

Itínere Infraestructuras, S.A.

Annual Accounts

31 December 2016

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 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 Annual Accounts

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

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of Itínere Infraestructuras, S.A. in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2 to the accompanying annual accounts, and for such internal control that they determine is necessary to enable the preparation of 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 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts 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 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 annual accounts give a true and fair view, in all material respects, of the equity and financial position of Itínere Infraestructuras, S.A. at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2016 contains such explanations as the Directors consider relevant to the Company's situation, its business performance and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2016. Our work as auditors is limited to the verification of the 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 the Company.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Gustavo Rodríguez Pereira

6 April 2017

ITÍNERE INFRAESTRUCTURAS, S.A.

**Annual accounts and Directors' Report
31 December 2016
(together with the Audit Report)**

ITÍNERE INFRAESTRUCTURAS, S.A.

**Balance Sheets
at 31 December 2016 and 2015
(in euros)**

	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS		2,302,105,057.11	2,302,563,513.09
Intangible assets	5	11,577.72	19,069.08
Computer software		11,577.72	19,069.08
Property, plant and equipment	6	266,071.85	350,582.32
Technical facilities and other property, plant and equipment		266,071.85	350,582.32
Investment property	7	611,459.54	686,639.54
Land and buildings		611,459.54	686,639.54
Non-current investments in group companies and associates	10	2,301,123,773.08	2,301,123,773.08
Equity instruments		2,301,123,773.08	2,301,123,773.08
Non-current financial investments	9	62,061.43	62,061.43
Other financial assets		62,061.43	62,061.43
Deferred tax assets	18	30,113.49	321,387.64
CURRENT ASSETS		56,646,134.59	68,365,615.85
Trade and other receivables	11	23,291,583.73	57,067,066.47
Trade receivables from group companies and associates	9 and 19	10,770,414.93	14,131,077.35
Sundry receivables	9	568,882.83	578,027.13
Personnel	9	333,551.63	334,697.83
Current tax assets	18	11,618,734.34	42,023,264.16
Current accruals		182,583.59	199,750.51
Cash and cash equivalents	12	33,171,967.27	11,098,798.87
Cash		27,171,046.72	3,094,941.34
Cash equivalents		6,000,920.55	8,003,857.53
TOTAL ASSETS		2,358,751,191.70	2,370,929,128.94

The accompanying notes 1 to 29 form a comprehensive part of the Annual Accounts at 31 December 2016

ITÍNERE INFRAESTRUCTURAS, S.A.

Balance Sheets
at 31 December 2016 and 2015
(in euros)

	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY		1,271,106,323.60	1,258,007,167.07
Equity	13	1,271,076,605.56	1,258,406,797.77
Capital		221,874,386.30	221,874,386.30
Issue premium		1,038,559,639.56	1,038,559,639.56
Legal reserve		26,955,789.44	26,955,789.44
Other reserves		493,226,295.35	508,561,015.20
Own shares and equity holdings		(211,737.24)	(211,737.24)
Retained earnings		(537,332,295.49)	(510,344,162.47)
Profit/(loss) for the year		28,004,527.64	(26,988,133.02)
Valuation adjustments		-	(443,373.05)
Hedge transactions		-	(443,373.05)
Subsidies, donations and bequests received	14	29,718.04	43,742.35
NON-CURRENT LIABILITIES		1,038,854,053.82	997,140,156.55
Non-current payables		583,880,351.45	640,422,452.57
Debentures and other marketable securities	9 and 15	14,220,875.81	12,691,324.65
Debt with financial institutions	9 and 16	569,659,475.64	627,731,127.92
Non-current payables to group companies and associates	9 and 19	454,963,796.27	356,703,123.20
Deferred tax liabilities	18	9,906.09	14,580.78
CURRENT LIABILITIES		48,790,814.28	115,781,805.32
Current payables	9	4,539,809.45	14,838,188.03
Debt with financial institutions	16	4,539,059.45	14,246,273.95
Derivatives		-	591,164.08
Other financial liabilities		750.00	750.00
Current payables to group companies and associates	9 and 19	15,853,305.24	88,215,854.70
Trade and other payables		28,280,414.84	12,610,476.19
Sundry payables	9	487,202.91	571,988.42
Personnel	9	5,478,103.73	5,484,432.43
Other payables to public authorities	17	22,315,108.20	6,554,055.34
Current accruals		117,284.75	117,286.40
TOTAL EQUITY AND LIABILITIES		2,358,751,191.70	2,370,929,128.94

The accompanying notes 1 to 29 form a comprehensive part of the Annual Accounts at 31 December 2016

ITÍNERE INFRAESTRUCTURAS, S.A.

**Income statements
for the years ending
on 31 December 2016 and 2015
(in euros)**

	Note	2016	2015
Revenues	20	7,735,672.74	7,514,898.76
Services rendered		7,735,672.74	7,514,898.76
Other operating revenues		289,359.80	284,807.33
Sundry and other current operating revenues		285,108.80	284,807.33
Operating subsidies taken to income		4,251.00	-
Staff expenses	23	(3,433,843.88)	(3,287,839.28)
Wages, salaries and similar expenses		(3,167,990.84)	(3,050,016.88)
Employer contributions		(265,853.04)	(237,822.40)
Other operating expenses		(2,260,427.43)	(2,341,876.32)
External services	21	(2,214,390.66)	(2,287,454.49)
Taxes other than income tax		(46,036.77)	(54,421.83)
Depreciation and amortisation charge	5, 6 and 7	(177,738.78)	(191,093.89)
Impairment and gains/(losses) on disposal of fixed assets		(5,581.08)	(5,739.72)
Gains/(losses) on disposal and other		(5,581.08)	(5,739.72)
Other income		-	2,635.49
OPERATING PROFIT/(LOSS)		2,147,441.37	1,975,792.37
Finance income	22	50,037,493.77	18,862,723.74
From equity instruments		50,000,000.00	-
From group companies and associates	19	50,000,000.00	-
From negotiable securities and other financial instruments		37,493.77	18,862,723.74
From group companies and associates	10 and 19	-	18,797,417.40
Third parties		37,493.77	65,306.34
Finance expenses	22	(27,302,360.24)	(46,754,888.98)
On debts to group companies and associates	19	(10,487,071.15)	(10,958,751.08)
On debts to third parties		(16,815,289.09)	(35,796,137.90)
Financial subsidies, donations and bequests	14	18,699.01	22,026.38
Exchange differences		(459.48)	(73,361.54)
Impairment and gains/(losses) on disposal of financial instruments		-	40,600.27
Gains/(losses) on disposal and other	10	-	40,600.27
FINANCIAL PROFIT/(LOSS)		22,753,373.06	(27,902,900.13)
PRE-TAX PROFIT/(LOSS)		24,900,814.43	(25,927,107.76)
Income tax	18	3,103,713.21	(1,228,008.95)
Adjustments to income tax	18	-	166,983.69
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		28,004,527.64	(26,988,133.02)
PROFIT/(LOSS) FOR THE YEAR		28,004,527.64	(26,988,133.02)

The accompanying notes 1 to 29 form a comprehensive part of the Annual Accounts at 31 December 2016

ITÍNERE INFRAESTRUCTURAS, S.A.

Statements of Changes in Equity
for the years ending
on 31 December 2016 and 2015
(in euros)

STATEMENT OF INCOME AND EXPENSES RECOGNISED IN EQUITY

	Note	2016	2015
A) Profit/(loss) for the year		28,004,527.64	(26,988,133.02)
Income and expenses recognised directly in equity			
Cash flow hedges	9	(8,901.12)	(272,124.67)
Tax effect		2,225.28	161,617.45
B) Total income and expenses recognised directly in equity		(6,675.84)	(110,507.22)
Amounts transferred to the income statement			
Cash flow hedges	9	600,065.18	7,328,971.04
Subsidies, donations and bequests received	14	(18,699.01)	(22,026.38)
Tax effect		(145,341.59)	(2,045,943.35)
C) Total amounts transferred to the income statement		436,024.58	5,261,001.31
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		28,433,876.38	(21,837,638.93)

TOTAL STATEMENT OF CHANGES IN EQUITY

	Registered capital	Reserves	(Own shares and equity holdings)	Retained earnings	Profit/(loss) for the year	Valuation adjustments	Subsidies, donations and bequests received	TOTAL
BALANCE AT YEAR-END 2014	221,874,386.30	1,574,076,444.20	(211,737.24)	(504,383,319.87)	(5,960,842.60)	(5,609,724.98)	59,600.19	1,279,844,806.00
Total recognised income and expenses	-	-	-	-	(26,988,133.02)	5,166,351.93	(15,857.84)	(21,837,638.93)
Other changes in equity	-	-	-	(5,960,842.60)	5,960,842.60	-	-	-
Transfers between equity items	-	-	-	(5,960,842.60)	5,960,842.60	-	-	-
BALANCE AT YEAR-END 2015	221,874,386.30	1,574,076,444.20	(211,737.24)	(510,344,162.47)	(26,988,133.02)	(443,373.05)	43,742.35	1,258,007,167.07
Total recognised income and expenses	-	-	-	-	28,004,527.64	443,373.05	(14,024.31)	28,433,876.38
Other changes in equity	-	(15,334,719.85)	-	(26,988,133.02)	26,988,133.02	-	-	-
Transfers between equity items	-	-	-	(26,988,133.02)	26,988,133.02	-	-	-
Other changes	-	(15,334,719.85)	-	-	-	-	-	(15,334,719.85)
BALANCE AT YEAR-END 2016	221,874,386.30	1,558,741,724.35	(211,737.24)	(537,332,295.49)	28,004,527.64	-	29,718.04	1,271,106,323.60

The accompanying notes 1 to 29 form a comprehensive part of the Annual Accounts at 31 December 2016

ITÍNERE INFRAESTRUCTURAS, S.A.

