



Itinere  
Infraestructuras  
S.A. and  
subsidiaries

Consolidated Annual Accounts

31 December 2017

Consolidated Directors' Report

2017

(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.  
Pº. de la Castellana, 259 C  
28046 Madrid

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

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

To the shareholders of Itínere Infraestructuras, S.A.

### Opinion

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We have audited the consolidated annual accounts of Itínere Infraestructuras, S.A. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

### Basis for Opinion

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

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

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

### Most Relevant Aspects of the Audit

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The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.



### Recoverable amount of the concession agreements and goodwill (see notes 2(e), 4(c) and 5)

At 31 December 2017 the Group has recognised Euros 2,630,327 thousand under concession agreements in the balance sheet in relation to various motorway concessions located in Spain, and goodwill amounting to Euros 986,045 thousand allocated to the cash-generating units (CGUs) related to these concessions. Each year the Group calculates the recoverable amount of goodwill and assesses whether there are indications that the assets associated with the concession agreements may be impaired, in order to determine whether their carrying amount exceeds the recoverable amount. The process of determining the recoverable amount of these assets involves valuation techniques which often require the exercising of judgement by the Group and the use of estimates. Due to the uncertainty associated with these estimates, the high level of judgement that must be used to assess the recoverable amount and the significance of the carrying amount of these assets, this has been considered a relevant aspect of our audit.

Our audit procedures included evaluating the design and implementation of key controls related to the process of estimating the recoverable amount of goodwill and concession assets, and analysing, with the assistance of our specialists, the reasonableness of the methodology, the discount rate and assumptions used to estimate the cash flows which served as the basis for calculating the recoverable amount of goodwill and the concession assets. We also compared the cash flow forecasts estimated in prior years with actual flows obtained and contrasted the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by management. In addition, we analysed the sensitivity of these recoverable amount estimates to changes in relevant assumptions and judgements, such as the discount rate and future cash flows.

In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

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

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

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

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



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

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

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

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

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

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

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



are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

From the significant risks communicated to the Directors of Itínere Infraestructuras, S.A. and subsidiaries, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

*(Signed on the original in Spanish)*

Manuel Martín Barbón

On the Spanish Official Register of Auditors ("ROAC") with No. 16239

13 April 2018

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

**Consolidated Annual Accounts  
and Consolidated Directors' Report  
for the year ended 31 December 2017  
(together with the Audit Report)**

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

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

**Consolidated Balance Sheet  
31 December 2017 and 2016  
(in thousands of euros)**

	NOTE	2017	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>3,947,411</b>	<b>3,973,044</b>
Property, plant and equipment	4	2,666	3,065
Concession arrangements	5	2,630,327	2,630,310
Investment property	6	1,316	1,423
Other intangible assets	7	464	523
Goodwill	8	986,045	986,045
Investments in associates and joint ventures	9	164,778	193,968
Non-current financial assets	10	208	232
Deferred tax assets	23	161,607	157,478
<b>CURRENT ASSETS</b>		<b>147,242</b>	<b>272,305</b>
Inventories		1,133	1,288
Trade and other receivables		30,897	42,485
Trade receivables for sales and services	11	11,838	9,655
Current tax assets	23	5,623	262
Other receivables from public authorities	12	12,365	30,186
Other receivables	13	1,071	2,381
Current financial investments		633	1,703
Cash and cash equivalents	14	113,958	226,175
Other current assets		621	654
<b>TOTAL ASSETS</b>		<b>4,094,653</b>	<b>4,245,349</b>

The accompanying notes 1 to 36 form a comprehensive part  
of the Consolidated Annual Accounts at 31 December 2017



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

**Consolidated Balance Sheet  
at 31 December 2017 and 2016  
(in thousands of euros)**

	NOTE	2017	2016
<b>EQUITY</b>		<b>1,059,475</b>	<b>1,079,905</b>
<b>Equity attributed to the parent company's shareholders</b>	15	<b>1,058,258</b>	<b>1,078,952</b>
Registered capital		221,874	221,874
Share premium		1,038,560	1,038,560
Own shares		(212)	(212)
Reserves		(2,347)	(7,148)
Accumulated earnings and other reserves		(199,617)	(174,122)
<b>Minority Shareholder's Equity</b>	15	<b>1,217</b>	<b>953</b>
<b>NON-CURRENT LIABILITIES</b>		<b>2,838,434</b>	<b>3,055,457</b>
Deferred income	16	59	123
Provision for replacement activities	20	43,819	53,443
Other provisions	26	150	150
Non-current financial liabilities	17	2,678,189	2,875,429
Non-current liabilities	19	54,174	54,240
Deferred tax liabilities	23	62,011	72,036
Non-current accruals		32	36
<b>CURRENT LIABILITIES</b>		<b>196,744</b>	<b>109,987</b>
Current financial liabilities	17	124,750	24,930
Provision for current replacement activities	20	19,201	14,879
Current liabilities		52,793	70,178
Derivatives	19.3	3,133	5,418
Current tax liabilities	23	273	235
Other debt with Public Administrations	12	8,964	25,481
Other current liabilities	21	40,423	39,045
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,094,653</b>	<b>4,245,349</b>

The accompanying notes 1 to 36 form a comprehensive part  
of the Consolidated Annual Accounts at 31 December 2017

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

**Consolidated Statement of Profit or Loss  
for 2017 and 2016  
(in thousands of euros)**

	Note	2017	2016
Revenues	24	274,570	268,722
Work carried out by the Group for assets		1,098	887
Other operating revenues		4,441	3,668
Subsidies recognised in the income statement		49	110
Gains and losses on disposal of assets		1	1
Overprovision	20	219	304
<b>Total operating revenues</b>		<b>280,378</b>	<b>273,692</b>
Supplies		(1,531)	(1,656)
Staff expenses	25	(31,461)	(32,583)
Provisions for amortisation and depreciation	4,5,6 & 7	(129,149)	(128,932)
External services and other operating expenses	26	(24,543)	(24,805)
Change in traffic provisions		(170)	(18)
Provision for replacement activities	20	(6,328)	(2,261)
<b>Total operating expenses</b>		<b>(193,182)</b>	<b>(190,255)</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>87,196</b>	<b>83,437</b>
Other interest and similar income		2,288	2,563
<b>Total finance income</b>		<b>2,288</b>	<b>2,563</b>
Finance and similar expenses		(123,701)	(128,936)
<b>Total finance expenses</b>		<b>(123,701)</b>	<b>(128,936)</b>
<b>Changes in the fair value of financial instruments</b>	19.3	<b>(1,630)</b>	<b>(1,770)</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	27	<b>(123,043)</b>	<b>(128,143)</b>
Profit/(Loss) of companies recorded under the equity method	9	1,628	605
<b>CONSOLIDATED PRE-TAX PROFIT/(LOSS)</b>		<b>(34,219)</b>	<b>(44,102)</b>
Income tax	23	9,061	14,698
<b>CONSOLIDATED PROFIT/(LOSS) FROM CONTINUING ACTIVITIES</b>		<b>(25,158)</b>	<b>(29,403)</b>
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>(25,158)</b>	<b>(29,403)</b>
Attributable to:			
Minority Shareholder's Equity	15	(264)	(271)
<b>PARENT COMPANY</b>	28	<b>(25,422)</b>	<b>(29,674)</b>

The accompanying notes 1 to 36 form a comprehensive part  
of the Consolidated Annual Accounts at 31 December 2017

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

**Consolidated Statement of Comprehensive Income  
for 2017 and 2016  
(in thousands of euros)**

	2017	2016
<b>Loss for the year</b>	<b>(25,158)</b>	<b>(29,403)</b>
<b>Other comprehensive income:</b>		
Items to be reclassified to profit or loss		
Cash flow hedges	6,400	4,985
Tax effect	(1,599)	(1,245)
<b>Other comprehensive income for the year, net of taxes</b>	<b>4,801</b>	<b>3,740</b>
<b>Comprehensive income for the year</b>	<b>(20,357)</b>	<b>(25,663)</b>
<b>Attributable to:</b>		
- Company shareholders	(20,621)	(25,934)
- Minority Shareholder's Equity	264	271
	<b>(20,357)</b>	<b>(25,663)</b>

**Consolidated Statement of Changes in Equity  
for 2017 and 2016  
(in thousands of euros)**

	Registered capital	Share premium	Own shares	Reserves	Accumulated earnings and other reserves	Minority Shareholder's Equity	TOTAL
<b>CLOSING BALANCE IN 2015</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(10,888)</b>	<b>(129,105)</b>	<b>682</b>	<b>1,120,911</b>
Comprehensive income for the year (note 15)	-	-	-	3,740	(29,674)	271	(25,663)
Other changes in equity (note 23)	-	-	-	-	(15,343)	-	(15,343)
<b>CLOSING BALANCE IN 2016</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(7,148)</b>	<b>(174,122)</b>	<b>953</b>	<b>1,079,905</b>
Comprehensive income for the year (note 15)	-	-	-	4,801	(25,422)	264	(20,357)
Other changes in equity	-	-	-	-	(73)	-	(73)
<b>CLOSING BALANCE IN 2017</b>	<b>221,874</b>	<b>1,038,560</b>	<b>(212)</b>	<b>(2,347)</b>	<b>(199,617)</b>	<b>1,217</b>	<b>1,059,475</b>

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2017

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

**Consolidated Statement of Cash Flow  
for 2017 and 2016  
(in thousands of euros)**

	Note	2017	2016
Net profit/(loss)		(25,422)	(29,674)
Minority Shareholder's Equity	15	264	271
Amortisation/provisions	4, 5, 6, 7 & 20	135,429	130,907
Subsidies recognised in the income statement		(49)	(110)
Profit/(Loss) from equity accounted companies	9	(1,628)	(605)
Profit/(Loss) from disposal of assets		(1)	(1)
Financial result	27	123,043	128,143
Income tax	23	(9,061)	(14,698)
<b>Funds generated by operations</b>		<b>222,575</b>	<b>214,233</b>
Trade and other receivables		73,188	66,668
Inventories		107	138
Trade creditors		(34,851)	(39,304)
Other current assets and liabilities		(49,937)	(4,067)
Other non-current assets and liabilities		(31)	215
<b>Changes in net working capital</b>		<b>(11,524)</b>	<b>23,649</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>211,051</b>	<b>237,883</b>
Investments in property, plant and equipment and intangible assets		(126,165)	(59,209)
Investments in financial assets		(313)	(12)
Divestments of property, plant and equipment and intangible assets		34	20
Interest received		1,837	2,326
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(124,607)</b>	<b>(56,875)</b>
Increase in financial indebtedness		-	1,143,389
Decrease in financial indebtedness	17.5	(114,613)	(1,285,390)
Interest paid	17.5	(115,083)	(131,928)
<b>Change in financial indebtedness</b>		<b>(229,697)</b>	<b>(273,929)</b>
Dividend received		31,036	6,028
<b>Change in own financing</b>		<b>31,036</b>	<b>6,028</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(198,661)</b>	<b>(267,901)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(112,217)</b>	<b>(86,893)</b>
Cash and cash equivalents at the start of the year		226,175	313,068
Cash and cash equivalents at the end of the year		113,958	226,175

The accompanying notes 1 to 36 form a comprehensive part of the Consolidated Annual Accounts at 31 December 2017

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

**Notes to the Consolidated Annual Accounts**

**1. NATURE AND MAIN ACTIVITIES**

(a) Nature and main activities

ITÍNERE INFRAESTRUCTURAS, S.A. (hereinafter, ITÍNERE or the Company or the parent company - formerly called EUROPISTAS, C.E.S.A. -), was incorporated as a Limited Liability Company on 21 May 1968.

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

The Company's corporate purpose is as follows:

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

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

**Notes to the Consolidated Annual Accounts**

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

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

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

As a consequence of the foregoing, as per the terms of article 42 of Spain's Code of Commerce, the Company belongs to a group of companies, the holding company of which, in Spain, is ARECIBO, which was incorporated on 27 April 2009 and has its registered office in Bilbao. On 28 March 2017, ARECIBO drafted its consolidated annual accounts and directors' report for the financial year ended 31 December 2017, which were filed at the Mercantile Register in Bilbao. At the date of preparing these consolidated annual accounts, ARECIBO had not yet drafted its consolidated annual accounts for the 2017 financial year, being scheduled for 22 March 2018.

(b) Background

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

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

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

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

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INFRAESTRUCTURAS, S.A. The consolidated annual accounts 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 consolidated annual accounts corresponding to financial year 2009.

(d) Business combinations

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

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

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

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

(e) AUDASA - Royal Decree 104/2013

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

At 31 December 2017, the compensation for those discounts amounted to 20,955 thousand euros (15,210 thousand euros at 31 December 2016), which corresponds to the decline in revenues obtained by AUDASA as a result of providing the discounts amounting to 18,204 thousand euros (13,675 thousand

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euros at 31 December 2016), as well as the discounting of these amounts, which will also be compensated, in an amount of 2,752 thousand euros (1,535 thousand euros at 31 December 2016). AUDASA has chosen not to record this compensation on the balance sheet as it believes that it does not meet the requirements established in the accounting standards for asset recognition, which does not affect in any way whatsoever the right established in Royal Decree 104/2013 to receive compensation.

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

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

Thousands of euros	31/12/2015	Additions 2016	31/12/2016	Additions 2017	31/12/2017
<b>Advances from concession agreements - R.D. 1733/2011</b>					
- From compensable investments	38,635	55,598	94,233	112,474	206,707
- From financial update	2,013	3,252	5,265	7,960	13,225
<b>Total R.D. 1733/2011 (note 5)</b>	<b>40,648</b>	<b>58,850</b>	<b>99,498</b>	<b>120,434</b>	<b>219,932</b>
<b>Final balance- R.D. 104/2013</b>					
- From frequent users discounts	9,644	4,031	13,675	4,528	18,203
- From financial update	707	828	1,535	1,217	2,752
<b>Total R.D. 104/2013</b>	<b>10,351</b>	<b>4,859</b>	<b>15,210</b>	<b>5,745</b>	<b>20,955</b>
<b>Total overall offset balance</b>	<b>50,999</b>	<b>63,709</b>	<b>114,708</b>	<b>126,179</b>	<b>240,887</b>

## 2. BASIS OF PRESENTATION

### (a) True and fair view and going concern

These consolidated annual accounts have been obtained from the accounting records of ITÍNERE and of the companies included in the Group and prepared in accordance with the international financial reporting standards adopted by the European Union (IFRS-EU) with the aim of providing a true and fair view at 31 December 2017 of the consolidated equity, consolidated financial position and consolidated operating results, in addition to the changes in consolidated equity and consolidated cash flow for 2017.

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



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The ITÍNERE Group has adopted the latest version of all the applicable standards issued by the European Union's Regulatory Committee (IFRS-EU), the application of which is mandatory at 31 December 2017. Likewise, the Group companies AUDASA, AP-1, AUCALSA, AUDENASA and AUTOESTRADAS have applied IFRIC 12 in the preparation of the financial information that acts as the basis for the preparation of these consolidated annual accounts (see Annex I).

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

At 31 December 2017, the consolidated statement of profit or loss shows a negative result of 25,422 thousand euros, although the Group has a healthy balance sheet with a net worth of 1,059,475 thousand euros. Also, at 31 December 2017, the Group's working capital is negative at 49,502 thousand euros as a result of the short-term transfers of debt issued by the AUDASA Group for an amount of 95,326 thousand euros, the maturity of which will take place on 27 March 2018. In this respect, at the date of preparation of these consolidated annual accounts, a new bond issue intended entirely to refinance the previous one, is fully subscribed and will be disbursed on 27 March 2018.

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

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

(b) Consolidation principles

*Subsidiaries*

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

Subsidiaries are fully consolidated.

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

Joint ventures (jointly controlled entities)

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

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*Associates*

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

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

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

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

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

(c) Comparison of information

To meet the prevailing standards, these consolidated annual accounts for 2017 include comparative figures relating to 2016.

(d) Group structure

The ITÍNERE Group is made up of the parent company, ITÍNERE INFRAESTRUCTURAS, S.A., and its subsidiaries and associates. The detail of the companies that comprise the ITÍNERE Group at 31 December 2017 and 2016, the percentages and amounts corresponding to each stake, the consolidation method applied and the registered office and activities of each one are shown in Annex I, which forms an integral part of these consolidated annual accounts.

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

All the companies that make up the ITÍNERE Group are audited by KPMG Auditores. S.L., except for the companies TACEL INVERSIONES, S.A., AUTOPISTA CENTRAL GALLEGA, C.E.S.A. and BIP & DRIVE, S.A., the first two audited by Deloitte, S.L. and the last one by PricewaterhouseCoopers, S.L.

(e) Relevant accounting estimates and judgements used

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

In some cases, in the Group’s consolidated annual accounts for the financial year ended 31 December 2017, estimates and judgements made by the management of the parent company and by

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its subsidiaries, subsequently ratified by their directors, have been used to quantify some of the assets, liabilities, income, expenses and commitments recognised therein. Those estimates refer to:

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

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

In this respect, and in relation to the AP-1 Group company, whose concession period ends in November 2018, it is important to point out that the assumptions used by the aforementioned company in the realization of its accounting estimates have taken into consideration this circumstance and adequately guarantee the closure of the project at the end of the concession period, so that the concession asset is fully amortised and the obligations related to the reversion of the highway to the granting Administration in a good state of conservation and use are complied with, as established in the applicable regulations.

