



Itinere Infraestructuras, S.A.

Annual Accounts
31 December 2017

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 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

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

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

Basis for Opinion

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

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the 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

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 annual accounts of the current period. These risks were addressed in the context of our audit of the 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 non-current investments in Group companies and associates (see notes 2(b), 4(f) and 10)

At 31 December 2017 the Company has recognised non-current investments in Group companies and associates totalling Euros 2,301,417 thousand. The Company assesses these assets for indications of impairment, for the purpose of determining their recoverable amount. The recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors and management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates 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 the investments in Group companies, 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 investments in Group companies. 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 Company's business plans approved by management.

We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report _____

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

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the 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 directors' report with the 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 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 directors' report is consistent with that disclosed in the annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.



Directors' Responsibility for the Annual Accounts

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

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

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Directors.



- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the 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 entity 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., we determine those that were of most significance in the audit of the 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.

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

ITÍNERE INFRAESTRUCTURAS, S.A.

Balance Sheets at 31 December 2017 and 2016 (in euros)

	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS		2,302,219,629.28	2,302,105,057.11
Intangible assets	5	7,385.34	11,577.72
Computer software		7,385.34	11,577.72
Property, plant and equipment	6	186,369.35	266,071.85
Technical facilities and other property, plant and equipment		186,369.35	266,071.85
Investment property	7	536,279.54	611,459.54
Land and buildings		536,279.54	611,459.54
Non-current investments in group companies and associates	10	2,301,416,736.21	2,301,123,773.08
Equity instruments		2,301,416,736.21	2,301,123,773.08
Non-current financial investments	9	46,509.53	62,061.43
Other financial assets		46,509.53	62,061.43
Deferred tax assets	18	26,349.31	30,113.49
CURRENT ASSETS		48,335,582.16	56,646,134.59
Trade and other receivables	11	33,354,615.91	23,291,583.73
Trade receivables from group companies and associates	9 and 19	27,699,707.18	10,770,414.93
Sundry receivables	9	28,027.31	568,882.83
Personnel	9	-	333,551.63
Current tax assets	18	5,626,881.42	11,618,734.34
Current accruals		173,227.25	182,583.59
Cash and cash equivalents	12	14,807,739.00	33,171,967.27
Cash		14,807,739.00	27,171,046.72
Cash equivalents		-	6,000,920.55
TOTAL ASSETS		2,350,555,211.44	2,358,751,191.70

The accompanying notes 1 to 28 form a comprehensive part
of the Annual Accounts at 31 December 2017

ITÍNERE INFRAESTRUCTURAS, S.A.

Balance Sheets
at 31 December 2017 and 2016
(in euros)

	Note	2017	2016
EQUITY AND LIABILITIES			
EQUITY		1,252,336,392.57	1,271,106,323.60
Equity	13	1,252,318,016.69	1,271,076,605.56
Capital		221,874,386.30	221,874,386.30
Issue premium		1,038,559,639.56	1,038,559,639.56
Legal reserve		29,756,242.20	26,955,789.44
Other reserves		493,226,295.35	493,226,295.35
Own shares and equity holdings		(211,717.44)	(211,737.24)
Retained earnings		(512,128,220.61)	(537,332,295.49)
Profit/(loss) for the year		(18,758,608.67)	28,004,527.64
Subsidies, donations and bequests received	14	18,375.88	29,718.04
NON-CURRENT LIABILITIES		976,090,201.45	1,038,854,053.82
Non-current payables		578,826,076.18	583,880,351.45
Debentures and other marketable securities	9 & 15	10,513,081.02	14,220,875.81
Debt with financial institutions	9 & 16	568,312,995.16	569,659,475.64
Non-current payables to group companies and associates	9 & 19	397,257,999.82	454,963,796.27
Deferred tax liabilities	18	6,125.45	9,906.09
CURRENT LIABILITIES		122,128,617.42	48,790,814.28
Current payables	9	9,965,398.65	4,539,809.45
Obligaciones y otros valores negociables	15	5,427,003.88	-
Debt with financial institutions	16	4,537,644.77	4,539,059.45
Other financial liabilities		750.00	750.00
Current payables to group companies and associates	9 & 19	99,940,762.10	15,853,305.24
Trade and other payables		12,105,081.82	28,280,414.84
Sundry payables	9	525,481.06	487,202.91
Personnel	9	5,485,173.46	5,478,103.73
Other payables to public authorities	17	6,094,427.30	22,315,108.20
Current accruals		117,374.85	117,284.75
TOTAL EQUITY AND LIABILITIES		2,350,555,211.44	2,358,751,191.70

The accompanying notes 1 to 28 form a comprehensive part of the Annual Accounts at 31 December 2017

ITÍNERE INFRAESTRUCTURAS, S.A.

