b>(60,166)</b>
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>(29,403)</b>	<b>(60,166)</b>
Attributable to:			
Minority Shareholder's Equity	15	(271)	(193)
<b>PARENT COMPANY</b>	28	<b>(29,674)</b>	<b>(60,359)</b>

(\*) See note 2 (c).

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2016



**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Statement of Comprehensive Income  
for 2016 and 2015  
(in thousands of euros)**

	2016	2015
<b>Loss for the year</b>	<b>(29,403)</b>	<b>(60,166)</b>
<b>Other comprehensive income:</b>		
Items to be reclassified to profit or loss		
Cash flow hedges	4,985	11,640
Tax effect	(1,245)	(3,160)
<b>Other comprehensive income for the year, net of taxes</b>	<b>3,740</b>	<b>8,480</b>
<b>Comprehensive income for the year</b>	<b>(25,663)</b>	<b>(51,686)</b>
<b>Attributable to:</b>		
- Company shareholders	(25,934)	(51,879)
- Minority Shareholder's Equity	271	193
	<b>(25,663)</b>	<b>(51,686)</b>

**Consolidated Statement of Changes in Equity  
for 2016 and 2015  
(in thousands of euros)**

	Registered capital	Share premium	Own shares	Reserves	Accumulated earnings and other reserves	Minority Shareholder's Equity	TOTAL
<b>CLOSING BALANCE IN 2014</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(19,368)</b>	<b>(69,020)</b>	<b>583</b>	<b>1,172,417</b>
Comprehensive income for the year (note 15)	-	-	-	8,380	(60,359)	193	(51,786)
Changes in the consolidation scope (note 15)	-	-	-	-	209	-	209
Other changes in equity (note 15)	-	-	-	-	(127)	(94)	(221)
Adjustment for the change in tax rate (note 23.3)	-	-	-	100	192	-	292
<b>CLOSING BALANCE IN 2015</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(10,888)</b>	<b>(129,105)</b>	<b>682</b>	<b>1,120,911</b>
Comprehensive income for the year (note 15)	-	-	-	3,740	(29,674)	271	(25,663)
Other changes in equity (note 23)	-	-	-	-	(15,343)	-	(15,343)
<b>CLOSING BALANCE IN 2016</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(7,148)</b>	<b>(174,122)</b>	<b>953</b>	<b>1,079,905</b>

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2016

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Consolidated Statement of Cash Flow  
for 2016 and 2015  
(in thousands of euros)**

	Note	2016	2015
Net profit/(loss)		(29,674)	(60,359)
Minority Shareholder's Equity	15	271	193
Amortisation/provisions	4, 5, 6, 7 and 20	130,907	121,628
Subsidies recognised in the income statement		(110)	(35)
Profit/(Loss) from equity accounted companies	9	(605)	79
Profit/(Loss) from disposal of assets		(1)	(1)
Financial result	27	128,143	148,602
Income tax	23	(14,698)	(6,658)
<b>Funds generated by operations</b>		<b>214,233</b>	<b>203,449</b>
Trade and other receivables		66,668	67,322
Inventories		138	(129)
Trade creditors		(39,304)	(38,707)
Other current assets and liabilities		(4,067)	(32,367)
Other non-current assets and liabilities		215	17
<b>Changes in net working capital</b>		<b>23,649</b>	<b>(3,865)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>237,883</b>	<b>199,584</b>
Investments in property, plant and equipment and intangible assets		(59,209)	(34,823)
Investments in financial assets		(12)	(1,049)
Divestments of property, plant and equipment and intangible assets		20	41
Divestments of financial assets		0	111
Interest received		2,326	2,973
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(56,875)</b>	<b>(32,747)</b>
Increase in financial indebtedness		1,143,389	85,515
Decrease in financial indebtedness		(1,285,390)	(203,084)
Interest paid		(131,928)	(127,763)
<b>Change in financial indebtedness</b>		<b>(273,929)</b>	<b>(245,332)</b>
Dividend received		6,028	8,060
<b>Change in own financing</b>		<b>6,028</b>	<b>8,060</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(267,901)</b>	<b>(237,271)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(86,893)</b>	<b>(70,434)</b>
Cash and cash equivalents at the start of the year		313,068	383,503
Cash and cash equivalents at the end of the year		226,175	313,068

The accompanying notes 1 to 36 form a comprehensive part  
of the Consolidated Annual Accounts at 31 December 2016

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

**Notes to the Consolidated Annual Accounts**

**1. NATURE AND MAIN ACTIVITIES**

(a) Nature and main activities

ITÍNERE INFRAESTRUCTURAS, S.A. (hereinafter, ITÍNERE or the Company, formerly EUROPISTAS, C.E.S.A.) was incorporated as a corporation on 21 May 1968.

Its registered office is located at calle Capuchinos de Basurto, 6; 4ª planta, Bilbao, Spain. It is registered in the Mercantile Register of Vizcaya in volume 4916 of the companies book, folio 21, page BI-519148 and in the tax roll of the Ministry of Economy and Finance with tax identification code: A-28200392.

The Company's corporate purpose is as follows:

- Development and execution of the construction, conservation and operation of all types of motorways, highways, tunnels and stretches thereof, under a regime of administrative concession, of which it is the successful bidder, including the construction of road infrastructures, other than the concessions awarded to it, having an influence thereon or that are carried out within their area of influence or that are necessary for the organization of traffic, when the execution design or only the execution thereof is imposed on the concessionary company as a consideration, in addition to activities for the operation of the service areas of the motorways, tunnels and highways whose concession has been granted to it, and all supplementary activities of the foregoing, such as petrol stations and comprehensive transport and parking centres, provided that all of the foregoing are within the area of influence of such infrastructures, as established by the applicable legal provisions.
- Design, construction, execution, operation, management, administration, conservation and promotion of all types of infrastructure and construction work, both public and private, whether directly or through a stake in companies, joint ventures, consortia or any other similar legal form permitted by law in the country in question.
- Operation and rendering of all types of services relating to urban and inter-urban transport infrastructures, whether by land, sea or air, and the operation and management of all classes of supplementary construction works and services on offer in the areas of influence of public and private construction works and infrastructures.
- Rendering of conservation, repair, maintenance, refurbishment and cleaning services relating to all types of construction work, installations and services to both public and private companies.
- Preparation of all types of architectural and engineering designs, studies and reports, as well as the management, supervision and provision of consultancy services in the performance of all types of construction work.
- Acquisition, possession, use, administration and disposal of all classes of securities for its own account, excluding all the activities which the special legislation and, in particular, the Spanish Securities Market Act, attribute exclusively to other companies.
- Management of public water supply, sewerage and purification services and administrative construction work and service concessions.
- Operation and development of mineral deposits, mines and quarries and the acquisition, use and enjoyment of mining permits, concessions, licences and authorizations and all other mining-related rights, and the marketing and distribution of mineral products. All activities relating to minerals of strategic interest are excluded.
- Manufacture, purchase, sale, supply, import, export, lease, installation, distribution and operation of all types of machinery, tools, vehicles, plants, materials, equipment and furniture, including construction materials and elements and those for use therein.

# ITÍNERE INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES

## Notes to the Consolidated Annual Accounts

- Acquisition, operation in whatsoever manner, marketing, assignment and disposal of all types of intellectual property rights and patents and all other industrial property modalities.
- Direction and management of Spanish and foreign subsidiaries and investee companies, through participation in their administrative bodies. Strategic and administrative management of their subsidiaries in Spain and abroad and the provision of legal, economic, accounting, labour, budgetary, financial, tax, commercial and IT consultancy services to such companies, constituting its main activity at this moment.

The Company can perform the activities referred to in the foregoing paragraphs (including participation in any tender), both in Spain and abroad, either directly or indirectly through its subsidiaries or investees.

As stated in note 15, the main shareholder of ITÍNERE is ARECIBO SERVICIOS Y GESTIONES, S.L. (hereinafter, ARECIBO).

As a consequence of the foregoing, as per the terms of article 42 of Spain's Code of Commerce, the Company belongs to a group of companies, the holding company of which, in Spain, is ARECIBO, which was incorporated on 27 April 2009 and has its registered office in Bilbao. On 30 March 2016, ARECIBO drafted its consolidated annual accounts and directors' report for the financial year ended 31 December 2015, which were filed at the Mercantile Register in Bilbao. At the date of preparing these consolidated annual accounts, ARECIBO had not yet drafted its consolidated annual accounts for the 2016 financial year, being scheduled for 28 March 2017.

### (b) Background

In 2000, the Company merged with EUROVIAS C.E.S.A., a 35% owned company, through the absorption by EUROPISTAS C.E.S.A. of the latter company, which was terminated without liquidation. The merger was approved by both companies' General Meetings of Shareholders and placed on record in a public document in that financial year. In this respect, the annual accounts for the year ended 31 December 2000 include detailed information on the aforesaid merger process.

On 1 October 2007 and, within the framework of a corporate restructuring operation implemented by EUROPISTAS, C.E.S.A., the Company made a non-monetary contribution of a business activity as disbursement of the capital increase carried out by the company AP-1 EUROPISTAS, C.E.S.A., of which the Company was a direct shareholder (this stake is currently held indirectly through its 100% subsidiary, ENAITINERE, S.A.). The aforesaid contribution represented the transfer of all human resources and assets related to the AP-1 motorway activity at that date.

Prior to making the aforesaid contribution, the corporate purpose of EUROPISTAS, C.E.S.A. included, among others, the construction, operation and conservation of the AP-1 Burgos-Armiñón motorway under an administrative concession regime.

On 31 December 2007, with accounting effect as from 24:00 hours, the deed of merger of EUROPISTAS C.E.S.A. with ITÍNERE INFRAESTRUCTURAS, S.A.U. was formalized, as per the resolution of both companies' administrative bodies adopted on 17 April 2007, comprising the absorption of ITÍNERE INFRAESTRUCTURAS, S.A.U. by EUROPISTAS C.E.S.A. with the termination, through the dissolution without liquidation of the former and the block transfer of all its assets to the latter which, on 1 January 2008, acquired, through sole succession, the rights and obligations thereof. As a consequence of this merger, EUROPISTAS, C.E.S.A., the absorbing company, amended its corporate name, adopting that of the absorbed company, that is, ITÍNERE INFRAESTRUCTURAS, S.A. The consolidated annual accounts for the year ended 31 December 2008 include detailed information on the aforesaid merger process.

**ITÍNERE INFRAESTRUCTURAS, S.A.  
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**Notes to the Consolidated Annual Accounts**

(c) Change in the controlling shareholder

On 30 November 2008, an undertaking agreement was executed for the formulation and acceptance between Sacyr Vallehermoso, S.A. (currently called Sacyr, S.A.) and Citi Infrastructure Partners L.P. of a takeover bid for the shares of ITÍNERE, subject to conditions precedent, by virtue of which and once these conditions had been fulfilled, in 2009 a change in the Company's controlling shareholder took place, which then became PEAR ACQUISITION CORPORATION, S.L.U., a company set up to implement this undertaking, owned by ARECIBO. The details of this operation are set forth in the consolidated annual accounts corresponding to financial year 2009.

(d) Business combinations

On 15 July 2009, the directors of ITÍNERE drew up a mutual absorption-based merger project between ITÍNERE as the absorbing company and Pear Acquisition Corporation, S.L.U., owned by ARECIBO, Avasacyr, S.L.U., 100% owned by ITÍNERE and SyV Participaciones II, S.L.U., a company belonging to the Sacyr Vallehermoso Group (currently the Sacyr Group), through which the latter maintained its stake in ITÍNERE together with CaixaGalicia and Caixanova (subsequently merged under the name of NCG Banco, S.A., currently Abanca) and Cajastur (currently Liberbank), as absorbed companies.

This merger consisted in the absorbed companies' dissolution without liquidation and the block transfer of all their assets and liabilities to the absorbing company, which acquired, through sole succession, the rights and obligations thereof. In this respect, a reverse merger was carried out by virtue of which ITÍNERE absorbed its shareholders, Pear Acquisition Corporation S.L.U. and SyV Participaciones II, S.L.U., thereby allowing these companies' shareholders to participate directly in the absorbing company's share capital, with each one receiving a number of shares of ITÍNERE proportional to their interests, as established in the swap equation. Similarly, a short-form merger was implemented, through which ITÍNERE absorbed its subsidiary, Avasacyr, S.L.U.

As a consequence of the business combination, a difference arose corresponding to the excess between the purchase price of ITÍNERE for the goodwill acknowledged and the fair value of the acquired assets and assumed liabilities on the transaction date, amounting to 1,291,522 thousand euros. Within the framework of the business combination and to apply the revenue approach, the purchase price was broken down to adjust the value of the acquired assets and assumed liabilities to their fair value. Therefore, the balance sheet shows the remaining goodwill after the breakdown of the purchase price of the business combination corresponding to the value that the Group expected to generate from its financial and tax structure. Those factors optimise the Group's comprehensive free cash flow, so they cannot be allocated individually to any of the assets.

The consolidated annual accounts for the financial year ended 31 December 2009 include detailed information on the aforesaid business combination, as well as a detailed description of that excess value.

(e) Group performance

2016

No changes were made to the Group in 2016.

2015

TÚNELES DE ARTXANDA, S.A. and AUTOPISTAS DE BIZKAIA, S.A.

On 17 March 2015, the respective General Meetings of Shareholders of TÚNELES DE ARTXANDA, S.A. and AUTOPISTAS DE BIZKAIA, S.A. declared these companies dissolved and approved the liquidation transactions pursuant to the corresponding provisions of the Corporate Enterprises Act. Consequently, the deeds of dissolution and liquidation of these companies were executed on 10 June 2015 and 19 October 2015, respectively.

**ITÍNERE INFRAESTRUCTURAS, S.A.  
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**Notes to the Consolidated Annual Accounts**

PARTICIPACIONES AP-1 EUROPISTAS, S.L.

On 17 July 2015, ITÍNERE, the sole partner of ENAITINERE and of PARTICIPACIONES AP-1 EUROPISTAS, S.L.U., approved the absorption of the latter by the former under the terms established in the shared merger project drafted by the directors of both companies on that date. The merger involved, effective from 1 January 2015, transferring the absorbed company's assets en masse to the absorbing company and dissolving it without liquidation.

On 17 July 2015, ITÍNERE also decided to transform ENAITINERE, S.L.U. into a Public Limited Company, approving the corresponding transformation balance sheet and subsequent amendment of the corporate bylaws.

BIP & DRIVE, S.A.

On 17 December 2015, the General Meeting of Shareholders of BIP & DRIVE, S.A. resolved to increase capital with a share premium totalling 3,583 thousand euros, which was fully subscribed by a new shareholder, thus diluting ITÍNERE'S stake from 25% to the current 20%. The effects of that dilution on equity are shown under "changes in consolidation scope" in the consolidated statement of changes in equity for 2015 and increased the Group's equity by 209 thousand euros.

(f) AUDASA - Royal Decree 104/2013

Royal Decree 104/2013 of 8 February approved the agreement between the General State Administration and AUTOPISTAS DEL ATLANTICO, C.E.S.A. (hereinafter, AUDASA) to offer discounts to certain regular users travelling between Pontevedra and Vigo. The discounts are given to users making a return journey in a light vehicle on a working day on the Pontevedra-Vigo, Pontevedra-Morrazo, Pontevedra-Vilaboa and Rande-Vigo routes via the dynamic toll system.

At 31 December 2016, the compensation for those discounts amounted to 15,210 thousand euros (10,507 thousand euros at 31 December 2015), which corresponds to the decline in revenues obtained by AUDASA as a result of providing the discounts amounting to 13,675 thousand euros (9,644 thousand euros at 31 December 2015), as well as the discounting of these amounts, which will also be compensated, in an amount of 1,535 thousand euros (863 thousand euros at 31 December 2015). As stated in note 2 (c), that compensation was not recognised in the consolidated balance sheet because the Company believes that it does not meet the requirements established in the accounting standards for asset recognition, which does not affect in any way whatsoever AUDASA's right established in Royal Decree 104/2013 to receive compensation.

As established by the aforementioned Royal Decree, to compensate the lower revenues and the capitalised value of the net cash flows until the end of the concession period calculated at an annual rate of 8% as indicated in Royal Decree 1733/2011 of 18 November (see note 5), once the aggregate balance of both Royal Decrees has been calculated, AUDASA can apply to the Ministry of Development for an exceptional rise in the tariffs that will guarantee that the aggregate balance resulting from the compensation at the end of the concession period will be zero.

The breakdown of and movement in those balances corresponding to Royal Decrees 1733/2011 and 104/2013 are shown below:

Thousands of euros	31/12/2014	Additions in 2015	31/12/2015	Additions in 2016	31/12/2016
<b>Advances under concession arrangements - R.D. 1733/2011</b>					
- For investments to be compensated	8,715	29,920	38,635	55,598	94,233
- For restatements	1,218	795	2,013	3,252	5,265
<b>Total R.D. 1733 (note 5 (c))</b>	<b>9,933</b>	<b>30,715</b>	<b>40,648</b>	<b>58,850</b>	<b>99,498</b>
<b>Compensation balance RD 104/2013</b>					
- For frequent user discounts	5,986	3,658	9,644	4,031	13,675
- For restatements	211	652	863	672	1,535
<b>Total R.D. 104/2013</b>	<b>6,197</b>	<b>4,310</b>	<b>10,507</b>	<b>4,703</b>	<b>15,210</b>
<b>Total compensation balance overall</b>	<b>16,130</b>	<b>35,025</b>	<b>51,155</b>	<b>63,553</b>	<b>114,708</b>

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**2. BASIS OF PRESENTATION**

(a) True and fair view and going concern

These consolidated annual accounts have been obtained from the accounting records of ITÍNERE and of the companies included in the Group and prepared in accordance with the international financial reporting standards adopted by the European Union (IFRS-EU) with the aim of providing a true and fair view at 31 December 2016 of the consolidated equity, consolidated financial position and consolidated operating results, in addition to the changes in consolidated equity and consolidated cash flow for 2016.

The standards for the adoption of the General Chart of Accounts to public-sector infrastructure concessionary companies, approved by Order EHA/3362/2010 of 23 December, which are applicable to the preparation of the annual accounts of the concessionary companies that form part of the ITÍNERE Group, came into force on 1 January 2011. However, these standards, the object of which is to strengthen the harmonisation of Spain's accounting standards with the European ones, particularly IFRIC 12, include, nevertheless, certain adaptations so as to give adequate treatment to service concession arrangements. In particular, these standards establish that, once recognised in the statement of profit or loss, the expenses incurred by a concessionary company in the financing of infrastructure must be classified, for accounting purposes, as "regulated assets", provided that reasonable evidence exists to the effect that the toll rate (public price) will allow such costs to be recovered. In short, it is an accounting solution that is similar to the one that was included in the prevailing accounting standards in Spain up to the entry into force of the aforesaid standards, but which involved a treatment that differs significantly from that provided for in the IFRS-EU for these purposes, which do not permit the capitalisation of finance expenses once the infrastructure is in operation.

The ITÍNERE Group has adopted the latest version of all the applicable standards issued by the European Union's Regulatory Committee (IFRS-EU), the application of which is mandatory at 31 December 2016. Likewise, the Group companies AUDASA, AP-1, AUCALSA, AUDENASA and AUTOESTRADAS have applied IFRIC 12 in the preparation of the financial information that acts as the basis for the preparation of these consolidated annual accounts (see Annex I).

These consolidated annual accounts have been prepared using the historical cost principle, with the exception of derivatives and the assets and liabilities acquired in the business combination, which have been recognised at fair value.

Except when indicated otherwise, the figures included in the notes to these annual accounts are shown in thousands of euros, which is the Company's functional and reporting currency.

The individual annual accounts of the consolidated companies are pending the approval of their respective General Meetings of Shareholders. Nevertheless, the holding company's directors are of the opinion that they will be approved without any changes that significantly affect the consolidated annual accounts.

(b) Consolidation principles

*Subsidiaries*

Subsidiaries are all the companies in which ITÍNERE either directly or indirectly controls the operating and financial policies, exercising control over the relevant activities, maintaining the right or exposure to the investment's profit or loss and the ability to use this power in such a way as to influence the amount of these returns. The foregoing occurs when the stake is greater than half the voting rights.

Subsidiaries are fully consolidated.

The value of the minority shareholders' stake in the equity and operating results of the fully consolidated subsidiaries is shown under "Equity – Non-controlling interests" on the consolidated balance sheet and under "Consolidated profit/(loss) for the year attributable to non-controlling interests" on the consolidated statement of profit or loss, respectively.

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*Joint ventures (jointly controlled entities)*

These are companies in respect of which a contractual agreement exists with a third party for sharing control over their activity and related strategic decisions, both financial and operational, for which the unanimous consent of all the participants sharing the control is required. The Group's interests in jointly controlled entities are recorded in the accounts in accordance with IFRS 11 under the equity method, in accordance with what is indicated in the following section, "Associates" (up until the adoption of the aforesaid rule in 2014, the Group chose to proportionally consolidate them, as explained in note 35).

*Associates*

These are companies over which ITÍNERE exercises important influence, maintaining a long-lasting link that fosters and influences their activity, but with limited representation in the mechanisms of management and control, which is usually accompanied by a stake of between 20% and 50% of the voting rights, except when it can be clearly demonstrated that such influence does not exist or, being less than 20% of the voting rights, it can be clearly demonstrated that such influence does exist. Investments in associates are equity accounted and recognised initially at cost. The participation of ITÍNERE in associates includes, as per IAS 28, the share of goodwill identified in the acquisition (net of any accumulated impairment losses) and is recorded under the heading "Investments in joint ventures and associates" on the consolidated balance sheet.

Subsequent to the acquisition, the participation of ITÍNERE in the profit or loss and reserves of associates is recognised in the financial year's statement of profit or loss and as consolidation reserves, respectively, with the value of the stake as the balancing entry in both cases. The receipt and/or accrual of dividends subsequent to the acquisition are adjusted against the amount of the stake.

Details of the consolidated companies and the consolidation method used are provided in Annex I to these notes.

All the balances and transactions carried out between the companies included in the consolidation scope have been eliminated in the consolidation process, where applicable.

Standardised accounting criteria have been applied to all the companies included in the consolidation scope.

(c) Comparison of information

To meet the prevailing standards, these consolidated annual accounts for 2016 include comparative figures relating to 2015.

The consolidated annual accounts at 31 December 2015 included, under "Non-current financial assets" in the "Other credits" line-item, the balance corresponding to the decline in revenues obtained by AUDASA as a result of providing the discounts established in Royal Decree 104/2013 of 8 February amounting to 10,507 thousand euros, with the balancing entry for the same amount under "Non-current accruals" on the liabilities side and a finance expense and income totalling 652 thousand euros regarding the discounting of that balance in 2015. As stated in note 1 (f), the Company chose to restate the consolidated balance sheet and consolidated statement of profit or loss for 2015 regarding this compensation because it believes that it does not meet the requirements established in the accounting standards for recognising this in the consolidated annual accounts, which does not affect in any way whatsoever AUDASA's right established in Royal Decree 104/2013 to receive compensation. The information about this balance is broken down in note 1 (f) to these consolidated annual accounts.



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(d) Group structure

The ITÍNERE Group is made up of the parent company, ITÍNERE INFRAESTRUCTURAS, S.A., and its subsidiaries and associates. The detail of the companies that comprise the ITÍNERE Group at 31 December 2016 and 2015, the percentages and amounts corresponding to each stake, the consolidation method applied and the registered office and activities of each one are shown in Annex I, which forms an integral part of these consolidated annual accounts.

All the companies that form part of the consolidation scope end their financial year on 31 December.

All the companies comprising the ITÍNERE Group are audited by KPMG AUDITORES, S.L., with the exception of the companies TACEL INVERSIONES, S.A., AUTOPISTA CENTRAL GALLEGA, C.E.S.A. and BIP & DRIVE, S.A., which are audited by DELOITTE, S.L.

(e) Relevant accounting estimates and judgements used

The preparation of the consolidated annual accounts in accordance with IFRS-EU requires the application of relevant accounting estimates and the making of judgements, estimates and assumptions in the process of applying the Group's accounting principles. The assumptions and estimates adopted are based on past experience and other factors deemed to be reasonable in the current circumstances.

In some cases, in the Group's consolidated annual accounts for the financial year ended 31 December 2016, estimates and judgements made by the management of the parent company and by its subsidiaries, subsequently ratified by their directors, have been used to quantify some of the assets, liabilities, income, expenses and commitments recognised therein. Those estimates refer to:

- Assessment of potential impairment losses from certain assets, including goodwill.
- Useful life of property, plant and equipment and intangible assets.
- Estimate of the amount and periods relating to replacement activities and major repairs when carried out in usage periods in excess of one year, which are enforceable in relation to the elements required of each one of the infrastructures so that the activities and services they render and carry out can be adequately performed (see note 3 (o)).
- Recoverability of deferred tax assets. Recognition of deferred tax assets is made on the basis of future estimates made by the Group in connection with the likelihood of future tax gains being available to permit their recovery.
- Accounting estimates based on projections. Traffic growth assumptions and the applied discount rates constitute one of the main basis for the economic and financial projections.
- Considerations relating to refinancing and the cancellation of current liabilities.
- Hedge effectiveness tests. The tests performed to measure the effectiveness of accounting hedges implemented through the contracting of derivatives are based on the estimate of certain variables of the hedged element and the hedge itself, meaning that their calculation is subject to variations.