(f) IFRS-EU applied by the Group in 2017

At 31 December 2017, the Group applies all the mandatory International Financial Reporting Standards adopted by the European Union in the preparation and drafting of its consolidated annual accounts.

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

(g) IFRS-EU standards, interpretations and amendments entering into force on 01 January 2017 that the Group has adopted:

- Amendments to IAS 7 – Statement of cash flows: Initiative on disclosure. It requires entities to itemize changes in liabilities produced by financing activities, including both those derived

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from cash flows and those that do not imply cash flows (such as gains or losses from exchange differences). The Company includes the disclosures derived from IAS 7 in note 17.5.

- Amendments to IAS 12 – Recognition of deferred tax assets from unrealized losses. It includes various clarifications on the need to take into account whether tax legislation restricts the types of tax benefits that entities can use to offset the reversal of the deductible temporary difference corresponding to unrealized losses and, on the way in which an entity must determine the future tax benefits. The entry into force of this amendment has not had any impact on the consolidated financial statements.
- (h) Standards and interpretations issued by the International Accounting Standards Board (IASB), approved by the European Union and not applicable at 31 December 2017:
- IFRS 15: Revenue from contracts with customers. A new standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). Mandatory application for annual periods starting 1 January 2018 onwards. The Company has evaluated that this IFRS will not have a significant impact on the consolidated annual accounts.
  - IFRS 9: Financial instruments. Replaces the requirements of IAS 39, relating to the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment methodology. Mandatory application for annual periods starting 1 January 2018 onwards. According to the information currently available, the Company estimates that the effects of this IFRS will not be significant, although the evaluation of such effects may be subject to changes because of additional information that will be available in 2018 when the Group adopts IFRS 9.
  - IFRS 16: Leases. A new leases standard that replaces IAS 17. Lessees must include all leases on the balance sheet as if they were financed purchases. Mandatory application for annual periods starting 01 January 2019 onwards. The Company has evaluated that this IFRS will not have a significant impact on the consolidated annual accounts.
  - Amendments to IFRS 15 - Clarifications relating to the standard. Mandatory application for annual periods starting 01 January 2018 onwards.

The application of new standards, interpretations and amendments will be considered by the Group if and when ratified and adopted by the European Union. The Group's management has chosen not to apply in advance the mandatory application standards after 31 December 2017. Nevertheless, it is not expected that the effects on the consolidated annual accounts will be significant.

### **3. ACCOUNTING PRINCIPLES**

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

(a) Goodwill

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

Goodwill is not amortised; instead, its impairment is assessed on an annual basis or earlier in the case of events having been identified that point to a potential loss of the asset's value. To this end, the resulting goodwill from the business combination is allocated to the group of identified cash-generating

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units (CGUs) to which the ability to generate the value corresponding to such difference can be attributed.

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

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

(b) Other intangible assets

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

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

(c) Concession arrangements

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

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

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

(e) Investment property

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) Leases

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

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

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

(h) Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- The payment of cash flow is conditional upon their prior collection;
- The Group cannot pledge or sell the financial asset; and
- The cash flow collected on behalf of the final receiving parties are remitted without significant delay, with the Group being unable to reinvest this cash flow. Investments in cash and cash equivalents made by the Group during the settlement period, i.e. between the collection date and the remittance date agreed with the final receiving parties, are excluded from the application of this criterion, provided that the accrued interest is attributed to the final receiving parties.



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

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

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

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

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

(i) Investments in associates and joint ventures

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

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

(j) Inventories

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

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

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

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(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Equity instruments

Ordinary shares are classified as equity.

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

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

(n) Loans and other remunerated liabilities

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

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

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

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

If the exchange is registered as a cancellation of the original financial liability, the costs and commissions are recognised in profit or loss forming part of its result. Otherwise, the costs and commissions adjust the liability's book value and are amortised using the amortised cost method during the modified liability's remaining life.

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

(ñ) Official grants

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

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

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

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

(o) Provisions

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

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

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

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

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(p) Trade and other payables

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

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

(q) Corporate income tax

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

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

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

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

Taxable timing differences are recognised in all cases except when:

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

Deductible timing differences are recognised provided that:

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

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

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

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

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

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

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

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

(r) Derivatives

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

The aforementioned derivatives, which have been designated as cash flow hedge derivatives, are recorded at their fair value and, subsequently, value corrections are made at any given moment, as and when necessary. They are recorded under the heading "Non-current payables" or "Current payables - Derivatives" arising from the liability, depending on the period of realization or liquidation. The profit or loss from these fluctuations is recorded on the consolidated statement of profit or loss, except when the derivative has been designated as a hedge instrument and is highly efficient, in which case changes in the derivative's fair value are recorded, in the part in which the hedges are efficient, net of their tax effect, under the equity line-item. The accumulated loss or gain under this line-item is transferred to the consolidated statement of profit or loss to the extent that the underlying profit or loss has an impact on the account for the hedged risk, with the net effect being recorded under the same profit or loss line-item.

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

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

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

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

(s) Foreign currency transactions

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

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

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

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

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

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

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

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(t) Income and expenses

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

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

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

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

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

(u) Current and non-current assets and liabilities

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

(v) Environment

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

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

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

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**4. PROPERTY, PLANT AND EQUIPMENT**

Their breakdown and movement in 2017 and 2016 are as follows:

Thousands of euros	Land and buildings	Technical facilities and machinery	Other facilities, fixtures and furniture	Other property, plant and equipment	Total
Cost at 31 December 2015	2,087	7,344	2,243	2,460	14,134
Additions	-	180	23	71	274
Removals	-	(33)	-	(47)	(80)
Transfers	-	33	-	-	33
Cost at 31 December 2016	2,087	7,524	2,266	2,484	14,361
Accumulated depreciation at 31 December 2015	(856)	(5,957)	(1,833)	(2,065)	(10,711)
Additions	(43)	(387)	(96)	(103)	(629)
Removals	-	33	-	44	77
Accumulated depreciation at 31 December 2016	(899)	(6,344)	(1,929)	(2,124)	(11,296)
<b>Net book value at 31 December 2016</b>	<b>1,188</b>	<b>1,180</b>	<b>337</b>	<b>360</b>	<b>3,065</b>
Cost at 31 December 2016	2,087	7,524	2,266	2,484	14,361
Additions	-	111	26	77	214
Removals	-	(257)	(328)	(54)	(639)
Cost at 31 December 2017	2,087	7,378	1,964	2,507	13,936
Accumulated depreciation at 31 December 2017	(899)	(6,344)	(1,929)	(2,124)	(11,296)
Additions	(43)	(367)	(92)	(107)	(609)
Removals	-	256	325	54	635
Accumulated depreciation at 31 December 2017	(942)	(6,455)	(1,696)	(2,177)	(11,270)
<b>Net book value at 31 December 2017</b>	<b>1,145</b>	<b>923</b>	<b>268</b>	<b>330</b>	<b>2,666</b>

As indicated in note 3 (d) above, the Group values its property, plant and equipment at their cost value. At 31 December 2017 and 2016, there is no indication of impairment of property, plant and equipment.

At 31 December 2017 and 2016, no property, plant and equipment have been pledged as security or are subject to ownership restrictions. The Group has taken out insurance policies to adequately cover the risks to which its property, plant and equipment are exposed.

At 31 December 2017, the Group has fully depreciated property, plant and equipment amounting to 7,657 thousand euros (7,743 thousand euros at 31 December 2016).



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**5. CONCESSION ARRANGEMENTS**

The breakdown and movement of this line-item in 2017 and 2016 are as follows:

Thousands of euros	Concession arrangements
Cost at 31 December 2015	3,412,468
Additions	69,643
Cost at 31 December 2016	3,482,111
Accumulated depreciation at 31 December 2015	(723,821)
Additions	(127,979)
Accumulated depreciation at 31 December 2016	(851,800)
<b>Net book value at 31 December 2016</b>	<b>2,630,310</b>
Cost at 31 December 2016	3,482,111
Additions	128,247
Withdrawals	(9)
Cost at 31 December 2017	3,610,349
Accumulated depreciation at 31 December 2016	(851,800)
Additions	(128,222)
Accumulated depreciation at 31 December 2017	(980,022)
<b>Net book value at 31 December 2017</b>	<b>2,630,327</b>

The main additions registered in 2017 and 2016 refer to the studies and designs carried out by AUDASA in relation to the agreement approved by virtue of Royal Decree 1733/2011 of 18 November 2011 signed with the Ministry of Development for the enlargement of the capacity of various sections of the motorway (Santiago de Compostela bypass and Vigo access, including Rande bridge), in addition to the capitalisation of net finance expenses for an amount of 14,379 thousand euros in 2017 (13,927 thousand euros in 2016), associated with the issue of new debt carried out in April 2014 to finance the work under this agreement (see note 27).

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

The compensation of these investments and their associated costs is calculated through the capitalised value at an annual rate of 8% of the cash flow associated with this project up to the end of the concession period. This compensation does not include the amount of the capitalisation of net finance expenses which, at 31 December 2017, amount to a total of 50,047 thousand euros (35,668 thousand euros at 31 December 2016) or the costs incurred on the Sigüeiro junction for an amount of 6,221 thousand euros (5,061 thousand euros at 31 December 2016), which will be recovered by collecting the toll from users making new journeys. The works of this link were put into service on 28 July 2017.

On 27 December 2017, the General Director of Roads of the Ministry of Development sent the authorisation for the provisional commissioning of the capacity expansion works for the Santiago Norte-Santiago Sur and Enlace de Cangas-Enlace de Teis sections, including the Puente de Rande, contemplated in Royal Decree 1733/2011, of 18 November. The amount corresponding to these works, which at 31 December 2017 amounts to 206,707 thousand euros (94,233 thousand euros at 31 December 2016), is part of the compensation established in the aforementioned Royal Decree 1733/2011, through extraordinary increments in tariffs.

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The amount of the discounting of these investments, calculated pursuant to Royal Decree 1733/2011 was 13,225 thousand euros at 31 December 2017 (5,265 thousand euros at 31 December 2016). Consequently, the total compensation to be received under this agreement at 31 December 2017 totals 219,932 thousand euros (99,498 thousand euros at 31 December 2016) (note 1 (e)).

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

The breakdown by company under the “concession arrangements” line-item at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017		
	Cost	Accumulated depreciation	Net value
AUDASA	2,436,956	(412,905)	2,024,051
AUCALSA	531,682	(94,724)	436,958
AUTOESTRADAS	153,933	(32,479)	121,454
AP-1 EUROPISTAS	487,778	(439,914)	47,864
<b>Total concession arrangements</b>	<b>3,610,349</b>	<b>(980,022)</b>	<b>2,630,327</b>

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

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

Concession company	Concession arrangement	Concession kilometres	Commissioning date	End of concession
AP-1 EUROPISTAS	AP-1 Burgos-Armiñon	84,3 kms	1978	2018
AUDASA	AP-9 El Ferrol-Tuy	219,6 kms	1979	2048
AUCALSA	AP-66 Campomanes-León	77,8 kms	1983	2050
AUTOESTRADAS	AG-55 A Coruña-Carballo	33,1 kms	1997	2045
	AG-57 Puxeiros- Val Miñor	25,0 kms		

In relation to the AP-1 EUROPISTAS company, whose concession period ends on 30 November 2018, it must be noted that on that date its concessional assets will be fully amortised and the highway will be reverted to the granting Administration in good condition and use, as established by the regulations that result from application.

In 2008, AUTOESTRADAS started work on the construction of new junctions on the AG-57 Val Miñor motorway, by virtue of the acceptance of an agreement with the Galicia regional government for the concession’s modification and its inclusion in the project approved by the regional authorities for the purpose. As provided for in Decree 100/2008, the Galicia Regional Government committed itself to the financing of two of the four links envisaged in the aforesaid Decree. Specifically, the Galicia regional government assumed full responsibility for the total investment needed to complete the Sabaris junction

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and the construction of a new access link to the motorway at Porto de Molle. The regional administration allocated resources to these two links in an amount of 10,640 thousand euros.

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

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

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

At 31 December 2017 and 2016, there are no elements under the line-item "concession arrangements" in the Group's companies pledged as security or subject to ownership restrictions.

At 31 December 2017 and 2016, the total investment under the aforesaid line-item corresponds to reversible-type properties that will be transferred by the Group's companies to the different concession-granting administrations at the end of the respective concession periods, as per the concession agreements' terms and conditions. The companies do not expect to incur additional expenses over and above those envisaged in their Economic and Financial Plans as a result of the reversal of their infrastructure at the termination of these periods.

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

At 2017 year-end, no indications of the existence of impairment of the respective concession agreements have been identified in the Group. Notwithstanding the above, given the nature of the business conducted by these companies, on an annual basis they calculate the value in use of their concession assets and check to ensure that it is higher than these assets' book value at the date of the analysis. As a consequence of the foregoing, it has not been considered necessary to register value adjustments of any type at 31 December 2017.

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

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

Additionally, and without prejudging any material risk in the variation of the key assumptions, the companies conducted a sensitivity analysis on the value in use of their concession assets to make sure that their recoverable amount exceeds their book value at year-end. That sensitivity analysis envisages significant variations in the discount rate and in the percentage of compliance with the estimated traffic, and the results obtained show that the recoverable amount of the concession contract at 31 December 2017 exceeds the book value in the envisaged scenarios.

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**6. INVESTMENT PROPERTY**

The movement in this line-item in 2017 and 2016 is as follows:

Thousands of euros	Investment property
Cost at 31 December 2015	5,790
Additions	-
Cost at 31 December 2016	5,790
Accumulated depreciation at 31 December 2015	(4,191)
Additions	(177)
Accumulated depreciation at 31 December 2016	(4,368)
<b>Net book value at 31 December 2016</b>	<b>1,423</b>
Cost at 31 December 2016	5,790
Additions	70
Cost at 31 December 2017	5,860
Accumulated depreciation at 31 December 2016	(4,368)
Additions	(177)
Accumulated depreciation at 31 December 2017	(4,545)
<b>Net book value at 31 December 2017</b>	<b>1,316</b>

The investment properties registered at 31 December 2017 and 2016 refer to two business premises located in Bilbao and Vitoria that are owned by ITÍNERE. At 31 December 2017, the Bilbao location is partially available for lease. In addition, 3 premises located in a property in Madrid owned by ENA, one of which is leased to third parties at 31 December 2017, are included, although said lease has been judicially resolved at the date of formulation of the present annual accounts (all premises owned by ENA were leased at 31 December 2016).

The registrations recorded in 2017 correspond to ongoing rehabilitation works carried out by ENA whose purpose is to place the premises in suitable conditions for subsequent lease.

Income from the business premises leased to third parties, as recorded in the statement of profit or loss for the 2017 financial year, amounts to 156 thousand euros and includes the impact of the building's expenses (151 thousand euros in the 2016 financial year).

Expenses deriving from the investment properties owned by the Group refer to their annual depreciation and maintenance charges, which amounted to 142 thousand euros in 2017 (119 thousand euros in 2016). All the expenses are recognised in the statement of profit or loss on an accrual basis.

At 31 December 2017 and 2016, the Company had fully depreciated investment property totalling 54 thousand euros.

At 31 December 2017 and 2016, there are no restrictions on property investments or on revenues derived therefrom.

At 31 December 2017 and 2016, there are no contractual obligations for the acquisition, construction or development of investment property, or for their repair, maintenance or improvement.

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

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**7. OTHER INTANGIBLE ASSETS**

The movement in this line-item in 2017 and 2016 is as follows:

Thousands of euros	Administrative concessions and patents	Computer software	Other property, plant and equipment	Total
Cost at 31 December 2015	686	1,537	157	2,380
Additions	-	39	105	144
Cost at 31 December 2016	686	1,576	262	2,524
Accumulated amortisation at 31 December 2015	(618)	(1,227)	(9)	(1,854)
Additions	(3)	(139)	(5)	(147)
Accumulated amortisation at 31 December 2016	(621)	(1,366)	(14)	(2,001)
<b>Net book value at 31 December 2016</b>	<b>65</b>	<b>210</b>	<b>248</b>	<b>523</b>
Cost at 31 December 2016	686	1,576	262	2,524
Additions	-	82	-	82
Cost at 31 December 2017	619	1,657	262	2,538
Accumulated amortisation at 31 December 2016	(621)	(1,366)	(14)	(2,001)
Additions	(3)	(115)	(23)	(141)
Accumulated amortisation at 31 December 2017	(557)	(1,480)	(37)	(2,074)
<b>Net book value at 31 December 2017</b>	<b>62</b>	<b>177</b>	<b>225</b>	<b>464</b>

At 31 December 2017, the Group had fully amortised intangible assets amounting to 1,611 thousand euros (1,509 thousand euros at 31 December 2016).

At 31 December 2017 and 2016, no other intangible assets have been pledged as security, subject to reversal or have ownership restrictions.

**8. GOODWILL**

As described in note 1 (d), within the framework of the business combination carried out in 2009, the Company recognised remaining goodwill after distribution of the aforesaid combination's acquisition price for an amount of 1,291,522 thousand euros, corresponding to the value that the Group expected to generate, mainly deriving from its financial and tax structure. Those factors optimise the Group's comprehensive free cash flow, so they cannot be allocated individually to any of the assets, but to the grouping of ENAITINERE cash generating units.