Statement of Cash Flows
for the years ending
on 31 December 2016 and 2015
(in euros)

	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		88,717,084.33	5,245,913.55
Profit/(loss) for the year before taxes		24,900,814.43	(25,927,107.76)
Adjustments to earnings		(22,574,304.20)	28,099,733.74
Depreciation and amortisation charge (+)	5, 6 and 7	177,738.78	191,093.89
Subsidies recognised in the income statement (-)		(4,251.00)	-
Proceeds from divestments of financial instruments (+/-)		5,581.08	(34,860.55)
Finance income and allocation of financial subsidies (-)	22 and 14	(50,056,192.78)	(18,884,750.12)
Financial expenses (+)	22	27,302,360.24	46,754,888.98
Exchange differences (+/-)		459.48	73,361.54
Changes in working capital		2,651,022.80	(508,171.11)
Trade and other receivables (+/-)		8,335,807.42	7,681,341.56
Trade and other payables (+/-)		(5,684,784.62)	(8,189,512.67)
Other cash flow from operating activities		83,739,551.30	3,581,458.68
Interest paid (-)		(15,551,886.71)	(18,772,451.24)
Dividends received (+)	22	50,000,000.00	-
Interest received (+)		31,253.28	49,405.16
Income tax received (paid) (+/-)		51,885,896.01	25,188,040.13
Other amounts paid (received) (-/+)		(2,625,711.28)	(2,883,535.37)
CASH FLOW FROM INVESTING ACTIVITIES		-	(938,187.92)
Payments for investments (-)		-	(1,049,254.00)
Group companies and associates	10	-	(1,049,254.00)
Proceeds from divestments (+)		-	111,066.08
Group companies and associates		-	111,066.08
CASH FLOW FROM FINANCING ACTIVITIES		(66,643,915.93)	(37,840,771.82)
Proceeds from and payments for financial liability instruments		(66,643,915.93)	(37,840,771.82)
Redemption and repayment of:			
Debentures and other marketable securities (-)	15	-	(31,264,200.00)
Debt with credit institutions (-)	16	(66,643,915.93)	(6,576,571.82)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		22,073,168.40	(33,533,046.19)
Cash and cash equivalents at the start of the year		11,098,798.87	44,631,845.06
Cash and cash equivalents at the end of the year		33,171,967.27	11,098,798.87

The accompanying notes 1 to 29 form a comprehensive part of the Annual Accounts at 31 December 2016

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the 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 entities.
- 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.
Notes to the 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.

The main shareholder of ITÍNERE is ARECIBO SERVICIOS Y GESTIONES, S.L. (hereinafter, ARECIBO) which, at 31 December 2016, had a 54.19% stake in the capital of ITÍNERE (note 13).

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 annual accounts, ARECIBO had not yet drafted its consolidated annual accounts for 2016, being scheduled for 28 March 2017.

ITÍNERE is the parent company of a Group of companies that submits consolidated annual accounts separately from these individual annual accounts. The aforesaid consolidated accounts, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, show total assets at 31 December 2016 of 4,245,349 thousand euros, equity of 1,079,905 thousand euros and a consolidated loss attributable to the parent company of 29,674 thousand euros (4,421,008 thousand euros, 1,120,911 thousand euros and a loss of 60,359 thousand euros, respectively, corresponding to the 2015 financial year's comparative figures, which appear in the consolidated annual accounts of said year).

(b) Background

In 2000, the Company merged with EUROVÍAS 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.U., 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 formalised, 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

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

company, amended its corporate name, adopting that of the absorbed company, that is, ITÍNERE INFRAESTRUCTURAS, S.A. The annual accounts corresponding for the year ended 31 December 2008 include detailed information on the aforesaid merger process.

(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 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 this merger, a difference arose corresponding to the excess between the purchase price of ITÍNERE for the part acquired by the merged companies and the book value of the acquired assets and assumed liabilities on the transaction date, which was assigned to certain investments in group companies identified as cash-generating units.

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

(e) Business Performance

- 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.
- 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 into a corporation (*sociedad anónima*), approving the corresponding transformation balance sheet and subsequent amendment of the corporate bylaws.

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

2. BASIS OF PRESENTATION

(a) True and fair view

These annual accounts were obtained from the Company's accounting records and are presented in accordance with the prevailing mercantile legislation and the standards established in the Spanish General Chart of Accounts with the aim of giving a true and fair view of the equity and financial position at 31 December 2016 and results of its transactions, changes in equity, and cash flow for the year ended on that date.

These annual accounts, which were authorised for issue by the Company's Directors, will be submitted for approval by the General Ordinary Shareholders' Meeting and are expected to be approved without any changes. The 2015 annual accounts were approved by the shareholders at the general meeting held on 21 June 2016.

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 presentation currency.

(b) Critical factors for measuring and estimating uncertainties

When preparing the Company's annual accounts, the Directors made relevant accounting estimates based on past experience and other factors which, in accordance with current circumstances, are deemed to be fair and constitute the basis for establishing the carrying amount of the assets and liabilities whose value cannot easily be established from other sources. The Company reviews its estimates in an ongoing way and, as and when applicable, their effects are recognized prospectively. However, given the uncertainty inherent to them, there is an important risk of adjustments arising in the future in the values of the affected assets and liabilities should there be a significant change in the assumptions, facts and circumstances on which they are based.

The key assumptions concerning the future and other relevant data on the uncertainty of estimates at the reporting date that present a future risk of significant changes in the value of assets and liabilities are as follows:

- *Impairment of non-financial assets*

The Company makes an annual analysis of whether or not impairment indicators exist for non-financial assets (tangible and intangible assets, investment properties and investments in Group companies), through the performance of appropriate value impairment tests whenever the circumstances make this advisable. To do this, the recoverable value of the aforesaid assets is determined.

As a consequence of the merger process referred to in note 1 (d), an amount for goodwill arose and was allocated to the net assets that constitute the cash-generating units to which the cash-generating capacity corresponding to the aforesaid goodwill can be attributed, which the Company subjects to an annual impairment test. The establishment of the recoverable value of these cash-generating units (hereinafter, CGUs) to which goodwill has been allocated involves the use of estimates. This recoverable value is the value in use of these cash-generating units, which corresponds to investments in Group companies (see note 10). In general, the Company uses cash flow discounting methods for establishing these values that take into account past experience and represent the best estimate as to their future performance.

- *Deferred tax assets*

Recognition of deferred tax assets is made on the basis of future estimates made by the Company in connection with the likelihood of future tax gains being available to permit their recovery.

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▪ *Provisions*

The Company makes provision for risks based on judgements and estimates of the probability of them materialising, and their amounts. Provision is made when the risk is considered probable.

▪ *Calculation of fair values and recoverable values*

The calculation of fair values may involve the establishment of future cash flows and assumptions relating to the future values of these flows in addition to the discount rates applicable to them. These estimates and related assumptions are based on past experience and other factors deemed to be fair, in accordance with the circumstances surrounding the activity conducted by the Company.

(c) Comparison of information

As required by article 35.6 of the Spanish Code of Commerce and for the purposes of uniformity and comparability, the annual accounts for 2016 include comparative figures for 2015.

Royal Decree 602/2016 of 2 December, amending, among others, the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November, has amended certain disclosures. In this respect, and in accordance with the provisions of article one of that Royal Decree, the notes to the 2016 annual accounts include the average number of employees in the year with a disability of 33% or higher, stating, where applicable, the categories to which they belong and broken down in note 23, and an express mention in note 24 to the non-existence of remuneration to individuals representing the Company at the boards of directors of the investees.

3. DISTRIBUTION OF PROFIT

- (a) The proposed distribution of earnings for the year ended 31 December 2016, authorised by the directors and pending approval by the General Meeting of Shareholders, consists of the transfer to the legal reserve of 2,800,452.76 euros and 25,204,074.88 euros to offset losses from previous years.
- (b) The distribution of earnings for the year ended 31 December 2015, carried out during 2016, is shown in the statement of total changes in equity, which forms an integral part of these annual accounts.

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement standards applied by the Company in the preparation of the annual accounts for the year ended on 31 December 2016 were as follows:

(a) Intangible assets

Intangible assets are stated at cost of acquisition minus any accumulated amortisation and impairment losses.

These intangible assets have a defined useful life and will be systematically amortised within an estimated 5-year period. Their recoverability is analysed when events or changes occur that indicate that the carrying amount might not be recoverable. Amortisation methods and periods are reviewed at each year end and adjusted prospectively, as required.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or production minus any accumulated depreciation and impairment adjustments.

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

	Years
Other facilities, fixtures and furniture	5 - 10
Other property, plant and equipment	3 - 6

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

At each year end, the Company reviews the useful lives and depreciation methods of its property, plant and equipment and, if necessary, adjusts them prospectively.

(c) 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.

(d) Impairment of non-financial assets

The carrying amount of non-financial assets recognised by the Company is reviewed at each reporting date to determine if there are indications of impairment and recognise any impairment if applicable. For this purpose, the recoverable amount of the assets is estimated, which is the higher of their fair value minus the cost of sale and their value in use.

In determining value in use, future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates in regards to the time value of money and the specific risks of the asset. In the case of assets that do not generate highly independent cash flows, the recoverable amount is determined for the cash-generating units to which the assets being valued belong.

Likewise, and regardless of the existence or otherwise of signs of value impairment, on a yearly basis at least, the Company checks any potential value impairment that could affect goodwill and intangible assets with an undefined useful life.

At the same time, if the Company has reasonable doubts as to the technical success or financial and commercial profitability of the research and development projects in progress, the amounts registered on the balance sheet are recognised directly as losses from intangible assets in the income statement and are not reversible.

Impairment losses are recognised for all assets, or, where applicable, for the cash generating units to which they belong, when their carrying amount exceeds their estimated recoverable amount. These impairment losses are recognised in the income statement and reversed if the circumstances in which they were recognised no longer exist. The reversal of impairment is recognised in the income statement and only up to the limit of the carrying amount of the asset net of amortisation and depreciation had impairment not been recognised. Impairment losses corresponding to goodwill are not reversible.

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(e) Operating leases

Expenses and income from operating leases are charged to the income statement in the year accrued.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to the income statement over the lease term as the benefits of the leased asset are received or given.

(f) Financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, depending on the contractual agreement's economic base and the definitions of financial assets, financial liabilities and equity instruments.

The Company classifies financial instruments in the different categories on the basis of their characteristics and the Company's intentions at the time of their initial recognition.

(i) Financial assets

The Company's financial assets are classified as follows:

- **Loans and receivables:** Loans and receivables are financial assets that derive from goods sold and services rendered as part of the Company's 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.

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 income statement using the effective interest rate method.

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

- **Equity investments in group companies and associates:** Investments in group companies, jointly controlled entities and associates are initially measured at cost, plus any directly attributable transaction costs.

Similarly, as a consequence of the acquisition price distribution carried out within the framework of the business combination implemented during the 2009 financial year, the value of the "equity investments in group companies and associates" line-item has been adjusted so as to reflect the fair value of the acquired identifiable assets, whose value is reasonably measurable. The methodology applied to establish the fair value of these investments is based on the discounting of cash flows after debt service contributed by the identified cash-generating units, amongst which the aforesaid distribution was made.

When there is objective evidence that an asset has been impaired as a result of events occurring after initial recognition and leading to a reduction or delay in estimated future cash flows, the Company adjusts its carrying amount with a charge to the income statement.

Investments in group companies, jointly controlled entities and associates are adjusted for impairment if there is objective evidence that the carrying amount will not be recovered. Impairment is calculated as the difference between the carrying amount and the recoverable amount, the latter understood as the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated by the Company as its share in

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the cash flows expected to be generated by the investee, as a result of its ordinary activity, disposal or derecognition.