Estimates are made using the information on the analysed facts and events that is available at the balance sheet date, although it is possible that future events may require them to be modified. Therefore, these estimates are reviewed on an ongoing basis, recognising the effects that any change in them may produce in the period in which they are known.

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(f) IFRS-EU applied by the Group in 2016

At 31 December 2016, the Group applies all the mandatory International Financial Reporting Standards adopted by the European Union in the preparation and drafting of its consolidated annual accounts.

The consolidated annual accounts for the year ended 31 December 2014 were the first in which the Group applied IFRS 11 – Joint Arrangements. The impact on the consolidated annual accounts of applying the aforesaid IFRS is significant and has involved equity accounting the stake in AUTOPISTAS DE NAVARRA, S.A. (AUDENASA) instead of proportionally consolidating it, as had been done up to 31 December 2013 (see note 35).

(g) IFRS-EU standards, interpretations and amendments entering into force on 1 January 2016 that the Group has adopted:

- Amendment to IAS 16 and IAS 38: Acceptable methods for depreciation and amortisation. Clarifies the acceptable methods of amortisation and depreciation of property, plant and equipment and intangible assets, and does not include those that are revenue-based. The entry into force of this amendment has not had any impact on the consolidated financial statements.
- Amendment to IFRS 11: Accounting for acquisitions of interests in joint operations. Specifies the accounting treatment for the acquisition of a stake in a joint operation in which the activity constitutes a business. The entry into force of this amendment has not had any impact on the consolidated financial statements.
- Annual amendments to IFRS 2012-2015. Changes were made to the following standards: IFRS 5: Non-current assets held for sale and discontinued operations; IFRS 7: Financial instruments: disclosures; IAS 19: Employee benefits; and IAS 34: Interim financial reporting. The entry into force of this amendment has not had any impact on the consolidated financial statements.
- Amendment to IAS 1 – Disclosure initiative. Includes various clarifications regarding disclosure (materiality, aggregation, order of notes, etc.). The entry into force of this amendment has not had any impact on the consolidated financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities. Clarifies the consolidation exception of investment entities. The entry into force of this amendment has not had any impact on the consolidated financial statements.

(h) Standards and interpretations issued by the International Accounting Standards Board (IASB), pending approval by the European Union:

- IFRS 15: Revenue from contracts with customers. A new standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). Mandatory application for annual periods starting 1 January 2018 onwards.
- IFRS 9: Financial instruments. Replaces the requirements of IAS 39, relating to the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment methodology. Mandatory application for annual periods starting 1 January 2018 onwards.
- IFRS 16: Leases. A new leases standard that replaces IAS 17. Lessees must include all leases on the balance sheet as if they were financed purchases. Mandatory application for annual periods starting 1 January 2019 onwards.

The application of new standards, interpretations and amendments will be considered by the Group if and when ratified and adopted by the European Union. The Group's management has chosen not to apply in advance the standards listed above. Nevertheless, it is not expected that the effects on the consolidated annual accounts will be significant.

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**3. ACCOUNTING PRINCIPLES**

The main accounting principles applied uniformly by all the Group's companies are as follows:

(a) Goodwill

Goodwill from business combinations as from the date of transition to IFRS-EU is initially measured at an amount equivalent to the difference between the business combination's cost and the net fair value of the acquired business's assets, liabilities and contingent liabilities at the transaction date. In accordance with IFRS 3, the Company has chosen to measure non-controlling interests at fair value. This measurement recognises the non-controlling interests in the business combination's goodwill.

Goodwill is not amortised; instead, its impairment is assessed on an annual basis or earlier in the case of events having been identified that point to a potential loss of the asset's value. To this end, the resulting goodwill from the business combination is allocated to the group of identified cash-generating units (CGUs) to which the ability to generate the value corresponding to such difference can be attributed.

In this respect, the Group has defined as a CGU each of the concessionary companies that make up the Group, with the aforementioned group being the sub-holding in which ITÍNERE has an interest and on which the Group's main concessionary companies depend, that is, ENAITINERE, S.A.

After the initial recognition, goodwill is measured at cost less accumulated impairment losses. These impairment losses cannot be reversed later on.

(b) Other intangible assets

Intangible assets, which include administrative concessions, rights to use tangible fixed asset items, and computer applications, are measured at their acquisition cost net of their corresponding accumulated amortisation and any impairment losses they may have suffered. Amortisation is calculated on a straight-line basis over 4 years for computer applications and 10 years for lease transfer rights. Administrative concessions are amortised throughout the concession period.

Intangible assets are only recognised when there is a certainty that they will generate future profits for the Group and provided their cost can be reliably measured. Intangible assets generated internally, excluding activated development costs, are not capitalised, but rather are registered as expenses in the financial year in which they are incurred.

(c) Concession arrangements

In accordance with the contractual terms and conditions established in the different concessions operated by the Group's companies, ownership of the concession assets corresponds to the respective concession-granting administrations, with the concessionary companies having the right to operate the infrastructure, for which they receive the price paid by users. According to the provisions of the respective agreements, the concession-granting body regulates this price. Therefore, "concession arrangements" shows the fair value of the net consideration to be received (generated cash flow) as a consequence of the concession assets' operation.

As a result of the breakdown of the acquisition price made within the framework of the business combination implemented during 2009, the "concession arrangements" line-item was measured at fair value (note 1 (d)). The methodology applied to determine the concession arrangements' fair value was the revenue-based method, through the discounting of cash flow after servicing the debt generated by the concessions, subsequently adding the net debt associated with each one of these assets. The basic premise of this methodology is that the concession arrangements have a fair value that is equal to the present value of the cash flow generated by the assets. The breakdown of the adjustment to concession arrangements as a result of their measurement at fair value is as follows:

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	<b>Thousands of euros</b>
AUDASA	208,300
AUCALSA	(147,300)
AUDENASA (*)	72,500
AUTOESTRADAS	6,200
AP-1 EUROPISTAS	295,100
<b>Concession arrangement fair value adjustment</b>	<b>434,800</b>

(\*) As a result of applying IFRS 11, the aforesaid amount forms part of the value of the stake in this company, which is shown under the heading "Investments in associates and joint ventures".

Concession arrangements are amortised on a straight-line basis once the infrastructure is ready for use in a systematic and rational manner throughout the concession's useful life.

(d) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost, which includes all the costs and expenses directly attributable to the acquired assets, including finance expenses, until they are in working condition, less their corresponding accumulated depreciation and any impairment losses they may have suffered.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years of useful life
Other buildings	33 to 50
Technical facilities and machinery	5 to 10
Other facilities, fixtures and furniture	3 to 10
Other property, plant and equipment	3 to 10

At year-end, the Group reviews and, when applicable, adjusts the property, plant and equipment's residual value, useful life and depreciation method.

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

(e) Investment property

Investment property is comprised of land and buildings that are leased or available for lease to third parties. Buildings are depreciated on a straight-line basis over an estimated useful life of 33 years.

The measurement standards described for property, plant and equipment are fully applicable to investment property.

Assets are transferred to investment property only when a change occurs in the use of these assets.

(f) Impairment of non-financial assets subject to amortisation or depreciation

The Group follows the criterion of assessing the existence of signs that could indicate the potential impairment of the value of non-financial assets subject to amortisation or depreciation, including that corresponding to equity accounted companies, in order to verify whether or not these assets' book value exceeds their recoverable value.

Similarly, and irrespective of the existence or otherwise of any signs of impairment, the Group checks, at least on an annual basis, the potential impairment that could affect goodwill and the intangible assets not yet available for use.

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The recoverable amount is the higher of the fair value minus the cost of goods sold and the value in use. An asset's value in use is determined on the basis of the expected future cash flow that will result from the asset's use, expectations of potential variations in the amount or timing of cash flow, the time value of money, the price to be paid for exposure to the uncertainty relating to the asset and other factors which market agents would take into account in the valuation of the future cash flow associated with the asset.

Negative differences resulting from the comparison of the assets' book value with their recoverable values are recognised in the consolidated statement of profit or loss.

The recoverable value must be calculated for an individual asset, except when the asset does not generate cash inputs that, to a large extent, are separate from those corresponding to other assets or asset groups. If this is the case, the recoverable amount is calculated for the cash-generating unit (CGU) to which it belongs.

Losses relating to the CGU's value impairment are initially allocated to reduce the value of the goodwill allocated to them, where applicable, and then that of all the other assets of the CGU, divided proportionally on the basis of the book value of each of the assets, with the limit for each one being the greater of their fair value less the costs to sell, their value in use or zero.

At the end of each reporting period, the Group assesses whether or not there are indications that the impairment loss recognised in previous financial years no longer exists or has been reduced. Impairment losses corresponding to goodwill are not reversible. The impairment losses of all other assets only revert when there has been a change in the estimates used for establishing the asset's recoverable value.

Impairment loss reversal is registered with a credit to the consolidated statement of profit or loss. Nevertheless, the loss's reversal may not increase the asset's book value above the book value it would have had, net of amortisation or depreciation, had the impairment not been registered.

The amount of the impairment loss reversal of a CGU is distributed between the unit's assets, excluding goodwill, divided proportionally on the basis of the assets' book value, with the limit per asset being the lower of its recoverable value or the book value it would have had, net of amortisation or depreciation, had the loss not been registered.

(g) Leases

Some of the Group's companies have assigned the right to use certain facilities through lease contracts. These leases do not transfer to third parties substantially all the risks and rewards incidental to ownership of the assets, and are therefore classified as operating leases.

Operating lease income is recognised as income on a straight-line basis over the lease term.

Similarly, operating lease costs are recognised as an expense using the straight-line method over the lease term. As and when applicable, contingent lease payments are recorded as an expense when it is deemed probable that they are going to be incurred.

(h) Financial assets

The Group classifies its investments in the following categories: loans and other receivables, investments held to maturity, and financial assets available for sale. The classification depends on the purpose of the investments and is made on the basis of the instrument's characteristics and the intention behind its acquisition.

- Loans and receivables: Loans and receivables are financial assets that derive from goods sold and services rendered as part of the companies' ordinary business. This category also includes non-trade receivables defined as financial assets of a fixed or determinable amount that are not equity instruments or derivatives and are not traded in an active market.

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These financial assets are initially measured at their fair value, including the transaction costs directly attributable to them, and, subsequently, at their amortised cost. Accrued interest is recognised in the statement of profit or loss using the effective interest rate method.

Nevertheless, the trade payables due within one year which do not have a contractual interest rate are measured at their nominal amount, in both the initial and subsequent valuations, provided that the effect of not discounting the cash flow is not material.

- Investments held to maturity: They are debt securities with fixed or determinable payments and fixed maturity traded on an active market that companies have the positive intention and ability to hold to maturity.

After initial recognition at fair value, the financial assets included in this category are measured at amortised cost. Accrued interest is recognised in the statement of profit or loss using the effective interest rate method.

- Financial assets available for sale: comprise debt securities and equity instruments of other companies not classified in any of the above categories.

They are initially measured at their fair value plus the transaction costs directly attributable to the purchase.

They are subsequently measured at fair value. Any changes in the fair value are recognised in equity until the assets are sold or have been subject to stable or permanent impairment, at which time the cumulative balance of the adjustments to fair value previously recognised in equity is taken to the statement of profit or loss.

At year-end, the Group assesses whether or not objective evidence exists relating to any impairment losses of a financial asset or group of financial assets as a result of one or more events occurring after their initial recognition that could have an impact on the asset or asset group's estimated future flow, provided that they can be reliably estimated.

The Group recognises impairments and defaults on loans and other receivables through recognition of a corrective provision for financial assets. At the moment at which it is decided that the impairment or impossibility of collection is irreversible, the book value is eliminated against the value correction amount. Impairment reversals are also recognised against the amount of such correction.

In the case of assets recognised at amortised cost, the amount of the impairment loss is equivalent to the difference between the financial asset's book value and the current value of the estimated future cash flow, discounted at the asset's original effective interest rate. The impairment loss is recognised in the financial year's results and is reversed if the reduction in the recognised amounts can be objectively associated with an event subsequent to the impairment's recognition, provided that such reversal does not exceed the amortised cost the asset would have had if no impairment had been registered.

Financial assets are derecognised when the rights to receive cash flow associated with them have matured or have been transferred and the Group has substantially transferred the risks and benefits resulting from their ownership. Likewise, the derecognition of financial assets in circumstances in which the Group retains the contractual rights to receive the cash flow only occurs when contractual obligations have been assumed that determine the payment of such flow to one or more receiving parties and the following requirements are met:

- The payment of cash flow is conditional upon their prior collection;
- The Group cannot pledge or sell the financial asset; and

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- The cash flow collected on behalf of the final receiving parties are remitted without significant delay, with the Group being unable to reinvest this cash flow. Investments in cash and cash equivalents made by the Group during the settlement period, i.e. between the collection date and the remittance date agreed with the final receiving parties, are excluded from the application of this criterion, provided that the accrued interest is attributed to the final receiving parties.

A financial asset's derecognition involves the recognition of results for the difference that exists between its book value and the sum of the considerations received, net of transaction costs, including the assets obtained and the liabilities assumed and any deferred profit or loss in income and expenses recognised in equity.

The criteria for derecognising financial assets in operations in which the Group neither substantially assigns nor substantially retains the risks and benefits inherent in their ownership are based on an analysis of the degree of control maintained. In this way:

- If the Group has not retained control, the financial asset is derecognised and any rights and obligations created or retained as a result of assignment are separately recognised as assets or liabilities.
- If the Group has retained control, it continues to recognise the financial asset on the grounds of the Group's continued involvement in it and registers a related liability. Continued involvement in a financial asset is determined by the amount of its exposure to value changes in that asset. The asset and related liability are valued on the basis of the rights and obligations recognised by the Group. The related liability is recognised in such a way that the book value of the asset and related liability is equal to the amortised cost of the rights and obligations retained by the Group, when the asset is valued at its amortised cost, or the fair value of the rights and obligations retained by the Group, when the asset is valued at its fair value. The Group continues to recognise the income resulting from the asset to the extent of its continued involvement and the expenses resulting from the related liability.

Transactions in which the Group substantially retains all the risks and benefits inherent in the ownership of an assigned financial asset are recorded through recognition in liability accounts of the consideration received. Transaction costs are recognised in the statement of profit or loss, applying the effective interest rate method.

The Group applies the weighted average price method to measure and derecognise the cost of equity investments or debt that form part of standardised portfolios and have the same rights.

(i) Investments in associates and joint ventures

This heading on the attached consolidated balance sheet includes the direct or indirect stake of the parent company in the shareholders' equity of the companies that are considered associates or joint ventures and which, consequently, have to be equity accounted.

Initially the stakes are recognised at their cost value and, subsequently, the Group assesses the existence of impairment in relation to such valuation, so as to recognise any impairment losses relating to its net investment in the associate in question.

(j) Inventories

Inventories are measured at purchase cost, which comprises the amount invoiced by the seller, after deduction of any discounts, as well as other additional costs directly attributable to the acquisition of inventories.

The companies use the weighted average cost method to measure their inventories.

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Inventory valuation corrections and their reversals are recognised in the financial year's statement of profit or loss.

(k) Trade and other receivables

Trade and other receivables are initially recognised at their fair value or, in the case of deferred payment, at their amortised cost, in accordance with the effective interest rate method, less the provision for impairment losses.

A provision is established for impairment losses of trade and other receivables when objective evidence exists that the companies will not be capable of collecting all the amounts owed to them in accordance with the original terms of the accounts receivable. The amount of the provision is the difference between the book value and the present value of estimated future cash flow, discounted at the effective interest rate. The provision amount is recognised in the statement of profit or loss.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and in demand deposits in financial institutions. This line-item also includes other short-term investments with high liquidity that are easily convertible into specific cash amounts and are not subject to significant value change risks. To this end, investments with maturities of less than 3 months from the acquisition date are included.

(m) Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of any equity instrument, with the exception of those relating to equity instrument issues within the context of a business combination, are recorded in the accounts as a deduction from equity, net of any related tax incentive or effect.

The acquisition cost of own shares or the amounts resulting from their subsequent disposal are recorded in a separate consolidated equity category, with no profit or loss being recognised on the consolidated statement of profit or loss as a consequence of transactions with equity instruments.

(n) Loans and other remunerated liabilities

Loans and other interest-bearing liabilities are initially recognised at their fair value net of the costs incurred in the transaction. Subsequently, financial liabilities are valued at their amortised cost; any difference between the funds obtained (net of the necessary costs for their obtainment) and the reimbursement value is recognised in the statement of profit or loss during the debt's life, in accordance with the effective interest rate method.

The Group's companies derecognise a financial liability or any part thereof at the moment at which the obligations laid down in the corresponding contract are met, cancelled or have expired.

The exchange of debt instruments between the Group's companies and the counterparty, or substantial changes in the initially recognised liabilities, are recorded in the books as a cancellation of the original financial liability or the recognition of a new financial liability, whenever the instruments have substantially different conditions.

The Group considers that the conditions are substantially different when the current value of the cash flow discounted under the new conditions, including any commission paid net of any commission received, using the original effective interest rate for the discounting, is at least 10% different from the discounted present value of the remaining cash flow of the original financial liability.

If the exchange is registered as a cancellation of the original financial liability, the costs and commissions are recognised in profit or loss forming part of its result. Otherwise, the costs and commissions adjust



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the liability's book value and are amortised using the amortised cost method during the modified liability's remaining life.

The Group's companies recognise the difference between the book value of the financial liability or the part thereof that has been cancelled or assigned to a third party and the consideration paid, including any assets assigned other than the cash or liabilities assumed, to be credited or charged to the consolidated statement of profit or loss.

(ñ) Official grants

Official grants are registered when there is reasonable assurance that the grant will be received and that the conditions attaching to it will be fulfilled.

Non-repayable grants that finance investments in reversible assets included under the line-item "Concession arrangements" are registered as a lower amount of the concession arrangement in question.

In addition, grants are included that correspond to the difference between the fair value at which certain loans granted to the parent company at zero interest rate have been registered and the amount at which they were granted, on the grounds that this difference is an interest-rate subsidy.

The allocation of the aforesaid grant to profit or loss is made in the same proportion as that by which these loans are updated at a discount rate considered appropriate, depending on the contractually established time schedule for their amortisation.

(o) Provisions

Provisions are recognised on the consolidated balance sheet when the Group's companies have an existing liability, whether legal or implicit, resulting from a past event and when, moreover, it is likely that resources embodying future economic benefits will have to be used to cancel this liability, and when a reliable estimate can be made of the liability's amount.

The amounts recognised on the Consolidated Balance Sheet represent the best estimate at the end of the reporting period of the necessary disbursements for cancelling the existing liability, after having taken into account the risks and uncertainties associated with the provision and whenever the financial effect produced by discounting is significant, provided that the disbursements that are going to be made in each period can be reliably calculated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date. The financial effect of provisions is recognised as a finance expense in the consolidated statement of profit or loss.

Provisions are reversed to profit or loss when the probability of the existence of an outflow of resources embodying future economic profits to cancel this liability is less than 50%. The reversal is recorded under the line-item on the consolidated statement of profit or loss where the corresponding expense has been recorded, when this occurs in the same financial year or, when the expense occurred in a prior financial year, the reversal is recognised in other income accounts on the consolidated statement of profit or loss.

Concessionary companies are subject to fulfilment of certain contractual obligations, such as the maintenance of a certain operational level of the infrastructures and the restoration of certain conditions of the infrastructure prior to its delivery to the granting Administration at the end of the service contract's validity. These contractual obligations are recognised and valued in accordance with the provisions of IAS 37, on the basis of the best estimate of the necessary disbursement for cancelling the liability at the end of the reporting period.

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(p) Trade and other payables

Trade and other payables are valued at the fair value of the consideration received and, subsequently, at their amortised cost.

Nevertheless, the trade debts due within one year which do not have a contractual interest rate are measured at their nominal amount, in both the initial and subsequent valuations, provided that the effect of not discounting the cash flow is not material.

(q) Corporate income tax

Since 1 January 2009, the Company has filed its taxes as part of the consolidated tax group 36/09 where ITÍNERE is the parent company. This Group was created after the exclusion of ITÍNERE and its subsidiaries and investees from the consolidated tax group of which SACYR VALLEHERMOSO, S.A. is the controlling company and in which the aforesaid companies were included until, with the materialisation of the takeover bid referred to in note 1 (c), they ceased to meet the requirements established for that purpose.

The corporate income tax expense or revenue includes both current and deferred taxes. Taxes, irrespective of whether they are the current period's tax or deferred tax, must be recognised in profit or loss, except when they have arisen from a transaction or economic event recognised in the same or a different period, in which case they are charged or credited directly to equity, or when they have arisen from a business combination, which will not have an impact on profit or loss or on the other equity accounts.

Current tax is the expected amount to be paid or recovered in the financial year as corporate income tax relating to the financial year's consolidated tax gain or loss. Current tax assets or liabilities are valued using the legislation and tax rates approved or about to be approved at the balance sheet date.

Deferred tax liabilities are the amounts payable in the future as corporate income tax relating to taxable timing differences, whereas deferred tax assets are the amounts to be recovered as corporate income tax due to the existence of deductible timing differences, off-settable negative tax bases or deductions whose application is pending. To this end, timing difference is deemed to be the difference that exists between the book value of assets and liabilities and their tax base.

Taxable timing differences are recognised in all cases except when:

- They arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and does not affect the book value or the tax base at the transaction date.
- They correspond to differences associated with investments in subsidiaries or joint ventures over which the Group has the capacity to control the moment of their reversal and it is not likely that their reversal will occur in the foreseeable future.

Deductible timing differences are recognised provided that:

- It is likely that there will be sufficient future positive tax bases for them to be offset, except in those cases in which the differences arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and on the transaction date they affect neither the accounting result nor the gross tax base;
- They correspond to timing differences associated with investments in subsidiaries or joint ventures to the extent that the timing differences are going to be reversed in the foreseeable future and it is expected that future positive tax bases are going to be generated so that the differences can be offset.

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It is considered likely that the Group will have sufficient taxable profits to recover the deferred tax assets, when there are sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, which are expected to be reversed in the same financial year as the expected reversal of the deductible temporary difference or in financial years in which a tax loss arising from the deductible temporary difference can be offset against previous or subsequent profits. When the only future taxable profit stems from the existence of taxable temporary differences, deferred tax assets deriving from off-settable tax losses are limited to 70% of the amount of the recognised deferred tax liabilities.

To determine the future tax gains, the Group takes into account the tax planning opportunities provided that it plans or is likely to adopt them.

Deferred tax assets and liabilities are valued at the tax rates that are going to be applied in the financial years in which it is expected that the assets are going to be realised or the liabilities are going to be paid, based on the standards and rates approved or about to be approved and once the fiscal consequences that will result from the manner in which the Group expects to recover the assets or liquidate the liabilities have been taken into consideration. For such purposes, the Group considers the deduction for reversal of the temporary measures implemented in transitional provision thirty-seven of Income Tax Act 27/2014 of 27 November as an adjustment to the tax rate applicable to the deductible timing difference associated with the non-deductibility of the redemptions made in 2013 and 2014.

At year-end, the Group reviews the book value of its deferred tax assets, for the purpose of reducing the value insofar as it is not likely that there will be sufficient future positive tax bases to offset them.

The deferred tax assets that do not comply with the foregoing conditions are not recognised on the consolidated balance sheet. At year-end, the Group's companies reconsider whether or not they fulfil the conditions for recognising the deferred tax assets that previously had not been recognised.

The Group's companies only offset current tax assets and liabilities when a legal right exists with the tax authorities and they have the intention of either settling the debts that result on a net basis or realising the assets and settling the debts simultaneously.

Deferred tax assets and liabilities are recognised on the consolidated balance sheet as non-current assets or liabilities, irrespective of the forecast date of their realisation or settlement.

(r) Derivatives

Some of the ENAITINERE Group's companies have arranged interest rate futures for the purpose of reducing the risk in their cash flow resulting from variations in the interest rates arranged in different financing operations.

Likewise, in 2009 hedge operations were arranged for the purpose of hedging the risk of variation in the inflation rate in the company AP-1 EUROPISTAS, C.E.S.A. as an indicator on the basis of which the toll rate is updated annually and which, together with the motorway's traffic density, determines the company's revenue.