**Income Statement
for the years ending
31 December 2017 and 2016
(in euros)**

	Note	2017	2016
Revenues	20	7,894,908.06	7,735,672.74
Services rendered		7,894,908.06	7,735,672.74
Other operating revenues		414,729.63	289,359.80
Sundry and other current operating revenues		414,729.63	285,108.80
Operating subsidies taken to income		-	4,251.00
Staff expenses	23	(2,965,881.65)	(3,433,843.88)
Wages, salaries and similar expenses		(2,765,014.40)	(3,167,990.84)
Employer contributions		(200,867.25)	(265,853.04)
Other operating expenses		(2,303,720.56)	(2,260,427.43)
External services	21	(2,256,435.93)	(2,214,390.66)
Taxes other than income tax		(47,284.63)	(46,036.77)
Depreciation and amortisation charge	5, 6 & 7	(177,767.70)	(177,738.78)
Impairment and gains/(losses) on disposal of fixed assets		-	(5,581.08)
Gains/(losses) on disposal and other		-	(5,581.08)
OPERATING PROFIT/(LOSS)		2,862,267.78	2,147,441.37
Finance income	22	10,056.49	50,037,493.77
From equity instruments		-	50,000,000.00
From group companies and associates	10	-	50,000,000.00
From negotiable securities and other financial instruments		10,056.49	37,493.77
Third parties		10,056.49	37,493.77
Finance expenses	22	(24,509,034.02)	(27,302,360.24)
On debts to group companies and associates	19	(10,861,644.25)	(10,487,071.15)
On debts to third parties		(13,647,389.77)	(16,815,289.09)
Financial subsidies, donations and bequests	14	15,122.80	18,699.01
Exchange differences		(344.32)	(459.48)
FINANCIAL PROFIT/(LOSS)		(24,484,199.05)	22,753,373.06
PRE-TAX PROFIT/(LOSS)		(21,621,931.27)	24,900,814.43
Income tax	18	2,863,322.60	3,103,713.21
PROFIT/(LOSS) FOR THE YEAR		(18,758,608.67)	28,004,527.64

The accompanying notes 1 to 28 form a comprehensive part of the Annual Accounts at 31 December 2017

ITÍNERE INFRAESTRUCTURAS, S.A.

Statements of Changes in Equity
for the years ending
31 December 2017 and 2016
(in euros)

STATEMENT OF INCOME AND EXPENSES RECOGNISED IN EQUITY

	Note	2017	2016
A) Profit/(loss) for the year		(18,758,608.67)	28,004,527.64
Income and expenses recognised directly in equity			
Cash flow hedges		-	(8,901.12)
Tax effect		-	2,225.28
B) Total income and expenses recognised directly in equity		-	(6,675.84)
Amounts transferred to the income statement			
Cash flow hedges		-	600,065.18
Subsidies, donations and bequests received	14	(15,122.80)	(18,699.01)
Tax effect		3,780.64	(145,341.59)
C) Total amounts transferred to the income statement		(11,342.16)	436,024.58
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		(18,769,950.83)	28,433,876.38

TOTAL STATEMENT OF CHANGES IN EQUITY

	Registered capital	Reserves	(Own shares and equity holdings)	Retained earnings	Profit/(loss) for the year	Valuation adjustments	Subsidies, donations and bequests received	TOTAL
BALANCE AT YEAR-END 2015	221,874,386.30	1,574,076,444.20	(211,737.24)	(510,344,162.47)	(26,988,133.02)	(443,373.05)	43,742.35	1,258,007,167.07
Total recognised income and expenses	-	-	-	-	28,004,527.64	443,373.05	(14,024.31)	28,433,876.38
Other changes in equity	-	(15,334,719.85)	-	(26,988,133.02)	26,988,133.02	-	-	-
Transfers between equity items	-	-	-	(26,988,133.02)	26,988,133.02	-	-	-
Other variations	-	(15,334,719.85)	-	-	-	-	-	(15,334,719.85)
BALANCE AT YEAR-END 2016	221,874,386.30	1,558,741,724.35	(211,737.24)	(537,332,295.49)	28,004,527.64	-	29,718.04	1,271,106,323.60
Total recognised income and expenses	-	-	-	-	(18,758,608.67)	-	(11,342.16)	(18,769,950.83)
Other changes in equity	-	2,800,452.76	-	25,204,074.88	(28,004,527.64)	-	-	-
Transfers between equity items	-	2,800,452.76	-	25,204,074.88	(28,004,527.64)	-	-	-
BALANCE AT YEAR-END 2017	221,874,386.30	1,561,542,177.11	(211,737.24)	(512,128,220.61)	(18,758,608.67)	-	18,375.88	1,252,336,372.77

The accompanying notes 1 to 28 form a comprehensive part of the Annual Accounts at 31 December 2017

ITÍNERE INFRAESTRUCTURAS, S.A.