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

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

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

- The estimated term for the generation of the concession companies' cash flows, which coincides with the term of the corresponding concession agreements.
- The revenue and expense projection based on the following criteria:
  - ✓ The revenue that will be generated by these companies throughout the concessions periods has been estimated on the basis of the predicted evolution in the Consumer Price Index (CPI), used to calculate the adjustment of fares, taking into consideration other variables, such as the degree of maturity of each of the companies and any other specific aspects that could affect their future activity. For this, the traffic estimates of each one of the concessionary companies corresponding to the remaining concession terms up to the date of their forecast reversion to the granting administrations have been taken into account. Such estimates have been made on the basis of a traffic study carried out by an independent expert.
  - ✓ The expenses have been estimated based on the estimated CPI and activity (traffic, technical enhancements, etc.).
- As regards to future investments, which include infrastructure maintenance and replacement activities, the best estimates available to the companies have been used, based on their experience and the expected performance of their activity.
- A weighted average cost of capital (WACC) calculated at 6.89% for 2017 6.76% in 2016).

The internal analysis carried out corresponding to the 2017 financial year has not revealed signs of additional impairment over and above those taken into account at the close of the 2012 financial year when it was necessary to make an impairment-based value adjustment relating to goodwill for an amount of 305,477 thousand euros. The factors determining this impairment were the following: the evolution of business in the Group's concessionary companies, as a consequence of the fall in levels of traffic on the motorways operated by the Group's companies and the consequent impact on future estimates; changes in the fiscal rules, particularly Royal Decree 12/2012 and the regulations for its application, which introduced limitations on the extent to which finance expenses can be deducted that affect the Group's financing structure and whose forecast evolution differs from the initial projections; the tightening of financial market conditions and their impact on future projections.

As a consequence of the foregoing, at 31 December 2017 and 2016, goodwill amounts to 986,045 thousand euros.

In addition, and without prejudice to the possibility of the existence or otherwise of an important risk of variation in the key assumptions, the Group has conducted a sensitivity analysis to test the impairment of goodwill, in order to check whether or not the recoverable amount exceeds the book value at year-end. This sensitivity analysis has been conducted taking into account important variations in the main assumptions of up to an increase of 100 basis points in the discount rate (WACC) and a decrease of 10% in the traffic estimates made, variations that the Group considers will not be exceeded. The results of this sensitivity analysis show that the recoverable amount of goodwill at 31 December 2017 is higher than its book value in the scenarios envisaged.

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**9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

The breakdown and movement of this line-item on the consolidated balance sheet in 2017 and 2016 are as follows:

Thousands of euros	Balance at 31/12/2015	Change in equity (*)	Participation in profit/(loss)	Balance at 31/12/2016	Change in equity (*)	Participation in profit/(loss)	Balance at 31/12/2017
AUTOPISTAS DE NAVARRA, S.A. (AUDENASA)	199,406	(7,443)	809	192,772	(31,037)	1,713	163,448
BIP & DRIVE, S.A.	1,400	-	(204)	1,196	219	(85)	1,330
TACEL INVERSIONES, S.A.	-	-	-	-	-	-	-
<b>Investments in associates and joint ventures</b>	<b>200,806</b>	<b>(7,443)</b>	<b>605</b>	<b>193,968</b>	<b>(30,818)</b>	<b>1,628</b>	<b>164,778</b>

(\*) Considers consolidation adjustments

AUTOPISTAS DE NAVARRA, S.A. (AUDENASA) was incorporated on 28 July 1973 and its corporate purpose is the construction, operation and upkeep of a toll road between Iruzun and the link with the Ebro motorway (AP-15), excluding the section corresponding to the Pamplona Ronda Oeste (West Ring Road) which, pursuant to the agreement signed on 19 May 1987, was constructed by the Navarre regional government and transferred to the Company in 1991 for its operation and upkeep. The motorway's layout is 112.6 km long. The concession agreement's scheduled expiry date is 30 June 2029. As stated in note 2 (f), the Group has been applying IFRS 11 – Joint Arrangements – since its entry into force on 1 January 2014, which has meant that the consolidation of its stake in the aforesaid company is equity accounted instead of the proportionally consolidated as had been done until 31 December 2013. For information purposes, note 35 includes the consolidated profit or loss obtained in 2017 and 2016 through the proportional consolidation of AUDENASA.

On 4 September 2017, the General Shareholders' Meeting of AUDENASA approved a reduction of the share capital by 50,195 thousand euros with a return to its shareholders. Said reduction was completed in October.

BIP & DRIVE, S.A., a company in which ITÍNERE has a 20% stake, was incorporated on 18 March 2014. In 2017, capital disbursements were made in the amount of 293 thousand euros (no disbursement was made in 2016). It provides management services for the collection of the right of access to any infrastructure, in addition to the promotion, marketing, sale, management and operation of telematic products and services and associated equipment.

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

The Group registered a value impairment adjustment of 100% of the value of its stake in TACEL INVERSIONES, S.A. in 2012, resulting from the impairment test carried out at the close of that financial year, which was used to estimate the current value of future cash flow expected to be obtained from the AUTOPISTA CENTRAL GALLEGA, C.E.S.A. project. This impairment was due to the impact on the business forecasts of the decline in traffic levels that significantly affected the project's development.

The breakdown of the basic financial information of the equity accounted companies at 31 December 2017 is as follows, in thousands of euros:

Company name	Stake (%)	Investment amount	Capital	Reserves	Operating profit/(loss)	Other income	Equity	Dividend received
AUTOPISTAS DE NAVARRA, S.A. (AUDENASA) <sup>(1)</sup>	50.00%	40,307	120,240	(10,993)	19,941	(1,125)	128,062	30,785
BIP & DRIVE, S.A. <sup>(2)</sup>	20.00%	2,114	3,516	3,595	(581)	122	6,652	-
TACEL INVERSIONES, S.A. <sup>(2)</sup>	18.36%	-	33,450	(148)	(7)	2	33,297	-

<sup>(1)</sup> Financial information obtained from the 2017 annual accounts prepared in accordance with the rules for the adaptation of the General Chart of Accounts to public infrastructure concessionary companies approved by Order EHA/3362/2010 of 23 December, subject to the harmonisation of IFRS-EU value criteria. The amount of dividends received includes part of the capital reduction

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carried out in 2017, which is attributable to its shareholder ENA, and that was recorded in full as financial income for 2017, when the value of its capital stock after its reduction stood above the accounting value of the financial investment.

<sup>(2)</sup> Financial information obtained from their respective 2017 annual accounts prepared under the General Chart of Accounts in force since 1 January 2008.

## 10. NON-CURRENT FINANCIAL ASSETS

The breakdown and movement of this line-item on the consolidated balance sheet in 2017 and 2016 are as follows:

Thousands of euros	Other credits	Other financial assets	Derivatives	Loans to Cos. recorded using equity method	Total
Cost at 31 December 2016	38	181	2,104	2,387	4,710
Additions	24	10	10	-	44
Removals	(18)	-	(2,114)	-	(2,132)
Transfers	(3)	-	-	-	(3)
Cost at 31 December 2016	41	191	-	2,387	2,619
Additions	28	6	-	-	34
Removals	(10)	(48)	-	-	(58)
Cost at 31 December 2017	59	149	-	2,387	2,595
Impairment adjustments at 31 December 2016	-	-	-	(2,387)	(2,387)
Impairment adjustments at 31 December 2017	-	-	-	(2,387)	(2,387)
<b>Net book value at 31 December 2016</b>	<b>41</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>232</b>
<b>Net book value at 31 December 2017</b>	<b>59</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>208</b>

### 10.1 OTHER CREDITS

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

### 10.2 OTHER FINANCIAL ASSETS

At 31 December 2017 and 2016, this line-item mainly refers to long-term performance bonds provided by the Group's companies.

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

This line-item includes the participating loan that TACEL INVERSIONES, S.L., subscribed with its shareholders on 28 December 2006 for a total amount of 13,000 thousand euros. The loan is subordinated to the main credit contract signed by ACEGA with several lenders and whose maturity is for 2024. The Group's participation in the aforesaid loan amounted to 2,387 thousand euros.

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



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**11. TRADE RECEIVABLES FOR SALES AND SERVICES**

The "trade receivables for sales and services" line-item at 31 December 2017 and 2016 includes the balances relating to vehicles using the Group's motorways paid for by credit card or electronic collection device, in which the collection period is less than 30 days. It also includes the balance held by the Group company, GEBISA, with the public-sector company that reports to the Basque regional government to which it provides the AP-8 motorway operation and upkeep service.

**12. PUBLIC ADMINISTRATIONS**

The debit balances with the Public Administrations at 31 December 2017 and 2016 are as follows:

Thousands of euros	2017	2016
Receivable from Public Treasury		
For income tax	4	11,356
Receivable from the Social Security	16	8
Receivable from other public authorities:		
Ministry of Development (including interest)	12,111	11,980
Galicia regional government	234	6,842
<b>Receivable from Public Administration</b>	<b>12,365</b>	<b>30,186</b>

At 31 December 2017, the receivables from the Public Treasury include the income tax receivables corresponding to 2015 resulting from paying tax under a tax consolidation regime, amounting to 4 thousand euros (11,356 thousand euros at 31 December 2016, corresponding the 2015 income tax settlement). At the date of preparing these consolidated annual accounts, both amounts had been collected.

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

In this regard, with effect from 29 July 2017, the date of entry into force of Royal Decree 803/2017, of 28 July, the system for calculating the compensation that AUDASA had been receiving until now was modified under Royal Decree 633/2006, of 19 May. This implies a lower income on the previous amount of around 50%, as well as the way this is invoiced and the recipient of the latter, which becomes exclusively the Ministry of Development (up to that date 50% came from the latter and from the Xunta de Galicia). In relation to the foregoing, AUDASA has initiated a contentious-administrative claim process, having announced the filing of the corresponding appeal on 24 October 2017, on the grounds that it implies a unilateral and unjustified modification of an agreement signed between the parties. The economic effects of this modification represent a reduction of 2,047 thousand euros in revenue in 2017. Bearing in mind that the Royal Decree 803/2017 itself is not clear about the practical application of the new compensation calculation formula, AUDASA has transferred to the Government Delegation the interpretation given to the aforementioned Royal Decree 803/2017 on the basis of which it has invoiced the compensation for 2017.

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The income obtained by AUDASA until 28 July 2017, whose cost was assumed at 50% by the General State Administration and the Xunta de Galicia, amounted to 5,976 thousand euros. The income obtained from 29 July 2017 and until 31 December 2017 amounted to 4,397 thousand euros, from which, by applying Royal Decree 803/2017, an amount of 2,047 thousand euros has been deducted, by which, the net amount of the income of this period amounts to 2,350 thousand euros, which are taken up entirely by the General State Administration. Consequently, the total net income recorded for this concept in 2017 amounted to 8,326 thousand euros, of which 6,611 thousand euros are pending collection at 31 December 2017 - 6,557 thousand euros with the Ministry of Development and 54 thousand euros with the Xunta de Galicia - (10,713 thousand euros of income recorded in 2016, of which 13,157 thousand euros in equal shares between both Administrations were pending collection at 31 December 2016).

In addition, this heading includes the compensation to be received by AUCALSA due to the reduction by 30% of the tariffs to be applied to heavy vehicles and 50% of the amount of the toll of the route by toll road to habitual users of vehicles belonging to the light tariff group, whose outstanding balance at 31 December 2017 amounts to 5,554 thousand euros (5,402 thousand euros at 31 December 2016) and corresponds to a total registered income of 4,521 thousand euros in 2017 (4,398 thousand euros in 2016).

In addition to the part of the compensation referred to in the previous paragraph, the balance with the Galicia regional government also includes the toll rebate for the users who make the same journey on the motorway, there and back in the same day, using an OBE electronic toll payment system. The application of the aforementioned toll rebates has led to the registration of income in AUTOESTRADAS for an amount of 611 thousand euros in 2017 (528 thousand euros in 2016), with the balance pending collection for this at 31 December 2017 being 100 thousand euros (91 thousand euros at 31 December 2016). Likewise, AUTOESTRADAS has a receivable at 31 December 2017 totalling 80 thousand euros arising from the agreement signed in June 2016 with the Ministry of Development to operate the access to the outer harbour in A Coruña (AC-15) and its connection to the AG-55, where it will bear the cost of the connection work as well as the journeys both ways made by the users in the A Coruña-Outer Harbour and Arteixo-Outer Harbour.

The credit balances with the Public Administrations at 31 December 2017 and 2016 are as follows:

Thousands of euros	2017	2016
Payable to Public Treasury		
For tax items	2,374	2,747
For VAT	5,962	6,318
Payable to the Social Security	597	573
Other tax provisions (note 23.1)	31	15,842
<b>Payable to Public Administrations</b>	<b>8,964</b>	<b>25,481</b>

The Company pays Value Added Tax under the Special Regime of Group Entities (REGE), forming part, at 1 January 2010, of Group No. 0157/10, of which it is the parent company, and which is integrated by ITÍNERE and the companies resident in Spanish territory that meet the requirements to be part of the group for the purposes of this tax.

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**13. OTHER RECEIVABLES**

The breakdown of this line-item at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Receivable from related parties (note 22)	27	801
Other receivables	1,044	1,580
<b>Other receivables</b>	<b>1,071</b>	<b>2,381</b>

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

**14. CASH AND CASH EQUIVALENTS**

The breakdown of this line-item on the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Cash	93,658	100,704
Short-term securities portfolio	20,300	125,472
<b>Cash and cash equivalents</b>	<b>113,958</b>	<b>226,175</b>

The cash presented in the accompanying consolidated balance sheet at 31 December 2017 and 2016 is denominated in euros and includes the reserve accounts for the debt service maintained by ITÍNERE and ENAITINERE in relation to the respective syndicated loans subscribed by both companies (see note 17.3), which at the end of 2017 amounted to 28,536 thousand euros (30,413 thousand euros at the end of 2016).

The current securities portfolio includes the investments made by the Group's companies in bank deposits and term deposits, which accrue interest at market rates, the maturities of which are less than 3 months from the contract date. The average remuneration of the current securities portfolio at 2017 year-end is 0.02% (0.27% in 2016).

**15. EQUITY**

The breakdown of and movement in equity in 2017 and 2016 are shown in the consolidated statement of changes in equity, which forms an integral part of the consolidated annual accounts.

**15.1 REGISTERED CAPITAL**

On 25 September 2012, the Company increased its share capital by 116,533 thousand euros, plus a premium of 825,250 thousand euros, by offsetting the participating and simple loans granted to the Company by its main shareholders. The details of this capital increase are included in the consolidated annual accounts for the year ended 31 December 2012.

At 31 December 2017 and 2016, 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.

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The share capital's structure at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Number of shares	Stake (%)	Number of shares	Stake (%)
Arecibo Servicios y Gestiones, S.L.	245,367,361	54.19%	245,367,361	54.19%
Abanca Corporación Industrial y Empresarial, S.L.	107,826,737	23.81%	107,826,737	23.81%
Sacyr, S.A.	70,216,145	15.51%	70,216,145	15.51%
Liberbank Capital, S.A.	26,297,965	5.81%	26,297,965	5.81%
Otros accionistas	3,043,198	0.67%	3,043,193	0.67%
Autocartera	53,464	0.01%	53,469	0.01%
<b>TOTAL</b>	<b>452,804,870</b>	<b>100.00%</b>	<b>452,804,870</b>	<b>100.00%</b>

At 31 December 2017 and 2016, the Company holds treasury stock for a value of 212 thousand euros comprised of 53,464 shares with a par value of 0.49 euros each and whose average acquisition price is 3.96 euros per share (53,469 shares at 31 December 2016).

### 15.2 SHARE PREMIUM

At 31 December 2017 and 2016, the share premium stands at 1,038,560 thousand euros. This reserve can be used at will, provided that the resulting capital and reserves are not less than the share capital.

### 15.3 RESERVES

Their breakdown and movement in 2017 and 2016 are as follows:

Thousands of euros	Cash flow hedge reserves
<b>Balance at 31 December 2015</b>	<b>(10,888)</b>
Changes in the fair value	3,740
<b>Balance at 31 December 2016</b>	<b>(7,148)</b>
Changes in the fair value (note 19.3)	4,801
<b>Balance at 31 December 2017</b>	<b>(2,347)</b>

### 15.4 ACCUMULATED EARNINGS AND OTHER RESERVES

Their breakdown and movement in 2017 and 2016 are as follows:

Thousands of euros	Accumulated earnings and other reserves
<b>Balance at 31 December 2015</b>	<b>(129,105)</b>
Comprehensive income for the year	(29,674)
Other changes in equity (note 23.1)	(15,335)
Other	(8)
<b>Balance at 31 December 2016</b>	<b>(174,122)</b>
Comprehensive income for the year	(25,422)
Other changes in equity	(73)
<b>Balance at 31 December 2017</b>	<b>(199,617)</b>

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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 2017 and 2016, ITÍNERE has provisioned the mandatory legal reserve amounting to 29,756 thousand euros and 26,956 thousand euros, respectively.

This line-item includes the reserves in consolidated companies.