The derivatives arranged by the Group's companies, which have been designated as cash flow hedge derivatives, are initially recorded at their fair value and, subsequently, value corrections are made at any given moment, as and when necessary. They are recorded under the asset line-items "non-current financial assets" or "current financial investments" when they are positive or under the liability line-items "non-current liabilities" or "current liabilities – derivatives" when they are negative, depending on the realisation or settlement term. The profit or loss from these fluctuations is recorded on the consolidated statement of profit or loss, except when the derivative has been designated as a hedge instrument and is highly efficient, in which case changes in the derivative's fair value are recorded, in the part in which the hedges are efficient, net of their tax effect, under the equity line-item. The accumulated loss or gain under this line-item is transferred to the consolidated statement of profit or loss to the extent that the underlying profit or loss has an impact on the account for the hedged risk, with the net effect being recorded under the same profit or loss line-item.

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In the case of hedge operations that do not meet the established requirements for their designation as a highly efficient hedge, the variation in their fair value will be registered under the line-item "Changes in the fair value of financial instruments" on the consolidated statement of profit or loss.

To this end, and in accordance with IFRS 13, the fair value is the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between market participants at the valuation date. In general, the Group applies the following systematic hierarchy for establishing the fair value of financial assets and liabilities:

- Level 1: assets and liabilities listed in active markets.
- Level 2: assets and liabilities whose fair value has been established on the basis of valuation techniques that use observable assumptions in the market.
- Level 3: assets and and liabilities whose fair value has been established on the basis of valuation techniques that do not use observable assumptions in the market.

The fair value at which the derivatives arranged by the Group companies have been measured includes a credit risk adjustment, the aim of which is to reflect not only the own risk but also that of the counterparty.

(s) Foreign currency transactions

Transactions in foreign currency are converted to the functional currency through the application of the cash exchange rates between the foreign currency and the functional currency in force on the dates the transactions are made.

Monetary assets and liabilities denominated in a foreign currency have been converted to euros applying the rate in force at the end of the reporting period, whereas non-monetary assets and liabilities valued at their historical cost are converted by using the exchange rates applied on the date on which the transaction took place.

In the presentation of the consolidated cash flow statement, flows from transactions in foreign currency are converted to euros applying the exchange rates in force on the date on which they occurred. The effect of exchange rate variations on cash and cash equivalents denominated in foreign currency is shown separately on the consolidated statement of cash flow as "effect of exchange gains (losses)".

Any differences that appear in the settlement of transactions in foreign currency or in the conversion to euros of monetary assets or liabilities denominated in a foreign currency are recognised in profit or loss. Nevertheless, exchange gains or losses arising in respect of monetary items that form part of the net investment of foreign businesses are registered as exchange gains or losses in equity accounts.

Exchange gains or losses relating to monetary financial assets or liabilities denominated in foreign currency are also recognised in profit or loss.

The conversion to euros of the businesses that the Group maintains abroad has been carried out through the application of the following criteria:

- Assets and liabilities are converted at the closing exchange rate in force on the date of each balance sheet;
- Income and expenses are converted at exchange rates similar to those in force on the date of each transaction; and
- Exchange rate differences resulting from the application of the above criteria are recognised as exchange gains or losses in equity.

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(t) Income and expenses

Income and expenses are allocated following the accrual criterion, that is, based on the real flow of the goods or services they represent, regardless of the moment at which the related monetary or financial flow occurs.

The Group's concessionary companies recognise toll revenue at the time a vehicle uses the toll road. In the case of some companies, part of this revenue is assumed by the central government or the regional governments, in accordance with the provisions of the applicable legislation (see note 12). Toll rates are updated annually in accordance with the rules applicable to each company.

Income is valued at the fair value of the consideration received or to be received, deducting the discounts, price reductions and other similar items the companies may grant, in addition to the interest incorporated in the nominal amount of any loans, as and when applicable. The indirect taxes on transactions which are passed on to third parties do not form part of revenues.

Commissions on credit sales, cards or "Vía T" electronic collection devices incurred by the concessionary companies are recognised under the outsourced services line-item on the consolidated statement of profit or loss.

Revenues from services rendered are recognised by considering the degree of completion of the service at the balance sheet date, provided that the transaction result can be estimated reliably. In the case of the Group company, GESTIÓN DE INFRAESTRUCTURAS DE BIZKAIA, S.A. (GEBISA), in which AP-1 EUROPISTAS, C.E.S.A. has a 55% stake, and which, since 6 June 2013, has been providing the operation, maintenance and conservation service of the section of the AP-8 toll road between Gallo/Urgoiti and Ermua, that up until that date had been provided by the Group company, AUTOPISTAS DE BIZKAIA, S.A. (AUBISA), the income is recognised on the basis of the costs incurred in relation to total estimated costs.

(u) Current and non-current assets and liabilities

Receivables and payables are classified on the consolidated balance sheet as either current, when their maturity is equal to or less than 12 months, or non-current, when their maturities exceed this period.

(v) Environment

The Group companies carry out operations meant to prevent, reduce or repair any damage caused to the environment as a result of their activities, with the charges resulting from these environmental activities being recognised as charges in the financial year in which they are incurred.

Property, plant and equipment acquired for sustained long-term use in the activity and whose main purpose is the minimisation of the environmental impact and environmental protection and enhancement, including the reduction or elimination of future pollution caused by the Group's operations, are recognised as assets through the application of measurement, presentation and disclosure criteria consistent with those referred to in notes 4 and 5.

As regards to possible environment-related contingent liabilities, the directors are of the opinion that they are sufficiently covered with the civil liability insurance policies that the Group's companies have taken out.

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**4. PROPERTY, PLANT AND EQUIPMENT**

Their breakdown and movement in 2016 and 2015 are as follows:

Thousands of euros	Land and buildings	Technical facilities and machinery	Other facilities, fixtures and furniture	Other property, plant and equipment	Total
Cost at 31 December 2014	2,087	7,931	2,164	3,442	15,623
Additions	-	145	64	173	382
Removals	-	(753)	(3)	(1,134)	(1,890)
Transfers	-	21	18	(21)	18
Cost at 31 December 2015	2,087	7,344	2,243	2,460	14,134
Accumulated depreciation at 31 December 2014	(813)	(6,226)	(1,741)	(3,068)	(11,848)
Additions	(43)	(446)	(95)	(139)	(723)
Removals	-	736	3	1,121	1,860
Accumulated depreciation at 31 December 2015	(856)	(5,957)	(1,833)	(2,065)	(10,711)
<b>Net book value at 31 December 2015</b>	<b>1,231</b>	<b>1,387</b>	<b>410</b>	<b>395</b>	<b>3,423</b>
Cost at 31 December 2015	2,087	7,344	2,243	2,460	14,134
Additions	-	180	23	71	274
Removals	-	(33)	-	(47)	(80)
Transfers	-	33	-	-	33
Cost at 31 December 2016	2,087	7,524	2,266	2,484	14,361
Accumulated depreciation at 31 December 2015	(856)	(5,957)	(1,833)	(2,065)	(10,711)
Additions	(43)	(387)	(96)	(103)	(629)
Removals	-	33	-	44	77
Transfers	-	(33)	-	-	(33)
Accumulated depreciation at 31 December 2016	(899)	(6,344)	(1,929)	(2,124)	(11,296)
<b>Net book value at 31 December 2016</b>	<b>1,188</b>	<b>1,180</b>	<b>337</b>	<b>360</b>	<b>3,065</b>

As indicated in note 3 (d) above, the Group values its property, plant and equipment at their cost value. At 31 December 2016 and 2015, there is no indication of impairment of property, plant and equipment.

At 31 December 2016 and 2015, no property, plant and equipment have been pledged as security or are subject to ownership restrictions. The Group has taken out insurance policies to adequately cover the risks to which its property, plant and equipment are exposed.

At 31 December 2016, the Group has fully depreciated property, plant and equipment amounting to 7,743 thousand euros (7,475 thousand euros at 31 December 2015).

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**5. CONCESSION ARRANGEMENTS**

Their breakdown and movement in 2016 and 2015 are as follows:

Thousands of euros	Concession arrangements
Cost at 31 December 2014	3,364,591
Additions	47,877
Cost at 31 December 2015	3,412,468
Accumulated depreciation at 31 December 2014	(595,715)
Additions	(128,106)
Accumulated depreciation at 31 December 2015	(723,821)
<b>Net book value at 31 December 2015</b>	<b>2,688,646</b>
Cost at 31 December 2015	3,412,468
Additions	69,643
Cost at 31 December 2016	3,482,111
Accumulated depreciation at 31 December 2015	(723,821)
Additions	(127,979)
Accumulated depreciation at 31 December 2016	(851,800)
<b>Net book value at 31 December 2016</b>	<b>2,630,310</b>

The main additions registered in 2016 and 2015 refer to the studies and designs carried out by AUDASA in relation to the agreement approved by virtue of Royal Decree 1733/2011 of 18 November 2011 signed with the Ministry of Development for the enlargement of the capacity of various sections of the motorway (Santiago de Compostela bypass and Vigo access, including Rande bridge), in addition to the capitalisation of net finance expenses for an amount of 13,927 thousand euros in 2016 (13,014 thousand euros in 2015), associated with the issue of new debt carried out in April 2014 to finance the work under this agreement (see note 27).

To compensate the concession company for the investments to be made and the higher costs of this work, the aforementioned Royal Decree 1733/2011 envisages a moderate increase in tariffs, as an exceptional measure, which will remain in force until all the investment in the extension and the related maintenance and other costs have been compensated.

The compensation of these investments and their associated costs is calculated through the capitalised value at an annual rate of 8% of the cash flow associated with this project up to the end of the concession period. This compensation does not include the amount of the capitalisation of net finance expenses which, at 31 December 2016, amount to a total of 35,668 thousand euros (21,741 thousand euros at 31 December 2015) or the costs incurred on the Sigüeiro junction which, in accordance with Royal Decree 1733/2011, will be recovered by collecting the toll from the users making new journeys; the amount of such costs at 31 December 2016 was 5,061 thousand euros (4,944 thousand euros at 31 December 2015). Consequently, the total investment amount that has to be compensated at 31 December 2016 is 94,233 thousand euros (38,635 thousand euros at 31 December 2015) (see note 1 (f)).

The amount of the discounting of these investments, calculated pursuant to Royal Decree 1733/2011 was 5,265 thousand euros at 31 December 2016 (2,013 thousand euros at 31 December 2015). Consequently, the total compensation to be received under this agreement at 31 December 2016 totals 99,498 thousand euros (40,648 thousand euros at 31 December 2015) (see note 1 (f)).

As explained in note 1(f), to re-establish the economic and financial equilibrium of AUDASA, the aggregate amount resulting from applying Royal Decree 1733/2011 of 18 November and Royal Decree 104/2013 of 8 February should be calculated.

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The breakdown by company under the “concession arrangements” line-item at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016		
	Cost	Accumulated depreciation	Net value
AUDASA	2,308,718	(355,274)	1,953,443
AUCALSA	531,682	(81,409)	450,273
AUTOESTRADAS	153,933	(27,988)	125,945
AP-1 EUROPISTAS	487,778	(387,129)	100,649
<b>Total concession arrangements</b>	<b>3,482,111</b>	<b>(851,800)</b>	<b>2,630,310</b>

Thousands of euros	2015		
	Cost	Accumulated depreciation	Net value
AUDASA	2,239,075	(297,981)	1,941,093
AUCALSA	531,682	(68,056)	463,626
AUTOESTRADAS	153,933	(23,494)	130,439
AP-1 EUROPISTAS	487,778	(334,290)	153,488
<b>Total concession arrangements</b>	<b>3,412,468</b>	<b>(723,821)</b>	<b>2,688,646</b>

The breakdown of the Group’s concession arrangements is as follows:

Concession company	Concession arrangement	Concession kilometres	Commissioning date	End of concession
AP-1 EUROPISTAS	AP-1 Burgos-Armiñon	84.3 km	1978	2018
AUDASA	AP-9 El Ferrol-Tuy	219.6 km	1979	2048
AUCALSA	AP-66 Campomanes-León	77.8 km	1983	2050
AUTOESTRADAS	AG-55 A Coruña-Carballo	33.1 km	1997	2045
	AG-57 Puxeiros- Val Miñor	25.0 km		

In 2008, AUTOESTRADAS started work on the construction of new junctions on the AG-57 Val Miñor motorway, by virtue of the acceptance of an agreement with the Galicia regional government for the concession’s modification and its inclusion in the project approved by the regional authorities for the purpose. As provided for in Decree 100/2008, the Galicia Regional Government committed itself to the financing of two of the four links envisaged in the aforesaid Decree. Specifically, the Galicia regional government assumed full responsibility for the total investment needed to complete the Sabaris junction and the construction of a new access link to the motorway at Porto de Molle. The regional administration allocated resources to these two links in an amount of 10,640 thousand euros.

In turn, AUTOESTRADAS assumed full responsibility for the total financing of the necessary investment for the motorway’s enlargement at the Nigrán and A Ramallosa links, for which it used its own equity, in addition to resources provided by its sole shareholder, ENA INFRAESTRUCTURAS, S.A., without needing to obtain funds from outside the Group.

These construction works were executed normally throughout the 2009 and 2010 financial years, having been concluded within the time frames specified in the construction design.

In connection with the grants received by the aforementioned company for financing these works, in 2011 they were reclassified as lower value under the “concession arrangements” line-item on the grounds that they were a component of the agreement.

At 31 December 2016 and 2015, there are no elements under the line-item “concession arrangements” in the Group’s companies pledged as security or subject to ownership restrictions.



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At 31 December 2016 and 2015, the total investment under the aforesaid line-item corresponds to reversible-type properties that will be transferred by the Group's companies to the different concession-granting administrations at the end of the respective concession periods, as per the concession agreements' terms and conditions. The companies do not expect to incur additional expenses over and above those envisaged in their Economic and Financial Plans as a result of the reversal of their infrastructure at the termination of these periods.

The Group's companies have insurance policies to adequately cover the risks to which the different items comprising the investment under the "concession arrangements" line-item are exposed.

At 2016 year-end, no indications of the existence of impairment of the respective concession agreements have been identified in the Group. Notwithstanding the above, given the nature of the business conducted by these companies, on an annual basis they calculate the value in use of their concession assets and check to ensure that it is higher than these assets' book value at the date of the analysis. As a consequence of the foregoing, it has not been considered necessary to register value adjustments of any type at 31 December 2016.

To determine the value in use of the concession assets, an estimate has been made of the future cash inputs and outputs deriving from the continued use of these assets, that is, the operating flows that the companies expect to obtain from the concession arrangement on that date. This flow was discounted at a rate that is appropriate to their nature (operating income and expenses). For this, the following aspects were taken into account:

- Reasonable assumptions and best estimates of management, based on the information available at the date of the analysis, taking into account the economic conditions forecast over the remaining term of the concession, and which constitute its business plan. The terms of the concession arrangement are also taken into account in this regard.
- Budgetary estimates and financial and operating projections until the concession expires. To this end, the Company uses traffic estimates and CPI projections prepared by an independent expert.

Additionally, and without prejudging any material risk in the variation of the key assumptions, the companies conducted a sensitivity analysis on the value in use of their concession assets to make sure that their recoverable amount exceeds their book value at year-end. That sensitivity analysis envisages significant variations in the discount rate and in the percentage of compliance with the estimated traffic, and the results obtained show that the recoverable amount of the concession contract at 31 December 2016 exceeds the book value in the envisaged scenarios.

## **6. INVESTMENT PROPERTY**

The movement in this line-item in 2016 and 2015 is as follows:

<b>Thousands of euros</b>	<b>Investment property</b>
Cost at 31 December 2014	5,790
Cost at 31 December 2015	5,790
Accumulated depreciation at 31 December 2014	(4,014)
Additions	(177)
Accumulated depreciation at 31 December 2015	(4,191)
<b>Net book value at 31 December 2015</b>	<b>1,599</b>
Cost at 31 December 2015	5,790
Cost at 31 December 2016	5,790
Accumulated depreciation at 31 December 2015	(4,191)
Additions	(177)
Accumulated depreciation at 31 December 2016	(4,368)
<b>Net book value at 31 December 2016</b>	<b>1,423</b>

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The investment properties registered at 31 December 2016 and 2015 refer to two business premises located in Bilbao and Vitoria that are owned by ITÍNERE. The line-item also includes three business premises located in a building in Madrid owned by ENA that are leased to third parties. The lease agreements in which the company acts as the lessor expire in December 2019 and the detail of the minimum rents, under the prevailing terms and conditions, without taking into account the impact of the building's expenses or future CPI-based or contractually agreed rent increases, at 31 December 2016 and 2015, is as follows:

Thousands of euros	2016	2015
One year	170	109
Between one and four years	339	327
<b>Total</b>	<b>509</b>	<b>436</b>

Income from the business premises leased to third parties, as recorded in the statement of profit or loss for the 2016 financial year, amounts to 151 thousand euros and includes the impact of the building's expenses (142 thousand euros in the 2015 financial year).

Expenses deriving from the investment properties owned by the Group refer to their annual depreciation and maintenance charges, which amounted to 119 thousand euros in 2016 (128 thousand euros in 2015). All the expenses are recognised in the statement of profit or loss on an accrual basis.

At 31 December 2016 and 2015, the Company had fully depreciated investment property totalling 54 thousand euros.

At 31 December 2016 and 2015, there are no restrictions on property investments or on revenues derived therefrom.

At 31 December 2016 and 2015, there are no contractual obligations for the acquisition, construction or development of investment property, or for their repair, maintenance or improvement.

The companies have signed insurance policies to adequately cover the risks to which the different elements that comprise the investment properties are exposed.

## 7. OTHER INTANGIBLE ASSETS

The movement in this line-item in 2016 and 2015 is as follows:

Thousands of euros	Administrative concessions and patents	Computer software	Other property, plant and equipment	Total
Cost at 31 December 2014	686	1,470	153	2,310
Additions	-	106	22	128
Removals	-	(39)	-	(39)
Transfers	-	-	(18)	(18)
Cost at 31 December 2015	686	1,537	157	2,380
Accumulated amortisation at 31 December 2014	(615)	(1,122)	(6)	(1,744)
Additions	(3)	(138)	(3)	(144)
Removals	-	33	-	33
Accumulated amortisation at 31 December 2015	(618)	(1,227)	(9)	(1,854)
<b>Net book value at 31 December 2015</b>	<b>68</b>	<b>310</b>	<b>148</b>	<b>526</b>
Cost at 31 December 2015	686	1,537	157	2,380
Additions	-	39	105	144
Cost at 31 December 2016	686	1,576	262	2,524
Accumulated amortisation at 31 December 2015	(618)	(1,227)	(9)	(1,854)
Additions	(3)	(139)	(5)	(147)
Accumulated amortisation at 31 December 2016	(621)	(1,366)	(14)	(2,001)
<b>Net book value at 31 December 2016</b>	<b>65</b>	<b>210</b>	<b>248</b>	<b>523</b>

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At 31 December 2016, the Group had fully amortised intangible assets amounting to 1,509 thousand euros (1,357 thousand euros at 31 December 2015).

At 31 December 2016 and 2015, no other intangible assets have been pledged as security, subject to reversal or have ownership restrictions.

## **8. GOODWILL**

As described in note 1 (d), within the framework of the business combination carried out in 2009, the Company recognised remaining goodwill after distribution of the aforesaid combination's acquisition price for an amount of 1,291,522 thousand euros, corresponding to the value that the Group expected to generate, mainly deriving from its financial and tax structure. These aspects optimised the Group's overall free cash flow, which meant that it could not be allocated individually to any of its assets but only to the corresponding groups of cash-generating units, which initially were the ENAITINERE and PARTICIPACIONES AP-1 EUROPISTAS segments (currently dissolved after their merger in 2015 with ENAITINERE).

As mentioned in note 3 (a), at the end of the reporting period, an assessment is made regarding the existence of impairment losses in relation to the goodwill allocated to the cash-generating units, based on the calculation of their value in use. For this, estimates are made using cash flow discounting methods, through which the recoverable value of the cash-generating units amongst which goodwill has been allocated is established. The recoverable amount is the higher of the fair value minus the cost of goods sold and the value in use.

To carry out this impairment test, the Group uses projections, from which it obtains the cash-generating units' value in use that take into account the Group's financial and fiscal structure and are based on the economic-financial plans of each concession arrangement, in which the complete recovery of the investment made by the different companies, as well as the amortisation of the subscribed debt throughout their respective concession periods, are envisaged.

To determine the present value of future cash flows, the following variables are taken into account:

- The estimated term for the generation of the concession companies' cash flows, which coincides with the term of the corresponding concession agreements.
- The revenue and expense projection based on the following criteria:
  - ✓ The revenue that will be generated by these companies throughout the concessions periods has been estimated on the basis of the predicted evolution in the Consumer Price Index (CPI), used to calculate the adjustment of fares, taking into consideration other variables, such as the degree of maturity of each of the companies and any other specific aspects that could affect their future activity. For this, the traffic estimates of each one of the concessionary companies corresponding to the remaining concession terms up to the date of their forecast reversion to the granting administrations have been taken into account. Such estimates have been made on the basis of a traffic study carried out by an independent expert.
  - ✓ The expenses have been estimated based on the estimated CPI and activity (traffic, technical enhancements, etc.).
- As regards to future investments, which include infrastructure maintenance and replacement activities, the best estimates available to the companies have been used, based on their experience and the expected performance of their activity.
- A weighted average cost of capital (WACC) calculated at 6.76% for 2016 and 2015.

The internal analysis carried out corresponding to the 2016 financial year has not revealed signs of additional impairment over and above those taken into account at the close of the 2012 financial year when it was necessary to make an impairment-based value adjustment relating to goodwill for an

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amount of 305,477 thousand euros. The factors determining this impairment were the following: the evolution of business in the Group's concessionary companies, as a consequence of the fall in levels of traffic on the motorways operated by the Group's companies and the consequent impact on future estimates; changes in the fiscal rules, particularly Royal Decree 12/2012 and the regulations for its application, which introduced limitations on the extent to which finance expenses can be deducted that affect the Group's financing structure and whose forecast evolution differs from the initial projections; the tightening of financial market conditions and their impact on future projections.

As a consequence of the foregoing, at 31 December 2016 and 2015, goodwill amounts to 986,045 thousand euros.

In addition, and without prejudice to the possibility of the existence or otherwise of an important risk of variation in the key assumptions, the Group has conducted a sensitivity analysis to test the impairment of goodwill, in order to check whether or not the recoverable amount exceeds the book value at year-end. This sensitivity analysis has been conducted taking into account important variations in the main assumptions of up to an increase of 100 basis points in the discount rate (WACC) and a decrease of 10% in the traffic estimates made, variations that the Group considers will not be exceeded. The results of this sensitivity analysis show that the recoverable amount of goodwill at 31 December 2016 is higher than its book value in the scenarios envisaged.

## 9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The breakdown and movement of this line-item on the consolidated balance sheet in 2016 and 2015 are as follows:

Thousands of euros	Balance at 31/12/2014	Change in equity (*)	Participation in profit/(loss)	Balance at 31/12/2015	Change in equity (*)	Participation in profit/(loss)	Balance at 31/12/2016
AUTOPISTAS DE NAVARRA, S.A. (AUDENASA)	206,990	(7,828)	244	199,406	(7,443)	809	192,772
BIP & DRIVE, S.A.	472	1,251	(323)	1,400	-	(204)	1,196
TACEL INVERSIONES, S.A.	-	-	-	-	-	-	-
<b>Investments in associates and joint ventures</b>	<b>207,462</b>	<b>(6,577)</b>	<b>(79)</b>	<b>200,806</b>	<b>(7,443)</b>	<b>605</b>	<b>193,968</b>

(\*) Considers consolidation adjustments

AUTOPISTAS DE NAVARRA, S.A. (AUDENASA) was incorporated on 28 July 1973 and its corporate purpose is the construction, operation and upkeep of a toll road between Irurzun and the link with the Ebro motorway (AP-15), excluding the section corresponding to the Pamplona Ronda Oeste (West Ring Road) which, pursuant to the agreement signed on 19 May 1987, was constructed by the Navarre regional government and transferred to the Company in 1991 for its operation and upkeep. The motorway's layout is 112.6 km long. The concession agreement's scheduled expiry date is 30 June 2029. As stated in note 2 (f), the Group has been applying IFRS 11 – Joint Arrangements – since its entry into force on 1 January 2014, which has meant that the consolidation of its stake in the aforesaid company is equity accounted instead of the proportionally consolidated as had been done until 31 December 2013. For information purposes, note 35 includes the consolidated profit or loss obtained in 2016 and 2015 through the proportional consolidation of AUDENASA.

BIP & DRIVE, S.A., a company in which ITÍNERE has a 20% stake, was incorporated on 18 March 2014. In 2016, no cash disbursements were made to it (1,049 thousand euros in 2015). It provides management services for the collection of the right of access to any infrastructure, in addition to the promotion, marketing, sale, management and operation of telematic products and services and associated equipment.