In the case of financial assets recognised in the accounts at their amortized cost, the impairment loss is the difference between their carrying amount and the present value of the future cash flows that it is estimated are going to be generated, discounted at the effective interest rate calculated at the moment of their initial recognition. For variable interest financial assets, the effective interest rate at the reporting date is used, in accordance with contractual terms.

The reversal of value adjustments due to impairment is recognised in the income statement with the limit of the carrying amount of the credit or, as and when applicable, the investment that would have been recognised at the reversal date had the value impairment not been recognised.

Financial assets, or part thereof, are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and it has transferred substantially all the risks and rewards of ownership.

Gains or losses on derecognition of a financial asset form part of the profit/loss for the year in which the asset is derecognised, and are calculated as the difference between the consideration received, net of attributable transaction costs, considering any new asset obtained less any new liability assumed, plus any cumulative amount recognised directly in equity.

(ii) Financial liabilities

Financial liabilities held by the Company are classified as debts and payables. This category includes financial liabilities arising on the purchase of goods and services in the course of the Company's trade operations as well as non-trade payables other than derivatives.

They are measured initially at their fair value minus the transaction costs directly attributable to them, as and when applicable and, subsequently, at their amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

Nevertheless, amounts payable from commercial transactions with maturity not above one year and that do not have a contractual interest rate, the amount of which it is expected will be paid in the short term, are valued at their nominal value when the effect of not updating the cash flows is insignificant.

A financial liability is derecognised when the resulting obligation has been cancelled. In exchanges of debt instruments with substantially different terms, or when there are substantial changes to the current terms of a liability, the original financial liability is derecognised and the new financial liability recognised. In an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognised. Fees and commissions paid are accounted for as an adjustment to the carrying amount.

Gains or losses on derecognition of a financial liability form part of the results for the year and are determined as the difference between the carrying amount of the financial liability and the consideration paid, including attributable transaction costs, and any asset transferred which differs from the cash or liability assumed is recognised.

(g) Own equity instruments

The own shares held by the Company at 31 December 2016 and 2015 is recognised under the "own shares and equity holdings" line-item on the attached balance sheet and are valued at their average acquisition cost. The costs of these transactions are recognised directly in equity as lower reserves.

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(h) Cash and cash equivalents

This line-item includes cash in hand, amounts in current accounts and deposits and the temporary acquisition of assets that meet all the following requirements:

- They are convertible into cash.
- Their maturity does not exceed three months from their acquisition date.
- They are not subject to significant value change risks.
- They form part of the Company's normal cash management policy.

(i) Foreign currency transactions

The Company's functional currency is the euro. Consequently, any transactions in non-euro currencies are considered a foreign currency and are recognised according to the exchange rates in force on the transaction dates.

At year-end, the monetary assets and liabilities stated in a foreign currency are converted by applying the exchange rate prevailing on the balance sheet date. The profit and loss on that measurement are recognised directly in the income statement in the year in which they occur.

The non-monetary items measured at historical cost are measured by applying the exchange rate on the transaction date.

The non-monetary items measured at their fair value are measured by applying the exchange rate of the date on which the fair value is determined. Exchange differences are recognised directly in equity if the monetary item is measured in equity and in the income statement if measured in profit and loss.

(j) Income tax

The corporate income tax expense or revenue includes both current and deferred taxes.

The financial year's corporate income tax expense or revenue is calculated as the sum of the current tax, which results from applying the corresponding tax rate to the financial year's tax base after applying the existing rebates and deductions, and the variation in deferred tax assets and liabilities recorded in the accounts.

The deferred tax income or expense corresponds to the recognition or cancellation of deferred tax assets and liabilities. These arise as a result of the different valuation, either accounting or fiscal, attributed to the assets and liabilities and certain Company equity instruments, insofar as they have a future fiscal effect, as well as the negative tax bases recognised or applied.

Current income tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, in accordance with the regulations and rates in force or approved and pending publication at year-end.

Current and deferred income tax is recognised in the income statement, unless it comes from a transaction or economic event that has been recognised in the same year or in another year under equity or a business combination.

(i) Recognition of deferred tax liabilities

The Company recognises the deferred tax liabilities 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 carrying amount or the tax base at the transaction date.

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(ii) Recognition of deferred tax assets

Deferred tax assets are only recognized insofar as it is considered likely that the Company is going to have future tax gains to offset the aforementioned assets or when the tax legislation envisages the possibility of the future conversion of deferred tax assets into a credit enforceable vis-à-vis the Public Administration.

The Company recognizes the conversion of a deferred tax asset into a credit payable to the Public Administration when this is enforceable in accordance with the provisions of the prevailing tax legislation. For such purposes, the deferred tax asset is derecognized by debiting the tax expense for the deferred income and the receivable and crediting the current income tax. Likewise, the Company recognizes the swap of a deferred tax asset by public debt securities when their ownership is acquired.

Unless proven otherwise, it is not considered likely that the Company will have future tax gains when its future recovery is expected to take place more than ten years after the year-end date, whatever the nature of the deferred tax asset or in the case of credits arising from tax deductions or other advantages pending application due to insufficient amounts when, after obtaining the profit arising from the right to the deduction or rebate, there are reasonable doubts about its compliance with the requirements to make them effective.

The Company only recognises the deferred tax assets arising from tax losses qualifying for carryforward insofar as it is likely that future tax gains will be obtained that will offset them within the period established in the applicable tax legislation, with a maximum of ten years, unless there is proof that they will be recovered within a longer deadline, when the tax legislation enables the carryforward in a longer period or does not establish any time limits regarding the carryforward.

On the other hand, it is considered likely that the Company will have sufficient tax gains to recover the deferred tax assets when there is a sufficient amount of taxable timing differences related to the same tax authority and referring to the same taxpayer, whose reversal is expected to be in the same tax year as the reversal expected of the deductible timing differences or in the years in which a tax loss, arising from a deductible timing difference, can be offset with prior or subsequent gains.

The Company recognizes the deferred tax assets that have not been recognized because they exceed the ten-year recovery period insofar as the future reversal period does not exceed ten years from the year-end of the financial year or when there is a sufficient amount of taxable timing differences.

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

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured based on the tax rates expected at the time of their reversal, in accordance with the approved standard in force, and according to the form in which the deferred tax asset or liability is rationally expected to be recovered or paid. For such purposes, the Company considers the deduction for reversal of the temporary measures implemented in transitional provision thirty-seven of Income Tax Act 27/2015 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.

Adjustments to the deferred tax asset and liability measurements are allocated to the income statement, except to the extent that the affected deferred tax assets and liabilities have their origin in book entries made directly to equity.

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(iv) Offsetting and classification

Deferred tax assets and liabilities are recognized on the balance sheet as non-current assets and liabilities, regardless of the expected realization or settlement date.

(v) Consolidated tax system

Since 1 January 2009, the Company has filed its taxes as part of the consolidated tax group 36/09 where it is the parent company. This Group was created after the exclusion of ITÍNERE and its subsidiaries from the consolidated tax group of which Sacyr, S.A. (formerly 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.

Since the Company files its corporate income tax under the consolidated tax system, it recognises the corporate income tax balances in the accounts with group companies and associates on the attached balance sheet. The corporate income tax expense or revenue of the companies filed under the tax consolidation system is established by taking into account not only the parameters to be considered in the case of individual taxes, as indicated above, but also the following:

- The timing and permanent differences as a result of cancelling the profit and loss on transactions between group companies, deriving from the process of establishing the consolidated tax base.
- The rebates and deductions and the tax losses that correspond to each company in the tax group that pay tax under the consolidated tax return system will be attributed to the company that carried out the activity or obtained the necessary income to earn the right to the tax rebate or deduction.

The timing differences arising from eliminating the earnings between the companies in the same tax group are recognized by the company that generates the results and measured by the applicable tax rate.

Regarding the tax losses from some group companies that have been offset by the other companies in the consolidated group, a reciprocal credit and debit arises between the corresponding companies and the companies that offset them. If there is a tax loss that cannot be offset by the other companies in the consolidated tax group, such tax credits losses for carryforward are recognized as deferred tax assets, considering the tax group as the taxpayer for their recovery.

(k) Income and expenses

The revenues and expenses are allocated based on when the actual flow of goods and services that they represent occurs, regardless of when the monetary or financial flow arising therefrom takes place.

Revenues are recognized when the Company is likely to obtain a profit or economic reward from the transaction and the amount of the revenues and the costs incurred or to be incurred can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, minus any discounts, price rebates or other similar reductions granted by the Company, and any interest on the nominal amount of receivables. The indirect taxes on transactions which are passed on to third parties do not form part of revenues.

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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.

(l) Environmental assets

Based on the type of activity conducted by the Company, no environmental actions are required.

(m) Subsidies, donations and bequests received

This line-item recognises the difference between the fair value at which certain loans granted to the Company at zero interest rate have been recognised 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 and 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.

(n) Related-party transactions

Related-party transactions are recognised at the fair value of the consideration given or received, in accordance with the above-mentioned measurement standards.

(o) Current and non-current assets and liabilities

Assets and liabilities are classified as current and non-current in the balance sheet. Assets and liabilities are classified as current when: they are linked to the Company's normal operating cycle and they are expected to be sold, consumed, realised or settled within this period; when they are expected to mature or be disposed of or realised within a maximum of one year, or; they are held for trading or comprise cash and cash equivalents to be used within a 12-month period.

5. INTANGIBLE ASSETS

Their detail and movement are as follows:

Thousands of euros	Computer software
Cost at 31 December 2014	91
Additions	15
Removals	(39)
Cost at 31 December 2015	67
Accumulated amortisation at 31 December 2014	(69)
Additions	(12)
Removals	33
Accumulated amortisation at 31 December 2015	(48)
Net book value at 31 December 2015	19
Cost at 31 December 2015	67
Additions	3
Cost at 31 December 2016	70
Accumulated amortisation at 31 December 2015	(48)
Additions	(10)
Accumulated amortisation at 31 December 2016	(58)
Net book value at 31 December 2016	12

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At 31 December 2016, the Company had fully amortised intangible assets amounting to 32 thousand euros (6 thousand euros at 31 December 2015).

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

All of the Company's assets are used in its activity and are located in Spain.

6. PROPERTY, PLANT AND EQUIPMENT

Their detail and movement are as follows:

Thousands of euros	Other facilities, fixtures and furniture	Other property, plant and equipment	Total
Cost at 31 December 2014	1,023	1,106	2,129
Additions	1	14	15
Cost at 31 December 2015	1,024	1,120	2,144
Accumulated depreciation at 31 December 2014	(613)	(1,076)	(1,689)
Additions	(85)	(19)	(104)
Accumulated depreciation at 31 December 2015	(698)	(1,095)	(1,793)
Net book value at 31 December 2015	326	25	351
Cost at 31 December 2015	1,024	1,120	2,144
Additions	2	6	8
Cost at 31 December 2016	1,026	1,126	2,152
Accumulated depreciation at 31 December 2015	(698)	(1,095)	(1,793)
Additions	(85)	(8)	(93)
Accumulated depreciation at 31 December 2016	(783)	(1,103)	(1,886)
Net book value at 31 December 2016	243	23	266

At 31 December 2016, the Company had fully amortised property, plant and equipment amounting to 1,269 thousand euros (1,248 thousand euros at 31 December 2015).