**15.5 MINORITY SHAREHOLDER'S EQUITY**

The breakdown of the equity that corresponds to minority shareholder's equity at 31 December 2017 is as follows:

Thousands of euros	Minority interest (%)	Total reserves	Profit/(loss) for the year	Total
GESTIÓN DE INFRAESTRUCTURAS DE BIZKAIA, S.A.	45%	953	264	1,217
<b>Minority Shareholder's Equity</b>		<b>953</b>	<b>264</b>	<b>1,217</b>

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

**15.6 DIVIDEND PER SHARE**

The parent company did not distribute any dividend in 2017 or 2016.

**16. DEFERRED INCOME**

The breakdown and movement of this line-item in 2017 and 2016 are as follows:

Thousands of euros	Subsidies	Other deferred income	Total
<b>Cost at 31 December 2015</b>	<b>58</b>	<b>128</b>	<b>186</b>
Allocated to profit or loss	(19)	(44)	(63)
<b>Cost at 31 December 2016</b>	<b>39</b>	<b>84</b>	<b>123</b>
Allocated to profit or loss	(15)	(49)	(64)
<b>Cost at 31 December 2017</b>	<b>24</b>	<b>35</b>	<b>59</b>

**16.1 CAPITAL GRANTS**

At 31 December 2017 and 2016, this line-item includes the difference between the fair value at which certain zero interest rate loans granted to ITÍNERE by the Ministry of Energy, Tourism and the Digital Agenda have been recorded and the amount granted, on the understanding that this difference is an interest-rate subsidy (note 17.3).

Until 31 December 2017, income amounting to 675 thousand euros had been transferred to the consolidated statement of profit or loss, of which 15 thousand euros correspond to the 2017 financial year (660 thousand euros at 31 December 2016).

**16.2 OTHER DEFERRED INCOME**

At 31 December 2017 and 2016 other deferred revenue includes the amounts received by the company AP-1 as compensation for the refurbishment of certain installations carried out in the Ameyugo and

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Briviesca service areas. The amounts are recognised as income in proportion to the depreciation of the financed assets.

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

The breakdown of current and non-current financial liabilities at 31 December 2017 and 2016, included under this line-item on the consolidated balance sheet, is as follows:

Thousands of euros	2017		
	Non-current	Current	Total
Non-convertible debentures	1,220,564	95,198	1,315,762
Convertible debentures	29,370	5,427	34,797
Debt with financial institutions	1,141,932	7,724	1,149,656
Other financial liabilities	286,323	-	286,323
Accrued interest pending maturity Non-convertible debentures	-	2,887	2,887
Accrued interest pending maturity Financial institutions	-	8,801	8,801
Accrued interest pending maturity Other financial liabilities	-	4,713	4,713
<b>Non-current and current financial liabilities</b>	<b>2,678,189</b>	<b>124,750</b>	<b>2,802,939</b>

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

**17.1 NON-CONVERTIBLE DEBENTURES**

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

The movement in this line-item in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
<b>Opening balance</b>	<b>1,306,631</b>	<b>1,183,534</b>
Issues made during the year	-	114,559
Transfer to current	(95,198)	-
Adjustment for valuation at amortised cost	9,131	8,538
<b>Closing balance</b>	<b>1,220,564</b>	<b>1,306,631</b>

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

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The average cost of the outstanding debentures issued by the Group at 31 December 2017 and 2016 is 4.75%.

Accrued and unpaid interest at 31 December 2017 and 2016 amounted to 2,887 thousand euros. This interest is payable annually.

The maturity of long-term debentures at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Two years	225,845	94,563
Three years	392,631	223,485
Four years	114,413	389,600
Five or more years	487,675	598,983
<b>Total maturities</b>	<b>1,220,564</b>	<b>1,306,631</b>

In 2017, finance expenses deriving from the issues of outstanding non-convertible debentures have been allocated to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 73,417 thousand euros (73,334 thousand euros in 2016) (note 27).

## **17.2 CONVERTIBLE DEBENTURES**

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

Within the framework of the refinancing process completed in February 2016, the final due date of 84.5% of the issue has been extended and has been established as October 2025. The rest of the issue, i.e. 1,705 debentures subscribed by Sacyr Concesiones, S.L., maintains its maturity in October 2018. It is envisaged that the debentures will be amortised in full for an amount equal to the outstanding principal plus the accumulated interest, except in the case of the debentures whose titleholders 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. Debentures are remunerated at an effective 12% annual compound interest rate while the debentures corresponding to the tranche which are subject to advance and mandatory repayment in 2015, accrued a remuneration of 10% annual compound interest.

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

Thus, by virtue of the foregoing, the nominal amount of the outstanding debentures at 31 December 2017 is 23,736 thousand euros, corresponding to 11,000 debentures with a unit par value of 2,157.80 euros.

In 2017, finance expenses deriving from this issue have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 3,753 thousand euros (3,367 thousand euros in 2016) (note 27).

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The breakdown of the non-current debts for convertible debentures per subscriber, at 31 December 2017 and 2016, is as follows:

Thousands of euros	Subscriber	No. of debentures	2017			2016	
			Long-term issue	Short-term issue	Total	Long-term issue	Total
	Kutxabank, S.A.	1,784	5,678	-	5,678	5,070	5,070
	Pear (Luxembourg) Investment S.Á.R.L.	4,177	13,295	-	13,295	11,871	11,871
	Abanca Corporación Industrial y Empresarial, S.L.	2,615	8,324	-	8,324	7,432	7,432
	Caser, S.A.	38	121	-	121	108	108
	Liberbank, S.A.	638	2,031	-	2,031	1,813	1,813
	Sacyr Concesiones, S.L.	1,705	-	5,427	5,427	4,846	4,846
	Other (directors and senior management)	43	137	-	137	122	122
	Adjustment for valuation at amortised cost	-	(215)	-	(215)	(218)	(218)
	<b>TOTAL</b>	<b>11,000</b>	<b>29,370</b>	<b>5,427</b>	<b>34,797</b>	<b>31,044</b>	<b>31,044</b>

(nota 22)

(nota 22)

The movement in debentures in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
<b>Opening balance</b>	<b>31,044</b>	<b>27,705</b>
Accrued interest	3,751	3,358
Adjustment for valuation at amortised cost	2	(19)
<b>Closing balance</b>	<b>34,797</b>	<b>31,044</b>

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

The breakdown of the debts with credit institutions that the Group's companies hold at 31 December 2017 is shown in Annex IV, which forms an integral part of this note.

On 3 July 2014, ITÍNERE proceeded to the non-extinguishing modifying novation of the finance contract signed in August 2011 and according to which the final maturity of the loan was extended until 31 October 2018. The loan accrued a variable interest rate pegged to 6-month Euribor plus a 4% margin and envisaged the capitalisation of the part of the accrued interest.

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

On 6 October 2015, the novation, subject to a condition precedent, of the aforementioned loan agreement was carried out, under whose conditions the accrual of interest is contemplated in accordance with a variable rate referenced to Euribor at six months plus a margin of 2% until February 2019 and from that date of 2.25% until February 2022 and 2.5% from then until its expiration. The settlement of interest is scheduled on the end date of each interest period and its expiration will take place 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 of 50,000 thousand euros by the investee ENAITINERE and, which was to be allocated to the amortisation of the loan, the entry into force of the novation took place, placing the principal of the loan at that date at 571,082 thousand euros.

During 2017, 1,432 thousand euros were amortised (no amortisation was carried out in 2016 after said novation), therefore, at 31 December 2017, the nominal amount of the loan amounts to 569,650 thousand euros (571,082 thousand euros at 31 December 2016).



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

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

On 31 October 2013, the Group companies, ENAITINERE and PARTICIPACIONES AP-1 EUROPISTAS, now ENAITINERE, following the merger carried out in the 2015 financial year, refinanced their respective syndicated loans through a syndicated loan, for a total amount of 1,176,236 thousand euros, with a maturity date of 31 October 2018.

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

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

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

During 2017 ENAITINERE has amortised an amount of 113,064 thousand euros (65,196 thousand euros during 2016), with the nominal amount of the syndicated loan, at 31 December 2017, of 582,494 thousand euros (695,558 thousand euros) at 31 December 2016).

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

On 27 November 1996, AUTOESTRADAS signed a loan with the European Investment Bank (EIB) for a maximum amount of 39,066 thousand euros to finance the construction of the motorway. An agreement dated 29 June 1998 reduced this amount to 15,025 thousand euros. This agreement also foresees financial assistance from the European Union by means of a 2% interest rate subsidy. On 26 October 1998, AUTOESTRADAS drew down all of this loan, receiving an amount of 16,702 thousand euros. The excess above the maximum 15,025 thousand euros is the amount of the financial assistance. The loan bears interest at 5.07%, equivalent to Libor at the date it was extended plus a spread of 0.15%.

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

On 6 May 2015, AUTOESTRADAS arranged a loan with Banco Santander, S.A. for a maximum amount of 25,000 thousand euros, which was drawn down on 25 June 2015. The loan bears interest equivalent to 6-month Euribor plus a 1% spread. Its maturity will be in June 2019. The loan does not have any collateral.

Likewise, on 18 September 2013, GEBISA signed a credit assignment and factoring with recourse policy for a maximum amount of 2,000 thousand euros, with renewable maturity at 1 year, pegged to 3-month Euribor plus a 2% spread. At 31 December 2017 and 2016, no amounts were drawn against this policy. Its maturity will be in September 2018.

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

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Interest accrued and pending payment on debts with credit institutions at 31 December 2017 amounts to 8,801 thousand euros (9,607 thousand euros at 31 December 2016). This interest is payable every six months.

At 31 December 2017, the average cost of the loans signed by the Group with credit institutions is 2.91% (2.84% at 31 December 2016).

In 2017, finance expenses arising from debts with credit institutions have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 36,483 thousand euros (43,457 thousand euros in 2016) (note 27).

The maturity of the non-current debts with credit institutions shown on the attached consolidated balance sheet at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Two years	31,934	7,534
Three years	7,502	31,906
Four years	7,487	7,495
Five years	7,401	7,441
More than five years	1,087,608	1,198,320
<b>Total maturities</b>	<b>1,141,932</b>	<b>1,252,696</b>

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

- Pledge on the balance of the reserve account and operating accounts held by ITÍNERE, ENAITINERE and AP-1 EUROPISTAS.
- Pledge on the credit rights resulting from the collection of royalties by ITÍNERE from its investees and those from the consolidation of the tax group.
- Pledge on the shares of ENAITINERE and of those of its investees, ENA and AP-1 EUROPISTAS.
- Pledge on the credit rights resulting from ENAITINERE'S interest rate hedge contracts as well as AP-1 EUROPISTAS' inflation hedge contracts, the latter expired on 30 December 2017.
- Pledge on the credit rights held by AP-1 EUROPISTAS.
- Mortgage commitment on AP-1 EUROPISTAS' concession and guarantee payable on demand granted by AP-1 EUROPISTAS up to a maximum amount of 134.3 million euros.
- ENAITINERE guarantees the inflation hedge contracts of AP-1 EUROPISTAS, expired on 30 December 2017.
- Reporting obligations, including those relating to the expansion works on the AP-9 toll road operated by AUDASA.

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

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

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

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

**17.4 OTHER FINANCIAL LIABILITIES**

As stated in section 17.3 above, on 9 February 2016 ENAITINERE signed a loan with AustralianSuper Pty Limited for 300,000 thousand euros, which matures in October 2025. That loan accrues a fixed interest rate of 6.5% per year which is settled every six months and does not contemplate repayments until maturity.

Interest accrued and pending payment on debts arising from other financial liabilities at 31 December 2017 and 2016 amounts to 4,713 thousand euros. This interest is payable every six months.

In 2017, finance expenses from debts arising from other financial liabilities have been charged to the consolidated statement of profit or loss, in application of the effective interest rate method, in an amount of 21,037 thousand euros (18,433 thousand euros at 31 December 2016) (see note 27).

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

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

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**17.5 RECONCILIATION OF NON-CURRENT AND CURRENT FINANCIAL LIABILITIES**

The reconciliation between the balances of the non-current and current financial liabilities heading of the accompanying balance sheets at 31 December 2017 and 2016 is as follows:

Thousands of euros	2016	Cash flows			Short-Long term transfers	Accrual of interests	Changes in the fair value	2017
		Financing activities Receivable	Financing activities Payable	Exploitation activities Interest payment				
<b>Non-current financial liabilities</b>								
AUDASA Debentures	1,064,993	-	-	-	(95,326)	-	-	969,667
AUDASA Adjustment of balances from measurement at amortised cost	(31,460)	-	-	-	128	6,549	-	(24,783)
AUCALSA Debentures	280,043	-	-	-	-	-	-	280,043
AUCALSA Adjustment of balances from measurement at amortised cost	(6,945)	-	-	-	-	2,582	-	(4,363)
<b>Non-convertible debentures</b>	<b>1,306,631</b>	-	-	-	<b>(95,198)</b>	<b>9,131</b>	-	<b>1,220,564</b>
ITÍNERE Debentures	31,044	-	-	-	(5,427)	3,753	-	29,370
<b>Convertible debentures</b>	<b>31,044</b>	-	-	-	<b>(5,427)</b>	<b>3,753</b>	-	<b>29,370</b>
ITÍNERE Syndicated loan	571,082	-	(1,432)	-	-	-	-	569,650
ITÍNERE Zero interest loan	320	-	-	-	(116)	-	-	204
ITÍNERE Adjustment of balances from measurement at amortised cost	(1,743)	-	-	-	-	203	-	(1,540)
ENAITINERE Syndicated loan	687,951	-	(105,457)	-	(7,608)	-	-	574,886
ENAITINERE Adjustment of balances from measurement at amortised cost	(29,062)	-	-	-	-	3,299	-	(25,763)
AUTOESTRADAS Bilateral loan	25,000	-	-	-	-	-	-	25,000
AUTOESTRADAS Adjustment of balances from measurement at amortised cost	(852)	-	-	-	-	347	-	(505)
<b>Debt with credit entities</b>	<b>1,252,696</b>	-	<b>(106,889)</b>	-	<b>(7,724)</b>	<b>3,849</b>	-	<b>1,141,932</b>
ENAITINERE Other financial liabilities	300,000	-	-	-	-	-	-	300,000
ENAITINERE Adjustment of balances from measurement at amortised cost	(14,942)	-	-	-	-	1,265	-	(13,677)
<b>Other financial liabilities</b>	<b>285,058</b>	-	-	-	-	<b>1,265</b>	-	<b>286,323</b>
<b>Total non-current financial liabilities</b>	<b>2,875,429</b>	-	<b>(106,889)</b>	-	<b>(108,349)</b>	<b>17,998</b>	-	<b>2,678,189</b>
<b>Current financial liabilities</b>								
AUDASA Debentures	-	-	-	-	95,326	-	-	95,326
AUDASA Adjustment of balances from measurement at amortised cost	-	-	-	-	(128)	-	-	(128)
AUDASA Interests on bonds	2,386	-	-	(52,478)	-	52,477	-	2,385
AUCALSA Interests on bonds	501	-	-	(11,448)	-	11,449	-	502
<b>Non-convertible debentures</b>	<b>2,887</b>	-	-	<b>(63,926)</b>	<b>95,198</b>	<b>63,926</b>	-	<b>98,085</b>
ITÍNERE Debentures	-	-	-	-	5,427	-	-	5,427
<b>Convertible debentures</b>	-	-	-	-	<b>5,427</b>	-	-	<b>5,427</b>
ITÍNERE Zero interest loans	116	-	(116)	-	116	-	-	116
ITÍNERE Interests loans	4,424	-	-	(11,725)	-	11,723	-	4,422
ENAITINERE Syndicated loan	7,608	-	(7,608)	-	7,608	-	-	7,608
ENAITINERE Interests from syndicated loan and derivatives	5,179	-	-	(21,156)	-	20,352	-	4,375
AUTOESTRADAS Interests bilateral loan	3	-	-	(253)	-	254	-	4
<b>Debt with credit entities</b>	<b>17,330</b>	-	<b>(7,724)</b>	<b>(33,134)</b>	<b>7,724</b>	<b>32,329</b>	-	<b>16,525</b>
ENAITINERE Interests other financial liabilities	4,713	-	-	(19,771)	-	19,771	-	4,713
<b>Other financial liabilities</b>	<b>4,713</b>	-	-	<b>(19,771)</b>	-	<b>19,771</b>	-	<b>4,713</b>
<b>Total Current Financial Liabilities</b>	<b>24,930</b>	-	<b>(7,724)</b>	<b>(116,831)</b>	<b>108,349</b>	<b>116,026</b>	-	<b>124,750</b>
<b>Current and non-current financial liabilities</b>	<b>2,900,359</b>	-	<b>(114,613)</b>	<b>(116,831)</b>	-	<b>134,024</b>	-	<b>2,802,939</b>

**18. RISK MANAGEMENT POLICIES**

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

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

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

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**18.1 CREDIT RISK**

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

**18.2 LIQUIDITY RISK**

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

The financing structure, financing products, hedging arrangements, guarantees and the most appropriate financing instruments are selected on the basis of the nature and extent of the risks inherent in each project, with a view to eliminating or mitigating the risks to the extent possible, without losing sight of the risk/reward trade-off. Note 17 shows the breakdown of the financing arranged by the Group companies and an analysis of the maturities of their financial liabilities. In this regard, as of 31 December 2017, the Group's working capital is negative at 49,502 thousand euros as a result of short-term debt transfers issued by AUDASA for an amount of 95,326 thousand euros, the maturity date of which will be 27 March 2018. At the date of preparation of these consolidated annual accounts, a new bond issue intended entirely to refinance the previous one, is fully subscribed and will be disbursed on 27 March 2018.