TACEL INVERSIONES, S.A. is the sole shareholder of AUTOPISTA CENTRAL GALLEGA, C.E.S.A., the concessionary company for the construction, operation and conservation under a toll regime of the Santiago-Alto de Santo Domingo section of the Santiago de Compostela-Ourense motorway.

The Group registered a value impairment adjustment of 100% of the value of its stake in TACEL INVERSIONES, S.A. in 2012, resulting from the impairment test carried out at the close of that financial year, which was used to estimate the current value of future cash flow expected to be obtained from the

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AUTOPISTA CENTRAL GALLEGA, C.E.S.A. project. This impairment was due to the impact on the business forecasts of the decline in traffic levels that significantly affected the project's development.

The breakdown of the basic financial information of the equity accounted companies at 31 December 2016 is as follows, in thousands of euros:

Company name	Stake (%)	Investment amount	Capital	Reserves	Operating profit/(loss)	Other income	Equity	Dividend received
AUTOPISTAS DE NAVARRA, S.A. (AUDENASA) <sup>(1)</sup>	50.00%	40,307	170,435	(17,923)	19,941	(1,134)	171,318	7,442
BIP & DRIVE, S.A. <sup>(2)</sup>	20.00%	1,821	2,420	4,576	(1,331)	317	5,982	-
TACEL INVERSIONES, S.A. <sup>(2)</sup>	18.36%	-	33,450	(142)	(8)	2	33,302	-

<sup>(1)</sup> Financial information obtained from the 2016 annual accounts prepared in accordance with the rules for the adaptation of the General Chart of Accounts to public infrastructure concessionary companies approved by Order EHA/3362/2010 of 23 December, subject to the harmonisation of IFRS-EU value criteria.

<sup>(2)</sup> Financial information obtained from their respective 2016 annual accounts prepared under the General Chart of Accounts in force since 1 January 2008.

### 10. NON-CURRENT FINANCIAL ASSETS

The breakdown and movement of this line-item on the consolidated balance sheet in 2016 and 2015 are as follows:

Thousands of euros	Other credits	Other financial assets	Derivatives	Loans to Cos. recorded using equity method	Total
Cost at 1 January 2015 (restated)	56	180	3,877	2,387	12,697
Additions	26	2	818	-	5,157
Removals	(44)	(1)	(2,591)	-	(2,636)
Cost at 31 December 2015 (restated)	38	181	2,104	2,387	4,710
Additions	24	10	10	-	44
Removals	(18)	-	(2,114)	-	(2,132)
Transfers	(3)	-	-	-	(3)
Cost at 31 December 2016	41	191	-	2,387	2,619
Impairment adjustments at 31 December 2015	-	-	-	(2,387)	(2,387)
Impairment adjustments at 31 December 2016	-	-	-	(2,387)	(2,387)
<b>Net book value at 31 December 2015</b>	<b>38</b>	<b>181</b>	<b>2,104</b>	<b>-</b>	<b>2,323</b>
<b>Net book value at 31 December 2016</b>	<b>41</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>232</b>

(note 19.3)

#### 10.1 OTHER CREDITS

This line-item includes loans and advances to personnel, which accrue interest in accordance with the rate established in the collective bargaining agreements in force at the Group's companies.

#### 10.2 OTHER FINANCIAL ASSETS

At 31 December 2016 and 2015, this line-item mainly refers to long-term performance bonds provided by the Group's companies.

#### 10.3 LOANS TO COMPANIES RECORDED USING THE EQUITY METHOD

This line-item includes the participating loan that TACEL INVERSIONES, S.L., subscribed with its shareholders on 28 December 2006 for a total amount of 13,000 thousand euros. The loan is subordinated to the main credit contract signed by ACEGA with several lenders and whose maturity is for 2021. The Group's participation in the aforesaid loan amounted to 2,387 thousand euros.

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In 2012, an impairment-based value adjustment was registered for the total amount of the aforesaid loan, as a result of the impairment test carried out at the close of that financial year, through which the current value of the future cash flow expected to be obtained from the AUTOPISTA CENTRAL GALLEGA, C.E.S.A. project was estimated. As stated in note 9, this impairment was the consequence of the effect on business forecasts of the evolution in this project's activity, with a decline in traffic levels that significantly affected its development.

### 11. TRADE RECEIVABLES FOR SALES AND SERVICES

The "trade receivables for sales and services" line-item at 31 December 2016 and 2015 includes the balances relating to vehicles using the Group's motorways paid for by credit card or electronic collection device, in which the collection period is less than 30 days. It also includes the balance held by the Group company, GEBISA, with the public-sector company that reports to the Basque regional government to which it provides the AP-8 motorway operation and upkeep service.

### 12. PUBLIC ADMINISTRATIONS

The debit balances with the Public Administrations at 31 December 2016 and 2015 are as follows:

Thousands of euros	2016	2015
Receivable from Public Treasury		
For income tax	11,356	30,667
For other items	-	1
Receivable from the Social Security	8	8
Receivable from other public authorities:		
Ministry of Development (including interest)	11,980	11,890
Galicia regional government	6,842	6,843
<b>Receivable from Public Administration</b>	<b>30,186</b>	<b>49,409</b>

At 31 December 2016, the receivables from the Public Treasury include the income tax receivables corresponding to 2015 resulting from paying tax under a tax consolidation regime, amounting to 11,356 thousand euros (30,667 thousand euros at 31 December 2015, corresponding the 2014 income tax settlement). At the date of preparing these consolidated annual accounts, both amounts had been collected.

The balance with the Ministry of Development includes, among others, the economic compensation paid annually by the Administration as a consequence of the lower revenue being obtained on certain motorways by virtue of different measures introduced for this purpose.

In regard to the above, this line-item includes compensation to be received by AUCALSA as a result of the 30% reduction in toll rates to be applied to heavy vehicles and the 50% reduction in the toll rate of the motorway's use by regular users pertaining to the light-vehicle group, with a balance pending collection at 31 December 2016 of 5,402 thousand euros (5,315 thousand euros at 31 December 2015). It also includes the compensation to be received by AUDASA due to the suppression of toll collections in certain sections of the motorway, the compensation of which is financed equally by the Ministry of Development and the Galicia regional government, for which the company has a receivable at 31 December 2016 of 6,578 and 6,579 thousand euros, respectively (6,575 and 6,621 thousand euros at 31 December 2015).

In addition to the part of the compensation referred to in the previous paragraph, the balance with the Galicia regional government also includes the toll rebate for the users who make the same journey on the motorway, there and back in the same day, using an OBE electronic toll payment system. Income in an amount of 437 thousand euros in 2016 (484 thousand euros in 2015) has been registered in AUTOESTRADAS for this item, with the balance pending collection for this at 31 December 2016 being 91 thousand euros (79 thousand euros at 31 December 2015). Likewise, AUTOESTRADAS has a receivable at 31 December 2016 totalling 28 thousand euros arising from the agreement signed in June 2016 with the Ministry of Development to operate the access to the outer harbour in A Coruña (AC-15) and its connection

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to the AG-55, where it will bear the cost of the connection work as well as the journeys both ways made by the users in the A Coruña-Outer Harbour and Arteixo-Outer Harbour.

The credit balances with the Public Administrations at 31 December 2016 and 2015 are as follows:

Thousands of euros	2016	2015
Payable to Public Treasury		
For tax items	2,747	1,621
For VAT	6,318	6,421
Payable to the Social Security	573	478
Other tax provisions (note 23.1)	15,842	-
<b>Payable to Public Administrations</b>	<b>25,481</b>	<b>8,520</b>

### 13. OTHER RECEIVABLES

The break-down of this line-item at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Receivable from related parties (note 22)	801	804
Other receivables	1,580	1,149
<b>Other receivables</b>	<b>2,381</b>	<b>1,953</b>

The "other receivables" line-item includes amounts pending collection resulting from ancillary activities carried out by the concessionary companies.

### 14. CASH AND CASH EQUIVALENTS

The breakdown of this line-item on the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Cash	100,704	80,183
Short-term securities portfolio	125,472	232,885
<b>Cash and cash equivalents</b>	<b>226,175</b>	<b>313,068</b>

The cash shown on the attached consolidated balance sheet at 31 December 2016 and 2015 is denominated in euros.

The current securities portfolio includes the investments made by the Group's companies in bank deposits and term deposits, which accrue interest at market rates, the maturities of which are less than 3 months from the contract date.

The average remuneration of the current securities portfolio at 2016 year-end is 0.27% (0.46% in 2015).

### 15. EQUITY

The breakdown of and movement in equity in 2016 and 2015 are shown in the consolidated statement of changes in equity, which forms an integral part of the consolidated annual accounts.

#### 15.1 REGISTERED CAPITAL

On 25 September 2012, the Company increased its share capital by 116,533 thousand euros, plus a premium of 825,250 thousand euros, by offsetting the participating and simple loans granted to the

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Company by its main shareholders. The details of this capital increase are included in the consolidated annual accounts for the year ended 31 December 2012.

At 31 December 2016 and 2015, the share capital of ITÍNERE is represented by 452,804,870 registered shares with a par value of 0.49 euros each, fully subscribed and paid up.

The share capital's structure at 31 December 2016 and 2015 is as follows:

	Number of shares	Stake (%)
Arecibo Servicios y Gestiones, S.L.	245,367,361	54.19%
Abanca Corporación Industrial y Empresarial, S.L.	107,826,737	23.81%
Sacyr, S.A.	70,216,145	15.51%
Liberbank Capital, S.A.	26,297,964	5.81%
Other shareholders	3,043,194	0.67%
Own shares	53,469	0.01%
<b>TOTAL</b>	<b>452,804,870</b>	<b>100.00%</b>

At 31 December 2015 and 2014, the Company holds treasury stock for a value of 212 thousand euros comprised of 53,469 shares with a par value of 0.49 euros each and an average acquisition price of 3.96 euros per share.

## 15.2 SHARE PREMIUM

At 31 December 2016 and 2015, the share premium stands at 1,038,560 thousand euros. This reserve can be used at will, to the extent that the resulting capital and reserves are not less than the share capital.

## 15.3 RESERVES

Their breakdown and movement in 2016 and 2015 are as follows:

Thousands of euros	Cash flow hedge reserves
<b>Balance at 31 December 2014</b>	<b>(19,368)</b>
Adjustment for the change in tax rate (note 23.3)	100
Comprehensive income for the year	8,380
<b>Balance at 31 December 2015</b>	<b>(10,888)</b>
Changes in the fair value (note 19.3)	3,740
<b>Balance at 31 December 2016</b>	<b>(7,148)</b>



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**15.4 ACCUMULATED EARNINGS AND OTHER RESERVES**

Their breakdown and movement in 2016 and 2015 are as follows:

Thousands of euros	Accumulated earnings and other reserves
<b>Balance at 31 December 2014</b>	<b>(69,020)</b>
Comprehensive income for the year	(60,359)
Changes in the consolidation scope (note (e))	209
Other changes in equity	(127)
Adjustment for the change in tax rate (note 23.3)	192
<b>Balance at 31 December 2015</b>	<b>(129,105)</b>
Comprehensive income for the year	(29,674)
Other changes in equity (note 23.1)	(15,343)
Other	-
<b>Balance at 31 December 2016</b>	<b>(174,122)</b>

Companies are required to transfer at least 10% of profit for the year to a legal reserve until this reserve reaches 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. At 31 December 2016 and 2015, ITÍNERE has provisioned the mandatory legal reserve amounting to 26,956 thousand euros.

This line-item includes the reserves in consolidated companies.

**15.5 MINORITY SHAREHOLDER'S EQUITY**

The breakdown of the equity that corresponds to minority shareholder's equity at 31 December 2016 is as follows:

Thousands of euros	Minority interest (%)	Total reserves	Profit/(loss) for the year	Total
GESTIÓN DE INFRAESTRUCTURAS DE BIZKAIA, S.A.	45%	682	271	953
<b>Minority Shareholder's Equity</b>		<b>682</b>	<b>271</b>	<b>953</b>

The information relating to non-minority shareholders' stakes in investee companies is shown in Annex II. The financial information is disclosed prior to carrying out intra-group eliminations.

**15.6 DIVIDEND PER SHARE**

The parent company did not distribute any dividend in 2016 or 2015.

**16. DEFERRED INCOME**

The breakdown and movement of this line-item in 2016 and 2015 are as follows:

Thousands of euros	Subsidies	Other deferred income	Total
<b>Cost at 31 December 2014</b>	<b>80</b>	<b>181</b>	<b>261</b>
Allocated to profit or loss	(22)	(53)	(75)
<b>Cost at 31 December 2015</b>	<b>58</b>	<b>128</b>	<b>186</b>
Allocated to profit or loss	(19)	(44)	(63)
<b>Cost at 31 December 2016</b>	<b>39</b>	<b>84</b>	<b>123</b>

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**16.1 CAPITAL GRANTS**

At 31 December 2016, this line-item includes the difference between the fair value at which certain zero interest rate loans granted to ITÍNERE by the Ministry of Energy, Tourism and the Digital Agenda have been recorded and the amount granted, on the understanding that this difference is an interest-rate subsidy (note 17.3).

Until 31 December 2016, income amounting to 660 thousand euros had been transferred to the consolidated statement of profit or loss, of which 22 thousand euros correspond to the 2016 financial year (641 thousand euros in 2015).

**16.2 OTHER DEFERRED INCOME**

The breakdown by company at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
AP-1 EUROPISTAS	84	119
AUTOESTRADAS	-	9
<b>Other deferred income</b>	<b>84</b>	<b>128</b>

The amount corresponding to AP-1 EUROPISTAS includes the amounts received by the company as compensation for the refurbishment of certain installations carried out in the Ameyugo and Brivesca service areas. The amounts are recognised as income in proportion to the depreciation of the financed assets.

As regards AUTOESTRADAS, the amount in this account includes the rebate on the interest rate of a European Investment Bank (EIB) loan granted to this company, which is allocated to profit or loss during the loan's maturity term following a financial criterion (see note 17.3). That loan was fully settled in 2016.

**17. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES**

The breakdown of current and non-current financial liabilities at 31 December 2016 and 2015, included under this line-item on the consolidated balance sheet, is as follows:

Thousands of euros	2016		
	Non-current	Current	Total
Non-convertible debentures	1,306,631	-	1,306,631
Convertible debentures	31,044	-	31,044
Debt with financial institutions	1,252,696	7,723	1,260,419
Other financial liabilities	285,058	-	285,058
Accrued interest pending maturity Non-convertible debentures	-	2,887	2,887
Accrued interest pending maturity Financial institutions	-	9,607	9,607
Accrued interest pending maturity Other financial liabilities	-	4,713	4,713
<b>Non-current and current financial liabilities</b>	<b>2,875,429</b>	<b>24,930</b>	<b>2,900,359</b>

Thousands of euros	2015		
	Non-current	Current	Total
Non-convertible debentures	1,183,534	117,246	1,300,780
Convertible debentures	27,705	-	27,705
Debt with financial institutions	1,669,534	1,368	1,670,902
Accrued interest pending maturity Non-convertible debentures	-	2,923	2,923
Accrued interest pending maturity Financial institutions	-	35,071	35,071
<b>Non-current and current financial liabilities</b>	<b>2,880,773</b>	<b>156,608</b>	<b>3,037,381</b>

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**17.1 NON-CONVERTIBLE DEBENTURES**

This line-item includes, in their entirety, the amounts of non-convertible debenture issues made by AUDASA and AUCALSA, all of them tax deductible and guaranteed by ENA, the sole shareholder. Annex III, which forms an integral part of this note, shows the detail of the outstanding debentures.

The movement in this line-item in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
<b>Opening balance</b>	<b>1,183,534</b>	<b>1,230,718</b>
Issues made during the year	114,559	63,451
Transfer to current	-	(117,246)
Adjustment for valuation at amortised cost	8,538	6,611
<b>Closing balance</b>	<b>1,306,631</b>	<b>1,183,534</b>

On 17 May 2016, the financing plans envisaged by AUDASA and AUCALSA for 2016 was carried out through the issue of low taxation debentures amounting to 66,801 thousand euros and 50,643 thousand euros, respectively, aimed at redeeming the debentures issued by both companies in December 2006.

The average cost of the outstanding debentures issued by the Group at 31 December 2016 is 4.75% (4.81% at 31 December 2015).

The interest accrued and pending payment at 31 December 2016 amounts to 2,887 thousand euros (2,923 thousand euros at 31 December 2015). This interest is payable annually.

The maturity of long-term debentures at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Two years	94,563	-
Three years	223,485	93,961
Four years	389,600	221,218
Five or more years	598,984	868,355
<b>Total maturities</b>	<b>1,306,632</b>	<b>1,183,534</b>

In 2015, finance expenses deriving from the issues of outstanding non-convertible debentures have been allocated to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 73,334 thousand euros (73,219 thousand euros in 2014) (note 27).

**17.2 CONVERTIBLE DEBENTURES**

On 29 July 2014, ITINERE carried out an issue of 11,000 convertible subordinated debentures with a par value of 5 thousand euros each, issued at par, which was fully subscribed and paid up on that date. The purpose of the issue was to meet the payment of the tax obligations resulting from the divestment process in Chile implemented during 2014, not being able to allocate the issue funds to any other purpose and having the obligation of using any amount not applied to such purpose for their compulsory partial early repayment.

Within the framework of the refinancing process completed in February 2016, the final due date of 84.5% of the issue has been extended and has been established as October 2025. The rest of the issue, i.e. 1,705 debentures subscribed by Sacyr Concesiones, S.L., maintains its maturity in October 2018. It is envisaged that the debentures will be amortised in full for an amount equal to the outstanding principal plus the accumulated interest, except in the case of the debentures whose title-holders choose their conversion into shares. The aforesaid conversion shall take place solely at the election of the debenture holders, who will be able to request the conversion of all or part of their debentures into ordinary shares,

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in the terms and conditions established in the issue deed. The debentures are remunerated at an effective 12% annual compound interest rate while the debentures corresponding to the tranche which, as the case may be, are subject to advance and mandatory repayment, will accrue a remuneration of 10% annual compound interest.

Pursuant to the issue terms and conditions, on 2 January 2015 ITINERE implemented the mandatory partial repayment in advance of the amount not allocated to the intended purpose, proceeding to the repayment of an amount of 2,842.20 euros per debenture, in addition to the payment of the corresponding interest at a 10% annual compound rate. Consequently, ITINERE paid out a total amount of 32,573 thousand euros.

Thus, by virtue of the foregoing, the nominal amount of the outstanding debentures at 31 December 2016 is 23,736 thousand euros, corresponding to 11,000 debentures with a unit par value of 2,157.80 euros.

In 2016, finance expenses deriving from this issue have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 3,367 thousand euros (3,040 thousand euros in 2015) (note 27).

The breakdown of the non-current debts for convertible debentures per subscriber, at 31 December 2016 and 2015, is as follows:

Thousands of euros	No. of debentures	2016	2015
Subscriber		Long-term issue	Short-term issue
Kutxabank, S.A.	1,784	5,070	4,525
Pear (Luxembourg) Investment S.Á.R.L.	4,177	11,871	10,596
Abanca Corporación Industrial y Empresarial, S.L.	2,615	7,432	6,633
Caser, S.A.	38	108	96
Liberbank, S.A.	638	1,813	1,618
Sacyr Concesiones, S.L.	1,705	4,846	4,325
Other (directors and senior management)	43	122	109
Adjustment for valuation at amortised cost	-	(218)	(197)
<b>TOTAL</b>	<b>11,000</b>	<b>31,044</b>	<b>27,705</b>

(note 22)                      (note 22)

The movement in debentures in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
<b>Opening balance</b>	<b>27,705</b>	<b>24,688</b>
Accrued interest	3,358	2,990
Adjustment for valuation at amortised cost	(19)	27
<b>Closing balance</b>	<b>31,044</b>	<b>27,705</b>

### 17.3 NON-CURRENT AND CURRENT DEBTS WITH CREDIT INSTITUTIONS

The breakdown of the debts with credit institutions that the Group's companies hold at 31 December 2016 is shown in Annex IV, which forms an integral part of this note.

On 3 July 2014, ITÍNERE proceeded to the non-extinguishing modifying novation of the finance contract signed in August 2011 and according to which the final maturity of the loan was extended until 31 October

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2018. The loan accrued a variable interest rate pegged to 6-month Euribor plus a 4% margin and envisaged the capitalisation of the part of the accrued interest.

By virtue of that established in certain clauses of that loan, the Company signed several interest rate hedge contracts with a notional amount of 313,250 thousand euros, which matured in January 2016 (note 19.3).

On 6 October 2015, this loan was novated, subject to a condition precedent, among which the conditions envisaged were the accrual of interest in accordance with a variable interest rate pegged to 6-month Euribor plus a 2% spread, the settlement on the end date of each interest period and the maturity in October 2025.

On 16 February 2016, once the condition precedent was met, establishing, among others, the distribution of a dividend charged to voluntary reserves worth 50,000 thousand euros by the investee ENAITINERE and which had to be allocated to redeeming the loan, the novation entered into force.

At 31 December 2015, the nominal amount of the loan was 629,307 thousand euros, of which 66,528 thousand euros had been redeemed, and interest of 8,303 thousand euros had been capitalised at 16 February 2016 (16,270 thousand euros in 2015). Consequently, the nominal amount of the loan on the novation date and at 31 December 2016 was 571,082 thousand euros.

On 5 June 2007, the Ministry of Energy, Tourism and the Digital Agenda granted ITÍNERE an interest-free preferential repayable loan of 678 thousand euros, for the execution of a project for the analysis of telecommunications systems applied to tolls by satellite positioning. This loan's final maturity is 30 June 2021 and 11 partial repayments have been planned.

In 2008, the Ministry of Energy, Tourism and the Digital Agenda granted ITÍNERE an interest-free preferential repayable loan of 441 thousand euros for the execution of a project for the development of an independent power system. The loan's final maturity is 30 December 2020.

On 31 October 2013, the Group companies, ENAITINERE and PARTICIPACIONES AP-1 EUROPISTAS, now ENAITINERE, following the merger carried out in the 2015 financial year (see note 1(e)), refinanced their respective syndicated loans through a syndicated loan, for a total amount of 1,176,236 thousand euros, with a maturity date of 31 October 2018. At 31 December 2015, the nominal amount of that loan totalled 1,034,854 thousand euros, of which 24,100 thousand euros were redeemed in January 2016.

On 6 October 2015, ENAITINERE signed a syndicated loan subject to a condition precedent with the aim of an early redemption, together with a bilateral loan (see section 17.4), of the syndicated loan signed in 2013 and of the distribution of an extraordinary dividend out of voluntary reserves of 50,000 thousand euros to the sole shareholder, which was paid on 16 February 2016.

On 9 February 2016, the aforementioned syndicated loan, with a nominal amount of 760,754 thousand euros, and the bilateral loan, with a nominal amount of 300,000 thousand euros were formalised in a public deed.

That syndicated loan accrues a variable interest rate pegged to 6-month Euribor plus a 2% spread, it will mature in October 2025 and it envisages an annual mandatory redemption of 7,608 thousand euros.

On 6 October 2016, ENAITINERE redeemed 65,196 thousand euros, where the nominal amount of the loan at 31 December 2016 was 695,558 thousand euros.

By virtue of the clauses of that loan, ENAITINERE signed certain hedge instrument contracts, specifically interest rate swaps and hedge caps (see note 19.3).

On 27 November 1996, AUTOESTRADAS signed a loan with the European Investment Bank (EIB) for a maximum amount of 39,066 thousand euros to finance the construction of the toll road. An agreement dated

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29 June 1998 reduced this amount to 15,025 thousand euros. This agreement also foresees financial assistance from the European Union by means of a 2% interest rate subsidy. On 26 October 1998, AUTOESTRADAS drew down all of this loan, receiving an amount of 16,702 thousand euros. The excess above the maximum 15,025 thousand euros is the amount of the financial assistance (see note 16.2). The loan bears interest at 5.07%, equivalent to Libor at the date it was extended plus a spread of 0.15%.

On 26 October 2016, that loan was fully redeemed by paying the last instalment of the principal amounting to 1,252 thousand euros and the accrued annual interest to the EIB.

On 6 May 2015, AUTOESTRADAS arranged a loan with Banco Santander, S.A. for a maximum amount of 25,000 thousand euros, which was drawn down on 25 June 2015. The loan bears interest equivalent to 6-month Euribor plus a spread. Its maturity will be in June 2019. The loan does not have any collateral.

In July 2016, the credit policy signed by GEBISA on 24 July 2013 for a maximum amount of 600 thousand euros matured; at 31 December 2015, no amount had been drawn down. The credit policy accrued variable interest pegged to the 3-month Euribor rate plus a spread of 2.25% and this was settled quarterly.