At 31 December 2016 and 2015, no property, plant and equipment have been pledged as security or are subject to ownership restrictions.

All of the Company's assets are used in its activity and are located in Spain.

The Company has taken out insurance policies to adequately cover the risks to which its property, plant and equipment are exposed.

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7. INVESTMENT PROPERTY

Their detail and movement are as follows:

Thousands of euros	Land and buildings
Cost at 31 December 2014	2,535
Cost at 31 December 2015	2,535
Accumulated depreciation at 31 December 2014	(1,773)
Additions	(75)
Accumulated depreciation at 31 December 2015	(1,848)
Net book value at 31 December 2015	687
Cost at 31 December 2015	2,535
Cost at 31 December 2016	2,535
Accumulated depreciation at 31 December 2015	(1,848)
Additions	(75)
Accumulated depreciation at 31 December 2016	(1,923)
Net book value at 31 December 2016	611

The investment properties registered at 31 December 2016 and 2015 refer to two business premises located in Bilbao and Vitoria that are owned by the Company. At 31 December 2016, the Bilbao premises are partially available for leasing.

Expenses deriving from the investment properties owned by the Company refer to their annual depreciation and maintenance charges, which amounted to 46 thousand euros in 2016 and 2015. All the expenses are recognised in the income statement on an accrual basis.

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

There are no restrictions on property investments or on revenues derived therefrom.

There are no contractual obligations for the acquisition, construction or development of investment property, or for their repair, maintenance or improvement.

The Company has taken out insurance policies to adequately cover the risks to which its property, plant and equipment are exposed.

8. LEASES

At 31 December 2016, the Company 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
Total maturities	1,172

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9. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

All the financial assets belong to loans and receivables and are broken down in the attached balance sheet as follows:

Thousands of euros	Credits and receivables	
	2016	2015
FINANCIAL ASSETS		
<u>Non-current financial assets:</u>		
Non-current financial investments	62	62
Other financial assets	62	62
Total non-current financial assets	62	62
<u>Current financial assets:</u>		
Trade and other receivables	11,673	15,044
Receivables from group companies and associates (note 19)	10,770	14,131
Sundry receivables (note 11)	569	578
Personnel (note 11)	334	335
Total current financial assets	11,673	15,044
Total financial assets	11,735	15,106

At 31 December 2016 and 2015, the carrying amount of financial assets does not differ significantly from their fair value.

(a) Other financial assets

At 31 December 2016 and 2015, this item mainly refers to the deposit handed over by the Company in connection with the lease of its offices (see note 8).

FINANCIAL LIABILITIES

The breakdown of the financial liabilities by category at 31 December 2016 and 2015 is as follows:

Thousands of euros	Type	Debentures and other marketable securities		Debt with financial institutions		Trade creditors and other payables		Derivatives and other		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Category											
Debts and payables		14,221	12,691	569,659	627,731	-	-	454,964	356,703	1,038,844	997,125
Hedge derivatives		-	-	-	-	-	-	-	-	-	-
Non-current financial liabilities		14,221	12,691	569,659	627,731	-	-	454,964	356,703	1,038,844	997,125
Debts and payables		-	-	4,539	14,246	5,966	6,057	15,853	88,216	26,358	108,519
Hedge derivatives		-	-	-	-	-	-	-	591	-	591
Current financial liabilities		-	-	4,539	14,246	5,966	6,057	15,853	88,807	26,358	109,110
Total financial liabilities		14,221	12,691	574,198	641,977	5,966	6,057	470,817	445,510	1,065,202	1,106,235

The aforementioned financial liabilities are broken down on the attached balance sheet as follows:

Thousands of euros	FINANCIAL LIABILITIES	Debentures and other marketable securities		Debt with financial institutions		Trade creditors and other payables		Derivatives and other		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<u>Non-current financial liabilities:</u>										
	Non-current payables	14,221	12,691	569,659	627,731	-	-	-	-	583,880	640,422
	Debentures and other marketable securities (note 15)	14,221	12,691	-	-	-	-	-	-	14,221	12,691
	Debt with financial institutions (note 16)	-	-	569,659	627,731	-	-	-	-	569,659	627,731
	Non-current payables to group companies and associates (note 19)	-	-	-	-	-	-	454,964	356,703	454,964	356,703
	Total non-current financial liabilities	14,221	12,691	569,659	627,731	-	-	454,964	356,703	1,038,844	997,125
	<u>Current financial liabilities:</u>										
	Current payables	-	-	4,539	14,246	-	1	-	591	4,540	14,838
	Debentures and other marketable securities (note 15)	-	-	-	-	-	-	-	-	-	-
	Debt with financial institutions (note 16)	-	-	4,539	14,246	-	-	-	-	4,539	14,246
	Derivatives	-	-	-	-	-	-	-	591	-	591
	Other financial liabilities	-	-	-	-	1	1	-	-	1	1
	Current payables to group companies and associates (note 19)	-	-	-	-	-	-	15,853	88,216	15,853	88,216
	Trade creditors and other payables	-	-	-	-	5,965	6,056	-	-	5,965	6,056
	Sundry payables	-	-	-	-	487	572	-	-	487	572
	Staff payables	-	-	-	-	5,478	5,484	-	-	5,478	5,484
	Total current financial liabilities	-	-	4,539	14,246	5,966	6,057	15,853	88,807	26,358	109,110
	Total financial liabilities	14,221	12,691	574,198	641,977	5,966	6,057	470,817	445,510	1,065,202	1,106,235

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At 31 December 2016 and 2015, the carrying amount of financial liabilities does not differ significantly from their fair value.

(a) Derivatives

In accordance with the terms and conditions of the syndicated loan arranged by the Company in August 2011, the latter has signed financial swap contracts with certain financial institutions for the purpose of hedging the interest rate risk associated with this loan, for a total notional amount of 313,250 euros. These derivatives matured in January 2016.

The Company met the requirements established by the accounting standards for the classification of these financial instruments taken out as highly efficient hedges, carrying out prospective and retrospective analyses.

In 2016, the Company transferred from equity to the income statement a total of 600 thousand euros due to the effect of the interest rate hedge deriving (7,329 thousand euros in 2015). That amount is shown under finance expenses together with the expenses generated by the hedged items (note 16).

(b) 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:

	2016	2015
	Days	Days
Average period for payments to suppliers	3	5
Ratio of transactions paid	3	5
Ratio of transactions pending payment	20	1
Thousands of euros	Amount	Amount
Total payments made	3,519	3,637
Total payments pending	124	77

At 31 December 2016 and 2015, the Company 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.

10. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Their breakdown and movement at 31 December 2016 and 2015 is as follows:

Thousands of euros	Balance at 31/12/2014	Recognition	Derecognition	Transfers	Balance at 31/12/2015	Recognition	Derecognition	Balance at 31/12/2016
Enaitinere, S.A.U.	1,836,642	747,324	-	-	2,583,966	-	-	2,583,966
Participaciones AP-1 Europistas, S.L.	215,813	-	(215,813)	-	-	-	-	-
Autopistas de Bizkaia, S.A.	42	-	(42)	-	-	-	-	-
Equity investments in group companies	2,052,497	747,324	(215,855)	-	2,583,966	-	-	2,583,966
Túneles de Arbanda, S.A.	31	-	(31)	-	-	-	-	-
Equity investments in jointly controlled entities	31	-	(31)	-	-	-	-	-
Tacel Inversiones, S.A.	3,130	-	-	-	3,130	-	-	3,130
Bip&Drive, S.A.	772	1,049	-	-	1,821	-	-	1,821
Equity investments in associates	3,902	1,049	-	-	4,951	-	-	4,951
Enaitinere, S.A.U.	(250,646)	-	-	(34,018)	(284,664)	-	-	(284,664)
Participaciones AP-1 Europistas, S.L.	(34,018)	-	-	34,018	-	-	-	-
Tacel Inversiones, S.A.	(3,130)	-	-	-	(3,130)	-	-	(3,130)
Impairment adjustments	(287,794)	-	-	-	(287,794)	-	-	(287,794)
EQUITY INSTRUMENTS	1,768,636	748,373	(215,886)	-	2,301,123	-	-	2,301,123
Enaitinere, S.A.U.	512,714	18,797	(531,511)	-	-	-	-	-
Tacel Inversiones, S.A.	1,217	-	-	-	1,217	-	-	1,217
Loans to group companies, associates and jointly controlled entities	513,931	18,797	(531,511)	-	1,217	-	-	1,217
Tacel Inversiones, S.A.	(1,217)	-	-	-	(1,217)	-	-	(1,217)
Impairment adjustments	(1,217)	-	-	-	(1,217)	-	-	(1,217)
LOANS TO COMPANIES	512,714	18,797	(531,511)	-	-	-	-	-
TOTAL	2,281,350	767,170	(747,397)	-	2,301,123	-	-	2,301,123

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(a) Equity investments in group companies

On 30 June 2015, ENAITINERE increased its share capital by 92,708 thousand euros by increasing the par value of its shares by 2.00 euros per share, with a total premium of 438,803 thousand euros. The capital increase was carried out by capitalising the participating loan that ITINERE had with the company amounting to 531,511 thousand euros which, in compliance with the provisions of the mercantile legislation, was declared to be net, claimable and past-due on 30 June 2015.

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 transferring the absorbed company's assets en masse to the absorbing company and dissolving it without liquidation.

Likewise, on 17 July 2015, the sole partner of ENAITINERE resolved to transform it into a corporation (*sociedad anónima*), approving its transformation balance sheet and the consequent amendment to the articles of association.

On 17 March 2015, the General Meeting of Shareholders of AUTOPISTAS DE BIZKAIA, S.A. declared the company dissolved and approved the liquidation transactions pursuant to the corresponding provisions of the Corporate Enterprises Act. Consequently, the deed of dissolution and liquidation of the company was executed on 19 October 2015. The profit resulting from this liquidation amounts to 58 thousand euros.

The breakdown of the stakes in Group companies at 31 December 2016 is as follows:

Thousands of euros

Company name	Stake (%)	Capital	Reserves	Other equity items	Operating profit/(loss)	Other income	Equity	Carrying amount (*)	Dividend received
Enaitinere, S.A.U. (1)	100.00%	139,062	766,307	(7,148)	(123)	79,157	977,256	2,299,302	50,000

(1) Includes allocation of goodwill resulting from the business combination carried out in 2009 (see note 1 (d)).