Details of the contractual maturities of the debt subscribed by the Group companies at 31 December 2017 are given in Annexes III and IV.

**18.3 MARKET RISK**

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

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

The structure of the Group's financial debt shown on the attached consolidated balance sheet, classified by interest rate risk between fixed-rate and protected debt, after taking into account the hedging derivatives contracted by the Group's companies, and the debt pegged to a variable interest rate, at 31 December 2017, is as follows:

Thousands of euros	Finance debt	%
Debt at a fixed interest rate or with hedges	2,171,525	77%
Debt at a variable interest rate	631,413	23%
<b>Total</b>	<b>2,802,938</b>	<b>100%</b>

The interest rate risk is limited through hedge contracts such as interest rate swaps (IRS) or caps, which means that a possible rise in the variable interest rate to which the financing operations are

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indexed is cushioned by the effect of the hedges. These financial derivative instruments guarantee the payment of a fixed rate on the loans inherent in the financing of the concession projects. A significant part of the portfolio of derivatives of this type arranged by the Group's companies consists of efficient hedges. The timetable and conditions of these derivatives are linked to the characteristics of the underlying debt. In all cases, the variable benchmark rate is pegged to Euribor (see note 19.3).

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

An analysis of the sensitivity of the impact on the consolidated income of a change of +/- 100 basis points regarding the interest rate applicable to Group debt, with respect to the finance expense, calculated at the average cost of debt at 31 December 2017, is as follows:

Thousands of euros		
	(Co) + 100 p.b.	(Co) - 100 p.b.
Finance expense at current average cost (Co):	(113,316)	
Finance expense at average cost +/- 1 point	(118,231)	(116,971)
Change in profit/(loss) (net of taxes)	(3,686)	(2,741)

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

An analysis of the sensitivity of the impact on consolidated equity of a change of +/- 100 basis points regarding the interest rate applicable to derivatives at 31 December 2017 is as follows:

Thousands of euros		
	(Co) + 100 p.b.	(Co) - 100 p.b.
Change in equity (net of taxes)	1,021	(1,788)

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

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

As stated in notes 17.3 and 17.4, in February 2016 ITÍNERE and ENAITINERE refinanced their debt, which involved, among other modifications, the extension of the maturity dates of their financial liabilities until 2025.

In addition, at 31 December 2017 the current liabilities of the Group include debt issued by AUDASA with maturity in March 2018 for an amount of 95,326 thousand euros. At the date of preparation of these consolidated annual accounts, a new bond issue intended entirely to refinance the previous one, is fully subscribed and will be disbursed on 27 March 2018.

As a consequence, all of the Group's debt is long term, so the Company directors believe that this risk is low.

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- **Demand risk:** In motorway concessions, the tolls collected by concession companies, which are their main source of revenues, depend on the number of vehicles using the road and its capacity to attract traffic. Average traffic and toll revenues also depend on a number of factors, including the quality, condition, comfort and travel time of alternative toll-free roads or non-Group toll roads, economic conditions, fuel prices, weather conditions, environmental legislation (including measures to restrict use of motor vehicles to reduce pollution), natural disasters and the viability or presence of alternative forms of transport such as air routes, railways and other intercity transport. Given the current characteristics of the ITÍNERE portfolio (for the most part mature and well-consolidated business), the demand risk can be considered low as regards some of the factors listed above.
- **Regulatory risk:** The Group's companies are required to comply with sector-specific and general legislation (accounting, environmental, employment, data protection, tax, etc.). As occurs in all highly regulated sectors, changes in the regulations can have a negative effect on the Company's business; it is not possible to assess which actions the concession grantor may take over a protracted period of time, so it is difficult to address them. In the case of significant regulatory changes (including tax modifications), which could have an effect on revenues in the short term or obligate them to bear new costs or investments, the Group's concessionary companies would have the right to amend the terms and conditions of the concession arrangement or negotiate with the responsible Administration certain changes in them to obtain financial and economic restitution, so the effects of the potential legal or regulatory changes must be neutral.
- **Capital risk:** The Group's leverage ratio at 2017 year-end is 72.52% in accordance with the following breakdown:

Thousands of euros	2017
+ Finance debt	2,802,940
+ Trade and other payables	107,359
(-) Cash and cash equivalents	(113,958)
<b>Total net debt</b>	<b>2,796,341</b>
<b>Equity</b>	<b>1,059,475</b>
<b>Equity + net debt</b>	<b>3,855,816</b>
<b>Leverage ratio</b>	<b>72.52%</b>

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

- **Risks associated with international expansion:** No specific projects for expansion into other countries are currently envisaged. Nevertheless, should ITÍNERE decide to expand its business to other countries, in the belief that this would contribute to its future growth and profitability, an in-depth field analysis would be carried out prior to authorizing an investment of this type. Although there is always a risk in any expansion to new geographical areas, the management team's experience in this type of international development would help to mitigate these risks.
- **Price risk:** This risk is very low because concessionary companies operate in a regulated market in which the toll rates applied are reviewed on the basis of the variation in the CPI. Similarly, as stated in note 19.3, AP-1 EUROPISTAS arranged hedge operations for the purpose of hedging the risk of a variation in the inflation rate, which matured on 30 December 2017.
- **General economic performance:** In 2017, 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. The year 2017 has been characterized by a positive general economic evolution,

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which represents a clear consolidation of the recovery trend after several years of contraction. Based on the experience of previous years, the conclusion can be drawn that traffic performance is related to economic performance, which makes it possible to predict an upturn in activity. Another encouraging factor is the non-existence of high-capacity highways in the areas where the Group's motorways are established.

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

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

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

### 18.4 CAPITAL MANAGEMENT POLICY

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

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

### 19. NON-CURRENT LIABILITIES

The breakdown of this line-item on the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Debt with related parties (note 22)	2,881	2,656
Other payables	51,293	47,469
Financial instruments at fair value	-	4,116
<b>Non-current payables</b>	<b>54,174</b>	<b>54,240</b>

#### 19.1 DEBT WITH RELATED PARTIES

On 20 July 2012, ITÍNERE signed a loan agreement with PEAR LUXEMBOURG INVESTMENT S.Á.R.L., a company related to its main shareholder, to replace the agreement in place up to that date, the principal of which amounts to 2,881 thousand euros at 31 December 2017 (2,656 thousand euros at 31 December 2016). 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 2017, the loan accrued interest for an amount of 234 thousand euros, of which 111 thousand euros had not yet matured (217 thousand euros in 2016 of which, at the end of 2016, 102 thousand euros had not yet matured).

#### 19.2 OTHER CREDITORS

This line-item mainly refers to the repayable advances registered by AUDASA and AUCALSA, the combined sum of which amounts to 47,434 thousand euros at 31 December 2017 (45,415 thousand



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euros at 31 December 2016). In accordance with the rules that regulate them, these advances will be paid back within the five financial years following the first year in which each company amortises the total amount of its internal and external debt, which it is estimated will be more than five years as from 31 December 2017 and, in all cases, before the concession term's finalisation. The total amount of the advances to be reimbursed by both companies is 170,565 thousand euros.

**19.3 FINANCIAL INSTRUMENTS AT FAIR VALUE**

The breakdown of the valuation of the derivative financial instruments signed by the Group companies at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Financial instruments at fair value - assets	-	-
Financial instruments at fair value - liabilities	-	(4,116)
<b>Non-current financial instruments at fair value</b>	<b>-</b>	<b>(4,116)</b>
Financial instruments at fair value - assets	-	1,630
Financial instruments at fair value - liabilities	(3,133)	(5,418)
<b>Current financial instruments at fair value</b>	<b>(3,133)</b>	<b>(3,788)</b>
<b>Total financial instruments</b>	<b>(3,133)</b>	<b>(7,904)</b>

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

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

The start date of the above-mentioned contracts was 30 December 2009 and their expiration took place on 30 December 2017. The fixed benchmark rate for these contracts is 1.3975%.

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

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

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

Notwithstanding the foregoing, the derivatives of AP-1 EUROPISTAS did not comply with the requirements established by the accounting regulations for contracted derivatives to qualify as highly effective hedges, and therefore, the changes in the fair value of these transactions during 2017, amounting to 1,630 thousand euros, have been recognised as an expense under "Changes in fair value of financial instruments" in the attached statement of profit or loss (1,624 thousand euros in 2016).

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

Within the framework of the syndicated loan signed by ENAITINERE in October 2015, certain terms were amended of the interest rate swaps (IRS) and caps that had been signed with several institutions in relation to the loan signed in 2013 and redeemed in 2016 with the aim of adapting them to the new financing. The purpose of those swaps and caps is to hedge ENAITINERE'S interest rate risk exposure. The average fixed interest rate applicable to the interest rate swaps is in the region of 1.49% and they mature in January and July 2018. The caps mature in January 2018 and their strike price is 2.50%. Both contracts represent an amount equivalent to 89% of the syndicated loan's nominal. At 31 December 2017 and 2016, ENAITINERE complies with the requirements established by the accounting regulations for the qualification of the subscribed swap contracts as highly effective coverage. At 31 December 2016, the CAP contracts, however, did not comply with the aforementioned requirements, so that the changes in their fair value were recorded in profit and loss as a loss of 146 thousand euros, as well as the accounting cancellation of the aforementioned CAP contracts. The aforementioned loss is included under the heading "Variation in fair value of financial instruments" in the accompanying consolidated statement of profit or loss.

The details of the derivatives arranged by the Group at 31 December 2017 and their measurement and the breakdown by maturity of their notional values are shown below:

Thousands of euros	Notional amounts	Valuation at 31/12/2017 (*)	NOTIONAL MATURITY
			2018
Interest rate hedge (swaps)	365,439	(3,133)	(365,439)

Thousands of euros	Notional amounts	Valuation at 31/12/2017 (*)	NOTIONAL MATURITY
			2018
Interest rate hedge (caps)	152,063	-	(152,063)

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

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

The impact on equity in 2017 corresponding to the cash flow hedge derivatives has involved the recording of after-tax net income of 4,801 thousand euros (a net income of 3,740 thousand euros in 2016).

As mentioned above, the expiration of cash flow hedging agreements will take place in 2018.

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

## **20. PROVISION FOR REPLACEMENT ACTIVITIES**

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

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As a result of the concession term's termination on 30 November 2018, the AP-1 EUROPISTAS company has accounting records at year-end 2017 of the replacement actions to be carried out during 2018, which it has estimated sufficient to guarantee the reversion of the toll road to the Granting administration in good state of conservation and use, as established by the applicable regulations.

The movement in the provision for long and short-term replacements in 2017 is as follows:

Thousands of euros	Non-current	Current
<b>Provision for replacement activities at 31 December 2016</b>	<b>53,443</b>	<b>14,879</b>
Provisions for the period	6,328	-
Financial update (note 27)	951	-
Applications in the period	-	(12,362)
Provision surplus	-	(219)
Transfer to current	(16,903)	16,903
<b>Provision for replacement activities at 31 December 2017</b>	<b>43,819</b>	<b>19,201</b>

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

## 21. OTHER CURRENT LIABILITIES

The breakdown of this line-item on the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Debt with related parties (note 22)	2,715	2,557
Trade creditors	5,250	5,561
Personnel	6,567	6,548
Other current debts	24,586	22,531
Other financial liabilities	1,305	1,847
<b>Other current payables</b>	<b>40,423</b>	<b>39,045</b>

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

The average period for payments to suppliers in 2017 and 2016 is shown below:

	Days	
	2017	2016
Average period for payments to suppliers	22	22
Ratio of transactions paid	27	27
Ratio of transactions pending payment	10	9
	Thousands of euros	
	2017	2016
Total payments made	186,559	122,791
Total payments pending	9,824	10,518

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At 31 December 2017 and 2016, the Group does not have any amounts pending payment on commercial transactions that accumulate a deferment in excess of the legal deadline as per the provisions of Act 3/2004 of 29 December and its subsequent amendments through Act 15/2010 of 5 July and Royal Decree Law 4/2013 of 22 February.

**22. RELATED PARTIES**

The detail of income and expenses and other transactions, carried out by the Group's companies with related parties in 2017 and 2016, broken down by type of transaction and by the related party taking part therein, is shown on the attached charts.

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

- Transactions with related parties in 2017 and 2016:

Thousands of euros	2017		
	Group companies, associates and other related parties	Other shareholders, directors and managers	Total
<b>INCOME AND EXPENSES</b>			
<b>Operating expenses</b>	<b>6,463</b>	-	<b>6,463</b>
VALORIZA FACILITIES, S.A.U	431	-	431
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	6,032	-	6,032
<b>Finance expenses - Convertible debentures (note 27)</b>	<b>2,627</b>	<b>1,126</b>	<b>3,753</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	1,425	-	1,425
KUTXABANK, S.A.	608	-	608
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	892	892
CASER, S.A.	13	-	13
LIBERBANK, S.A.	-	218	218
SACYR CONCESIONES, S.L.	581	-	581
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	15	15
Adjustment for valuation at amortised cost	1	1	2
<b>Finance expenses - Other debts</b>	<b>234</b>	-	<b>234</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (nota 19.1)	234	-	234
<b>TOTAL EXPENSES</b>	<b>9,325</b>	<b>1,126</b>	<b>10,451</b>
<b>Operating income</b>	<b>366</b>	-	<b>366</b>
AUTOPISTA DE NAVARRA, S.A.	366	-	366
<b>TOTAL INCOME</b>	<b>366</b>	-	<b>366</b>

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

- Balances with related parties at 31 December 2017 and 2016:

Thousands of euros	2017		
	Group companies, associates and other related parties	Other shareholders, directors and managers	Total
<b>BALANCES</b>			
<b>Non-current convertible debentures (note 17.2)</b>	<b>18,977</b>	<b>10,393</b>	<b>29,370</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L.	13,295	-	13,295
KUTXABANK, S.A.	5,678	-	5,678
ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.	-	8,324	8,324
CASER, S.A.	121	-	121
LIBERBANK, S.A.	-	2,031	2,031
OTHER (DIRECTORS AND SENIOR MANAGEMENT)	-	137	137
Adjustment for valuation at amortised cost	(117)	(99)	(215)
<b>Other non-current debts</b>	<b>2,881</b>	-	<b>2,881</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (nota 19.1)	2,881	-	2,881
<b>Current convertible debentures (note 17.2)</b>	-	<b>5,427</b>	<b>5,427</b>
SACYR CONCESIONES, S.L.	-	5,427	5,427
<b>Other current debts</b>	<b>2,715</b>	-	<b>2,715</b>
PEAR LUXEMBOURG INVESTMENT, S.A.R.L. (nota 19.1)	111	-	111
VALORIZA FACILITIES, S.A.U	92	-	92
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURAS, S.A.	2,513	-	2,513
<b>TOTAL DEBTS</b>	<b>24,574</b>	<b>15,820</b>	<b>40,394</b>
<b>Current assets</b>	-	<b>27</b>	<b>27</b>
SACYR, S.A.	-	27	27
<b>TOTAL CREDITS</b>	-	<b>27</b>	<b>27</b>

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

- Financial transactions with related parties outstanding at 31 December 2017 and 2016, in which the amounts indicated are the financial institutions' participation in syndicated operations:

Thousands of euros

2017				
Institution	Group company	Type of transaction	Available limits	Amounts drawn down
KUTXABANK	ITÍNERE	FINANCING	98,378	98,378
	ENAITINERE	FINANCING	3,859	3,859
	GEBISA	FINANCING	2,000	-
	GEBISA	GUARANTEES	-	56
	AP-1 EUROPISTAS	GUARANTEES	-	1,862
ABANCA	ITÍNERE	FINANCING	66,216	66,216
	ENAITINERE	FINANCING	26,718	26,718
	AUTOESTRADAS	GUARANTEES	-	413
LIBERBANK	ITÍNERE	FINANCING	23,648	23,648
	ENAITINERE	FINANCING	4,485	4,485

Thousands of euros

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

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**23. TAX POSITION**

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

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

As a consequence of paying tax under a tax consolidation regime, the consolidated balance sheet at 31 December 2017 shows under the "current tax assets" line-item an amount due from the Public Treasury of 5,623 thousand euros resulting from the consolidated tax return for the 2017 financial year (262 thousand euros at 31 December 2016 that have already been collected as at the date of the preparation of these consolidated annual accounts).

Likewise, at 31 December 2017, the consolidated balance sheet shows under the "current tax liabilities" line-item the debt resulting from corporate income tax corresponding to the Group's companies located in Spain that do not pay tax under the tax consolidation regime, with a debt that amounts to 273 thousand euros (235 thousand euros at 31 December 2016).