Likewise, on 18 September 2013, GEBISA signed a credit assignment and factoring with recourse policy for a maximum amount of 2,000 thousand euros, with renewable maturity at 1 year, pegged to 3-month Euribor plus a 2% spread. At 31 December 2016 and 2015, no amounts were drawn against this policy. Its maturity will be in September 2017.

All the debts with credit institutions shown on the attached consolidated balance sheet are denominated in euros.

Interest accrued and pending payment on debts with credit institutions at 31 December 2016 amounts to 9,607 thousand euros (35,071 thousand euros at 31 December 2015). This interest is payable every six months.

At 31 December 2016, the average cost of the loans signed by the Group with credit institutions is 2.84% (3.40% at 31 December 2015).

In 2016, finance expenses arising from debts with credit institutions have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 43,457 thousand euros (81,737 thousand euros in 2015) (note 27).

The maturity of the non-current debts with credit institutions shown on the attached consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Two years	7,534	112
Three years	31,906	1,644,944
Four years	7,495	24,404
Five years	7,441	75
More than five years	1,198,320	-
<b>Total maturities</b>	<b>1,252,696</b>	<b>1,669,535</b>

As indicated in the credit agreements signed by the Group's companies, the latter agree to fulfil certain obligations throughout the life thereof and grant a series of guarantees, amongst which the following should be noted:

- Pledge on the balance of the reserve account and operating accounts held by ITÍNERE, ENAITINERE and AP-1 EUROPISTAS.

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- Pledge on the credit rights resulting from the collection of royalties by ITÍNERE from its investees and those from the consolidation of the tax group.
- Pledge on the shares of ENAITINERE and of those of its investees, ENA and AP-1 EUROPISTAS.
- Pledge on the credit rights resulting from ENAITINERE'S interest rate hedge contracts as well as AP-1 EUROPISTAS' inflation hedge contracts.
- Pledge on the credit rights held by AP-1 EUROPISTAS.
- Mortgage commitment on AP-1 EUROPISTAS' concession and guarantee payable on demand granted by AP-1 EUROPISTAS up to a maximum amount of 134.3 million euros.
- ENAITINERE guarantees the inflation hedge contracts of AP-1 EUROPISTAS.
- Reporting obligations, including those relating to the expansion works on the AP-9 toll road operated by AUDASA.

Additionally, and as indicated in the loan agreements signed by the Group companies, the latter make commitments in respect to compliance with certain financial ratios as well as certain restrictions on the distribution of dividends.

The ratios and limitations as established in the loan agreements signed by ITÍNERE and ENAITINERE are as follows:

- Payouts to the shareholder can be made by ENAITINERE, provided that certain requirements are met, including the fact that the year's gearing ratio used for the payout is lower than 8:1.
- The debt service hedge ratio must not be less than 1.05 times.
- An overall indebtedness limit must be undertaken by ITÍNERE, ENAITINERE and their subsidiaries.

In connection with the foregoing, the Group's companies comply with the different clauses and, consequently, in this respect there are no motives that could give rise to the discharge of the contracts by the lenders.

#### **17.4 OTHER FINANCIAL LIABILITIES**

As stated in section 17.3 above, on 9 February 2016 ENAITINERE signed a loan with AustralianSuper Pty Limited for 300,000 thousand euros, which matures in October 2025. That loan accrues a fixed interest rate of 6.5% per year which is settled every six months.

Interest accrued and pending payment on debts arising from other financial liabilities at 31 December 2016 amounts to 4,713 thousand euros. This interest is payable every six months.

In 2016, finance expenses from debts arising from other financial liabilities have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 18,433 thousand euros (see note 27).

This loan envisages complying with the same obligations and financial ratios and identical restrictions as the dividend distribution as those established in relation to the syndicated loan signed by ENAITINERE in 2016 (see note 17.3).

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**18. RISK MANAGEMENT POLICIES**

To a large extent, and as far as the concessionary companies are concerned, the Group's financial risk management policies and, therefore, the instruments for their achievement, are determined by the specific legislation and regulations of the infrastructure concession sector of activity, the respective concession agreements, each project's degree of maturity, the remaining years of the concession and the nature of the business, without forgetting, of course, the situation that reigns in the financial markets at any given moment.

Thus, the structure, type of financing, hedges, guarantees and, in short, all the other most suitable financing instruments are selected on the basis of the nature of and the risks inherent in each project to be financed, so as to mitigate them as far as is possible, without ignoring the balance between cost, risk, guarantees and term.

The financial policy and management of ITÍNERE is decided and executed by the Company's finance department, subject to the approval of its senior management. Briefly, this policy, as regards financial risk management, is as follows:

**18.1 CREDIT RISK**

This is virtually non-existent due to the fact that revenues are received in cash or through credit cards or electronic collection devices, where the risk of non-payment is assumed by the management companies. Similarly, a part of the income derives from the payments which the different concession-granting Administrations, i.e. the Central Administration and Regional Governments, make in accordance with the terms and conditions of the respective concession agreements, all of which enjoy adequate credit ratings. At the year end, there were no significant financial assets in default or impaired. Nor had any guarantees been accepted against payment.

**18.2 LIQUIDITY RISK**

Liquidity risk is low at the concessionaires that make up the ITÍNERE Group, due to the nature and characteristics of the businesses' collections and payments structure, EBITDA, project financing, toll systems and clearly defined, systematic investment upgrade programmes. For the foregoing reasons, the concessionary companies do not need credit lines.

The financing structure, financing products, hedging arrangements, guarantees and the most appropriate financing instruments are selected on the basis of the nature and extent of the risks inherent in each project, with a view to eliminating or mitigating the risks to the extent possible, without losing sight of the risk/reward trade-off. Note 17 shows the breakdown of the financing arranged by the Group companies and an analysis of the maturities of their financial liabilities.

Details of the contractual maturities of the debt subscribed by the Group companies are given in Annexes III and IV.

**18.3 MARKET RISK**

The ITÍNERE Group's concessionary companies operate on the basis of concession agreements granted by the Public Administrations, which establish the right to restoration of their economic and financial balance in the case of circumstances arising beyond the concessionary companies' control, all of which significantly limits the activity's risks. However, some risk factors can be identified, as summarised below:

- **Interest rate risk:** A very substantial part of the debt with financial institutions is at a fixed interest rate, achieved by means of financial hedge instruments such as interest rate swaps, reducing the businesses' exposure to rising interest rates.



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The structure of the Group's financial debt shown on the attached consolidated balance sheet, classified by interest rate risk between fixed-rate and protected debt, after taking into account the hedging derivatives contracted by the Group's companies, and the debt pegged to a variable interest rate, at 31 December 2016, is as follows:

Thousands of euros	Finance debt	%
Debt at a fixed interest rate or with hedges	2,221,813	77%
Debt at a variable interest rate	678,546	23%
<b>Total</b>	<b>2,900,359</b>	<b>100%</b>

The interest rate risk is limited through hedge contracts such as interest rate swaps (IRS) or caps, which means that a possible rise in the variable interest rate to which the financing operations are indexed is cushioned by the effect of the hedges. These financial derivative instruments guarantee the payment of a fixed rate on the loans inherent in the financing of the concession projects. Virtually the entire portfolio of derivatives of this type arranged by the Group's companies consists of efficient hedges. The schedule and conditions of these derivatives are linked to the underlying debt's characteristics, in such a way that their maturity is equal to or slightly less than that of the debt they are hedging and the outstanding notional principal amount is equal to or less than the hedged debt's outstanding principal. In all cases, the variable benchmark rate is pegged to Euribor (see note 19.3).

On 29 January 2016, the derivatives taken out by ITÍNERE in 2011 expired, meaning that going forward all of the financial debt arranged by the Company is at a variable interest rate. Notwithstanding the above, given the economic circumstances, current interest rates and those foreseen for the medium term, this situation will probably mean a reduction in the finance costs of the Company in the years to come. In any case, the evolution of the markets is constantly monitored and, if deemed advisable, the contracting of new hedge instruments can be studied.

An analysis of the sensitivity of the impact on the consolidated income of a change of +/- 100 basis points regarding the interest rate applicable to Group debt, with respect to the finance expense, calculated at the average cost of debt at 31 December 2016, is as follows:

Thousands of euros		
	(Co) + 100 bp	(Co) - 100 bp
Finance expense at current average cost (Co):	(116,679)	
Finance expense at average cost +/- 1 point	(123,389)	(120,776)
Change in profit/(loss) (net of taxes)	(5,032)	(3,072)

Negative change: increase in finance expenses; positive change: decrease in finance expenses

An analysis of the sensitivity of the impact on consolidated equity of a change of +/- 100 basis points regarding the interest rate applicable to derivatives at 31 December 2016 is as follows:

Thousands of euros		
	(Co) + 100 bp	(Co) - 100 bp
Change in equity (net of taxes)	4,275	(3,691)

Negative change: decrease in equity; positive change: increase in equity

- **Exchange rate risk:** The Group's policy is to arrange its indebtedness with financial institutions in the same currency as the one in which its business flows are produced. Likewise, no transactions are made in non-euro currencies. Consequently, there is currently no exchange rate risk.
- **Refinancing risk:** In the case of project financing, the risk is mitigated due to the fact that they are businesses with recurring revenues, growing cash flow and long-term concession periods.

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As stated in notes 17.3 and 17.4, in February 2016 ITÍNERE and ENAITINERE refinanced their debt, which involved, among other modifications, the extension of the maturity dates of their financial liabilities until 2025. As a consequence, all of the Group's debt is long term, so the Company directors believe that this risk is low.

- **Demand risk:** In toll road concessions, the tolls collected by concession companies, which are their main source of revenues, depend on the number of vehicles using the road and its capacity to attract traffic. Average traffic and toll revenues also depend on a number of factors, including the quality, condition, comfort and travel time of alternative toll-free roads or non-Group toll roads, economic conditions, fuel prices, weather conditions, environmental legislation (including measures to restrict use of motor vehicles to reduce pollution), natural disasters and the viability or presence of alternative forms of transport such as air routes, railways and other intercity transport. Given the current characteristics of the ITÍNERE portfolio (for the most part mature and well-consolidated business), the demand risk can be considered low as regards some of the factors listed above.
- **Regulatory risk:** The Group's companies are required to comply with sector-specific and general legislation (accounting, environmental, employment, data protection, tax, etc.). As occurs in all highly regulated sectors, changes in the regulations can have a negative effect on the Company's business; it is not possible to assess which actions the concession grantor may take over a protracted period of time, so it is difficult to address them. In the case of significant regulatory changes (including tax modifications), which could have an effect on revenues in the short term or obligate them to bear new costs or investments, the Group's concessionary companies would have the right to amend the terms and conditions of the concession arrangement or negotiate with the responsible Administration certain changes in them to obtain financial and economic restitution, so the effects of the potential legal or regulatory changes must be neutral.
- **Capital risk:** The Group's leverage ratio at 2016 year-end is 72.16% in accordance with the following breakdown:

Thousands of euros	2016
+ Finance debt	2,900,360
+ Trade and other payables	124,418
(-) Cash and cash equivalents	(226,175)
<b>Total net debt</b>	<b>2,798,603</b>
<b>Equity</b>	<b>1,079,905</b>
<b>Equity + net debt</b>	<b>3,878,508</b>
<b>Leverage ratio</b>	<b>72.16%</b>

As stated in notes 17.3 and 17.4, the Group's companies are subject to compliance with certain financial ratios established in the loan agreements they have signed. In this connection, these companies comply with the different clauses and, consequently, in this respect there are no motives that could give rise to the contracts' discharge by the lenders.

- **Risks associated with international expansion:** No specific projects for expansion into other countries are currently envisaged. Nevertheless, should ITÍNERE decide to expand its business to other countries, in the belief that this would contribute to its future growth and profitability, an in-depth field analysis would be carried out prior to authorizing an investment of this type. Although there is always a risk in any expansion to new geographical areas, the management team's experience in this type of international development would help to mitigate these risks.
- **Price risk:** This risk is very low because concessionary companies operate in a regulated market in which the toll rates applied are reviewed on the basis of the variation in the CPI. Similarly, as stated in note 19.3, AP-1 EUROPISTAS arranged hedge operations for the purpose of hedging the risk of a variation in the inflation rate. As regards this financial instrument, since the maturity will be

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in 2017, a variation in the interest rate would not have an effect on the consolidated statement of profit or loss.

- **General economic performance:** In 2016, the overall economy continued the recovery that began in the second half of 2014, after a long recession, which had a very negative effect on toll road traffic. Although the overall economic improvement in 2016 can be classified as moderate, it appears to indicate the consolidation of a recovery after several years of contraction. Based on the experience of previous years, the conclusion can be drawn that traffic performance is related to economic performance, which makes it possible to predict an upturn in activity. Another encouraging factor is the non-existence of high-capacity highways in the areas where the Group's motorways are established.

Other risks to which the Group companies are exposed are as follows:

- Risks from damage caused during infrastructure maintenance work or construction or expansion work.
- Risks associated with workplace health and safety;
- Risks from loss of assets.

ITÍNERE and its investees have appropriate control systems to identify, quantify, assess and mitigate all of these risks, thus minimising or eliminating their impact. The Group also has a policy of taking out and maintaining insurance policies to cover these areas, among others.

### 18.4 CAPITAL MANAGEMENT POLICY

The main objective of the Group's capital management policy is to guarantee a financial structure based on compliance with the prevailing regulations in Spain and one that is in accordance with the provisions of the award specifications of each of the concessionary companies that make up the Group (note 1).

The concession agreements establish a maximum percentage for the financing of concession assets through borrowings, with which the Group currently complies.

## 19. NON-CURRENT LIABILITIES

The breakdown of this line-item on the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2016
Debt with related parties (note 22)	2,656	2,446
Other payables	47,469	44,510
Financial instruments at fair value	4,116	10,113
<b>Non-current payables</b>	<b>54,240</b>	<b>57,069</b>

### 19.1 DEBT WITH RELATED PARTIES

On 20 July 2012, ITÍNERE signed a loan agreement with PEAR LUXEMBOURG INVESTMENT S.Á.R.L., a company related to its main shareholder, to replace the agreement in place up to that date, the principal of which amounts to 2,656 thousand euros at 31 December 2016 (2,446 thousand euros at 31 December 2015). This loan has a maturity date of 31 March 2021 and its remuneration consists of a fixed annual interest rate of 8.5%. This agreement provides for the capitalisation of any unpaid interest at the end of the settlement period. In 2016, the loan accrued interest for an amount of 217

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thousand euros, of which 102 thousand euros had not yet matured (200 thousand euros in 2015 of which, at the end of that reporting period, 94 thousand euros had not yet matured).

**19.2 OTHER CREDITORS**

This line-item mainly refers to the repayable advances registered by AUDASA and AUCALSA, the combined sum of which amounts to 45,415 thousand euros at 31 December 2016 (44,416 thousand euros at 31 December 2015). In accordance with the rules that regulate them, these advances will be paid back within the five financial years following the first year in which each company amortises the total amount of its internal and external debt, which it is estimated will be more than five years as from 31 December 2016 and, in all cases, before the concession term's finalisation. The total amount of the advances to be reimbursed by both companies is 170,565 thousand euros.

**19.3 FINANCIAL INSTRUMENTS AT FAIR VALUE**

The breakdown of the valuation of the derivative financial instruments signed by the Group companies at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Financial instruments at fair value - assets	-	2,104
Financial instruments at fair value - liabilities	(4,116)	(10,113)
<b>Non-current financial instruments at fair value</b>	<b>(4,116)</b>	<b>(8,009)</b>
Financial instruments at fair value - assets	1,630	1,293
Financial instruments at fair value - liabilities	(5,418)	(4,404)
<b>Current financial instruments at fair value</b>	<b>(3,788)</b>	<b>(3,111)</b>
<b>Total financial instruments</b>	<b>(7,904)</b>	<b>(11,121)</b>

As per the risk management policies adopted by the Group, only in certain circumstances does it resort to the contracting of interest rate hedge derivatives or similar types of financial instruments, always endeavouring to achieve maximum effectiveness in its hedge ratio with the underlying asset in question.

In addition, AP-1 EUROPISTAS has arranged hedge operations with the object of hedging the risk of a variation in the inflation rate, an indicator on the basis of which the toll rate is updated annually and which, together with the motorway's traffic density, determines the company's revenue. These hedge operations are contemplated in the financing agreement signed by its sole shareholder, currently ENAITINERE, PARTICIPACIONES AP-1 EUROPISTAS, up to the merger carried out in 2015, for the purpose of restructuring the Company's financing.

The start date of the above-mentioned contracts was 30 December 2009 and they fall due in December 2017. The fixed benchmark rate for these contracts is 1.3975%.

On occasion, the Group decides to refinance part of its debt in an attempt to reduce its financial liability costs, adapting it to more favourable market conditions. In these cases, and whenever possible, it always endeavours to ensure that the previously contracted derivatives act as hedges associated with the new flow.

The Group identifies the cash flow hedges from the moment they are arranged, since these allow the cash flow associated with the debt to be hedged.

In accordance with the requirements of IAS 39, the Group has carried out prospective and retrospective effectiveness tests on all the arranged hedge derivatives, on the basis of which these derivatives have been classified as efficient hedges, owing to the fact that the ratio between the hedge's performance and that of the underlying asset falls within a range of 80%-125%. Consequently, any changes in these derivatives are recorded against equity.

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Notwithstanding the foregoing, at 31 December 2016 and 2015, the inflation derivative of AP-1 EUROPISTAS does not comply with the requirements established by the accounting standards for its designation as a hedge instrument, owing to the fact that it is not a highly effective hedge. Consequently, the variation in this instrument's fair value at 2016 year-end, in the amount of a loss of 1,624 thousand euros, has been recorded under the line-item "changes in the fair value of financial instruments" on the consolidated statement of profit or loss (795 thousand euros at 31 December 2015).

In accordance with the provisions of the terms and conditions of the syndicated loan arranged by ITÍNERE in 2011, the latter has signed financial swaps for 50.62% of the aforesaid loan's nominal value for the purpose of covering the interest rate risk associated with it. In connection with the foregoing, as stated in note 18.3, these financial swaps matured on 29 January 2016 so, from then on, all the financial debt held by the Company is at a variable interest rate. Notwithstanding the above, given the economic circumstances, current interest rates and those foreseen for the medium term, this situation will probably mean a reduction in the financial costs of the Company in the years to come. In any case, the evolution of the markets is constantly monitored and, if deemed advisable, the contracting of new hedge instruments can be studied.

Within the framework of the syndicated loan signed by ENAITINERE in October 2015, certain terms were amended of the interest rate swaps (IRS) and caps that had been signed with several institutions in relation to the loan signed in 2013 and redeemed in 2016 with the aim of adapting them to the new financing. The purpose of those swaps and caps is to hedge ENAITINERE'S interest rate risk exposure. The average fixed interest rate applicable to the interest rate swaps is in the region of 1.64% and they mature in January and July 2018. The caps mature in January 2018 and their strike price is 2.50%. Both contracts represent an amount equivalent to 79% of the syndicated loan's nominal. These instruments meet the requirements established by the accounting standards for classification as highly efficient hedges, except the hedge caps, which do not comply with these requirements at 31 December 2016 and 2015 and, consequently, the changes in their fair value have been registered in profit or loss. Consequently, in 2016, 146 thousand euros have been recorded as a loss (a profit of 74 thousand euros in 2015), which are included under the line-item "changes in the fair value of financial instruments" on the attached consolidated statement of profit or loss.

The details of the derivatives arranged by the Group at 31 December 2016 and their measurement and the breakdown by maturity of their notional values are shown below:

Thousands of euros	Notional amounts	Valuation at 31/12/2016 (*)	NOTIONAL MATURITIES	
			2017	2018
Interest rate hedge (swaps)	409,653	(9,534)	(44,213)	(365,440)

Thousands of euros	Notional amounts	Valuation at 31/12/2016 (*)	NOTIONAL MATURITIES	
			2017	2018
Interest rate hedge (caps)	139,651	-	12,411	(152,062)

Thousands of euros	Rate	Valuation at 31/12/2016 (*)	HEDGED INCOME SCHEDULE
			2017
Inflation hedge	Variable to fixed	1,630	45,243

**Total valuation (7,904)**

(\*) Positive valuation – Asset; Negative valuation - Liability

The notional amount of derivative contracts entered into relates to the amount on which future settlement of the derivative is based and does not represent a risk assumed by the Group.

The impact on equity in 2016 corresponding to the cash flow hedge derivatives has involved the recording of after-tax net income of 3,740 thousand euros (a net income of 8,380 thousand euros in 2015).

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Details of the forecast cash flow schedule derived from the cash flow hedging contracts for the coming years, are as follows:

Thousands of euros	2016
One year	(3,780)
Two years	(4,351)
<b>Total maturities</b>	<b>(8,131)</b>

The valuation shown on the above chart does not include the adjustment for the derivatives' credit risk, which amounts to +230 thousand euros at 31 December 2016 for the financial swap and inflation hedge contracts and -3 thousand euros for the caps. This adjustment forms part of the fair value at which the derivatives are recorded at the close of the period, as established in IFRS 13.

The derivative financial instruments subscribed by the Group's companies are classified within level 2 of the hierarchy for establishing their fair value (note 3 (r)).

## 20. PROVISION FOR REPLACEMENT ACTIVITIES

As stated in note 3 (o), the concession companies are required to comply with certain contractual obligations, which are recognised and measured based on the best estimate of the amount required to settle the obligation at the balance sheet date.

The movement in the provision for long and short-term replacements in 2016 is as follows:

Thousands of euros	Non-current	Current
<b>Provision for replacement activities at 31 December 2015</b>	<b>62,734</b>	<b>13,856</b>
Provisions for the period	2,261	-
Financial update (note 27)	1,095	-
Applications in the period	-	(11,320)
Provision surplus	-	(304)
Transfer to current	(12,647)	12,647
<b>Provision for replacement activities at 31 December 2016</b>	<b>53,443</b>	<b>14,879</b>

The provision applications made mainly relate to resurfacing activities and the replacement of structures and different installations carried out on the Group's motorways.

## 21. OTHER CURRENT LIABILITIES

The breakdown of this line-item on the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Debt with related parties (note 22)	2,557	4,366
Trade creditors	5,561	8,481
Personnel	6,548	6,875
Other current debts	22,531	12,218
Other financial liabilities	1,847	1,590
<b>Other current payables</b>	<b>39,045</b>	<b>33,530</b>

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**21.1 AVERAGE PERIOD FOR PAYMENTS TO SUPPLIERS. ADDITIONAL PROVISION THREE. "REPORTING REQUIREMENT" OF ACT 15/2010 OF 5 JULY**

The average period for payments to suppliers in 2016 and 2015 is shown below:

	Days	
	2016	2015
Average period for payments to suppliers	22	25
Ratio of transactions paid	27	29
Ratio of transactions pending payment	11	12
	Thousands of euros	
	2016	2015
Total payments made	122,791	93,464
Total payments pending	10,518	16,845

At 31 December 2016 and 2015, the Group does not have any amounts pending payment on commercial transactions that accumulate a deferment in excess of the legal deadline as per the provisions of Act 3/2004 of 29 December and its subsequent amendments through Act 15/2010 of 5 July and Royal Decree Law 4/2013 of 22 February.

**22. RELATED PARTIES**

The detail of income and expenses and other transactions, carried out by the Group's companies with related parties in 2016 and 2015, broken down by type of transaction and by the related party taking part therein, is shown on the attached charts.

The attached charts do not include the transactions that have been eliminated in the process of preparing consolidated financial information. They also do not include the transactions which, carried out under market conditions, are of minimum importance in relation to the financial position and operating results shown in the consolidated annual accounts. These transactions have been carried out on an arm's length basis.