Company name	Activity	Address
Enaitinere, S.A.U.	Concession holding - stake in ENA Infraestructuras, S.A.	Plaza Carlos Trias Bertrán 7. Madrid - Spain

The activity of ENAITINERE is the rendering of services to trading corporations and the purchase and sale of commercial companies and their assets. At 31 December 2016, it owns 100% of the capital of ENA INFRAESTRUCTURAS, S.A.U. (hereinafter, ENA), the holding company of the Group of the same name, whose main activity is the direction and coordination of management, the introduction of common policies and the management of the cash and debt of its subsidiaries and investee companies: AUTOPISTAS DEL ATLÁNTICO CONCESIONARIA ESPAÑOLA, S.A.U. (AUDASA), AUTOPISTA CONCESIONARIA ASTUR-LEONESA, S.A.U. (AUCALSA), AUTOPISTAS DE NAVARRA, S.A. (AUDENASA), AUTOESTRADAS DE GALICIA, CONCESIONARIA DE LA XUNTA DE GALICIA, S.A. (AUTOESTRADAS) and, following the merger with PARTICIPACIONES AP-1 EUROPISTAS, S.L. that took place in 2015, of 100% of the capital of AP-1 EUROPISTAS CONCESIONARIA DEL ESTADO, S.A.U., beneficiary of the administrative concession agreement for the construction, operation and conservation of the AP-1 Burgos-Armiñón motorway which, in turn, has a 55% stake in GESTION DE INFRAESTRUCTURAS DE BIZKAIA, S.A., whose activity consists of the operation and upkeep of the AP-8 motorway for the stretch that runs through the historic territory of Bizkaia. The respective concession contracts of the companies in which ENAITINERE has a stake expire between 2018 (AP-1) and 2050 (AUCALSA).

Within the refinancing process culminated by the Company on 16 February 2016, ENAITINERE resolved to distribute to its sole shareholder an extraordinary dividend out of voluntary reserves amounting to 50,000 thousand euros (see note 16).

At year-end, the Company checks the value in use of its investments in group companies by calculating the present value of the future cash flow expected to be obtained from those investments.

In 2012, the Company recognised a value adjustment due to impairment in connection with its subsidiary, ENAITINERE for an amount of 284,664 thousand euros, of which 34,018 thousand euros

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correspond to a value adjustment registered by PARTICIPACIONES AP-1 EUROPISTAS, S.L.U, in relation to AP-1 EUROPISTAS, C.E.S.A.U.

The aforesaid impairment was the consequence of the fall in levels of traffic on the motorways operated by the investees 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.

At 2016 year-end, the Company has not identified the existence of any signs of impairment of its financial investment in group companies, so it has not been necessary to register a value adjustment over and above that already registered.

(b) Equity investments in jointly controlled entities

On 17 March 2015, the General Meeting of Shareholders of TÚNELES DE ARTXANDA, S.A. declared the company dissolved and approved the liquidation transactions pursuant to the corresponding provisions of the Corporate Enterprises Act. Consequently, the deed of dissolution and liquidation of the company was executed on 10 June 2015. The loss resulting from this liquidation amounts to 17 thousand euros.

(c) Equity investments in associates

The breakdown of the stakes in associates at 31 December 2016 is as follows:

Thousands of euros

Company name	Stake (%)	Capital	Reserves	Other equity items	Operating profit/(loss)	Other income	Equity	Carrying amount	Dividend received
Tacel inversiones, S.A.	9.36%	33,450	(142)	-	(8)	2	33,302	-	-
Bip&Drive, S.A.	20.00%	2,420	4,576	-	(1,331)	317	5,982	1,821	-

These companies are audited by Deloitte, S.L.

Company name	Activity	Address
Tacel inversiones, S.A.	Concession holding (stake in ACEGA)	C/ Feal -San Mamede de Ribadulla, Vedra, A Coruña - Spain
Bip&Drive, S.A.	Telematic collection of right of access to infrastructure	Plaza Colón, 2; Planta 19. Madrid - Spain

Tacel Inversiones, S.A. is the sole shareholder of Autopista Central Gallega, C.E.S.A. (hereinafter, ACEGA), the concessionary company for the construction, operation and upkeep under a toll regime of the Santiago-Alto de Santo Domingo section of the Santiago de Compostela-Ourense motorway. The Company was incorporated for a limited duration of time in line with the concession period, which will end on 25 November 2074.

ITÍNERE 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 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.

BIP & DRIVE, S.A. a company in which ITÍNERE has a 20% stake in the corporate capital at 31 December 2016, 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. At 31 December 2016, the Company recognises uncalled payments pending for this investee amounting to 586 thousand euros.

The Company has informed these investees of the percentage stake held in them.

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(d) Credits to group companies, jointly controlled entities and associates

As stated in note 10 (a), on 30 June 2015 ENAITINERE carried out a capital increase by capitalising the credit it had with its sole shareholder, which amounted to 531,511 thousand euros on that date and which, in compliance with the provisions of the mercantile legislation, was declared to be net, claimable and past-due. That credit corresponded to a participating loan granted in 2003 with the aim of financing part of the acquisition of ENA and accrued an interest calculated at year-end, providing that certain contractually established conditions relating to the performance of the consolidated capital and reserves of the sub-group made up of ENA and its subsidiaries were met. The accrued interest will be paid on their final maturity date, being capitalised on an annual basis. Its maturity will be in November 2018. The interest accrued on the participating loan in 2015 amounted to 18,797 thousand euros (notes 19 and 22).

On 28 December 2006, TaceI Inversiones, S.A. arranged a participating loan of 13,000 thousand euros with its shareholders. The Company extended 1,217 thousand euros of this amount. The loan was subordinated to the main credit contract signed by ACEGA with several lenders and whose maturity is for 2024. The loan was extended so that the borrower could meet its payment commitments with the temporary joint venture constructing the toll road and accrues interest based on the rise in traffic of the borrowing company. In 2016 and 2015, the conditions established for this purpose were not met and, therefore, no interest accrued.

In 2012, the Company recognised an impairment adjustment of that loan for the same reasons as explained previously for the impairment of its stake that was recorded in 2012.

11. TRADE AND OTHER RECEIVABLES

Their breakdown and movement at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Receivables from group companies and associates (note 19)	10,770	14,131
Sundry receivables	569	578
Personnel (note 25)	334	335
Current tax assets (note 18)	11,619	42,023
Trade and other receivables	23,292	57,067

The "other receivables" line-item refers to the balances with related parties at 31 December 2016, in an amount of 568 thousand euros (571 thousand euros at 31 December 2015) (see note 19).

At 31 December 2016, the "current tax assets" line-item includes 263 thousand euros corresponding to the settlement of income tax for 2016 resulting from taxation under a fiscal consolidation regime, in addition to income tax corresponding to 2015 for 11,356 thousand euros which, at 31 December 2016, was pending collection although at the date of the preparation of these accounts it had been collected (see note 18).

12. CASH AND CASH EQUIVALENTS

At 31 December 2016 and 2015, cash equivalents include bank deposits and term deposits that mature in less than three months from the arrangement date. At 31 December 2016, these assets accrue an average interest rate of 0.07% (0.40% at 31 December 2015).

13. CAPITAL AND RESERVES

Their breakdown and movement are shown in the statement of changes in equity, which forms an integral part of the attached annual accounts.

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(a) Subscribed 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 Company by its main shareholders. The details of the capital increase are included in the annual accounts for the year ending 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%
TOTAL	452,804,870	100.00%

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.

(b) 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.

(c) Legal reserve

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, the Company has provisioned this reserve for an amount of 26,956 thousand euros.

(d) Goodwill reserve

In compliance with the provisions of the prevailing legislation, during the 2012 financial year the Company provisioned a goodwill reserve for an amount of 20,814 thousand euros. This reserve is restricted for as long as the item appears on the balance sheet. As a result of the allocation in 2012 of a value adjustment due to impairment of the total amount of the goodwill that arose in the business combination carried out in 2009, in 2015 this reserve was transferred to voluntary reserves.

(e) Other reserves

This includes voluntary reserves amounting to 486,946 thousand euros at 31 December 2016 (502,281 thousand euros at 31 December 2015), as well as others resulting from the first application of the General Chart of Accounts in force since 1 January 2008, in the amount of 6,280 thousand euros.

Voluntary reserves can be used at will, except when, as a result of distribution, equity falls below the Company's share capital.

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Their movement in 2016 and 2015 is as follows (in thousands of euros):

Thousands of euros	2016	2015
Balance at 1 January	508,561	487,747
Transfer to goodwill reserve		20,814
Adjustments for inspection certificate (note 18)	(15,335)	
Balance at 31 December	493,226	508,561

Profit recognised directly in equity cannot be distributed either directly or indirectly.

14. SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED

Their breakdown and movement at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Balance at 1 January	44	60
Allocated to earnings (*)	(14)	(16)
Balance at 31 December	30	44

(*) Net of the tax effect

At 31 December 2016, this line-item includes the difference between the fair value at which zero interest rate loans granted to the Company 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 16).

Until 31 December 2016, income in the amount of 250 thousand euros, net of the tax effect, has been transferred to the income statement, as the allocation of financial subsidies, donations and bequests, of which 14 thousand euros correspond to the 2016 financial year (16 thousand euros in 2015).

15. DEBENTURES AND OTHER MARKETABLE SECURITIES

On 29 July 2014, the Company carried out an issue of 11,000 convertible subordinated debentures with a par value of 5,000 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 (see note 16), 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, 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 the Company 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, the Company paid out a total amount of 32,573 thousand euros.

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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 income statement, in application of the effective interest rate method, in an amount of 3,367 thousand euros (3,040 thousand euros in 2015) (note 22).

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

Thousands of euros	No. of debentures	2016			2015		
		Non-current		TOTAL	Non-current		TOTAL
		Other group companies	Other related parties		Other group companies	Other related parties	
Subscriber							
Kutxabank, S.A.	1,784	5,070	-	5,070	4,525	-	4,525
Pear Luxembourg Investment S.Á.R.L.	4,177	11,871	-	11,871	10,596	-	10,596
Abanca Corporación Industrial y Empresarial, S.L.	2,615	-	7,432	7,432	-	6,633	6,633
Caser, S.A.	38	-	108	108	-	96	96
Liberbank, S.A.	638	-	1,813	1,813	-	1,618	1,618
Sacyr Concesiones, S.L.	1,705	-	4,846	4,846	-	4,325	4,325
Other (directors and senior management)	43	-	122	122	-	109	109
Adjustment for valuation at amortised cost	-	(118)	(100)	(218)	(107)	(90)	(197)
TOTAL	11,000	16,823	14,221	31,044	15,014	12,691	27,705

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

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

16. DEBTS WITH CREDIT INSTITUTIONS

The breakdown of the current and non-current balances held with credit institutions at 31 December 2016 and 2015 is as follows:

Thousands of euros	Current		Non-current		Total	
	2016	2015	2016	2015	2016	2015
Debt with financial institutions	116	116	569,659	627,731	569,775	627,847
Interest debt	4,423	14,130	-	-	4,423	14,130
Debt with financial institutions	4,539	14,246	569,659	627,731	574,198	641,977

The breakdown of the balances held with credit institutions at 31 December 2016 is as follows:

Thousands of euros	Description/Agent	Original amount	Currency	Date		Interest rate	Principal		Total
				Start date	Maturity		Current	Non-current	
				Syndicated loan	571,082		EUR	2016	
Ministry of Industry	678	EUR	2007	2021	ZERO RATE	62	217	279	
Ministry of Industry	441	EUR	2008	2020	ZERO RATE	54	105	159	
Interest debt	-	EUR	-	-	-	4,423	-	4,423	
Loans	572,201					4,539	569,659	574,198	
Debt with financial institutions						4,539	569,659	574,198	

On 3 July 2014, the Company 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 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.