**23.1 YEARS OPEN TO TAX INSPECTION**

Under current legislation, taxes cannot be deemed to have been finally settled until the tax returns filed have been inspected by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2017, the Group companies that form the tax consolidation group have open to inspection by the tax authorities all the main applicable taxes since 01 January 2014 (year ended 31 December 2013, in the case of income tax). Nevertheless, the Administration's right to check or investigate the tax losses that are offset or available for carryforward, the double taxation deductions and the deductions to incentivise certain activities applied or pending application has a statute of limitations of 10 years starting from the day after that on which the period established for filing the return or self-settlement corresponding to the tax period in which the right to offsetting or application was generated. Once that period has elapsed, the companies must accredit the tax losses or deductions by submitting the tax return or self-settlement and the accounting records, with accreditation of their deposit during that period in the Mercantile Registry. As a result of the different possible interpretations of the tax legislation in force and other factors, additional liabilities may arise due to an inspection. The Company directors believe that those liabilities, if they occur, will not have a material impact on the consolidated annual accounts.

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

In any case, and in relation to potential contingencies related to the periods in which the Company formed part of the tax group of Sacyr, S.A. (until 2008), the parent company of that tax group undertakes to hold ITÍNERE and its investees harmless under the terms and conditions established in

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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. The above-mentioned tax debt was liquidated by ITINERE on 2 March 2017.

As a result of the aforementioned inspection certificate, during 2016 there was an adjustment charged to voluntary reserves amounting to 15,335 thousand euros (see note 15.4), as well as financial expenses amounting to 862 thousand euros (see note 27). Likewise, negative tax bases for the amount of 341 thousand euros were offset, and there was an increase in net financial expenses pending deduction amounting to 22,780 thousand euros.

### **23.2 TAX RATE**

Income tax for the 2017 financial year has been calculated by applying the tax rates that correspond to the Group's companies in accordance with the territory in which they have the obligation of paying tax.

Income Tax Act 27/2014 of 27 November, published in the Spanish State Gazette (BOE) on 28 November 2014, includes, inter alia, the modification of the general income tax rate, which stands at 25% for years started 1 January 2016.

The GEBISA Group company is taxed Corporate Income Tax in accordance with Provincial Regulation 11/2013, of 5 December, on Corporate Tax and the Corporate Tax Regulation, approved by the Regional Decree of the Regional Government of Bizkaia 203/2013, of 23 December.

At 31 December 2017, the Group has accrued income for income tax in an amount of 9,016 thousand euros (14,698 thousand euros at 31 December 2016).

The reconciliation between the tax expense corresponding to the 2017 and 2016 financial years, resulting from multiplying the book profit by the applicable tax rate in Spain, and the actual income tax, is as follows:

Thousands of euros	2017	2016
<b>Consolidated pre-tax profit/(loss)</b>	<b>(34,219)</b>	<b>(44,102)</b>
Tax calculated at 25% tax rate	8,555	11,026
Permanent differences and consolidation adjustments <sup>(1)</sup>	(15,334)	(17,222)
Deductions and rebates <sup>(2)</sup>	15,611	20,604
Adjustment for different tax rates <sup>(3)</sup>	32	40
Other adjustments	197	250
<b>Income tax</b>	<b>9,061</b>	<b>14,698</b>
<b>Effective rate</b>	<b>26.5%</b>	<b>33.3%</b>
Deferred tax assets	(4,129)	(9,477)
Deferred tax liabilities	(10,025)	(10,028)
<b>Current tax</b>	<b>(5,093)</b>	<b>(4,807)</b>

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

(2) The deductions and rebates applied in 2017 and 2016 correspond primarily to deductions to avoid double taxation.

(3) The adjustment for different tax rates includes adjustments with an impact on results derived from the different tax rates applicable to Group companies.



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**23.3 DEFERRED TAXES**

The movement in deferred tax assets and liabilities in 2016 and 2017 is as follows:

Thousands of euros	ASSETS				LIABILITIES		
	Deductible timing differences	Tax loss carryforwards	Pending deductions	Total	For reimbursable advances	For business combinations	Total
<b>Balance at 31 December 2015</b>	<b>126,805</b>	<b>19,658</b>	<b>1,538</b>	<b>148,001</b>	<b>31,278</b>	<b>50,786</b>	<b>82,064</b>
Additions	6,960	-	13,867	20,827	-	-	-
Removals	(6,131)	(4,766)	(453)	(11,350)	(958)	(9,070)	(1,028)
<b>Balance at 31 December 2016</b>	<b>127,634</b>	<b>14,892</b>	<b>14,952</b>	<b>157,478</b>	<b>30,320</b>	<b>41,716</b>	<b>72,036</b>
Additions	6,123	-	15,773	21,896	-	-	-
Removals	(6,067)	(4,550)	(7,150)	(17,767)	(956)	(9,069)	(10,025)
<b>Balance at 31 December 2017</b>	<b>127,690</b>	<b>10,342</b>	<b>23,575</b>	<b>161,607</b>	<b>29,364</b>	<b>32,647</b>	<b>62,011</b>

(note 23.4) (note 23.4)

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

In addition to the above, Act 16/2012 of 27 December sets a limit of 70% on the deductibility of amortisation and depreciation of intangible assets, property, plant and equipment and investment property for tax periods beginning in 2013 and 2014. Furthermore, non-tax deductible accounting amortisation and depreciation shall be deducted on a straight-line basis over a period of 10 years or the useful life of the asset, as of the first tax period beginning in 2015. As a consequence of the foregoing, at 31 December 2017 the Group companies have recognised deductible timing differences for this item in an amount of 6,533 thousand euros (8,159 thousand euros at 31 December 2016).

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

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

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

At 31 December 2017, the Group has tax credits for an amount of 10,342 thousand euros, mainly corresponding to tax losses available for carryforward against future profits. The breakdown by company of these tax credits is as follows:

Thousands of euros	Total
ENAITINERE	5,118
AUCALSA	4,232
AUTOESTRADAS	992
<b>Total</b>	<b>10,342</b>

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

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In 2017, the Group offset tax losses amounting to 4,550 thousand euros (4,766 thousand euros in 2016).

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

In relation to the deferred tax asset derived from the limit to the deductibility of amortisation and depreciation, set out by Act 16/2012 of 27 December, transitional provision 37 of Act 27/2014 of 27 November states that companies can deduct from income tax payable 5% of the amounts included in taxable income for the tax period, resulting from the tax reversal of the expense adjusted for non-deductible amortisation and depreciation charges in 2013 and 2014 (2% deduction in 2015). Therefore, as a result of the above, at 31 December 2017 the Group had recognised unused tax credits amounting to 1,145 thousand euros (1,309 thousand euros in 2016) for reversal of the temporary measures. In this respect, at 2015 year-end, AP-1 EUROPISTAS believes that there were doubts about the use of the unused tax credits before the end of the concession period, so it proceeded with the impairment. Notwithstanding the foregoing, in 2017 AP-1 EUROPISTAS used 162 thousand euros of the aforesaid deduction (226 thousand euros in 2016), as a result of which it has been possible to apply it in the liquidation of the corporate tax of the fiscal group.

The settlement of income tax corresponding to 2017 and 2016 takes into account the application of a deduction for double taxation on the dividend distributed by ENA resulting from the application of transitional provision 23 of Act 27/2014 in relation to the settlement of taxes by the previous holder of the stake, SEPI, on the capital gains generated in the transfer of ENA made in 2003. As a result of the above, a deduction of 6,825 thousand euros (6,638 thousand euros for this same concept in 2016) was applied in 2017, and an amount of 15,611 thousand euros has been activated as a tax credit for deductions generated pending application (13,641 thousand euros in 2016).

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.

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 2017, the Group accumulates net finance expenses that it has not been able to deduct because they exceed the limit established by the aforesaid article, for an amount of 316,445 thousand euros (277,619 thousand euros as of 31 December 2016). Given the estimated period for their recovery, the Group's companies have chosen not to register the tax credits resulting from the application of the aforementioned limitation.

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

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**24. REVENUE**

The breakdown of revenue by activity in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Toll revenue	250,267	242,178
Public Administration compensation	23,569	25,826
Services rendered	735	718
<b>Revenues</b>	<b>274,570</b>	<b>268,722</b>

The breakdown of revenue by company in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
AUDASA	140,755	138,621
AP-1 EUROPISTAS	69,313	67,693
AUCALSA	39,251	38,238
AUTOESTRADAS	14,449	13,287
GEBISA	10,067	10,164
ITÍNERE	155	153
ENA	580	565
<b>Revenues</b>	<b>274,570</b>	<b>268,722</b>

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

**25. STAFF EXPENSES**

The breakdown of staff expenses in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Wages, salaries and similar expenses	24,265	25,095
Employer contributions	7,196	7,488
<b>Staff expenses</b>	<b>31,461</b>	<b>32,583</b>

Of the total staff expenses for 2017, 6,592 thousand euros correspond to the Social Security costs of the Group's companies (6,730 thousand euros in 2016).

Details of the average workforce in 2017 and 2016 by professional category are as follows:

	Average number	
	2017	2016
Management	17	17
Technical Staff	55	54
Administrative staff	62	64
Other staff	428	441
Temporary staff	24	21
<b>Total</b>	<b>586</b>	<b>597</b>

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The breakdown by category and gender at 31 December 2017 and 2016 is as follows:

	Men		Women	
	2017	2016	2017	2016
Management	14	15	2	2
Technical Staff	43	43	16	15
Administrative staff	31	32	39	39
Other staff	309	317	168	159
Temporary staff	19	15	14	11
<b>Total</b>	<b>416</b>	<b>422</b>	<b>239</b>	<b>226</b>

In 2017, there was an average of 9 employees (8 employees in 2016) with a disability of 33% or higher, belonging to another staff category.

At 31 December 2017 and 2014, the Company's Board of Directors is made up of 12 men and 3 women.

## 26. EXTERNAL SERVICES AND OTHER OPERATING EXPENSES

The breakdown of this line-item in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Supplies	2,127	2,156
Repairs and maintenance	11,780	11,959
Insurance	2,111	2,087
Leases and royalties	622	671
Freelance professional services	2,379	2,586
Banking services	1,572	1,508
Advertising and public relations	228	340
Other operating expenses	1,383	1,398
Taxes other than income tax	2,341	2,100
<b>External services and other operating expenses</b>	<b>24,543</b>	<b>24,805</b>

In 2015, other operating expenses includes a provision for liabilities allocated by GEBISA amounting to 150 thousand euros, for the purpose of covering the estimated contingent liability relating to a possible financial charge that could derive from the investigation initiated by the National Social Security Institute (INSS) regarding the Social Security benefits to be received by a worker subcontracted by the Company, as a result of a work accident, which had not been resolved at 31 December 2017.

At 31 December 2017, ITINERE had signed an operating lease with Merlin Properties, SOCIMI, S.A. (formerly Metrovacesa, S.A.) 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	248
Between one and four years	692
<b>Total maturities</b>	<b>940</b>

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**27. FINANCE INCOME AND EXPENSES**

The breakdown of finance income and costs in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Finance expenses	(122,750)	(127,841)
Updating of provision for replacement activities (note 20)	(951)	(1,095)
<b>Finance expenses</b>	<b>(123,701)</b>	<b>(128,936)</b>
Finance income	2,288	2,563
<b>Finance income</b>	<b>2,288</b>	<b>2,563</b>
<b>Changes in the fair value of financial instruments (note 19.3)</b>	<b>(1,630)</b>	<b>(1,770)</b>
<b>Total finance income</b>	<b>(123,043)</b>	<b>(128,143)</b>

The breakdown by item of finance costs in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Debt with financial institutions (note 17.3)	(36,483)	(43,457)
Non-convertible debentures (note 17.1)	(73,417)	(73,334)
Other financial liabilities (note 17.4)	(21,037)	(18,433)
Convertible debentures (notes 17.2 and 22)	(3,753)	(3,367)
Finance expenses for late payment interest (note 23.1)	-	(862)
Other finance expenses	(2,439)	(2,315)
Net finance expenses taken to investments (note 5)	14,379	13,927
<b>Total finance expenses</b>	<b>(122,750)</b>	<b>(127,841)</b>

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

The breakdown of the profit or loss attributable to the parent company, taking into account consolidation adjustments net of the tax effect and broken down by companies, corresponding to 2017 and 2016 is as follows:

Thousands of euros	2017	2016
ITÍNERE	(18,212)	(21,386)
ENAITINERE	(25,848)	(23,520)
ENA	(2,169)	(2,065)
AUDASA	8,080	8,627
AUCALSA	117	(1,076)
AUDENASA	1,715	808
AUTOESTRADAS	2,602	1,904
AP-1 EUROPISTAS	7,324	5,893
GEBISA	1,054	1,345
BIP & DRIVE	(85)	(204)
<b>Profit/(Loss) from continued operations</b>	<b>(25,422)</b>	<b>(29,674)</b>
<b>Profit/(loss) for the year</b>	<b>(25,422)</b>	<b>(29,674)</b>

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

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

The Bylaws establish that the directors will not receive any remuneration, except in cases where, in the latter, they are allowed.

The only remunerations accrued in 2017 are those of the Chairman and the Chief Executive Officer, which for all the concepts contemplated by the bylaws (salaries, remuneration, cash or in kind, indemnities, pensions and compensation of any kind) amounted to 200 thousand euros (same amount as in 2016) and 811 thousand euros (817 thousand euros during 2016), respectively. The rest of the directors have not received any remuneration for any reason. Likewise, in 2017 and 2016, the individuals who represented the Company on the boards of directors of the investees did not receive any remuneration for the performance of this function.

Additionally, the members of the Company's Senior Management that are not part of its Board of Directors have accrued remuneration in 2017 for a total amount of 1,346 thousand euros (1,351 thousand euros during 2016).

At 31 December 2016, the Company had extended loans to the members of the Board of Directors in an amount of 333 thousand euros, which generated interest at a rate pegged to Euribor plus a spread of 1% and were repaid during the 2017 fiscal year. No obligations have been entered into with respect to pensions and life insurance payments for the aforementioned members of the Board of Directors or Senior Management staff, who, in the case of insurance, do not form part of the remuneration indicated in the previous paragraph. There are no debtor or creditor balances with the Company maintained, other than those mentioned above as of 32 December 2017 and 2016 (see notes 17.2 and 22). In 2017 and 2016, the Company paid insurance premiums for 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 2017 and 2016, the Company's directors did not carry out any transactions with the Company or any other of the Group Companies outside their ordinary business or in conditions other than on an arm's length basis. Similarly, the Company's directors and the persons related or linked to them have not been involved in any situation of conflict of interest that, pursuant to the provisions of article 229 of the consolidated text of Corporate Enterprises Act, needs to be reported.

**30. PERFORMANCE BONDS AND GUARANTEES**

At 31 December 2017 and 2016, the Group issued performance bonds and guarantees through different financial institutions for the following amounts:

Thousands of euros	2017	2016
Construction performance	15,592	15,592
Operating performance b	49,550	49,496
Other financial guarantee	2,342	2,449
<b>Total</b>	<b>67,484</b>	<b>67,537</b>

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

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

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**31. LAWSUITS AND CONTINGENCIES**

Some of the Group's companies are involved in legal and out-of-court disputes within the ordinary course of their activities (disputes with suppliers, customers, public administrations, private persons, employees, etc.). The appropriate provisions are made in those cases in which it is considered that there is a possibility of a ruling going against the Group. The directors are of the opinion that, in the event of a ruling against the Group, none of these proceedings will have a significant effect on the Group's financial information for the 2017 financial year.

Notwithstanding the foregoing, the following are the most relevant matters that, ITÍNERE has ongoing at 31 December 2017:

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 happened. 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. In addition, during 2017 ITÍNERE also learnt of the closure of the financing of this project, which was signed on 29 November, through a bond issue.

Since, in the event that any damages are incurred due to their stake in this project, Sacyr would be held harmless as stated in the "Agreement regulating ITÍNERE'S stake in the Pedemontana-Veneta toll road project", 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 to the bid submitted by several companies, including Itínere, which incorporated Carretera Palma-Manacor, Concessionaria del Consell Insular de Mallorca, S.A." (hereinafter, PAMASA) in 2004, which contracted this construction to a construction joint venture in which SACYR and other shareholders of PAMASA participated, but not ITÍNERE. 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 fact has motivated the request by the Public Prosecutor for the civil liability of ITÍNERE, as a commercial participant, for the alleged irregularities committed by the construction joint venture during the construction period. Over the course of 2017 various actions have been developed in relation to this procedure, among which we highlight the presentation on 11 October 2017 of the defense brief by ITÍNERE. On 21 March 2018, the preliminary hearing was held, at which the Prosecutor's Office requested the dismissal of the case against ITÍNERE, which must be ratified by the Court.

As a result of the foregoing, the Directors have not considered it necessary to provide a provision in relation to this matter, since they understand that the request of the Office of the Prosecutor will be ratified by the Court. In any case, the Administrators consider that, should any damage arising from this procedure occur, it would be covered by the obligation of indemnity by Sacyr that is included in the aforementioned "Contract of commitment for the formulation and acceptance of public offer" of acquisition of shares of Itínere Infraestructuras, S.A."

### **32. ENVIRONMENT**

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

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

### **33. OTHER INFORMATION**

Fees for the year ended 31 December 2017 included in the consolidated annual accounts corresponding to the parent company and the rest of the consolidated companies, for audit services amounted to 204,368 euros (177,910 euros in 2016) and, for other services of accounting verification amounted to 7,360 euros (9,900 euros in 2016).