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- Transactions with related parties in 2016 and 2015:

Thousands of euros	2016			
	INCOME AND EXPENSES	Group companies, associates and other related parties	Other shareholders, directors and managers	Total
<b>Operating expenses</b>	<b>7,299</b>	-	-	<b>7,299</b>
VALORIZA FACILITIES, S.A.U	427	-	-	427
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	6,872	-	-	6,872
<b>Finance expenses - Convertible debentures (note 27)</b>	<b>2,357</b>	<b>1,010</b>	-	<b>3,367</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	1,275	-	-	1,275
KUTXABANK, S.A.	545	-	-	545
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	798	-	798
CASER, S.A.	12	-	-	12
LIBERBANK, S.A.	-	-	195	195
SACYR CONCESIONES, S.L.	521	-	-	521
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	-	13	13
Adjustment for valuation at amortised cost	4	-	4	8
<b>Finance expenses - Other debts</b>	<b>217</b>	-	-	<b>217</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	217	-	-	217
<b>TOTAL EXPENSES</b>	<b>9,873</b>	<b>1,010</b>	-	<b>10,882</b>
<b>Operating income</b>	<b>359</b>	-	-	<b>359</b>
AUTOPISTA DE NAVARRA, S.A.	359	-	-	359
<b>TOTAL INCOME</b>	<b>359</b>	-	-	<b>359</b>

Thousands of euros	2015			
	INCOME AND EXPENSES	Group Companies, Associates and Other Related Parties	Other Shareholders, Directors and Managers	Total
<b>Operating Expenses</b>	<b>7,501</b>	-	-	<b>7,501</b>
VALORIZA FACILITIES, S.A.U	435	-	-	435
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	7,066	-	-	7,066
<b>Finance Expenses - Convertible Debentures (Note 27)</b>	<b>2,122</b>	<b>918</b>	-	<b>3,040</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	1,138	-	-	1,138
KUTXABANK, S.A.	486	-	-	486
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	713	-	713
CASER, S.A.	10	-	-	10
LIBERBANK, S.A.	-	-	174	174
SACYR CONCESIONES, S.L.	465	-	-	465
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	-	12	12
Adjustment for valuation at amortized cost	22	-	20	42
<b>Finance Expenses - Other Debts</b>	<b>199</b>	-	-	<b>199</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	199	-	-	199
<b>TOTAL EXPENSES</b>	<b>9,822</b>	<b>918</b>	-	<b>10,740</b>
<b>Operating Income</b>	<b>341</b>	-	-	<b>341</b>
AUTOPISTA DE NAVARRA, S.A.	341	-	-	341
<b>TOTAL INCOME</b>	<b>341</b>	-	-	<b>341</b>



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- Balances with related parties at 31 December 2016 and 2015:

Thousands of euros	2016		
	BALANCES	Group companies, associates and other related parties	Other shareholders, directors and managers
<b>Non-current convertible debentures (note 17.2)</b>	<b>21,777</b>	<b>9,267</b>	<b>31,044</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	11,871	-	11,871
KUTXABANK, S.A.	5,070	-	5,070
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	7,432	7,432
CASER, S.A.	108	-	108
LIBERBANK, S.A.	-	1,813	1,813
SACYR CONCESIONES, S.L.	4,846	-	4,846
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	122	122
Adjustment for valuation at amortised cost	(118)	(100)	(217)
<b>Other non-current debts</b>	<b>2,656</b>	<b>-</b>	<b>2,656</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	2,656	-	2,656
<b>Other current debts</b>	<b>2,555</b>	<b>2</b>	<b>2,557</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	102	-	102
SACYR, S.A.	-	2	2
VALORIZA FACILITIES, S.A.U	85	-	85
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	2,368	-	2,368
<b>TOTAL DEBTS</b>	<b>26,988</b>	<b>9,269</b>	<b>36,257</b>
<b>Current assets</b>	<b>233</b>	<b>568</b>	<b>801</b>
SACYR CONSTRUCCIÓN, S.A.U.	233	-	233
SACYR, S.A.	-	568	568
<b>TOTAL CREDITS</b>	<b>233</b>	<b>568</b>	<b>801</b>

Thousands of euros	2015		
	BALANCES	Group Companies, Associates and Other Related Parties	Other Shareholders, Directors and Managers
<b>Non-Current Convertible Debentures (Note 17.2)</b>	<b>19,436</b>	<b>8,270</b>	<b>27,705</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	10,596	-	10,596
KUTXABANK, S.A.	4,525	-	4,525
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	6,633	6,633
CASER, S.A.	96	-	96
LIBERBANK, S.A.	-	1,618	1,618
SACYR CONCESIONES, S.L.	4,325	-	4,325
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	109	109
Adjustment for valuation at amortized cost	(107)	(91)	(198)
<b>Other Non-Current Debts</b>	<b>2,446</b>	<b>-</b>	<b>2,446</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	2,446	-	2,446
<b>Current Convertible Debentures (Note 17.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	-	-
<b>Other Current Debts</b>	<b>4,364</b>	<b>2</b>	<b>4,366</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (note 19.1)	94	-	94
SACYR, S.A.	-	2	2
VALORIZA FACILITIES, S.A.U	54	-	54
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	4,216	-	4,216
<b>TOTAL DEBTS</b>	<b>26,246</b>	<b>8,272</b>	<b>34,518</b>
<b>Current Assets</b>	<b>233</b>	<b>571</b>	<b>804</b>
SACYR CONSTRUCCIÓN, S.A.U.	233	-	233
SACYR, S.A.	-	571	571
<b>TOTAL CREDITS</b>	<b>233</b>	<b>571</b>	<b>804</b>

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- Financial transactions with related parties outstanding at 31 December 2016 and 2015, in which the amounts indicated are the financial institutions' participation in syndicated operations:

Thousands of euros

2016				
Institution	Group company	Type of transaction	Available limits	Amounts drawn down
KUTXABANK	ITÍNERE	FINANCING	98,625	98,625
	ENAITINERE	FINANCING	4,608	4,608
	GEBISA	FINANCING	2,000	-
	GEBISA	GUARANTEES	-	56
	AP-1 EUROPISTAS	GUARANTEES	-	1,862
ABANCA	ITÍNERE	FINANCING	66,382	66,382
	ENAITINERE	FINANCING	31,904	31,904
	AUTOESTRADAS	GUARANTEES	-	413
LIBERBANK	ITÍNERE	FINANCING	23,708	23,708
	ENAITINERE	FINANCING	5,356	5,356

Thousands of euros

2015				
Institution	Group company	Type of transaction	Available limits	Amounts drawn down
KUTXABANK	ITÍNERE	FINANCING	115,701	109,673
	ITÍNERE	GUARANTEES	-	1,791
	ENAITINERE	FINANCING	8,661	8,661
	GEBISA	FINANCING	2,600	-
	GEBISA	GUARANTEES	-	56
ABANCA	AP-1 EUROPISTAS	GUARANTEES	-	1,862
	ITÍNERE	FINANCING	72,823	72,457
	ENAITINERE	FINANCING	25,027	25,027
LIBERBANK	AUTOESTRADAS	GUARANTEES	-	413
	ITÍNERE	FINANCING	34,079	28,052
	ENAITINERE	FINANCING	7,953	7,953

### 23. TAX POSITION

As stated in note 3 (q), ITÍNERE INFRAESTRUCTURAS, S.A. and its subsidiaries that comply with the provisions of Royal Decree 4/2004 of 5 March 2004, by virtue of which the consolidated text of the Income Tax Act was approved, have chosen, through a resolution of each company's respective competent body, to apply, with effect from 1 January 2009, the tax consolidation regime. This regime was granted by the Spanish State Tax Administration Agency (AEAT) in a communication from the Special Madrid Branch of the AEAT dated 9 July 2009, by virtue of which the parent company was notified that it had been assigned tax group number 36/09.

The companies that make up the tax consolidation group are as follows: ITÍNERE, ENAITINERE, ENA, AUDASA, AUCALSA, AUTOESTRADAS and AP-1 EUROPISTAS.

As a consequence of paying tax under a tax consolidation regime, the consolidated balance sheet at 31 December 2016 shows under the "current tax assets" line-item an amount due from the Public Treasury of 262 thousand euros resulting from the consolidated tax return for the 2016 financial year (11,356 thousand euros at 31 December 2015 that have already been collected as at the date of the preparation of these consolidated annual accounts).

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Likewise, at 31 December 2016, the consolidated balance sheet shows under the “current tax liabilities” line-item the debt resulting from corporate income tax corresponding to the Group’s companies located in Spain that do not pay tax under the tax consolidation regime, with a debt that amounts to 235 thousand euros (183 thousand euros at 31 December 2015).

**23.1 YEARS OPEN TO TAX INSPECTION**

Under current legislation, taxes cannot be deemed to have been finally settled until the tax returns filed have been inspected by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2016, the Group companies that form the tax consolidation group have open to inspection by the tax authorities all the main applicable taxes since 1 January 2013 (year ended 31 December 2012, in the case of income tax). Nevertheless, the Administration's right to check or investigate the tax losses that are offset or available for carryforward, the double taxation deductions and the deductions to incentivise certain activities applied or pending application has a statute of limitations of 10 years starting from the day after that on which the period established for filing the return or self-settlement corresponding to the tax period in which the right to offsetting or application was generated. Once that period has elapsed, the companies must accredit the tax losses or deductions by submitting the tax return or self-settlement and the accounting records, with accreditation of their deposit during that period in the Mercantile Registry. As a result of the different possible interpretations of the tax legislation in force and other factors, additional liabilities may arise due to an inspection. The Company directors believe that those liabilities, if they occur, will not have a material impact on the consolidated annual accounts.

On 11 June 2013, the Tax Agency initiated inspection and verification activities regarding income tax corresponding to the 2007 and 2008 financial years, periods in which the Company formed part of the 20/02 tax group, the parent company of which was Sacyr, S.A., formerly Sacyr Vallehermoso, S.A. (see note 1 (c)). As a result of these inspections, the corresponding declarations of conformity and non-conformity have been issued to the parent company of said tax group. According to the information that has been provided to us by Sacyr, S.A., the declaration of conformity was settled in 2016, while the declaration of non-conformity was appealed on 14 December 2015 by Sacyr, S.A. before the Central Economic Administrative Tribunal (TEAC) and was pending resolution at the date of preparing these consolidated annual accounts.

In any case, and in relation to potential contingencies related to the periods in which the Company formed part of the tax group of Sacyr, S.A. (until 2008), the parent company of that tax group undertakes to hold ITÍNERE and its investees harmless under the terms and conditions established in the undertaking contract drafting and accepting the takeover bid for the shares of ITÍNERE signed in November 2008 between Sacyr Vallehermoso, S.A. and Citi Infraestructure Partners L.P. (note 1 (c))

In 2016, the Tax Agency made partial verification and inspection of the income tax for 2013 and 2014. On 23 December 2016, the inspection certificate was issued and signed in conformity by the Company, amounting to 14,969 thousand euros in tax and 863 thousand euros in late payment interest; no penalty file was initiated for any of those years. This tax debt had been settled by the Company at the date of preparing these consolidated annual accounts (see notes 12 and 36).

As a result of that inspection certificate, an adjustment was recognised out of voluntary reserves amounting to 15,335 thousand euros (see note 15.4) as well as finance expenses totalling 862 thousand euros (see note 27). Likewise, the tax loss recorded at 31 December 2015 amounting to 341 thousand euros was offset, and there was an increase in net finance expenses pending deduction of 22,780 thousand euros.

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**23.2 TAX RATE**

Income tax for the 2016 financial year has been calculated by applying the tax rates that correspond to the Group's companies in accordance with the territory in which they have the obligation of paying tax.

Income Tax Act 27/2014 of 27 November, published in the Spanish State Gazette (BOE) on 28 November 2014, includes, inter alia, the modification of the general income tax rate from 30% to 28% in 2015 and to 25% for subsequent years.

GEBISA pays income tax in accordance with Regional Rule 3/1996 of 26 June, with the amendments included by Regional Rule 6/2007 of 27 March, which remains in force despite the numerous appeals lodged in this respect, including, among others, amendment of the general income tax rate, currently 28%.

At 31 December 2016, the Group has accrued income for income tax in an amount of 14,698 thousand euros (6,658 thousand euros at 31 December 2015).

The reconciliation between the tax expense corresponding to the 2016 and 2015 financial years, resulting from multiplying the book profit by the applicable tax rate in Spain, and the actual income tax, is as follows:

Thousands of euros	2016	2015
<b>Consolidated pre-tax profit/(loss)</b>	<b>(44,102)</b>	<b>(66,824)</b>
Tax calculated at 25% tax rate (28% in 2015)	11,026	18,711
Permanent differences and consolidation adjustments <sup>(1)</sup>	(17,222)	(26,583)
Deductions and rebates <sup>(2)</sup>	20,604	14,914
Adjustment for different tax rates <sup>(3)</sup>	40	166
Other adjustments	250	(550)
<b>Income tax</b>	<b>14,698</b>	<b>6,658</b>
<b>Effective rate</b>	<b>33.3%</b>	<b>10.0%</b>
Deferred tax assets	(9,477)	(9,427)
Deferred tax liabilities	(10,028)	(10,028)
<b>Current tax</b>	<b>(4,807)</b>	<b>(12,796)</b>

(1) The permanent differences and consolidation adjustments mainly correspond to the adjustments resulting from the limitation on the deductibility of finance expenses, the amortisation of goodwill arising prior to the business combination described in note 1 (d) and the results of the equity accounted investments.

(2) The deductions and rebates applied in 2016 and 2015 correspond primarily to deductions to avoid double taxation.

(3) The adjustment for different tax rates includes the adjustments with an impact on profit or loss arising from the different tax rates applicable to the Group companies and, in 2015, additionally the adjustments related to the change in tax rates introduced by Income Tax Act 27/2014 of 27 November.

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**23.3 DEFERRED TAXES**

The movement in deferred tax assets and liabilities in 2015 and 2016 is as follows:

	ASSETS				LIABILITIES		
	Deductible timing differences	Tax loss carryforwards	Pending deductions	Total	For reimbursable advances	For business combinations	Total
Thousands of euros							
<b>Balance at 31 December 2014</b>	<b>129,982</b>	<b>24,717</b>	-	<b>154,699</b>	<b>32,272</b>	<b>60,962</b>	<b>93,234</b>
Additions	7,439	-	-	7,439	-	-	-
Removals	(8,628)	(5,225)	-	(13,853)	(1,053)	(10,176)	(11,229)
Transfers	(2,088)	-	2,088	-	-	-	-
Impairment	-	-	(550)	(550)	-	-	-
Adjustment for the change in tax rate	100	166	-	266	59	-	59
<b>Balance at 31 December 2015</b>	<b>126,805</b>	<b>19,658</b>	<b>1,538</b>	<b>148,001</b>	<b>31,278</b>	<b>50,786</b>	<b>82,064</b>
Additions	6,960	-	13,867	20,827	-	-	-
Removals	(6,131)	(4,766)	(453)	(11,350)	(958)	(9,070)	(10,028)
<b>Balance at 31 December 2016</b>	<b>127,634</b>	<b>14,892</b>	<b>14,952</b>	<b>157,478</b>	<b>30,320</b>	<b>41,716</b>	<b>72,036</b>
		(note 23.4)	(note 23.4)				

Deferred tax assets relating to deductible timing differences mainly result from the adjustments made in application of the IFRS relating to the deferred financial burden registered by concessionary companies for local purposes, as per the provisions of the adaptation of the General Chart of Accounts to infrastructure concessionary companies, approved by Order EHA/3362/2010 of 23 December in force in Spain.

In addition to the above, Act 16/2012 of 27 December sets a limit of 70% on the deductibility of amortisation and depreciation of intangible assets, property, plant and equipment and investment property for tax periods beginning in 2013 and 2014. Furthermore, non-tax deductible accounting amortisation and depreciation shall be deducted on a straight-line basis over a period of 10 years or the useful life of the asset, as of the first tax period beginning in 2015. As a consequence of the foregoing, at 31 December 2016 the Group companies have recognised deductible timing differences for this item in an amount of 8,159 thousand euros (9,786 thousand euros at 31 December 2015).

Deferred tax liabilities correspond to the tax effect resulting from fair-value valuation adjustments of the assets and liabilities acquired in the business combination carried out in 2009 (see note 1 (d)). The line-item also includes the tax effect of the valuation at fair value of the repayable advances granted to AUDASA and AUCALSA (note 19.2).

The consolidated comprehensive income statement includes the tax effect of the income and expenses directly attributable to equity deriving from the cash flow hedges, as well as that generated by the transfers to the consolidated statement of profit or loss of the aforesaid hedges.

As a result of this change in tax rates established in Income Tax Act 27/2014 of 27 November, published in the Official State Gazette (BOE) dated 28 November 2014, the Group companies have adjusted the balance of their deferred taxes in 2015, valuing them at the applicable tax rate at the estimated moment of their reversal and allocating these adjustments to the profit or loss account or equity, depending on the criterion adopted in the recording in the accounts of the item that gave rise to the aforesaid deferred tax's recognition.

Based on the foregoing, the deferred tax asset and liability balance was adjusted and the impact resulting from these adjustments is shown in the line "adjustment for the change in tax rate" in the above chart. The effects of these adjustments on consolidated equity are broken down as follows:

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Thousands of euros	2015
<b>Adjustments with impact on (*):</b>	
- Consolidated profit or loss	166
- Cash flow hedge reserves	100
- Accumulated earnings and other reserves	192
<b>Total</b>	<b>458</b>

(\*) Includes the effect of the adjustments corresponding to AUDENASA, whose deferred tax amounts, in application of IFRS 11, do not appear on the balance sheet.

**23.4 TAX LOSSES AVAILABLE FOR CARRYFORWARD AND UNUSED TAX CREDITS**

At 31 December 2016, the Group has tax credits for an amount of 14,892 thousand euros, mainly corresponding to tax losses available for carryforward against future profits. The breakdown by company of these tax credits is as follows:

Thousands of euros	Total
ENAITINERE	9,667
AUCALSA	4,232
AUTOESTRADAS	992
<b>Total</b>	<b>14,892</b>

These tax credits have been recognised under the “deferred tax assets” line-item on the attached consolidated balance sheet. The directors of the parent company are of the opinion that future tax gains will be generated that will allow these tax credits to be offset.

In 2016, the Group offset tax losses amounting to 4,766 thousand euros (5,225 thousand euros in 2015).

In addition, ENAITINERE has tax losses available for carryforward in the amount of 8,950 thousand euros, generated prior to the Company’s inclusion in the consolidated tax group, that have not been recognised owing to the existence of doubts as to their future recovery.

In relation to the deferred tax asset derived from the limit to the deductibility of amortisation and depreciation, set out by Act 16/2012 of 27 December, transitional provision 37 of Act 27/2014 of 27 November states that companies can deduct from income tax payable 5% of the amounts included in taxable income for the tax period, resulting from the tax reversal of the expense adjusted for non-deductible amortisation and depreciation charges in 2013 and 2014 (2% deduction in 2015). Therefore, as a result of the above, at 31 December 2016 the Group had recognised unused tax credits amounting to 1,309 thousand euros (1,538 thousand euros in 2015) for reversal of the temporary measures. In this respect, at 2015 year-end, AP-1 EUROPISTAS believes that there were doubts about the use of the unused tax credits before the end of the concession period, so it proceeded with the impairment. Notwithstanding the foregoing, in 2016 AP-1 EUROPISTAS has used 226 thousand euros of those unused tax credits since it could use them to settle the income tax of the tax group for 2015 and 2016.

The settlement of income tax corresponding to 2016 and 2015 takes into account the application of a deduction for double taxation on the dividend distributed by ENA resulting from the application of transitional provision 23 of Act 27/2014 in relation to the settlement of taxes by the previous holder of the stake, SEPI, on the capital gains generated in the transfer of ENA made in 2003. As a result, a deduction of 6,638 thousand euros was applied in 2016 (14,914 thousand euros in 2015), while a tax credit for unused deductions amounting to 13,641 thousand euros was capitalised.

In accordance with Royal Decree-Law 3/2016 of 2 December, effective from 2016, the consolidated tax group to which the Company belongs has a limit for offsetting tax losses of 25% of the tax loss prior to

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that offset and a limit to the double tax deduction envisaged in transitional provision 23 of Act 27/2014, which cannot exceed 50% of the consolidated tax group's gross tax payable.

Pursuant to the provisions of article 16 of Act 27/2014, there is a limitation on the extent to which finance expenses can be deducted, with the result that only net finance expenses up to an amount of 30% of the financial year's operating profit can be deducted. Any net finance expenses not deducted may be deducted in the following tax years, along with those of the relevant tax period, with the limit envisaged in that article.

At 31 December 2016, the Group accumulates net finance expenses that it has not been able to deduct because they exceed the limit established by the aforesaid article, for an amount of 277,619 thousand euros. Given the estimated period for their recovery, the Group's companies have chosen not to register the tax credits resulting from the application of the aforementioned limitation.

As per the provisions of Act 27/2014 of 27 November 2014, there is no time limit for offsetting tax losses or for the deduction of tax credits resulting from the limitation on the deductibility of finance expenses.

## 24. REVENUE

The breakdown of revenue by activity in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Toll revenue	242,269	231,808
Public Administration compensation	25,735	27,303
Services rendered	718	681
<b>Revenues</b>	<b>268,722</b>	<b>259,792</b>

The breakdown of revenue by company in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
AUDASA	138,621	134,246
AP-1 EUROPISTAS	67,693	65,007
AUCALSA	38,238	36,906
AUTOESTRADAS	13,287	13,328
GEBISA	10,164	9,624
ITÍNERE	153	153
ENA	565	529
<b>Revenues</b>	<b>268,722</b>	<b>259,792</b>

All the consolidated revenue has been generated in the Spanish market.

## 25. STAFF EXPENSES

The breakdown of staff expenses in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Wages, salaries and similar expenses	25,095	25,526
Employer contributions	7,488	7,419
<b>Staff expenses</b>	<b>32,583</b>	<b>32,945</b>

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Of the total staff expenses for 2016, 6,730 thousand euros correspond to the Social Security costs of the Group's companies (6,722 thousand euros at 31 December 2015).

Details of the average workforce in 2016 and 2015 by professional category are as follows:

	2016	2015
Management	17	18
Technical Staff	54	51
Administrative staff	64	72
Other staff	441	453
Temporary staff	21	12
<b>Total</b>	<b>597</b>	<b>606</b>

The breakdown by category and gender at 31 December 2016 and 2015 is as follows:

	Men		Women	
	2016	2015	2016	2015
Management	15	16	2	2
Technical Staff	43	41	15	15
Administrative staff	32	29	39	37
Other staff	317	338	159	172
Temporary staff	15	13	11	7
<b>Total</b>	<b>422</b>	<b>437</b>	<b>226</b>	<b>233</b>

In 2016, there was an average of 8 employees with a disability of 33% or higher, belonging to another staff category.

At 31 December 2016 and 2014, the Company's Board of Directors is made up of 12 men and 3 women.

## **26. EXTERNAL SERVICES AND OTHER OPERATING EXPENSES**

The breakdown of this line-item in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Supplies	2,156	2,431
Repairs and maintenance	11,959	12,151
Insurance	2,087	1,956
Leases and royalties	671	708
Freelance professional services	2,586	3,607
Banking services	1,508	1,391
Advertising and public relations	340	339
Other operating expenses	1,398	1,530
Taxes other than income tax	2,100	2,080
<b>External services and other operating expenses</b>	<b>24,805</b>	<b>26,194</b>



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In 2015, other operating expenses includes a provision for liabilities allocated by GEBISA amounting to 150 thousand euros, for the purpose of covering the estimated contingent liability relating to a possible financial charge that could derive from the investigation initiated by the National Social Security Institute (INSS) regarding the Social Security benefits to be received by a worker subcontracted by the Company, as a result of a work accident, which had not been resolved at 31 December 2016.

At 31 December 2016, ITINERE had signed with Metrovacesa, S.A. an operating lease for offices as the tenant which matures in September 2021. Details of the minimum instalments according to the terms and conditions in force, excluding the re-invoicing of the building's expenses and, future CPI-based increases, are as follows:

Maturity	Thousands of euros
Up to one year	247
Between one and four years	925
<b>Total maturities</b>	<b>1,172</b>

**27. FINANCE INCOME AND EXPENSES**

The breakdown of finance income and costs in 2016 and 2015 is as follows:

Thousands of euros	2016	2015 Restated
Finance expenses	(127,841)	(150,372)
Updating of provision for replacement activities (note 20)	(1,095)	(207)
<b>Finance expenses</b>	<b>(128,936)</b>	<b>(150,579)</b>
Finance income	2,563	2,642
<b>Finance income</b>	<b>2,563</b>	<b>2,642</b>
<b>Changes in the fair value of financial instruments (note 19.3)</b>	<b>(1,770)</b>	<b>(721)</b>
<b>Impairment and gains/(losses) on disposal of financial instruments</b>	<b>-</b>	<b>56</b>
<b>Total finance income</b>	<b>(128,143)</b>	<b>(148,602)</b>

The breakdown by item of finance costs in 2016 and 2015 is as follows:

Thousands of euros	2016	2015 Restated
Debt with financial institutions (note 17.3)	(43,457)	(81,737)
Non-convertible debentures (note 17.1)	(73,334)	(73,219)
Other financial liabilities (note 17.4)	(18,433)	-
Convertible debentures (notes 17.2 and 22)	(3,367)	(3,040)
Finance expenses for late payment interest (note 23.1)	(862)	-
Other finance expenses	(2,315)	(5,390)
Net finance expenses taken to investments (note 5)	13,927	13,014
<b>Total finance expenses</b>	<b>(127,841)</b>	<b>(150,372)</b>

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**28. PROFIT OR LOSS FOR THE YEAR**

The breakdown of the profit or loss attributable to the parent company, taking into account consolidation adjustments net of the tax effect and broken down by companies, corresponding to 2016 and 2015 is as follows:

Thousands of euros	2016	2015
ITÍNERE	(21,386)	(44,298)
ENATINERE	(23,520)	(28,516)
ENA	(2,065)	(2,014)
AUDASA	8,627	10,216
AUCALSA	(1,076)	(1,222)
AUDENASA	808	244
AUTOESTRADAS	1,904	2,622
AP-1 EUROPISTAS	5,893	2,152
GEBISA	1,345	780
BIP & DRIVE	(204)	(323)
<b>Profit/(Loss) from continued operations <sup>(1)</sup></b>	<b>(29,674)</b>	<b>(60,359)</b>
<b>Profit/(loss) for the year</b>	<b>(29,674)</b>	<b>(60,359)</b>

<sup>(1)</sup> Includes the profit (loss) attributable to the parent company

**29. INFORMATION ABOUT COMPANY DIRECTORS AND SENIOR MANAGEMENT**

The remuneration paid in 2016 and 2015 for all the members of the Board of Directors for all items amounted to 200 thousand euros. Likewise, in 2016, the individuals who represented the Company on the boards of directors of the investees did not receive any remuneration.