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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 9).

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.

As indicated in the loan agreement, the Company has agreed to comply with a number of obligations throughout the lifetime thereof, highlighting, among others, those associated with the following aspects:

- Pledge on the balance of the reserve account and operating accounts.
- Pledge on the credit rights resulting from the collection of royalties from its investees and those from the consolidation of the tax group.
- Limits on the level of indebtedness undertaken by the Company and its investees, both overall and individually.

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 (see note 14).

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 final maturity is 30 December 2020 (see note 14).

The breakdown of the maturity of non-current debt with credit institutions is as follows:

Maturity	Thousands of euros
2018	116
2019	116
2020 and after	569,427
Total maturities	569,659

Interest accrued and pending maturity at 31 December 2016 amounts to 4,423 thousand euros (14,130 thousand euros at 31 December 2015, of which 3,166 thousand euros corresponded in 2015 to the interest rate hedge agreements signed by the Company which matured in January 2016). These amounts are shown under "debts with credit institutions" under the "current liabilities – debts with credit institutions" heading on the attached balance sheet.

In 2016, finance expenses were allocated to the income statement in application of the effective interest rate method for an amount of 13,791 thousand euros (27,039 thousand euros in 2015).

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17. PUBLIC AUTHORITIES

The breakdown of the credit balances with public authorities at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Payable to Public Treasury:		
For tax withholdings	148	115
For VAT	6,318	6,421
Payable to the Social Security	18	18
Other tax provisions (note 18)	15,831	-
Public authorities	22,315	6,554

18. TAX POSITION

As indicated in Note 4(j), the Company pays tax under a fiscal consolidation regime, forming part of fiscal consolidation group no. 36/09 since 1 January 2009, of which it is the holding company, and which is made up of ITÍNERE and the companies resident in Spain that comprise its consolidated tax group.

The companies that make up the tax consolidation group at 31 December 2016 are as follows: ITÍNERE INFRAESTRUCTURAS, S.A., ENAITINERE, S.A.U., ENA INFRAESTRUCTURAS, S.A.U., AUTOPISTAS DEL ATLÁNTICO, C.E.S.A., AUTOPISTA CONCESIONARIA ASTUR LEONESA, S.A., AUTOESTRADAS DE GALICIA, A.G., C.X.G., S.A., and AP-1 EUROPISTAS, C.E.S.A.U.

Income Tax Act 27/2015 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.

At 31 December 2016, the Company recognised an income tax revenue of 3,104 thousand euros (1,228 thousand euros at 31 December 2015). The detail and composition of income tax corresponding to the 2016 and 2015 financial years are as follows:

Thousands of euros	2016	2015
Income tax:	(3,104)	1,228
Current tax	(3,107)	1,225
Deferred tax	3	3
Income tax	(3,104)	1,228

As a consequence of paying tax under a fiscal consolidation regime, at 31 December 2016 the Company recorded a receivable with the Treasury Department in the amount of 263 thousand euros, corresponding to the settlement of the income tax for 2016, as well as 11,356 thousand euros corresponding to the income tax for 2015 which, at the date of the preparation of these annual accounts, have already been collected (42,023 thousand euros at 31 December 2015) (see note 11).

At 31 December 2015, the Company recognised an income tax revenue of 167 thousand euros as a result of the readjustment of the tax base available for carryforward to the tax rate applicable on the expected offset date. This amount is shown under the "adjustments to income tax" line-item on the income statement for 2015.

The reconciliation between the net amount of the year's revenues and expenses and the corporate income tax base, which the Company expects to contribute to the 2016 financial year's consolidated tax return and that contributed to the 2015 financial year's tax return, is as follows:

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	2016			2015		
	Income statement	Income and expenses recognised directly in equity	Total	Income statement	Income and expenses recognised directly in equity	Total
Thousands of euros						
Balance of income and expenses in the year	28,005	429	28,434	(26,988)	5,066	(21,922)
Income tax	(3,104)	143	(2,961)	1,061	1,969	3,030
Permanent differences:	(37,316)	-	(37,316)	30,313	-	30,313
Dividend exception for tax group	(50,000)	-	(50,000)	-	-	-
Non-deductible finance expense	12,684	-	12,684	30,310	-	30,310
Other	-	-	-	3	-	3
Timing differences:	(13)	(572)	(585)	(13)	(7,035)	(7,048)
Arising in prior years	(13)	-	(13)	(13)	-	(13)
Reversal of the limit to the deductibility of redemptions	(13)	-	(13)	(13)	-	(13)
Arising in the year	-	(572)	(572)	-	(7,035)	(7,035)
Cash flow hedges	-	(591)	(591)	-	(7,057)	(7,057)
Subsidies	-	19	19	-	22	22
Taxable income	(12,428)	-	(12,428)	4,373	-	4,373
Total tax liability (taxable income)	(3,107)	-	(3,107)	1,225	-	1,225
Net tax payable	(3,107)	-	(3,107)	1,225	-	1,225

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 Company 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 121,127 thousand euros. The Company chose not to recognise the tax credits resulting from the application of the aforesaid limit since it expects a future recovery ten years after the closing date.

A reconciliation of the income tax expense/revenue with the result of applying the pertinent tax rates to total recognised income and expense, differentiating between current and deferred tax, is as follows:

	2016			2015		
	Income statement	Income and expenses recognised directly in equity	Total	Income statement	Income and expenses recognised directly in equity	Total
Thousands of euros						
Pre-tax profit/(loss) from continuing operations	24,901	572	25,473	(25,927)	7,035	(18,892)
Permanent differences	(37,316)	-	(37,316)	30,314	-	30,314
Applicable tax rate	25%	25%	25%	28%	28%	28%
Theoretical tax burden	(3,104)	143	(2,961)	1,228	1,969	3,197
Effective tax expense	(3,104)	143	(2,961)	1,228	1,969	3,197
Detail:						
Current	(3,107)	-	(3,107)	1,225	-	1,225
Deferred	3	-	3	3	-	3
Income tax	(3,104)	-	(3,104)	1,228	-	1,228

The breakdown of the tax recognised directly in equity at 31 December 2016 and 2015 is as follows:

	2016			2015		
	Increase	Reductions	Total	Increase	Reductions	Total
Thousands of euros						
Deferred tax:						
Arising in the year:	-	(143)	(143)	76	(2,046)	(1,970)
Subsidies	-	5	5	-	6	6
Cash flow hedges	-	(148)	(148)	76	(2,052)	(1,976)
Total deferred tax	-	(143)	(143)	76	(2,046)	(1,970)
Total tax recognised directly in equity	-	(143)	(143)	76	(2,046)	(1,970)

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The breakdown of and movement in deferred taxes at 31 December 2016 and 2015 are as follows:

	ASSETS					LIABILITIES
	Cash flow hedges	Tax loss carryforwards	Other deductible timing differences	Pending deductions	TOTAL	Subsidies and other
Thousands of euros						
Balance at 31 December 2014	2,038	5,199	38	-	7,275	21
Additions	76	-	-	-	76	-
Removals	(2,052)	(5,226)	(3)	-	(7,281)	(6)
Transfers	-	-	(6)	6	-	-
Adjustment for the change in tax rate	86	166	-	-	252	-
Balance at 31 December 2015	148	139	29	6	322	15
Removals	(148)	(139)	(5)	-	(292)	(5)
Balance at 31 December 2016	-	-	24	6	30	10

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 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.

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. Consequently, at 31 December 2016 the Company had recognised a deferred tax asset of 24 thousand euros in this respect (29 thousand euros at 31 December 2015).

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 Company had recognised deductions pending application amounting to 6 thousand euros for reversal of the temporary measures.

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 the date of preparing these annual accounts, the Company has open for inspection by the tax authorities all the main taxes applicable to it since 01 January 2013 (the financial year ended 31 December 2012 for corporate 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 Company 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 directors believe that those liabilities, if they occur, will not have a material impact on the 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.

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before the Central Economic Administrative Tribunal (TEAC) and was pending resolution at the date of preparing these 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 Infrastructure 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 annual accounts (note 29).

As a result of that inspection certificate and of the adjustment made to the tax losses offset by the group, and in accordance with that established in ICAC Resolution of 9 February 2016, which implements the standards for the recognition, measurement and preparation of the annual accounts for booking the income tax, an adjustment was recognised out of voluntary reserves amounting to 15,335 thousand euros (see notes 13 and 17) and finance expenses were recognised totalling 862 thousand euros. Likewise, the tax loss recorded at 31 December 2015 amounting to 139 thousand euros was offset, and there was an increase in net finance expenses pending deduction of 19,283 thousand euros, which are included in the aforementioned balance of 121,127 thousand euros.