The stated amounts refer solely to audit, accounting verification and other services and include all the fees relating to those items corresponding to 2017, regardless of the time at which they were invoiced. KPMG Auditores, S.L. has not provided any other type of service to the Group companies during 2017.

During 2016, other entities affiliated with KPMG International invoiced the Company 3,000 euros in fees for tax advisory services.



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**34. ECONOMIC AND FINANCIAL PLANS**

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

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

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

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

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

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The breakdown of the toll rate updates to be applied in 2018 in the Group's concessionary companies is as follows:

Concession company	Concession arrangement	Legislation on which the price review is based	Toll changes in 2018
AUDASA	AP-9 El Ferrol-Tuy	Act 14/2000 of 29 December 2000 on State Administration	+1,91%
AP-1 EUROPISTAS	AP-1 Burgos-Armiñon	"	+2,20%
AUCALSA	AP-66 Campomanes-León	"	+1,91%
AUDENASA	AP-15 Túdela-Irurzún	Agreement of 25 May 2007 of the Navarre Regional Government	+1,52%
AUTOESTRADAS	AG-55 A Coruña-Carballo and AG-57 Puxeiros- Val Miñor	Royal Decree 210/1990 of 16 February and Decree 100/2008 of 17 April of the Galicia Regional Government	+1,49%

### 35. FACTORS ARISING FROM APPLYING IFRS 11

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

For the purposes of a better understanding of the Group's main figures, taking into account the consolidation standard prior to the entry into force of IFRS 11 – Joint Arrangements – the consolidated statement of profit or loss for the years ended 31 December 2017 and 2015 are shown below for comparative purposes, obtained through the proportional consolidation of AUDENASA.

	2017 (Proportional consolidation)	2016 (Proportional consolidation)
Revenues	296,516	289,538
Work carried out by the Group for assets	1,098	888
Other operating revenues	4,846	4,161
Subsidies recognised in the income statement	49	39
Profit/(Loss) from disposal of assets	1	5
Overprovision	62	437
<b>Total operating revenues</b>	<b>302,573</b>	<b>295,068</b>
Supplies	(1,586)	(1,708)
Staff expenses	(33,829)	(34,992)
Provisions for amortisation and depreciation	(144,720)	(144,530)
External services and other operating expenses	(25,852)	(26,129)
Change in traffic provisions	(185)	(32)
Provision for replacement activities	(7,598)	(3,825)
<b>Total operating expenses</b>	<b>(213,770)</b>	<b>(211,216)</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>88,802</b>	<b>83,852</b>
Other interest and similar income	2,298	2,587
<b>Total finance income</b>	<b>2,298</b>	<b>2,587</b>
Finance and similar expenses	(123,979)	(129,216)
<b>Total finance expenses</b>	<b>(123,979)</b>	<b>(129,216)</b>
<b>Changes in the fair value of financial instruments</b>	<b>(1,630)</b>	<b>(1,770)</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	<b>(123,311)</b>	<b>(128,399)</b>
Profit/(Loss) from equity accounted companies	(85)	(203)
<b>CONSOLIDATED PRE-TAX PROFIT/(LOSS)</b>	<b>(34,594)</b>	<b>(44,750)</b>
Income tax	9,436	15,347
<b>CONSOLIDATED PROFIT/(LOSS) FROM CONTINUING ACTIVITIES</b>	<b>(25,158)</b>	<b>(29,403)</b>
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>(25,158)</b>	<b>(29,403)</b>
Attributable to:		
Minority Shareholder's Equity	(264)	(271)
<b>PARENT COMPANY</b>	<b>(25,422)</b>	<b>(29,674)</b>

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**36. SUBSEQUENT EVENTS**

The Ministerial Order of the Ministry of Development of 22 December 2017 exclusively authorised the ordinary revision of rates and tolls to be applied by AUDASA at 1 January 2018, without considering the provisions of the Ministerial Order of 20 October 2017, which also authorised the application at 1 January 2018 of an additional extraordinary increase of 1%, in accordance with Royal Decree 104/2013, of 8 February. Since the aforementioned company, in the 2018 tariff review brief, had also requested the application of said extraordinary review and it has not been taken into consideration, on 22 February 2018, AUDASA appealed in contentious-administrative proceedings the non-application of the extraordinary increase.

On 21 March 2018 the subscription period of AUDASA's tax-subsidised bond issuance was fully closed, destined to refinance the company's bond issue amounting to 95,326 thousand euros, due to expire on 27 March 2018. Therefore, at the date of preparation of these consolidated annual accounts, the new issue is subscribed in full and will be disbursed on 27 March 2018.

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## Report of the Consolidated Annual Accounts

### ANNEX I: SCOPE OF CONSOLIDATION AT 31 DECEMBER 2017 AND 2016

Company and registered office	Stake (%)	Shareholder	Investment (€Mn)		Relationship	Consolidation method	Activity
			2017	2016			
Itinere Infraestructuras, S.A. C/ Capuchinos de Basurto 6, Bilbao - Spain	-	Accionariado (nota 15)	-	-	-	Full consolidation	Concession holding
Enaitinere, S.A.U. Pza. Carlos Trias Bertrán, 7, Madrid, Spain	100.00%	Itinere Infraestructuras, S.A.	2.583.96	2.583.96	Subsidiary	Full consolidation	Concession holding
ENA Infraestructuras, S.A. (ENA) Pza. Carlos Trias Bertrán, 7, Madrid, Spain	100.00%	Enaitinere, S.A.U.	1.588.33	1.588.33	Subsidiary	Full consolidation	Motorway construction and operation
Autopistas del Atlántico, C.E.S.A. (AJUDASA) C/ Alfredo Vicenti, 15, A Coruña - Spain	100.00%	ENA Infraestructuras S.A.	114.9	114.9	Subsidiary	Full consolidation	Concesión Autopista El Ferrol - Tuy (AP-9)
Autopista Concesionaria Astur-Leonesa, S.A. (AJICALSA) Parque Empresarial ASIPO II, Llanera, Asturias, Spain	100.00%	ENA Infraestructuras S.A.	214.63	214.63	Subsidiary	Full consolidation	Concesión Autopista Campomanes - León (AP-66)
Autopista de Navarra, S.A. (AUDENASA) Autopista AP-15 Km. 83-Sur en Tajonar, Navarra - Spain	50.00%	ENA Infraestructuras S.A.	40.31	40.31	Joint venture	Equity accounted	Concesión Autopista Iruzuñ - Autopista Ebro (AP-15)
Autoestradas de Galicia, S.A. (AUTOESTRADAS) C/ Alfredo Vicenti, 13, A Coruña - Spain	100.00%	ENA Infraestructuras S.A.	30.18	30.18	Subsidiary	Full consolidation	Concesión Autopista A Coruña - Carballo (AG-55 y AG-57)
AP-1 Eurovistas, Concesionaria del Estado, S.A. (AP-1 EUROPISTAS) Cardenalmenor, área de peaje de Castañares, Burgos, Spain	100.00%	Enaitinere, S.A.U.	148.43	148.43	Subsidiary	Full consolidation	Concession of the AP-1 motorway
Gestión de Infraestructuras de Bizkaia, S.A. (GEBISA) Camino de Capuchinos, 6, Bilbao - Spain	55.00%	AP-1 Eurovistas, Concesionaria del Estado, S.A.	0.41	0.41	Subsidiary	Full consolidation	AP-8 motorway maintenance and operation
Tacel Inversiones, S.A. (TACEL) Feal - San Mamede de Ribadulla: Vedra - A Coruña - Spain	9.36% 9.00%	Itinere Infraestructuras, S.A. ENA Infraestructuras S.A.	3.13 3.01	3.13 3.01	Associate	Equity accounted	Holding of the Santiago Compostela - Alto Sto. Domingo motorway concession
Autopista Central Gallega, C.E.S.A. (ACEGA) Feal - San Mamede de Ribadulla: Vedra - A Coruña - Spain	100.00%	Tacel Inversiones, S.A.	32.89	32.89	Associate	Equity accounted	Santiago Compostela - Alto Sto. Domingo motorway concession
Bip & Drive, S.A. (BIP & DRIVE) Plaza de Colón, 2, Madrid - Spain	20.00%	Itinere Infraestructuras, S.A.	2.41	2.41	Joint venture	Equity accounted	Rendering of collection system management services

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

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

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**ANNEX II: INFORMATION ON NON-MINORITY SHAREHOLDERS' STAKES IN INVESTEE COMPANIES  
AT 31 DECEMBER 2017 AND 2016**

Thousands of euros	GEBISA	
	2017	2016
Percentage of Minority shareholders' equity	45%	45%
<b>Information about the financial position</b>		
Non-current assets	329	385
Non-current liabilities	150	150
Total non-current net assets	179	235
Current assets	5,300	3,970
Current liabilities	2,774	2,086
Total current net assets	2,526	1,884
Net assets	2,705	2,119
Book value of minority shareholders' equity	1,217	953
<b>Information about the income statement</b>		
Ordinary income	10,167	10,265
Profit/(loss) from continuing activities	586	603
Profit/(loss) for the year	586	603
Total comprehensive income	586	603
Consolidated profit/(loss) allocated to minority shareholders	264	271
<b>Information about the cash flow statement</b>		
Cash flow from operating activities	652	495
Cash flow from investing activities	(96)	(39)
Net increase / decrease in cash and cash equivalents	556	457

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

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**Notes to the Consolidated Annual Accounts**

**ANNEX III: BREAKDOWN OF OUTSTANDING DEBENTURES AT 31 DECEMBER 2017**

Agent	Group company	Year of issue	Maturity date	Interest rate	Thousands of euros		
					Nominal amount	Amount 31/12/2017	
						Non-current	Current
BANKIA	AUDASA	2008	2018	4.85%	95,326	-	95,198
CAIXABANK	AUCALSA	2014	2019	4.35%	229,400	225,845	-
CAIXABANK	AUDASA	2014	2020	4.75%	400,000	392,631	-
BANCO SABADELL	AUDASA	2011	2021	6.00%	66,111	64,578	-
CAIXABANK	AUCALSA	2016	2021	2.90%	50,643	49,835	-
BANCO SABADELL	AUDASA	2012	2022	5.75%	180,304	175,155	-
BANKIA	AUDASA	2013	2023	5.20%	193,000	185,117	-
CAIXABANK	AUDASA	2015	2025	3.75%	63,451	62,083	-
CAIXABANK	AUDASA	2016	2026	3.15%	66,801	65,320	-
<b>Total debentures issued</b>					<b>1,345,036</b>	<b>1,220,564</b>	<b>95,198</b>

At 31 December 2017, the fair values of the outstanding debentures do not differ significantly from their carrying amounts.

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

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

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

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

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**ANNEX IV: BREAKDOWN OF DEBTS WITH FINANCIAL INSTITUTIONS AT 31 DECEMBER 2017**

Thousands of euros

Agent	Company	Original amount	Currency	Start date	Maturity	Interest rate	Current	Non-current	Total
<b>LOANS</b>									
BANCO SANTANDER	ENAITINERE	760,754	Euro	2016	2025	Euribor 6m + 2%	7,608	549,124	556,732
BANCO SABADELL	ITINERE	571,082	Euro	2016	2025	Euribor 6m + 2%	-	568,092	568,092
MINISTERIO DE INDUSTRIA	ITINERE	678	Euro	2007	2021	Tipo cero	62	166	228
MINISTERIO DE INDUSTRIA	ITINERE	441	Euro	2008	2020	Tipo cero	54	55	109
BANCO SANTANDER	AUTOESTRADAS	25,000	Euro	2015	2019	Euribor 6m + 1%	-	24,495	24,495
DEUDA POR INTERESES							8,800	-	8,800
						<b>Total loans</b>	<b>16,524</b>	<b>1,141,932</b>	<b>1,158,456</b>
<b>CREDIT POLICIES</b>									
KUTXABANK - FACTORING	GEBISA	2,000	Euro	2013	2017	Euribor 3m + 2%	-	-	-
						<b>Total policies</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>Total debt with financial institutions</b>	<b>16,524</b>	<b>1,141,932</b>	<b>1,158,456</b>

At 31 December 2017, the fair values of the debts with financial institutions do not differ significantly from their book value.

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

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**1. THE ITÍNERE GROUP'S PERFORMANCE IN 2017**

The activity of ITÍNERE INFRAESTRUCTURAS, S.A. in 2017 focused on the management of its investees, the activity of which is primarily the mature toll road concession business in Spain. At 31 December 2017, 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 2017, ITÍNERE carried out the management and coordination activities of the Group's companies, which have conducted their business as usual. The year has been characterized by a positive general economic evolution, which has been consolidated in recent years. This economic recovery began in the second half of 2014, after a long period of economic crisis, which significantly affected motorway traffic, with previous low levels still gradually recovering.

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

- Throughout 2017, the capacity expansion works of the AP-9 were developed by our subsidiary AUTOPISTAS DEL ATLÁNTICO, C.E.S.A. (AUDASA), in the access sections to Vigo (including the extension of the Rande bridge) and the Santiago de Compostela ring road, included in the extension agreement of the AP-9, signed at the end of 2011 between AUDASA and the Ministry of Development under the protection of Royal Decree 1733/2011, of 18 November. On 27 December 2017, the General Director of Roads of the Ministry of Development submitted the authorisation for the provisional commissioning of the capacity expansion works for the sections Enlace de Cangas-Enlace de Teis -including the Rande bridge- and Santiago Norte-Santiago Sur.
- Also in relation to AUDASA, the publication of Royal Decree 803/2017, of 28 July, published in the B.O.E. of 29 July, which modifies the Agreement between the General State Administration, the Xunta de Galicia and AUDASA, approved by Royal Decree 633/2006, of 19 May, which established a shadow toll system for the Vigo-O itineraries Morrazo and A Coruña-A Barcala financed by both administrations. This amendment not only affects the system for calculating the compensation - it implies lower income over the previous amount - but also the form of invoicing and the recipient thereof, which becomes exclusively the Ministry of Development. AUDASA has initiated the contentious-administrative claim process, having announced the filing of the corresponding appeal on 24 October 2017, on the grounds that it implies a unilateral and unjustified modification of an agreement signed between the parties. The economic effects of this modification represent an amount of 2,047 thousand euros in lower revenue in 2017. Likewise, and taking into account that the Royal Decree 803/2017 itself is not clear about the practical application of the new compensation calculation formula, AUDASA has transferred to the Government Delegation the interpretation given to the aforementioned Royal Decree 803/2017, on whose basis it has invoiced the compensation for 2017.
- On 4 September 2017, the General Meeting of Shareholders of Autopistas de Navarra, S.A. (AUDENASA), a company that is 50% owned through ENA, approved a reduction of the share capital by 50.2 million euros with a return to its shareholders. Said reduction was completed in October.

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 2017 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 2017, this growth in traffic on Spain's motorways was consolidated, achieving an improvement of 4.3%. The total ADT of the ITÍNERE Group in 2017 was 18,445 vehicles, with a positive variation of 3.67% with respect to 2016. The ADT among lightweight vehicles for all the Group's motorways for 2016 was 16,058, representing a growth of 3.63% compared with 2016. For heavy vehicles, the ADT was 2,387, i.e. 3.97% higher than in the previous year.



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## Consolidated Directors' Report

The main consolidated financial figures included in the consolidated annual accounts for 2017 are discussed briefly below:

- Consolidated revenue for 2017 amounts to 274.6 million euros, 2.2% more than the 2016 financial year's comparative figure, as a result of the economic recovery that has been taking place over the last financial year, which has been reflected in a recovery of traffic levels on our motorways. Notwithstanding the foregoing, it should be noted the negative effect that the AUDASA turnover has entailed in the entry into force of Royal Decree 803/2017, which establishes the new calculation formula for revenues associated with the shadow toll of Morrazo and Barcala, and that at the close of the year is a lower income of 2,047 thousand euros. Taking the proportional income of AUDENASA, as was done prior to the application of IFRS 11, revenue would have been 296.5 million euros, 2.4% higher than the previous year's figure.
- Consolidated EBITDA in 2017 amounts to 222.6 million euros, representing an EBITDA margin of 81.1%, 1.3 percentage points wider than in 2016. This represents an increase of 3.9% when compared with the previous financial year, as a consequence of higher income and the application of an ongoing savings policy, which has also allowed a reduction of 2.3% in current operating expenses, which was also influenced by good weather conditions during the winter season giving rise to a significant savings in road works. Taking the proportional contribution of AUDENASA, as was done prior to the application of IFRS 11, this figure would be 241.2 million euros in 2017.
- The amortisation of concession assets, which is carried out using the straight-line method, represents a total amortisation amount of 129.1 million euros. The allocation of provisions for replacement work during the 2017 financial year is 6.3 million euros, and surplus provisions of 219 thousand euros have been recorded, arising from the effect of savings obtained in pavement renewal. All of this puts the 2017 EBIT at 87.2 million euros, i.e. 4.5% higher than in 2016, with an EBIT margin of 31.8%, slightly narrower than in 2016 (+0.8 percentage points).
- The financial result presents a negative amount of 123.0 million euros, with an improvement of 5.1 million euros compared to the one obtained in 2016, which is mainly due to the better conditions achieved in the refinancing of the corporate debt materialized in February of 2016, as well as the reduction of the aforementioned debt after the amortizations made.
- At the end of 2017, it has not been necessary to record any impairment loss on the consolidation goodwill, with this, the consolidated result for the year attributed to the parent company amounts to a loss of 25.4 million euros, a 14.3% lower than in 2016.
- The nominal amount of the gross financial debt at the close of the reporting period was 2,822.5 million euros, which represents the financing associated with projects, meaning that 78% of the total financial debt is without recourse. Net financial debt is 2,708.5 million euros.
- The net investment in concession arrangements at the end of the reporting period amounted to 2,630.3 million euros, including the allocation of fair values resulting from the acquisition price distribution carried out in 2009.