Members of the Company's senior management who form part of its Board of Directors received remuneration amounting to 816 thousand euros (796 thousand euros in 2015), whereas those who do not form part of the Board received remuneration in a total amount of 1,345 thousand euros (1,316 thousand euros in 2015).

At 31 December 2016 and 2015, the Company holds loans in favour of the members of the Board of Directors in an amount of 333 thousand euros, which are remunerated at an interest rate pegged to Euribor plus a spread of 1%. No liabilities have been undertaken relating to pensions or life insurance payments in favour of the members of the Board of Directors or senior management and there are no debit or credit balances held with the Company other than those referred to above at 31 December 2016 and 2015 (see notes 17.2 and 22). In 2016, the Group's parent company, ITINERE, paid civil liability insurance premiums to directors and managers an amount of 57 thousand euros corresponding to corporate civil liability policies which cover the directors and managers of the Company itself and the directors and managers of the Group companies representing it.

In 2016 and 2015, the Company's directors did not carry out any transactions with the Company or any other of the Group Companies outside their ordinary business or in conditions other than on an arm's length basis. Similarly, the Company's directors and the persons related or linked to them have not been involved in any situation of conflict of interest that, pursuant to the provisions of article 229 of the consolidated text of Corporate Enterprises Act, needs to be notified.

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**30. PERFORMANCE BONDS AND GUARANTEES**

At 31 December 2016 and 2015, the Group issued performance bonds and guarantees through different financial institutions for the following amounts:

Thousands of euros	2016	2015
Construction performance bonds	15,592	15,592
Operating performance bonds	49,496	49,504
Bank guarantees	-	1,559
Other financial guarantees	2,449	4,599
<b>Total</b>	<b>67,537</b>	<b>71,254</b>

In addition, by virtue of the financial agreements signed by the Group's companies, certain undertakings exist, as referred to in note 17.

The Company's directors are of the opinion that no liabilities will arise as a consequence of these bonds, commitments and guarantees.

**31. LAWSUITS AND CONTINGENCIES**

Some of the Group's companies are involved in legal and out-of-court disputes within the ordinary course of their activities (disputes with suppliers, customers, public administrations, private persons, employees, etc.). The appropriate provisions are made in those cases in which it is considered that there is a possibility of a ruling going against the Group. The directors are of the opinion that, in the event of a ruling against the Group, none of these proceedings will have a significant effect on the Group's financial information for the 2016 financial year.

Notwithstanding the foregoing, the main lawsuits at 31 December 2016 are as follows:

Superstrada Pedemontana Veneta S.p.A

One of the agreements established in the undertaking contract drafting and accepting the takeover bid for the shares (see note 1 (c)) was that the stake that ITÍNERE had at the time in the tender process under way would be transferred to the Sacyr Vallehermoso Group (currently the Sacyr Group), holding ITÍNERE and the buyer completely harmless. One of the projects included "Pedemontana-Veneta" with respect to which Sacyr, ITÍNERE and Pear Acquisition Corporation, S.L.U. (the buyer) signed on 29 July 2009 a document that includes the "Agreement regulating ITÍNERE'S stake in the Pedemontana-Veneta toll road project" which regulates, among others, ITÍNERE'S exit from the project as soon as possible and Sacyr's commitment that, until ITÍNERE does not leave the project, it will hold ITÍNERE and the buyer completely harmless of any costs or damages that ITÍNERE may suffer directly or indirectly as a result of its stake in the project. The agreement specifically envisages ITÍNERE'S harmlessness in the event that the project company receives subsidies from the granting administration.

To carry out the project, the concession company Superstrada Pedemontana Veneta S.p.A. was created to which ITÍNERE contributed a capital of 10 euros (which was completely provisioned from the start) and currently represents 0.000005% of its share capital, while the remaining 99.999995% is owned by CONSORZIO STABILE SIS S.c.p.A.; since the signature of that agreement, ITÍNERE has not participated in any way whatsoever in the project or held any responsibility on its board of directors. Since the start of the project, ITÍNERE has notified Sacyr on several occasions that it wants to leave the project but this has not yet been specified. In 2016, ITÍNERE was notified that the concession company received the aforementioned subsidies from the granting administration as "*contributo pubblico a fondo perduto in fondo costruzione*", for which ITÍNERE and CONSORZIO STABILE SIS are jointly and severally liable since they are the partners fostering the project.

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Since, in the event that any damages take place due to their stake in this project, it would be subject to the obligation of being harmless stated in the "Agreement regulating ITÍNERE'S stake in the Pedemontana-Veneta toll road project" and, based on the legal reports provided by SACYR to ITÍNERE, which state that the public subsidies ("Contributo") correspond to certified construction work, the directors have not considered it necessary to book a provision in relation to this project.

Carretera Palma-Manacor, Concessionaria del Consell Insular de Mallorca, S.A.

On 4 October 2016, ITÍNERE received an indictment from the Public Prosecutor in the criminal case of jury court 1/2014 which is being processed at investigation court no. 5 in Palma de Mallorca, requesting that several companies, including ITÍNERE, are civilly liable. That case is related to the concession of the Palma-Manacor shadow toll road, which was awarded to the bid submitted by several companies, including Itínere, which incorporated Carretera Palma-Manacor, Concessionaria del Consell Insular de Mallorca, S.A." (hereinafter, PAMASA) in 2004. Between incorporation and 15 December 2008 (the date on which ITÍNERE sold its stake to Sacyr Vallehermoso, S.A. to comply with the agreement in the "Undertaking contract drafting and accepting the takeover bid for the shares of Itínere Infraestructuras, S.A." - see note 1 (c)), ITÍNERE had a 35% stake in PAMASA. This led the Public Prosecutor to request ITÍNERE to be civilly liable since it had a profit-making stake in it.

The directors have not considered it necessary to book a provision in relation to this matter since they believe that ITÍNERE can sufficiently defend itself to obtain a favourable ruling. One of its defences is that ITÍNERE did not belong to the construction joint venture and, therefore, it had nothing to do with the alleged management triangulation reported by the Public Prosecutor regarding the bidding consortium members, the concession company shareholders and the members of the construction joint venture and the fact that ITÍNERE transferred its stake to SACYR for the same value as it paid without any gain and, therefore, it did not make a profit, so it cannot be accused of having a profit-making stake in it. In addition, the directors believe that, if any damages take place as a result of this case, it would be subject to the obligation of being harmless stated in the "Undertaking contract drafting and accepting the takeover bid for the shares of Itínere Infraestructuras, S.A."

### **32. ENVIRONMENT**

Regular work is carried out for protecting and improving the environment and for integrating the toll road into the surrounding landscape. These tasks refer to the cutting back of undergrowth in the central reservation, hard shoulder and service and rest areas, the pruning of bushes and the clearing of weeds from roadsides, and the planting of bushes or other plant species in the central reservation and other areas of the motorway.

The amount of the ordinary expenses corresponding to the above activities is not significant and it is not considered necessary to make any provisions for liabilities and charges corresponding to these environmental activities. Consequently, no amounts have been charged to these provisions at the close of the current financial year.

### **33. OTHER INFORMATION**

Fees for audit services relating to the year ended 31 December 2016 included in the consolidated annual accounts of the parent company and all the consolidated companies amount to 177,910 euros, for accounting verification services they amount to 9,900 euros (3,200 euros in 2015) and for other services, 259,860 thousand euros.

The stated amounts refer solely to audit, accounting verification and other services and include all the fees relating to those items corresponding to 2016, regardless of the time at which they were invoiced.

At the same time, other companies affiliated to KPMG International invoiced the ITÍNERE Group an amount of 3,000 euros for tax advisory and other services during the 2016 financial year (99,069 euros in 2015).

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**34. ECONOMIC AND FINANCIAL PLANS**

In accordance with the prevailing Spanish legislation, the Group's concessionary companies duly submitted to the concession-granting administrations their Economic-Financial Plans that foresee the complete recovery of the investment in the motorway plus the deferred financial burden and the debt's amortisation in the concession period, guaranteeing adequate remuneration of capital and reserves.

On 31 January 2012, some of the Group's companies submitted some updated financial forecasts to the concession-granting administration (presented at the Administration's request), which included the modifications deriving from the accounting standards that apply to concessionary companies after the entry into force of Order EHA/3362/2010 of 23 December, in which certain accounting estimates that act as the basis for the calculation and registration of certain indicators were reviewed and updated.

On 19 November 2014, the Regional Government of Navarre approved the new Economic-Financial Plan of AUDENASA.

As regards to the criteria adopted by the concessionary companies for establishing the most important indicators for their respective Economic-Financial Plans, the most significant are:

- **CPI:** An average annual variation in the consumer price index in the region of 2% has been estimated for up to the end of the respective concession periods.
- **Traffic:** Average daily traffic (hereinafter, ADT) throughout the concession periods has been calculated taking into account the traffic growth series contemplated in each financial model, which make up the concession agreement's economic-financial balance scenario. Traffic growth assumptions constitute one of the main bases of the Economic-Financial Plan owing to the fact that forecast revenues and, consequently, the systematics for the recognition of the activated financial burden depend on them, as per the accounting rules in accordance with which the companies prepare their individual annual accounts.
- **Toll rate review:** The toll rates to be applied by the companies are regulated by the concession-granting companies and are reviewed annually as established in the legislation applicable to that effect. In some cases, the review formula includes a correction factor based on deviations between forecast ADTs and those actually obtained. As mentioned in note 12, part of the toll revenues received by the Group's companies are provided by the concession-granting administrations, by virtue of the provisions of the contracts and covenants governing the different concession agreements and all other related legislation.
- **Toll revenue:** Toll revenue is obtained by applying traffic growth assumptions and tariff reviews.
- **Operating expenses:** Generally speaking, operating expenses fluctuate in line with the CPI.
- **Finance expenses:** When calculating finance expenses, each company's financial structure is taken into account. Conditions similar to those contemplated in the respective Economic-Financial Plans originally presented by the companies to the Administrations or the versions updated on the basis of the latest debt issues made are taken into account in the refinancing that takes place throughout the concession period.
- **Replacement investments:** The companies have prepared multi-annual plans of the infrastructure activities to be carried out throughout the concession period or up to the date of the infrastructures' reversion to the respective concession-granting companies, designed to guarantee adequate rendering of the services that constitute their corporate purpose. These plans act as the basis for the systematic registration of the corresponding provisions based on the infrastructures' use up to the moment at which these activities have to be carried out, as a result of their continuous wear and the obligation of maintaining them in an adequate condition for their use (note 20).

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The breakdown of the toll rate updates to be applied in 2017 in the Group's concessionary companies is as follows:

Concession company	Concession arrangement	Legislation on which the price review is based	Toll changes in 2017
AUDASA	AP-9 El Ferrol-Tuy	Act 14/2000 of 29 December 2000 on State Administration	-0.37%
AP-1 EUROPISTAS	AP-1 Burgos-Armiñon	"	-0.31%
AUCALSA	AP-66 Campomanes-León	"	-0.42%
AUDENASA	AP-15 Túdela-Irurzún	Agreement of 25 May 2007 of the Navarre Regional Government	+0.665%
AUTOESTRADAS	AG-55 A Coruña-Carballo and AG-57 Puxeiros- Val Miñor	Royal Decree 210/1990 of 16 February and Decree 100/2008 of 17 April of the Galicia Regional Government	+0.65%

### 35. FACTORS ARISING FROM APPLYING IFRS 11

The provisions of this standard affect the consolidation method that applies to the 50% owned Group company, AUDENASA which, since its entry into force, is equity accounted.

For the purposes of a better understanding of the Group's main figures, taking into account the consolidation standard prior to the entry into force of IFRS 11 – Joint Arrangements – the consolidated statement of profit or loss for the years ended 31 December 2016 and 2015 are shown below for comparative purposes, obtained through the proportional consolidation of AUDENASA.

	2016 (Proportional consolidation)	2015 (Proportional consolidation)
Revenues	289,538	279,489
Work carried out by the Group for assets	888	860
Other operating revenues	4,161	3,831
Subsidies recognised in the income statement	39	35
Profit/(Loss) from disposal of assets	5	3
Overprovision	437	11,664
<b>Total operating revenues</b>	<b>295,068</b>	<b>295,882</b>
Supplies	(1,708)	(1,674)
Staff expenses	(34,992)	(35,379)
Provisions for amortisation and depreciation	(144,530)	(144,728)
External services and other operating expenses	(26,129)	(27,480)
Change in traffic provisions	(32)	(9)
Provision for replacement activities	(3,825)	(5,308)
<b>Total operating expenses</b>	<b>(211,216)</b>	<b>(214,578)</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>83,852</b>	<b>81,304</b>
Other interest and similar income	2,587	2,716
<b>Total finance income</b>	<b>2,587</b>	<b>2,716</b>
Finance and similar expenses	(129,216)	(150,702)
<b>Total finance expenses</b>	<b>(129,216)</b>	<b>(150,702)</b>
<b>Changes in the fair value of financial instruments</b>	<b>(1,770)</b>	<b>(721)</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	<b>(128,399)</b>	<b>(148,707)</b>
Profit/(Loss) from equity accounted companies	(203)	(323)
<b>CONSOLIDATED PRE-TAX PROFIT/(LOSS)</b>	<b>(44,750)</b>	<b>(67,726)</b>
Income tax	15,347	7,560
<b>CONSOLIDATED PROFIT/(LOSS) FROM CONTINUING ACTIVITIES</b>	<b>(29,403)</b>	<b>(60,166)</b>
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>(29,403)</b>	<b>(60,166)</b>
Attributable to:		
Minority Shareholder's Equity	(271)	(193)
<b>PARENT COMPANY</b>	<b>(29,674)</b>	<b>(60,359)</b>

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**36. SUBSEQUENT EVENTS**

- On 23 January 2017, the Board of Directors of AUDASA adopted the resolution to file a contentious-administrative appeal against the Order which, by delegation of the Ministry of Development, was adopted by the Secretary of State for Infrastructure, Transport and Housing on 23 December 2016 in relation to the toll rate review and toll rates applied to the Atlántico motorway in 2017 since it does not conform to the law for, among other reasons, not envisaging in it the applicable extraordinary toll rate update referred to in the agreement approved by Royal Decree 104/2013 of 18 February. On 21 February 2017, AUDASA filed the corresponding contentious-administrative appeal.
- On 2 March 2017, ITÍNERE paid the amount corresponding to the inspection certificate regarding the income tax for 2013 and 2014 totalling 15,831 thousand euros (see note 23.1).

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**ANNEX I: SCOPE OF CONSOLIDATION AT 31 DECEMBER 2016 AND 2015**

Company and registered office	Stake (%)	Shareholder	Investment (€Mn)		Relationship	Consolidation method	Activity
			2016	2015			
Itinere Infraestructuras, S.A. <i>C/ Capuchinos de Basurto 6, Bilbao - Spain</i>	-	Body of shareholders (note 16)	-	-	-	Full consolidation	Concession holding
Enaitinere, S.A.U. <i>Pza. Carlos Trias Bertrán, 7, Madrid, Spain</i>	100.00%	Itinere Infraestructuras, S.A.	2.583.96	2.583.96	Subsidiary	Full consolidation	Stake in ENA Infraestructuras, S.A.
ENA Infraestructuras, S.A. (ENA) <i>Pza. Carlos Trias Bertrán, 7, Madrid, Spain</i>	100.00%	Enaitinere, S.A.U.	1.588.33	1.588.33	Subsidiary	Full consolidation	Motorway construction and operation
Autopistas del Atlántico, C.E.S.A. (ALDASA) <i>C/ Alfredo Vicenti, 15, A Coruña - Spain</i>	100.00%	ENA Infraestructuras S.A.	114.9	114.9	Subsidiary	Full consolidation	Concesión Autopista El Ferrol - Tuy (AP-9)
Autopista Concesionaria Astur-Leonesa, S.A. (ALCALSA) <i>Parque Empresarial ASIPO II, Llanera, Asturias, Spain</i>	100.00%	ENA Infraestructuras S.A.	214.63	214.63	Subsidiary	Full consolidation	Concesión Autopista Campomanes - León (AP-66)
Autopista de Navarra, S.A. (AUDENASA) <i>Autopista AP-15 Km. 83-Sur en Talcazar, Navarra - Spain</i>	50.00%	ENA Infraestructuras S.A.	40.31	40.31	Joint venture	Equity accounted	Concesión Autopista Iruzuñ - Autopista Ebro (AP-15)
Autoestradas de Galicia, S.A. (AUTOESTRADAS) <i>C/ Alfredo Vicenti, 13, A Coruña - Spain</i>	100.00%	ENA Infraestructuras S.A.	30.18	30.18	Subsidiary	Full consolidation	Concesión Autopista A Coruña - Carballo (AG-55 y AG-57)
AP-1 Europlistas, Concesionaria del Estado, S.A. (AP-1 EUROPISTAS) <i>Cardenajimeno, área de peaje de Castañares, Burgos, Spain</i>	100.00%	Enaitinere, S.A.U.	148.43	148.43	Subsidiary	Full consolidation	Concession of the AP-1 motorway
Gestión de Infraestructuras de Bizkaia, S.A. (GEBISA) <i>Camino de Capuchinos, 6, Bilbao - Spain</i>	55.00%	AP-1 Europlistas, Concesionaria del Estado, S.A.	0.41	0.41	Subsidiary	Full consolidation	AP-8 motorway maintenance and operation
Tacel Inversiones, S.A. (TACEL) <i>Fiscal - San Mamede de Ribadulla; Vedra - A Coruña - Spain</i>	9.36%	Itinere Infraestructuras, S.A.	3.13	3.13	Associate	Equity accounted	Holding of the Santiago Compostela - Alto Sto. Domingo motorway concession
Autopista Central Gallega, C.E.S.A. (ACEGA) <i>Fiscal - San Mamede de Ribadulla; Vedra - A Coruña - Spain</i>	100.00%	Tacel Inversiones, S.A.	32.89	32.89	Associate	Equity accounted	Santiago Compostela - Alto Sto. Domingo motorway concession
Bip & Drive, S.A. (BIP & DRIVE) <i>Pisa de Colón, 2, Madrid - Spain</i>	20.00%	Itinere Infraestructuras, S.A.	1.82	1.82	Joint venture	Equity accounted	Rendering of collection system management services

The indirect percentages are shown in accordance with the stake's direct holder.

This annex forms an integral part of note 2 (d) of the consolidated annual accounts,  
which must be read together.



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**ANNEX II: INFORMATION ON NON-MINORITY SHAREHOLDERS' STAKES IN INVESTEE COMPANIES AT 31 DECEMBER 2016 AND 2015**

Thousands of euros	GEBISA	
	2016	2015
Percentage of Minority shareholders' equity	45%	45%
<b>Information about the financial position</b>		
Non-current assets	385	334
Non-current liabilities	150	150
Total non-current net assets	235	184
Current assets	3,970	3,288
Current liabilities	2,086	1,955
Total current net assets	1,884	1,332
Net assets	2,119	1,516
Book value of minority shareholders' equity	954	682
<b>Information about the income statement</b>		
Ordinary income	10,265	9,689
Profit/(loss) from continuing activities	603	430
Profit/(loss) from discontinued activities	-	-
Profit/(loss) for the year	603	430
Other comprehensive income	-	-
Total comprehensive income	603	430
Consolidated profit/(loss) allocated to minority shareholders	271	193
<b>Information about the cash flow statement</b>		
Cash flow from operating activities	495	650
Cash flow from investing activities	(39)	(137)
Cash flow from financing activities, prior to dividends paid to minority shareholders	-	(305)
Dividends paid to minority shareholders	-	-
Net increase / decrease in cash and cash equivalents	457	208

This annex forms an integral part of note 15.5 of the consolidated annual accounts, which must be read together.

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**ANNEX III: BREAKDOWN OF OUTSTANDING DEBENTURES AT 31 DECEMBER 2016**

Agent	Group company	Year of issue	Maturity date	Interest rate	Thousands of euros	
					Nominal amount	Amount at 31/12/2016
BANKIA	AUDASA	2008	2018	4.85%	95,326	94,563
CAIXABANK	AUCALSA	2014	2019	4.35%	229,400	223,485
CAIXABANK	AUDASA	2014	2020	4.75%	400,000	389,600
BANCO SABADELL	AUDASA	2011	2021	6.00%	66,111	64,183
BANCO SABADELL	AUDASA	2012	2022	5.75%	180,304	174,152
BANKIA	AUDASA	2013	2023	5.20%	193,000	183,926
CAIXABANK	AUDASA	2015	2025	3.75%	63,451	61,940
CAIXABANK	AUDASA	2016	2026	3.15%	66,801	65,169
CAIXABANK	AUCALSA	2016	2021	2.90%	50,643	49,613
<b>Total debentures issued</b>					<b>1,345,036</b>	<b>1,306,631</b>

At 31 December 2016, the fair values of the outstanding debentures do not differ significantly from their book value.

These debentures are listed on the AIAF, i.e. the Spanish corporate debt reference market or the private fixed-income that operates the Spanish financial markets. Their fair values are shown on the following website:

<http://www.aiaf.es/esp/asp/aiaf/Precios.aspx>

AIAF is a regulated market, as opposed to the over-the-counter markets, and is subject to control and supervision by the authorities regarding their functioning and how they list securities and disseminate information.

This annex forms an integral part of note 17.1 of the consolidated annual accounts,  
which must be read together.

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**ANNEX IV: BREAKDOWN OF DEBTS WITH FINANCIAL INSTITUTIONS AT 31 DECEMBER 2016**

Thousands of euros

Agent	Company	Original amount	Currency	Start date	Maturity	Interest rate	Current	Non-current	Total	
<b>LOANS</b>										
BANCO SANTANDER	ENAITINERE	760,754	Euro	2016	2025	6M Euribor + 2%	7,607	658,888	666,495	
BANCO SABADELL	ITINERE	571,082	Euro	2016	2025	6M Euribor + 2%	-	569,337	569,337	
MINISTRY OF INDUSTRY	ITINERE	678	Euro	2007	2021	Zero rate	62	217	279	
MINISTRY OF INDUSTRY	ITINERE	441	Euro	2008	2020	Zero rate	54	105	159	
BANCO SANTANDER	AUTOESTRADAS	25,000	Euro	2015	2019	6M Euribor + 1%	-	24,149	24,149	
<b>INTEREST DEBT</b>							9,607	-	9,607	
							<b>Total loans</b>	<b>17,330</b>	<b>1,252,696</b>	<b>1,270,026</b>
<b>CREDIT POLICIES</b>										
KUTXABANK - FACTORING	GEBISA	2,000	Euro	2013	2017	3M Euribor + 2%	-	-	-	
							<b>Total policies</b>	-	-	-
							<b>Total debt with financial institutions</b>	<b>17,330</b>	<b>1,252,696</b>	<b>1,270,026</b>

At 31 December 2016, the fair values of the debts with financial institutions do not differ significantly from their book value.

This annex forms an integral part of note 17.3 of the consolidated annual accounts,  
which must be read together.

# ITÍNERE INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES

## Consolidated Directors' Report

### 1. THE ITÍNERE GROUP'S PERFORMANCE IN 2016

The activity of ITÍNERE INFRAESTRUCTURAS, S.A. in 2016 focused on the management of its investees, the activity of which is primarily the mature toll road concession business in Spain. At 31 December 2016, ITÍNERE held stakes in a total of 6 concessionary companies, all of whose motorways are in operation (with a total of 609.2 km) and in one company that manages the operation of other road infrastructure, and also in another company, the corporate purpose of which is the rendering of collection management services through the electronic toll payment system.

In 2016, ITÍNERE carried out the management and coordination activities of the Group's companies, which have conducted their business as usual. In 2016, the overall economy continued the recovery that began in the second half of 2014, after a long recession, which had a very negative effect on toll road traffic. Although the overall economic improvement in 2016 can be classified as moderate regarding some values in the historical series, it appears to indicate the consolidation of a recovery after several years of contraction.