ITÍNERE INFRAESTRUCTURAS, S.A.
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19. BALANCES AND TRANSACTIONS WITH GROUP COMPANIES, ASSOCIATES AND OTHER RELATED PARTIES

Receivables from and payables to group companies, jointly controlled entities, associates and other related parties at 31 December 2016 and 2015 are as follows:

Thousands of euros	2016		2015	
	Other group companies	Other related parties	Other group companies	Other related parties
Trade and other receivables (note 11)	10,770	568	14,131	571
Enaitinere, S.A.U.	816	-	816	-
Ena Infraestructuras, S.A.	369	-	393	-
Ena Infraestructuras, S.A., VAT group	63	-	16	-
Autopistas del Atlántico, C.E.S.A.,	5	-	-	-
Autopistas del Atlántico, C.E.S.A., tax consolidation	2,285	-	4,731	-
Autopistas del Atlántico, C.E.S.A., VAT group	3,756	-	3,692	-
Autopista Astur Leonesa, S.A., tax consolidation	-	-	33	-
Autopistas del Atlántico, C.E.S.A., VAT group	1,232	-	1,248	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U.	-	-	36	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U., tax consolidation	156	-	395	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U., VAT group	135	-	65	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	283	-	295	-
AP-1 Europistas Concesionaria del Estado, S.A.U., tax consolidation	472	-	1,053	-
AP-1 Europistas Concesionaria del Estado, S.A.U., VAT group	1,049	-	1,305	-
Gestión de Infraestructuras de Bizkaia, S.A.	149	-	53	-
Sacyr, S.A.	-	568	-	571
Current receivables with group companies, jointly controlled entities and associates	10,770	568	14,131	571
Non-current debt - Convertible debentures (note 15)	16,823	14,221	15,014	12,691
Pear Luxembourg Investment S.Á.R.L.	11,871	-	10,596	-
Kutxabank, S.A.	5,070	-	4,525	-
Abanca Corporación Industrial y Empresarial, S.L.	-	7,432	-	6,633
Caser, S.A.	-	108	-	96
Liberbank, S.A.	-	1,813	-	1,618
Sacyr Concesiones, S.L.	-	4,846	-	4,325
Other (directors and senior management)	-	122	-	109
Adjustment for valuation at amortised cost	(118)	(100)	(107)	(90)
Non-current debt - Other debt	438,141	-	341,689	-
Pear Luxembourg Investment S.Á.R.L.	2,655	-	2,447	-
Ena Infraestructuras, S.A.	89,345	-	76,523	-
Enaitinere, S.A.U.	263,625	-	181,895	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	82,516	-	80,824	-
Non-current receivables with group companies, jointly controlled entities and associa	454,964	14,221	356,703	12,691
Current debt - Other debt	102	-	2,500	-
Pear Luxembourg Investment S.Á.R.L.	102	-	94	-
Ena Infraestructuras, S.A.	-	-	1	-
Enaitinere, S.A.U.	-	-	2,405	-
Trade and other payables	15,751	2	85,716	-
Enaitinere, S.A.U., tax consolidation	14,464	-	74,402	-
Ena Infraestructuras, S.A.	224	-	2,017	-
Ena Infraestructuras, S.A., tax consolidation	1,063	-	9,297	-
Sacyr, S.A.	-	2	-	-
Current receivables with group companies, jointly controlled entities and associates	15,853	2	88,216	-

At 31 December 2016 and 2015, the Company has a credit with ENAITINERE for an amount of 816 thousand euros, corresponding to certain expenses relating to the purchase of ENA, which were originally borne by ITÍNERE and which are still pending payment.

At 31 December 2016 and 2015, the Company has trade receivables with its investees deriving from comprehensive management services rendered during the year by virtue of the contracts signed by the parties.

At 31 December 2016 and 2015, ITÍNERE has credits and debits with the companies in its Group integrated under the consolidated taxation regime relating to income tax (see note 18).

At 31 December 2016 and 2015, ITÍNERE has value added tax credits with the companies in its Group adhered to the special company group regime, in which the member companies have been paying tax since 1 January 2010 and for which ITÍNERE is the holding company.

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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 2,655 thousand euros at 31 December 2016 (2,447 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 218 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).

On 16 February 2016, the Company signed a loan contract with ENA to replace the loan contracts formalised in 2009 and 2014 and through which those contracts were combined, together with the tax balances and other payables that ENA and ITÍNERE held in favour of the former amounting to 10,993 thousand euros.

The loan signed in 2009 corresponded to a loan transfer document whereby ITÍNERE assumed the balances payable by ENA to Sacyr Vallehermoso, S.A. (now Sacyr, S.A.) - the controlling shareholder of the ITÍNERE Group until June 2009 - due to the materialisation of the sale and purchase agreements of the interests of Inversora de Autopistas del Sur, S.L. and the sale and purchase of shares of Alazor Inversiones, S.L. and the transfer of the loan extended by this company, entered into on 15 December 2008 by ENA and Sacyr Vallehermoso, S.A. as part of the process that led to the change in the controlling shareholder of the ITÍNERE Group. At 31 December 2015, the balance of this loan was 63,321 thousand euros. The annual accounts for 2009 include detailed information about these transactions.

The loan signed in 2014 was formalised as a result of the liquidation of Constructora e Inmobiliaria Itínere Chile Ltda., which had been jointly owned 100% by ENA and ITÍNERE, and whose liquidation and dissolution were carried out in November 2014. At 31 December 2015, the balance of this loan was 13,202 thousand euros. The annual accounts for 2014 include detailed information about this liquidation process.

As a result of the above, at 31 December 2016 the Company had a loan with ENA amounting to 89,345 thousand euros which matures in October 2025 and is whose remuneration is pegged to 1-year Euribor plus a 2% spread. This loan provides for the capitalisation of any unpaid interest at the end of the settlement period. The interest accrued in 2016 amounts to 1,828 thousand euros (2,007 thousand euros in 2015), which have been capitalised.

On 16 February 2016, the Company signed a loan with its investee ENAITINERE to replace the one originally formalised on 29 June 2009 by PARTICIPACIONES AP-1 EUROPISTAS, S.L. and assigned by it to ENAITINERE during the merger process in 2015 (note 1 (e)) and based on which 181,895 thousand euros had been drawn down at 31 December 2015. That loan envisages that the interest will be settled on a yearly basis and is pegged to 1-year Euribor plus a 2% spread. In addition, interest outstanding at the end of the settlement period will be capitalised. That loan will mature on 31 October 2025. In 2016, the Company capitalised tax balances amounting to 74,398 thousand euros and unsettled interest payable totalling 7,331 thousand euros (5,384 thousand euros in 2015), so the balance of that loan stood at 263,625 thousand euros at 31 December 2016. That loan accrued interest of 4,927 thousand euros in 2016 (5,242 thousand euros in 2015).

On 16 February 2016, the Company signed a loan with its AP-1 EUROPISTAS C.E.S.A.U. to replace the one originally formalised on 30 April 2008 and based on which 80,824 thousand euros had been drawn down at 31 December 2015. That loan envisages that the interest will be settled on a yearly basis and is pegged to 1-year Euribor plus a 2% spread. In addition, interest outstanding at the end of the settlement period will be capitalised. That loan will mature on 30 November 2018. The outstanding balance from this agreement at 31 December 2016 was 82,516 thousand euros. In 2016, the loan accrued interest totalling 1,692 thousand euros, which was capitalised (1,863 thousand euros in 2015).

Additionally, at 31 December 2016 and 2015, the Company has balances of a financial nature with related parties that comprise the banking syndicate with which the syndicated loan is held (note 16), as per the following detail:

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Thousands of euros	2016	2015
Loans⁽¹⁾		
ABANCA	66,382	72,322
KUTXABANK	98,625	107,451
LIBERBANK	23,708	25,829
Liquidity lines drawn⁽²⁾		
ABANCA	-	135
KUTXABANK	-	2,223
LIBERBANK	-	2,223
Liquidity lines not drawn⁽²⁾		
ABANCA	-	365
KUTXABANK	-	6,027
LIBERBANK	-	6,027

(1) Participation in the syndicated loan of financial institutions that are related parties.

(2) Participation in the liquidity line cancelled in 2016 of financial institutions that are related parties.

The breakdown of transactions with group companies, jointly controlled entities and other related parties in 2016 and 2015 is as follows:

Thousands of euros	2016			2015			
	Other group companies	Jointly controlled entities	Other related parties	Parent company	Other group companies	Jointly controlled entities	Other related parties
Finance expenses - Convertible debentures	1,824	-	1,543	-	1,646	-	1,393
Pear Luxembourg Investment S.Á.R.L.	1,275	-	-	-	1,138	-	-
Kutxabank, S.A.	545	-	-	-	486	-	-
Abanca Corporación Industrial y Empresarial, S.L.	-	-	798	-	-	-	713
Caser, S.A.	-	-	12	-	-	-	10
Liberbank, S.A.	-	-	195	-	-	-	174
Sacyr Concesiones, S.L.	-	-	521	-	-	-	465
Other (directors and senior management)	-	-	13	-	-	-	12
Adjustment for valuation at amortised cost	4	-	4	-	22	-	19
Finance expenses - Other debt	8,664	-	-	-	9,312	-	-
Pear Luxembourg Investment S.Á.R.L.	217	-	-	-	200	-	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	1,692	-	-	-	1,863	-	-
Ena Infraestructuras, S.A.	1,828	-	-	-	2,007	-	-
Enaitinere, S.A.U.	4,927	-	-	-	5,242	-	-
Total expenses	10,488	-	1,543	-	10,958	-	1,393
Finance income	50,000	-	-	-	18,797	-	-
Enaitinere, S.A.U. - Dividend (note 10)	50,000	-	-	-	-	-	-
Enaitinere, S.A.U. - Credit interest	-	-	-	-	18,797	-	-
Management or collaboration contracts	7,032	-	-	-	6,811	-	-
Ena Infraestructuras, S.A.	3,803	-	-	-	3,690	-	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	2,708	-	-	-	2,600	-	-
Gestión de Infraestructuras de Bizkaia, S.A.	521	-	-	-	521	-	-
Rendering of services and other income	824	153	-	-	830	153	4
Autopistas de Navarra, S.A.	-	153	-	-	-	153	-
Autopista Astur Leonesa, S.A.	78	-	-	-	85	-	-
Autopistas del Atlántico, C.E.S.A.	290	-	-	-	285	-	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	138	-	-	-	138	-	-
Gestión de Infraestructuras de Bizkaia, S.A.	57	-	-	-	22	-	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U.	27	-	-	-	29	-	-
Ena Infraestructuras, S.A.	234	-	-	-	258	-	-
Enaitinere, S.A.U.	-	-	-	-	13	-	-
Total revenues	57,856	153	-	-	26,439	153	4

The transactions with related parties refer to the Company's normal business and are carried out on an arm's length basis.

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20. REVENUE

The breakdown of revenues in 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Revenues from services rendered:	7,032	6,811
Ena Infraestructuras, S.A.	3,803	3,690
AP-1 Europistas Concesionaria del Estado, S.A.U.	2,708	2,600
Gestión de Infraestructuras de Bizkaia, S.A.	521	521
Other services to group companies, jointly controlled entities and other related parties	704	704
Revenues	7,736	7,515

By virtue of the various contracts signed by the Company with certain Group companies and associates, a total of 7,032 thousand euros was invoiced in 2016 (6,811 thousand euros in 2015), for technical, operational, financial and legal advisory services.

All the revenue recorded by the Company in 2016 and 2015 was obtained in Spain.

21. EXTERNAL SERVICES

The breakdown of external services at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Leases and royalties	428	466
Repairs and maintenance	36	32
Freelance professional services	585	624
Insurance premiums	764	763
Banking and similar services	45	47
Advertising and public relations	22	22
Supplies	65	66
Other services	269	267
External services	2,214	2,287

22. FINANCE INCOME AND EXPENSES

The breakdown of finance income at 31 December 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Income on investments in equity instruments		
in group companies, jointly controlled entities and associates (note 19)	50,000	-
Interest on credits with group companies, jointly controlled entities and associates (notes 10 and 19)	-	18,797
Interest on other marketable securities	19	42
Other interest and similar income	18	23
Finance income	50,037	18,862

As stated in note 10, on 16 February ENAITINERE resolved to distribute to its sole shareholder an extraordinary dividend out of voluntary reserves amounting to 50,000 thousand euros, which the Company used to redeem its syndicated loan (note 16).