The activity of the motorway concession sector has historically maintained a close correlation with the general economic evolution. The economic recovery, which began at the end of 2014 and has consolidated since then, allows us to close 2017 with GDP growth similar to 2016 as well as continued improvement in jobs and most of the economic indicators. However, the political situation, which has worsened especially as a result of the Catalan independence crisis, has meant a new brake on the recovery, which has resulted in a general economic improvement, which has been somewhat lower than expected.

The GDP of Spain in 2017 grew by 3.1%, two tenths less than in 2016, and reached the figure at current prices of 1,163 billion euros, its historical maximum. This good performance stands out among the OECD countries, which in general have also behaved positively. The base of this growth has been supported by consumption and investment, with growth of 2.2% and 5%

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respectively. After the long period of crisis, 2017 is the fourth consecutive year with growth, and three years have been linked with increases of more than 3%. National demand evolved well and contributed 2.8 points, highlighting household consumption (increase of 2.4%) and investment in capital goods (increase of 6.1%), which is a good indicator of confidence in the future activity of companies, while foreign demand contributed three tenths (exports increased by 5% and imports by 4.7%).

During 2017 the debt reduction process of the Spanish economy continued, to which the private sector (companies and households) strongly contributed. Prominent is the financing capacity of the Spanish economy with regard to the rest of the world, which accumulates positive balances for the sixth consecutive year, and stands at 1.9% of GDP. The data for the last quarter of the year show a more attenuated evolution compared to previous quarters, which has affects at all levels: household consumption, investment, exports and imports show a more moderate increase.

It is foreseeable that in 2018 the growth path of the global economies, emerging countries, the US, Europe and Spain will continue, albeit at more moderate rates in certain areas, and in a context which is not exempt of risks, both political and economic. Referring specifically to Spain, it is worth mentioning among these risks: the problem of Catalonia; high unemployment rates; demographic situation; financial sector; financial imbalances of the autonomous communities, ruptures in reforms. Internationally, the main threats are Brexit; increases in indebtedness; increased protectionism; oil price; inflation; rates of increase in interest rates; Central Bank policies, etc.

In 2017 unemployment reduced in Spain by almost half a million people, bringing the total number of unemployed to 3.4 million, the lowest level since the third quarter of 2009. The annual average unemployment rate stood at 17.1%, which represented a decrease of 2.5 percentage points over the rate of the previous year. The growth of employment, full-time equivalent jobs, is estimated at 2.9 per cent and the number of those affiliated to the Social Security increased by 3.6% (626,000 new members), the rise of the historical series that begins in 2001 (with the exception of 2005 and 2006, due to the regularization of immigrants). The number of people signing on reached the figure of 18.2 million (the highest since 2008), which represents the recovery of two thirds of the jobs lost during the crisis. The decline in unemployment has been somewhat greater than the increase in employment, due to the reduction in the active population due to a lower rate of activity and, to a lesser extent, to the fall in the population of working-age. On the other hand, it is noteworthy that the number of companies and workers affected by redundancy plans has decreased to pre-crisis levels. This positive evolution of the employment market has its counterpoint in that most of the employment created has been temporary, with average wages that have barely grown and with an unemployment rate which is still at very high levels.

In year-on-year terms, the CPI grew 1.1% in 2017, five tenths lower than the previous year, with the average rate of the year at 2% compared to -0.2% in 2016. This increase was due to the increase in energy products (because of the increase in the price of oil). To a lesser extent, the increase in core inflation was also influenced by an annual average of 1.1%, which, even so, was at moderate levels. The differential with respect to the average of the eurozone changed and became positive, after having been negative over the last few years. Inflation continues to grow below the rate of GDP, contributing in this way to the positive evolution of growth.

Within this general context, we will now comment on the specific financial activity carried out by ITÍNERE and its investees. Activity in the financial area is permanently focused, in addition to attending to the financial needs of the different Group companies that are required at any time, in the analysis and prospecting of possible financial operations on the Group's debt that add value and optimise its structure, and this under the prism of the characteristics of the concessional business and the future generation of cash flows.

The year 2017, after the significant debt refinancing carried out in 2016, both in qualitative and quantitative terms, corresponding to the companies ITÍNERE, ENAITINERE, AUDASA and AUCALSA (refinanced and novated debt amounting to 1,749.2 million euros), that allowed to increase the Group's financial stability in the long term, has been a year of continuity, in which there have been no maturities or contracting of debt.

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During fiscal year 2017, within the financial sphere, the following can be highlighted:

- Amortization of debt amounting to 114.6 million euros (of which 113.1 million euros correspond to ENAITINERE and 1.5 million euros to ITÍNERE).
- The average financial rate of the Group as of 31 December, 2017 is 4.0% and the average life of the debt exceeds 5 years.
- The nominal amount of the gross financial debt amounts to 2,822.5 million euros, of which 76.6% is at a fixed interest rate or with interest rate hedges.
- In order to optimize the Group's financial resources, a reduction in the share capital of AUDENASA was made with a return of 50.2 million euros to its shareholders, which meant a financial income for ENA of 25.1 million euros, which in turn has allowed the amortization of ENAITINERE's debt.

The amounts paid by all the Group companies to the various Public Administrations for taxes, social security contributions, etc. totalled 82.1 million euros in 2017.

At 31 December 2017, the Group companies do not have any amounts pending payment on commercial transactions that accumulate a deferment in excess of the legal deadline as per the provisions of Act 3/2004 of 29 December and its subsequent amendments through Act 15/2010 of 5 July and Royal Decree Law 4/2013 of 22 February. The average payment period to the Group's suppliers in 2017 was 22 days.

## 2. SUBSEQUENT EVENTS

In application of the respective procedures for the review of tariffs and tolls on the Group's motorways (in the case of those owned by the State Administration, that established in Act 14/2000 of 29 December; in the case of those for which the regional governments are responsible, that established in the specific applicable legislation), with effect 1 January 2018, the review of the tolls to be applied has been authorised which, in the case of the motorways owned by the Ministry of Development (AUDASA, AUCALSA and AP-1), has involved a slight reduction in tariffs of between 1.91% and 2.20%. The motorways owned by the regional governments (AUDENASA and AUTOESTRADAS) had a positive review of 1.52% and 1.49%, respectively. The concessionary companies for which the regional governments are responsible review their tariffs on the basis of 95% of the inter-annual fluctuation in the CPI at October, whereas the concessionary companies for which the Ministry of Development is responsible carry out the toll rate review on the basis of the average variation in the CPIs of the period between the months of October of the previous and current years, also taking into account a correction factor based on deviations between the forecast ADT and the figure actually obtained.

On 3 January 2018, the capacity expansion works for the Santiago Norte - Santiago Sur section of the AP-9, Autopista del Atlántico (AUDASA), were inaugurated, whose authorization for provisional commissioning by the General Director of Highways of the Ministry of Development was approved on 27 December 2017.

With respect to AUDASA's tariff review, note that the Ministerial Order of the Ministry of Development of 22 December 2017 exclusively authorized the ordinary revision of rates and tolls to be applied by the company at 1 January 2018, without considering the provisions of the Ministerial Order of 20 October 2017, which also authorized the application at 1 January 2018 of an additional extraordinary increase of 1%, in accordance with Royal Decree 104/2013, of 8 February. Since the aforementioned company, in the 2018 tariff review brief, had also requested the application of said extraordinary review and it has not been taken into consideration, on 22 February 2018, AUDASA appealed in contentious-administrative proceedings the non-application of the extraordinary increase.

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On 21 March 2018 the subscription period of AUDASA's tax-subsidised bond issuance was fully closed, destined to refinance the company's bond issue amounting to 95,326 thousand euros, due to expire on 27 March 2018. Therefore, at the date of preparation of this consolidated management report, the new issuance is fully subscribed and will be disbursed on 27 March 2018.

Since the closing of fiscal year 2017, there have been no other significant events other than the previous ones.

### **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.

During the 2018 financial year, some pending actions will be completed for the expansion works of the AP-9, AUTOPISTA DEL ATLÁNTICO, which are already fully in service, as mentioned above. These correspond mainly to improvements to the original structure of the Rande Bridge, which could not be carried out until the new extended lanes were operational. These expansion works, as well as the usual replacement and maintenance tasks performed by the investee companies, mean a constant improvement of the service for users, which is a fundamental objective of the management.

On 30 November 2018, the concession term of the Burgos-Armiñón toll road terminates, which is operated by AP-1 EUROPISTAS, C.E.S.A. The activity of this Company in 2018, in addition to continuing to operate the AP-1 toll road with adequate levels of safety and quality of service to the user until the end of the concession, will focus on the realization of the actions and investments to guarantee the reversion of the toll road to the granting Administration in conditions of absolute normality for the provision of the service to which they are intended, that is, in a state of adequate conservation and functioning, as established in the applicable regulations. This circumstance has been considered in the estimation of the cash flows of the Group, which takes into account the period of duration of the corresponding concession contracts.

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, virtually all of the Group's debt is long term. During the 2018 financial year, there was a single significant contractual maturity of the Group's financial debt, corresponding to an issue of AUDASA bonds amounting to 95.3 million euros, due in March. As of the date of this management report, a new issue of tax-deductible debentures has been subscribed for the same amount, the disbursement of which is foreseen for 27 March 2018, to be used to amortize the previous one. Likewise, also noteworthy is the expiration in October 2018 of 1,705 convertible subordinated debentures corresponding to Sacyr Concesiones, S.L., whose book value at the end of the year amounted to 5.4 million euros.

With regard to the refinancing scheduled for the coming years, specifically the low taxation debentures of AUDASA and AUCALSA, it is important to underline the Group's ample experience in these types of operations. Even in such adverse situations as those experienced in the financial markets in recent years, the debentures issued from 2011 to 2016 (for over 1,249 million euros in the period) were a great success, with high levels of over-subscription, a clear sign of investor confidence in the projects being developed by the Group's issuing companies. It is worth noting that the emissions of debentures to be performed by AUCALSA in the coming years will not be able to enjoy the tax relief that the currently outstanding issues enjoy, although the most efficient formulas for refinancing will be sought.

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.

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

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

The future of the toll road concession sector and, consequently, of ITÍNERE's investees is undoubtedly affected by both the overall economic situation and changes in legislation that can significantly affect the forecasts.

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

- **Demand risk:** In toll road concessions, the tolls collected by concession companies, which are their main source of revenues, depend on the number of vehicles using the road and its capacity to attract traffic. Average traffic and toll revenues also depend on a number of factors, including the quality, condition, comfort and travel time of alternative toll-free roads or non-Group toll roads, economic conditions, fuel prices, weather conditions, environmental legislation (including measures to restrict use of motor vehicles to reduce pollution), natural disasters and the viability or presence of alternative forms of transport such as air routes, railways and other intercity transport. Given the current characteristics of the ITÍNERE portfolio (mature and well-consolidated business), the demand risk can be considered low as regards some of the factors listed above.
- **Regulatory risk:** The Group's companies are required to comply with sector-specific and general legislation (accounting, environmental, employment, data protection, tax, etc.), whose stability and guarantee is fundamental in a highly regulated sector. 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 authorizing an investment of this type. Although there is always a risk in any expansion to new geographical areas, the management team's experience in this type of international development would help to mitigate these risks.

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

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

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

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

- **Interest rate risk:** Of the Group's total consolidated debt, a very substantial part, 76.6%, is at a fixed rate, which reduces the businesses' exposure to rising interest rates. This debt, both that associated with projects and corporate debt, is made up of tax-deductible debenture issues with a single amortisation at maturity (representing 59.7% of project debt at fixed interest rates and a term of between 5 and 10 years) and loans from financial institutions. This fixing of bank debt interest rates is materialised through financial hedge instruments, such as interest rate swaps (IRS) or caps. A possible variation of  $\pm 100$  basis points in interest rates would have an approximate effect of between -3.7 and -2.7 million euros on the financial year's net consolidated profit or loss and between +1.0 and -1.8 million euros in consolidated equity.

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

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Furthermore, as has already been mentioned, the Group Company ENAITINERE has signed hedge contracts (both interest rate swaps (IRS) and caps) with certain institutions, in accordance with the provisions of their respective financing contracts, for the purpose of hedging the interest rate risk associated with them, which will mature in 2018. Virtually the entire portfolio of financial swap contracts complies with the requirements established by the accounting standards for their classification as efficient hedges. The fair value of the derivatives subscribed by the Group at 31 December 2017 amounts to 3,133 thousand euros (note 19.3).

- **Exchange rate risk:** The Group's policy is to arrange its indebtedness with financial institutions in the same currency as the one in which its business flows are produced. Likewise, no transactions are made in currencies other than the euro. Consequently, there is currently no exchange rate risk.
- **Credit risk:** Given the characteristics of the activity conducted by ITÍNERE (holding company of a Group of concessionary companies), most of its income is obtained from the rendering of services to its investees. Consequently, due to the nature of the business conducted by the Group, the risk of non-payment is low. As far as this risk in its investees is concerned, it is virtually non-existent owing to the fact that revenue is received in cash or through credit card or electronic means of payment, the non-payment risk of which is assumed by the management companies. Likewise, part of the revenue derives from the payments that the various concession-granting administrations as well as the regional and central governments make in accordance with the terms and conditions of the respective concession agreements.
- **Refinancing risk:** As stated in note 17.3, effective as of 16 February 2016, ITÍNERE and ENAITINERE have proceeded to the non-extinguishing modifying novation of the refinancing of their respective syndicated loans, which has involved, among other modifications, the extension of the maturity dates of said loan agreements until 6 October 2025. During 2018, there is a single contractual maturity of the Group's financial debt, corresponding to an issue of AUDASA bonds amounting to 95.3 million euros, due in March. At the date of this management report, a new issue of tax-deductible debentures has been subscribed for the same amount, the disbursement of which, scheduled for 27 March 2018, will be used to amortise the previous one. Likewise, also noteworthy is the expiration in October 2018 of 1,705 convertible subordinated debentures corresponding to Sacyr Concesiones, S.L., whose book value at the end of the year amounted to 5.4 million euros. As a consequence, the rest of the Group's debt is long term, so the Company directors believe that this risk is low. In any case, and in relation to the maturities in previous years, this risk is mitigated since the businesses have recurring income and the concession periods are long term.
- **Liquidity risk:** Due to the particular characteristics of the Company and the structure of its current liabilities, as well as debt refinancing and cash flow generation estimates, there are sufficient funds for the Company to meet its payment commitments. At the same time, within the different concessionary companies that make up ITÍNERE, the liquidity risk is low due to the nature and characteristics of their collections and payments, their EBITDA, the projects' financial structure, toll systems and a predictable and systematic replacement investment programme. At 31 December 2017, the current liabilities include the short-term transfer of debt issued by AUDASA for an amount of 95,326 thousand euros, which will mature on 27 March 2018. At the date of preparation of this consolidated management report, a new issue of debentures intended entirely to refinance the previous one, is signed in full and will be disbursed on 27 March 2018. Consequently, the Company's directors are of the opinion that this risk is low.
- **Price risk:** This risk is very low given the fact that the revenue of ITÍNERE is associated with the activity of its investees. These companies, in turn, are not exposed to this risk either, because they operate in a regulated market in which the prices applied are reviewed on the basis of the variation in the Consumer Price Index (CPI).

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**6. RESEARCH AND DEVELOPMENT ACTIVITIES**

ITÍNERE and its subsidiaries are 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 2017. As a consequence of the acquisitions in previous financial years, at 31 December 2017 it owns 53,464 shares, representing 0.01% of its share 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.



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ONE: Pursuant to the provisions of article 253 of the consolidated text of the Corporate Enterprises Act and article 37 of the Spanish Code of Commerce, the directors of **ITÍNERE INFRAESTRUCTURAS, S.A.** have prepared the attached Consolidated Annual Accounts comprised of the Consolidated Balance Sheet, Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, Notes to the Consolidated Annual Accounts and Consolidated Director' Report for the year ended 31 December 2017, which are shown on pages 1 to 82 of this document, signed by the secretary to the board of directors.

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

Signed in Madrid on 22 March 2018.

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Mr. Francisco Piedras Camacho  
Chairman

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Mr. Antonio Herrera Bustamante  
CEO

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Mr. Francisco Javier Pérez Gracia  
Executive Director

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

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

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

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

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Mr. Mark Edwin Lorkin  
Director

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Mr. Michael Osborne  
Director

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Ms. Amy Marie Knapp  
Director

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Ms. Cynthia Joan Praschnik  
Director

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Mr. Paul Michael Cabral  
Director

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Mr. Carlos Mijangos Gorozarri  
Director

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

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Mr. Fernando Mendezona Peña  
Director

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Mr. Santiago del Pino Aguilera  
Secretary, non-Director