Of the most relevant events of the year, it is important to highlight the following:

- The stabilisation of ITÍNERE'S debt through the novation of the syndicated loan agreement. On 6 October 2015, this loan was novated and recast for the purpose of extending its maturity to the date that resulted from the refinancing of ENAITINERE's debt and improve the remaining terms and conditions. The entry into force of the novation was subject to a condition precedent, which was met on 16 February 2016 and, consequently, the new maturity date of the loan is 6 October 2025 and the nominal amount, after the repayments are made, is 571.1 million euros.
- The refinancing of ENAITINERE's debt, like the above, was subject to a condition precedent which was met in February 2016, and which has permitted an extension of the due date of the debt until 2025, as is explained in greater detail later on.
- Our investee AUTOPISTAS DEL ATLÁNTICO, C.E.S.A. continued the construction work for the enlargement of the AP-9 motorway, corresponding to the Vigo access (including Rande Bridge) and the Santiago North – Santiago South section.

As we pointed out at the beginning of these comments, after a long recession which affected the Spanish economy well into 2014, the economic situation in 2016 continued its improvement and this was reflected in the toll road sector. The recovery in the sector's traffic began in 2014 and 2015, after 6 consecutive years of decline. In 2016, this growth in traffic on Spain's motorways was consolidated, achieving an improvement of 5.9%. The total ADT of the ITÍNERE Group in 2016 was 17,791 vehicles, with a positive variation of 4.1% with respect to 2015. The ADT among lightweight vehicles for all the Group's motorways for 2016 was 15,495, representing a growth of 4.3% compared with 2015. For heavy vehicles, the ADT was 2,296, i.e. 2.4% higher than in 2015.

The main consolidated financial figures included in the consolidated annual accounts for 2016 are discussed briefly below:

- Consolidated revenue for 2016 amounts to 268.7 million euros, 3.4% more than the 2015 financial year's comparative figure, as a result of the economic recovery that has been taking place over the last financial year, which has been reflected in a recovery of traffic levels on our motorways. Taking the proportional income of AUDENASA, as was done prior to the application of IFRS 11, revenue would have been 289.5 million euros, 3.6% higher than the previous year's figure.
- Consolidated EBITDA in 2016 amounts to 214.3 million euros, representing an EBITDA margin of 79.8%, 1.5 percentage points wider than in 2015. This represents an increase of 5.3% when compared with the previous financial year, as a consequence of higher income and the application of an ongoing savings policy, which has also allowed a reduction of 2.8% in current operating expenses, which was also influenced by good weather conditions during the winter season giving rise to a significant savings in road works. Taking the proportional contribution of AUDENASA, as was done prior to the application of IFRS 11, this figure would be 231.8 million euros in 2016.

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- The amortisation of concession assets, which is carried out using the straight-line method, represents a total amortisation amount of 128.9 million euros. The allocation of provisions for replacement work during the 2016 financial year is 2.3 million euros, and surplus provisions of 304 thousand euros have been recorded, arising from the effect of savings obtained in pavement renewal. All of this puts the 2016 EBIT at 83.4 million euros, i.e. 1.9% higher than in 2015, with an EBIT margin of 31.0%, slightly narrower than in 2015 (-0.5 percentage points).
- The financial results show a negative amount of 128.1 million euros, with an improvement of 20.5 million euros with respect to the figure obtained in 2015. This is mainly the result of the better conditions obtained from the refinancing of corporate debt in February 2016 and the cancellation of the maturity in January of the derivatives held by ITÍNERE since 2011.
- At 2016 year-end, it was not necessary to register any impairment-based value adjustments relating to consolidation goodwill; with this the financial year's consolidated loss attributed to the parent company was 29.7 million euros, i.e. 50.8% lower than in 2015.
- The nominal amount of the gross financial debt at the close of the reporting period was 2,96.9 million euros, which represents the financing associated with projects, meaning that 78% of the total financial debt is without recourse. Net financial debt is 2,724.3 million euros.
- The net investment in concession arrangements at the end of the reporting period amounted to 2,630.3 euros, including the allocation of fair values resulting from the acquisition price distribution carried out in 2009.

The motorway concession sector activity is inevitably closely linked to the general economic performance. The economic recovery, which began at the end of 2014 and has consolidated since then, has delivered GDP growth in 2016 similar to 2015 as well as continued improvement in jobs and most of the economic indicators. Nevertheless, the political instability during most of 2016 limited, to some extent, the recovery and some signs of weakness still remain.

GDP in Spain in 2016 increased 3.2% compared to 2015, i.e. the same growth as in 2015. GDP at prices for 2016 was 1,113,851 million euros. In the fourth quarter, domestic demand contributed 2.2 percentage points (three tenths less than in the third quarter) to annual GDP growth. On the other hand, foreign demand contributed 0.8 percentage points (one tenth less than in the third quarter). The two main components of domestic demand (consumer spending and capital expenditure) showed an annual change of 2.2%. Final household spending grew by 3.5% in the year, boosted by favourable performance in the job market, financing conditions and the net financial household wealth in a context of a prolonged deleveraging process. The main slowdown in consumer spending came from the Public Administrations (0.0%).

In 2016, unemployment fell by 541,700 to 4,237,800 people, the lowest level since the third quarter of 2009. The unemployment rate decreased by three tenths in the quarter and by 2.3 percentage points during the year to 18.6% of the working population. By gender, the unemployment rate declined by 0.4 percentage points among women to 20% and by 0.2 points among men to 17.2%. By age, all the main groups reduced unemployment in the quarter, except for those aged 55 or over. According to the collective bargaining agreement statistics drafted by the Ministry of Employment and Social Security, and with the information available at the end of January 2017, the average wage increase agreed in January 2017 was 1.2%, i.e. one tenth higher than that agreed in 2016.

In year-on-year terms, the CPI rose by 1.6% in December 2016, i.e. nine tenths higher than in the previous month, due mainly to the energy price performance. The CPI ended 2016 with an annual average fall of 0.2%. The energy prices grew in December by 5.3% year-on-year due to an intense price acceleration (of 8.3 percentage points) in fuels and lubricants and, to a lesser extent, electricity prices, which increased their pace of growth by 3.1 points to 3.7%. Underlying inflation, which excludes the most volatile items of the general index (unprocessed food and energy), increased by two tenths in December to 1% due to a price acceleration in services, while the prices of processed foods slightly reduced their pace of growth year-on-year, and non-energy industrial goods remained unchanged.

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Within this general context, we will now comment on the specific financial activity carried out by ITÍNERE and its investees. In addition to meeting the financial needs of the different Group companies at any given moment, the activity in this area is permanently focused on the analysis and prospecting of possible Group debt financing transactions that add value and improve structural efficiency. Thus, of the activities during the 2016 financial year, the following milestones in the financial area can be highlighted:

- **Novation of the ITÍNERE syndicated loan:** The loan signed in August 2011, which was novated in 2013 and 2014, was novated once again and recast on 6 October 2015 for the purpose of: extending its maturity up to the same date as that resulting from the refinancing of ENAITINERE's debt; unifying the various financing tranches into a single one, eliminating those corresponding to a liquidity line; modifying the interest payment regime, making it entirely in cash, and reducing the applicable margin; repayment of 50 million euros charged to dividends receivable from its investee ENAITINERE, upon fulfilment of the financing conditions established for the latter, and the elimination and/or modification of other terms and conditions of the financing agreement agreed by the parties. The entry into force of the novation is subject to a condition precedent, consisting of the arrangement by ENAITINERE of sufficient financing for the cancellation of the debt signed in October 2013, and ITÍNERE'S receipt of a dividend from ENAITINERE for an amount of 50 million euros, to be distributed among ITÍNERE'S lenders as repayment. On 16 February 2016, the condition precedent was met and, consequently, the new aforementioned novation entered into force, meaning that the new due date of the loan is 6 October 2025 and the nominal amount, after the repayments are made, is 571.1 million euros.
- **Refinancing of the ITÍNERE syndicated loan:** The syndicated loan formalised by ENAITINERE and PARTICIPACIONES AP-1 EUROPISTAS jointly and severally in October 2013 had a maturity date in October 2018. In October 2015, a new syndicated loan was subscribed by ENAITINERE, which had previously merged through absorption of PARTICIPACIONES AP-1 EUROPISTAS, for a maximum term of 10 years and subject to a condition subsequent, under which the amount of the new loan, together with the formalisation of another debt instrument for a minimum amount of 300 million euros, would allow the full repayment of the 2013 loan and, in addition, pay an extraordinary dividend to ITÍNERE for an amount of 50 million euros. In February 2016, the condition subsequent of the syndicated loan was met, through the arranging of a bilateral loan for an amount of 300 million euros, meaning that both credit transactions have entered into force and, consequently, the previous loan, the nominal amount of which was 1,010.8 million euros, has been fully repaid and an extraordinary dividend of 50 million euros has been paid to ITÍNERE. The due date of both transactions is October 2025; the interest rate of the syndicated loan is pegged to Euribor plus a spread of 2%, while the interest rate of the bilateral loan is fixed. The guarantees provided in the new financing are identical to those existing under the previous financing and include, among others, the pledging of shares representing the corporate capital of ENA INFRAESTRUCTURAS, ENAITINERE and AP-1 EUROPISTAS. This financing is without recourse to the parent company ITÍNERE and allow, when certain conditions are fulfilled, the release of funds in favour of ITÍNERE.

With the materialisation in February 2016 of the transactions described in the parent and sub-holding company, improvements have been made in the financial structure of the Group, providing long-term financial stability.

- **AUDASA debenture issue:** After obtaining the necessary authorisations, in May AUDASA issued and listed an issue of tax-deductible debentures, with the guarantee of ENA INFRAESTRUCTURAS, for an amount of 66.8 million euros, with a 10-year term, a coupon of 3.15% and similar characteristics to those of previous issues. The issue, addressed to the retail market, was not insured and was a complete success, being subscribed for an amount higher than that issued. The subscribed amount was 222.5 million euros (233% oversubscription) and, as envisaged in the issue prospectus, the corresponding proportional distribution was carried out. The issue securities are listed on the AIAF (Spain's Association of Financial Asset Brokers) market, on the SEND platform. The object of the issue was to meet the maturity of a debenture

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issue, also tax-deductible, for an amount of 66.8 million euros, with a maturity date within the financial year.

- **AUCALSA debenture issue:** Like the preceding one, after obtaining the necessary authorisations, in May AUCALSA issued and listed an issue of tax-deductible debentures, with the guarantee of ENA INFRAESTRUCTURAS, for an amount of 50.6 million euros, with a 5-year term, a coupon of 2.90% and similar characteristics to those of previous issues. The issue, addressed to the retail market, was not insured and was a complete success since the requested amount (265.8 million euros) was substantially higher than that issued (425% oversubscription) and, as envisaged in the issue prospectus, the corresponding proportional distribution was carried out. The issue securities are listed on the AIAF (Spain's Association of Financial Asset Brokers) market, on the SEND platform. The object of the issue was to meet the maturity of a debenture issue, also tax-deductible, for the same amount (50.6 million euros), with a maturity date within the financial year.

The amounts paid by all the Group companies to the various Public Administrations for taxes, social security contributions, etc. totalled 89.9 million euros in 2016.

At 31 December 2016, the Group companies do not have any amounts pending payment on commercial transactions that accumulate a deferment in excess of the legal deadline as per the provisions of Act 3/2004 of 29 December and its subsequent amendments through Act 15/2010 of 5 July and Royal Decree Law 4/2013 of 22 February. The average payment period to the Group's suppliers in 2016 was 22 days.

## **2. SUBSEQUENT EVENTS**

In application of the respective procedures for the review of tariffs and tolls on the Group's motorways (in the case of those owned by the State Administration, that established in Act 14/2000 of 29 December; in the case of those for which the regional governments are responsible, that established in the specific applicable legislation), with effect 1 January 2016, the review of the tolls to be applied has been authorised which, in the case of the motorways owned by the Ministry of Development (AUDASA, AUCALSA and AP-1), has involved a slight reduction in tariffs of between 0.31% and 0.42%. The motorways owned by the regional governments (AUDENASA and Autoestradas) had a positive review of 0.665% and 0.65%, respectively. The concessionary companies for which the regional governments are responsible review their tariffs on the basis of 95% of the inter-annual fluctuation in the CPI at October, whereas the concessionary companies for which the Ministry of Development is responsible carry out the toll rate review on the basis of the average variation in the CPIs of the period between the months of October of the previous and current years, also taking into account a correction factor based on deviations between the forecast ADT and the figure actually obtained.

Since 2016 year-end, no significant events other than those stated in note 36 to the attached annual accounts, detailed as follows, have taken place:

- On 23 January 2017, the Board of Directors of AUDASA adopted the resolution to file a contentious-administrative appeal against the Order which, by delegation of the Ministry of Development, was adopted by the Secretary of State for Infrastructure, Transport and Housing on 23 December 2016 in relation to the toll rate review and toll rates applied to the Atlántico motorway in 2017 since it does not conform to the law for, among other reasons, not envisaging in it the applicable extraordinary toll rate update referred to in the agreement approved by Royal Decree 104/2013 of 18 February. On 21 February 2017, AUDASA filed the corresponding contentious-administrative appeal.
- On 2 March 2017, ITÍNERE paid the amount corresponding to the inspection certificate regarding the income tax for 2013 and 2014 totalling 15,831 thousand euros (see note 18).

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### **3. COMPANY OUTLOOK**

The activity to be conducted by ITÍNERE in the coming years will focus on, within the framework of the respective concession contracts, the management of its investees, in accordance with the guidelines proposed by the shareholders.

In 2017, the expansion work will continue on the AP-9 AUTOPISTA DEL ATLÁNTICO motorway, consisting of the construction of new lanes in the Santiago de Compostela bypass section, as well as the Cangas link-Teis link section and the enlargement of Rande Bridge. This work will contribute to enhancing services for users.

At a financial level, it is important to point out that, after the process of the joint and simultaneous refinancing of the debt of ITÍNERE and its investee ENAITINERE, which was completed in February 2016 and which involved the extension of the due date until October 2025 plus the refinancing of the AUDASA and AUCALSA issues with maturity in 2016, virtually all of the Group's debt is long term. In 2017, the Group has no contractual debt maturities which must be financed.

With regard to the refinancing scheduled for the coming years, specifically the low taxation debentures of AUDASA and AUCALSA, it is important to underline the Group's ample experience in these types of operations. Even in such adverse situations as those experienced in the financial markets in recent years, the debentures issued from 2011 to 2016 (for over 1,249 million euros in the period) were a great success, with high levels of oversubscription, a clear sign of investor confidence in the projects being developed by the Group's issuing companies.

Based on the foregoing, the directors are reasonably confident that this debt will be refinanced at its maturity in the coming years, although this opinion is conditional upon the specific circumstances of the financial markets at the moment of the refinancing.

At a financial level, and while the novation and refinancing of the debts of Itínere and ENAITINERE concluded in 2016 represent long-term financial stability, all opportunities that enable the financial structure of the Company and its Group to be continuously improved will continue to be analysed so as to maintain the high degree of soundness and solvency that has made it possible to meet all of its commitments over the entire lifetime of the Company and of its subsidiaries and investees.

### **4. MAIN RISKS AND UNCERTAINTIES**

With regard to potential market risk, ITÍNERE'S toll road concession investees operate in accordance with the concession contracts with the State, which establish the right to redress the financial balance should circumstances beyond the control of the concession operator arise, significantly limiting the risks associated with the activity. However, some risk factors can be identified, as summarised below:

- **Demand risk:** In toll road concessions, the tolls collected by concession companies, which are their main source of revenues, depend on the number of vehicles using the road and its capacity to attract traffic. Average traffic and toll revenues also depend on a number of factors, including the quality, condition, comfort and travel time of alternative toll-free roads or non-Group toll roads, economic conditions, fuel prices, weather conditions, environmental legislation (including measures to restrict use of motor vehicles to reduce pollution), natural disasters and the viability or presence of alternative forms of transport such as air routes, railways and other intercity transport. Given the current characteristics of the ITÍNERE portfolio (mature and well-consolidated business), the demand risk can be considered low as regards some of the factors listed above.
- **Regulatory risk:** ITÍNERE'S investees are required to comply with sector-specific and general legislation (accounting, environmental, employment, data protection, tax, etc.). As in all tightly regulated sectors, changes to legislation could negatively affect the Company's business. In the event of significant regulatory changes (such as changes to tax structures), under certain circumstances the Group's concession companies would have the right to adapt the terms of



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their concession or to negotiate changes with the appropriate public entity, in order to re-establish an economic and financial equilibrium.

- **Risks associated with international expansion:** No specific projects for expansion into other countries are currently envisaged. Nevertheless, should ITÍNERE decide to expand its business to other countries, in the belief that this would contribute to its future growth and profitability, an in-depth field analysis would be carried out prior to authorizing an investment of this type. Although there is always a risk in any expansion to new geographical areas, the management team's experience in this type of international development would help to mitigate these risks.

In regards to general economic progress, as already mentioned throughout this report, the current panorama would seem to point to an improvement in the economic situation in Spain and, while not without risks, in the general framework of the global economy as well. Based on the experience of previous years, the conclusion can be drawn that the performance in traffic is directly related to the behaviour of the main macroeconomic variables.

Other risks to which the Group companies are exposed are as follows:

- Risks from damage caused during infrastructure maintenance work or construction or expansion work.
- Risks associated with occupational safety.
- Risks from loss of assets.

ITÍNERE and its investees have appropriate control systems to identify, quantify, assess and mitigate all of these risks, thus minimising or eliminating their impact. The Group also has a policy of taking out and maintaining insurance policies to cover these areas, among others.

## **5. FINANCIAL RISK MANAGEMENT POLICIES**

To a large extent, and as far as the concessionary companies are concerned, the financial risk management policies of the Company and Group and, therefore, the instruments for their achievement, are determined by the specific legislation and regulations of the infrastructure concession sector of activity, the respective concession agreements, each project's degree of maturity, the remaining years of the concession and the nature of the business, without forgetting, of course, the situation that reigns in the financial markets at any given moment.

Thus, the structure, type of financing, hedges, guarantees and, in short, all the other most suitable financing instruments are selected on the basis of the nature of and the risks inherent in each project to be financed, so as to mitigate them as far as is possible, without ignoring the balance between cost, risk, guarantees and term.

Financing of the concessionary and vehicle companies in which ITÍNERE has stakes is without recourse to the Company. Two of the Group's main companies (AUDASA and AUCALSA) are wholly financed through the issue of tax-deductible debentures addressed to the retail market.

The financial policy and management of ITÍNERE is decided and executed by the Company's finance department, subject to the approval of its senior management. Briefly, this policy, as regards financial risk management, is as follows:

- **Interest rate risk:** Of the Group's total consolidated debt, a very substantial part, 72%, is at a fixed rate, which reduces the businesses' exposure to rising interest rates. This debt, both that associated with projects and corporate debt, is made up of tax-deductible debenture issues with a single amortisation at maturity (representing 58.4% of project debt at fixed interest rates and a term of between 5 and 10 years) and loans from financial institutions. This fixing of bank debt interest rates is materialised through financial hedge instruments, such as interest rate swaps (IRS) or caps. A possible variation of  $\pm 100$  basis points in interest rates would have an

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approximate effect of between -5.0 and -3.1 million euros on the financial year's net consolidated profit or loss and between +4.3 and -3.7 million euros in consolidated equity.

On 29 January 2016, the derivatives taken out by ITÍNERE in 2011 expired, meaning that from that date on all of the financial debt arranged by ITINERE is at a variable interest rate. Notwithstanding the above, given the economic circumstances, current interest rates and those foreseen for the medium term, this situation will probably mean a reduction in the finance costs of the Company in the years to come. In any case, the evolution of the markets is constantly monitored and, if deemed advisable, the contracting of new hedge instruments can be studied.

Furthermore, as has already been mentioned, the Group Company ENAITINERE has signed hedge contracts (both interest rate swaps (IRS) and caps) with certain institutions, in accordance with the provisions of their respective financing contracts, for the purpose of hedging the interest rate risk associated with them, which will mature in 2018. Virtually the entire portfolio of financial swap contracts complies with the requirements established by the accounting standards for their classification as efficient hedges. The fair value of the derivatives subscribed by the Group at 31 December 2016 amounts to 7,904 thousand euros (note 19.3).

- **Exchange rate risk:** The Group's policy is to arrange its indebtedness with financial institutions in the same currency as the one in which its business flows are produced. Likewise, no transactions are made in non-euro currencies. Consequently, there is currently no exchange rate risk.
- **Credit risk:** Given the characteristics of the activity conducted by ITÍNERE (holding company of a Group of concessionary companies), most of its income is obtained from the rendering of services to its investees. Consequently, due to the nature of the business conducted by the Group, the risk of non-payment is low. As far as this risk in its investees is concerned, it is virtually non-existent owing to the fact that revenue is received in cash or through credit card or electronic means of payment, the non-payment risk of which is assumed by the management companies. Likewise, part of the revenue derives from the payments that the various concession-granting administrations as well as the regional and central governments make in accordance with the terms and conditions of the respective concession agreements.
- **Refinancing risk:** As stated in note 17.3, effective as of 16 February 2016, ITÍNERE and ENAITINERE have proceeded to the non-extinguishing modifying novation of the refinancing of their respective syndicated loans, which has involved, among other modifications, the extension of the maturity dates of said loan agreements until 6 October 2025. In 2017, the Group has no contractual debt maturities which must be financed. As a consequence, all of the Group's debt is long term, so the Company directors believe that this risk is low. In any case, and in relation to the maturities in previous years, this risk is mitigated since the businesses have recurring income and the concession periods are long term.
- **Liquidity risk:** Due to the particular characteristics of the Company and the structure of its current liabilities, as well as debt refinancing and cash flow generation estimates, there are sufficient funds for the Company to meet its payment commitments. At the same time, within the different concessionary companies that make up ITÍNERE, the liquidity risk is low due to the nature and characteristics of their collections and payments, their EBITDA, the projects' financial structure, toll systems and a predictable and systematic replacement investment programme. Consequently, the Company's directors are of the opinion that this risk is low.
- **Price risk:** This risk is very low given the fact that the revenue of ITÍNERE is associated with the activity of its investees. These companies, in turn, are not exposed to this risk either, because they operate in a regulated market in which the prices applied are reviewed on the basis of the variation in the Consumer Price Index (CPI).

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**6. RESEARCH AND DEVELOPMENT ACTIVITIES**

The Company is not engaged in any R&D programmes that might, owing to their significance and expected results, substantially transform its business activity.

**7. ACQUISITION OF OWN SHARES**

The Company did not acquire its own shares in 2016. As a consequence of the acquisitions in previous financial years, at 31 December 2016 it owns 53,469 shares, representing 0.01% of its corporate capital. These acquisitions were made in accordance with the resolution adopted by the General Meeting of Shareholders held on 24 June 2009, authorising the derivative acquisition of own shares by the Company and/or its subsidiaries, with the limits and requirements established by the prevailing legislation.

**ITÍNERE INFRAESTRUCTURAS, S.A.  
AND SUBSIDIARIES**

ONE: Pursuant to the provisions of article 253 of the consolidated text of the Corporate Enterprises Act and article 37 of the Spanish Code of Commerce, the directors of **ITÍNERE INFRAESTRUCTURAS, S.A.** have prepared the attached Consolidated Annual Accounts comprised of the Consolidated Balance Sheet, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, Notes to the Consolidated Annual Accounts and Consolidated Director' Report for the year ended 31 December 2016, which are shown on pages 1 to 79 of this document, signed by the secretary to the board of directors.

TWO: The Company directors state that the accounting records on which the attached consolidated annual accounts are based do not contain any items that should be included in a specific document on environmental information as set forth in Order JUS/206/2009 of 28 January.

Signed in Madrid on 28 March 2017.

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Mr. Pedro Pérez Fernández  
**Chairman**

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Mr. Francisco Javier Pérez Gracia  
**CEO**

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Mr. Antonio Herrera Bustamante  
**Director**

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ARECIBO SERVICIOS Y GESTIONES, S.L.,  
represented by Ms. Vicky Chan  
**Director**

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CORPORACIÓN EMPRESARIAL DE TENENCIA DE ACTIVOS DE GALICIA, S.L.  
represented by Mr. Juan María Hernández Andrés  
**Director**

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LIBERBANK CAPITAL, S.A.  
represented by Mr. Ignacio Javier López de Hierro Bravo  
**Director**

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ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.  
represented by Mr. Javier José Carral Martínez  
**Director**

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Mr. Mark Edwin Lorkin  
**Director**

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Mr. Michael Osborne  
**Director**

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Ms. Holly Keller Koepffel  
**Director**

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Ms. Cynthia Joan Praschnik  
**Director**

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Mr. Fernando Mendezona Peña  
**Director**

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Mr. Carlos Mijangos Gorozarri  
**Director**

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Mr. José M<sup>º</sup> Orihuela Uzal  
**Director**

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Mr. Francisco Piedras Camacho  
**Director**

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Mr. José Luis González Carazo  
**Secretary, non-Director**