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

Thousands of euros	2016	2015
Interest on debts with group companies, jointly controlled entities and associates (note 19)	10,488	10,959
Interest on debentures (note 15)	1,824	1,647
Interest on other debt	8,664	9,312
Interest on debt (notes 9 and 16)	14,391	34,368
Interest on debentures with other related parties (notes 15 and 19)	1,543	1,392
Interest on late payments (note 18)	862	-
Other finance expenses	18	35
Finance expenses	27,302	46,755

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23. PERSONNEL

The average headcount in 2016 and 2015, broken down by category, is as follows:

	2016	2015
Management	8	8
Experts and specialists	3	3
Administrative staff	3	3
Total	14	14

At 31 December 2016 and 2015, the breakdown of the Company's headcount by category and gender is as follows:

	Men		Women	
	2016	2015	2016	2015
Management	7	7	1	1
Experts and specialists	2	2	1	1
Administrative staff	-	-	3	3
Total	9	9	5	5

In 2016, the Company did not have any employees with a disability of 33% or higher.

At 31 December 2016 and 2015, the Company's Board of Directors is made up of 12 men and 3 women.

Of the total staff expenses for 2016, 184 thousand euros comprise the social security costs paid by the Company (172 thousand euros at 31 December 2015).

24. 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 15 and 19). In 2016, the Company paid civil liability insurance premiums to directors and managers in the 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's companies outside their ordinary business or in conditions other than market conditions. 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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25. GUARANTEES UNDERTAKEN WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

(a) Guarantees to third parties

At 31 December 2016 and 2015, the Company has provided bank guarantees to different public bodies as performance bonds, maturing in 2021, as per the following detail:

Thousands of euros	2016	2015
Research and development projects	508	924
Other	-	1,791
Total	508	2,715

In addition, by virtue of the financial agreement signed by the Company, certain undertakings exist, as referred to in note 16.

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

(b) Other contingent liabilities

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.

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.

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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 with 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."

26. ENVIRONMENT

Based on the type of activity conducted by the Company, no environmental actions are required. Therefore, it has not incurred any environmental expense in 2016 or 2015 and no provision is considered necessary to cover possible expenses or risks relating to environmental actions.

The Company's Directors declare that there are no items that need to be included in the separate environmental information document provided for in Order JUS/206/2009 of 28 January.

27. INFORMATION ABOUT THE NATURE AND RISKS OF FINANCIAL INSTRUMENTS

To a large extent, the Company's financial risk management policies and, consequently, the instruments for their achievement are determined by the nature of its activity and by the situation in the financial markets at any given time.

Thus, the structure, type of financing, hedges, guarantees and, in short, the most appropriate financing instruments are selected in accordance with the nature and risks inherent in the projects to be financed, with a view to their mitigation to the extent that this is possible.

The financial policy and management of ITÍNERE is determined and executed by the Company's Finance Department, in a manner consistent with the financial structure and cash flow of the Group as a whole, with the financial risk management being, briefly, as follows:

- **Interest rate risk:** Since the derivatives in ITÍNERE linked to the corporate debt with the Company's financial institutions signed in 2011 matured in January 2016, practically all the financial debt arranged by the Company is at a variable interest rate pegged to Euribor. 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.

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A possible variation of ± 100 basis points in the interest rate prevailing at year-end would have a quantitative effect which would mean a lower net result for the year of 7,052 thousand euros if the interest rate increases and a higher net result of 3,266 thousand euros if it decreases.

- **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 of a Group of concessionary companies), the major part of its income is obtained from the rendering of services to these companies. Consequently, due to the nature of the business conducted by the Group, the risk of non-payment is low.
- **Refinancing risk:** As stated in note 16, effective as of February 2016, the Company proceeded to the non-extinguishing modifying novation of the financing agreement entered into by the Company in August 2011, which has involved, among other modifications, the extension of the maturity date of said loan agreement until 6 October 2025. As a consequence, practically all of ITÍNERE'S debt is long term, so the Company directors believe that this risk is low.
- **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. Consequently, the Company's directors are of the opinion that this risk is low.
- **Price risk:** This risk is low since ITÍNERE'S revenues are associated with the activity of its investees, which are not exposed to this risk, as they operate in a regulated market in which the tariffs applied are reviewed based on the variation of the CPI.

28. OTHER INFORMATION

The auditors of the annual accounts of the Company, KPMG Auditores, S.L., have rendered professional services to the Company during the years ended 31 December 2016 and 2015 totalling 70,700 euros per year.

This amount corresponds to total audit fees for 2016 and 2015, irrespective of the date of invoice. In 2016 and 2015, KPMG Auditores, S.L. has also rendered other accounting verification services, for a fee amount of 3,200 euros in each of the periods.

During the 2016 financial year, other companies affiliated to KPMG International have invoiced the Company the amount of 3,000 euros as fees for tax advisory and other services (99,069 euros in 2015).

29. SUBSEQUENT EVENTS

On 2 March 2017, the Company 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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1. COMPANY BUSINESS PERFORMANCE AND POSITION

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.

The revenues, corresponding mainly to invoices from services rendered to investees, increase 2.9% as a result of the performance of the Group's activity itself. Current operating expenses rose by 1.2% in comparison with the previous financial year, with 2016 EBITDA showing a positive result of 2.3 million euros, i.e. 7.2% more than in 2015.

As established in the accounting standards, at 2016 year-end the Company has not identified any signs of impairment in its financial investments, so it has not been deemed necessary to recognise any additional value impairment changes over and above those already registered in previous financial years. As will be remembered, during the 2012 financial year it was necessary to make a value adjustment due to impairment for the total amount of the goodwill recognised in 2009 at an individual level, in addition to portfolio loan loss provisions relating to the stakes in Group companies to which part of the goodwill that arose in the merger process carried out in 2009 (ENAITINERE and PARTICIPACIONES AP-1) and the investment in TACEL INVERSIONES was allocated. The total impact of these value adjustments due to impairment represented a negative adjustment of the Company's profit and loss in the 2012 financial year, amounting to 303.2 million euros. The factors determining this impairment were the negative performance by the Group companies' business and its subsequent impact on future estimates, including changes in the tax regulations that affect the Group's financing structure (particularly Royal Decree-Law 12/2012 and the regulations for its application) and the tightening of the conditions of the financial markets.

Net finance income shows a positive figure of 22.8 million euros. This net finance figure includes finance expenses for an amount of 27.3 million euros corresponding to corporate debt (both with

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third parties and other inter-company debt), which was lower than in the previous year by 19.5 million euros (down 41.7%) as a result of the refinancing completed in February. As part of the refinancing process, an extraordinary dividend was received from ENAITINERE amounting to 50 million euros, which the Company fully used to redeem the syndicated loan.

As we all know, since the 2012 financial year there is a limit on the tax deductibility of finance expenses according to which only net finance expenses up to an amount of 30% of the financial year's operating profit can be deducted, with it being possible for the net finance expenses not deducted in the financial year to be deducted in the following financial years with no time limit and with the same percentage limitation. The calculation of the income tax for the year results in revenue for this item amounting to 3.1 million euros, which is a consequence of the effect of the tax treatment of the aforementioned dividend, which allows the deduction of part of the finance expense.

All of the foregoing has resulted in a profit in the 2016 financial year of 28.0 million euros.

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 5.5%. 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 companies' operating revenue in 2016 (taking into account the proportional contribution of AUDENASA) has amounted to 289.5 million euros, an increase of 3.6% with respect to the 2015 financial year's comparative figure, reflecting the consolidation of the improvement that has taken place in Spanish economy during the year. The EBITDA which these companies contribute to the consolidated figure in 2016 amounts to 231.8 million euros, representing an EBITDA margin of 80.1%, 1.5 percentage points wider than in 2015.

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% 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 authorities (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 20.3% 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.

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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.

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.

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- **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 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 the Company to the various public authorities for taxes, social security contributions, etc. totalled 2.9 million euros in 2016.

At 31 December 2016, the Company 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. The average payment period to suppliers in 2016 was 3 days.

2. SUBSEQUENT EVENTS

No significant events have taken place since 2016 year-end.

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 regards 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

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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 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 in regards to 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.
- **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 authorising 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 a certain optimism 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.

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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, the other features and all the other most suitable financing instruments are selected on the basis of the nature of and the risks inherent to the Group companies 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, in regards to financial risk management, is as follows:

- **Interest rate risk:** Since the derivatives in ITÍNERE linked to the corporate debt with the Company's financial institutions signed in 2011 matured in January 2016, practically all the financial debt arranged by the Company is at a variable interest rate pegged to Euribor. 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.

A possible variation of ± 100 basis points in the benchmark interest rate would have a quantitative effect which would mean a lower net result for the year of 7,052 thousand euros if the interest rate increases and a higher net result of 3,266 thousand euros if it decreases.

- **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

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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 16, effective as of February 2016, the Company proceeded to the non-extinguishing modifying novation of the financing agreement entered into by the Company in August 2011, which has involved, among other modifications, the extension of the maturity date of said loan agreement until 6 October 2025. As a consequence, practically all of ITÍNERE'S debt is long term, so the Company directors believe that this risk is low.
- **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).

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.

**PROPOSED DISTRIBUTION OF EARNINGS
FOR 2016**

Profit for 2016 totalled 28,004,527.64 euros, which will be used to increase the legal reserve by 2,800,452.76 euros and to offset prior years' losses totalling 25,204,074.88 euros.

ITÍNERE INFRAESTRUCTURAS, S.A.

ONE: Pursuant to the requirements of article 253 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 annual accounts comprised of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto, the directors' report and the proposed distribution of earnings for the year ended 31 December 2016, which are presented on pages 1 to 48 of this document, signed by the secretary to the board of directors.

TWO: The Company directors state that the accounting records on which the accompanying annual accounts are based do not reflect any item that should be included in a separate document on environmental information as set forth in Ministry of Economy Order JUS/206/2009 of 28 January.

Signed in Madrid on 28 March 2017.

Mr. Pedro Pérez Fernández
Chairman

Mr. Francisco Javier Pérez Gracia
CEO

Mr. Antonio Herrera Bustamante
Director

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

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

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

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

Mr. Mark Edwin Lorkin
Director

Mr. Michael Osborne
Director

Ms. Holly Keller Koepfel
Director

Ms. Cynthia Joan Praschnik
Director

Mr. Fernando Mendezona Peña
Director

Mr. Carlos Mijangos Gorozari
Director

Mr. José M^a Orihuela Uzal
Director

Mr. Francisco Piedras Camacho
Director

Mr. José Luis González Carazo
Secretary, non-Director