**Statements of Cash Flows
for the years ending
31 December 2017 and 2016
(in euros)**

	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		(16,523,054.10)	88,717,084.33
Profit/(loss) for the year before taxes		(21,621,931.27)	24,900,814.43
Adjustments to earnings		24,661,966.75	(22,574,304.20)
Depreciation and amortisation charge (+)	5, 6 & 7	177,767.70	177,738.78
Subsidies recognised in the income statement (-)		-	(4,251.00)
Proceeds from divestments of financial instruments (+/-)		-	5,581.08
Finance income and allocation of financial subsidies (-)	22 & 14	(25,179.29)	(50,056,192.78)
Financial expenses (+)	22	24,509,034.02	27,302,360.24
Exchange differences (+/-)		344.32	459.48
Changes in working capital		2,560,667.96	2,651,022.80
Trade and other receivables (+/-)		7,521,091.38	8,335,807.42
Trade and other payables (+/-)		(4,960,423.42)	(5,684,784.62)
Other cash flow from operating activities		(22,123,757.54)	83,739,551.30
Interest paid (-)		(11,762,614.32)	(15,551,886.71)
Dividends received (+)	22	-	50,000,000.00
Interest received (+)		6,650.34	31,253.28
Income tax received (paid) (+/-)		(8,680,218.87)	51,885,896.01
Other amounts paid (received) (-/+)		(1,687,574.69)	(2,625,711.28)
CASH FLOW FROM INVESTING ACTIVITIES		(292,963.13)	-
Payments for investments (-)		(292,963.13)	-
Group companies and associates	10	(292,963.13)	-
CASH FLOW FROM FINANCING ACTIVITIES		(1,548,211.04)	(66,643,915.93)
Proceeds from and payments for financial liability instruments		(1,548,211.04)	(66,643,915.93)
Redemption and repayment of:			
Debt with credit institutions (-)	16	(1,548,211.04)	(66,643,915.93)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		(18,364,228.27)	22,073,168.40
Cash and cash equivalents at the start of the year		33,171,967.27	11,098,798.87
Cash and cash equivalents at the end of the year		14,807,739.00	33,171,967.27

The accompanying notes 1 to 28 form a comprehensive part of the Annual Accounts at 31 December 2017

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

1. NATURE AND MAIN ACTIVITIES

(a) Nature and main activities

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

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

The Company's corporate purpose is as follows:

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

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

The main shareholder of ITÍNERE is ARECIBO SERVICIOS Y GESTIONES, S.L. (hereinafter, ARECIBO) which, at 31 December 2017, had a 54.19% stake in the capital of ITÍNERE (note 13).

As a consequence of the foregoing, as per the terms of article 42 of Spain's Code of Commerce, the Company belongs to a group of companies, the holding company of which, in Spain, is ARECIBO, which was incorporated on 27 April 2009 and has its registered office in Bilbao. On 28 March 2017, ARECIBO drafted its consolidated annual accounts and directors' report for the financial year ended 31 December 2016, which were filed at the Mercantile Register in Bilbao. At the date of preparing these annual accounts, ARECIBO had not yet drafted its consolidated annual accounts for 2017, being scheduled for 22 March 2018.

ITÍNERE is the parent company of a Group of companies that submits consolidated annual accounts separately from these individual annual accounts. The aforesaid consolidated accounts, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, show total assets at 31 December 2017 of 4,095,045 thousand euros, equity of 1,059,475 thousand euros and a consolidated loss attributable to the parent company of 25,422 thousand euros (4,245,349 thousand euros, 1,079,905 thousand euros and a loss of 29,674 thousand euros, respectively, corresponding to the 2016 financial year's comparative figures, which appear in the consolidated annual accounts of said year).

(b) Background

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

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

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

On 31 December 2007, with accounting effect as from 24:00 hours, the deed of merger of EUROPISTAS C.E.S.A. with ITÍNERE INFRAESTRUCTURAS, S.A.U. was formalised, as per the resolution of both companies' administrative bodies adopted on 17 April 2007, comprising the absorption of ITÍNERE INFRAESTRUCTURAS, S.A.U. by EUROPISTAS C.E.S.A. with the termination, through the dissolution without liquidation of the former and the block transfer of all its assets to the latter which, on 1 January 2008, acquired, through sole succession, the rights and

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

obligations thereof. As a consequence of this merger, EUROPISTAS, C.E.S.A., the absorbing company, amended its corporate name, adopting that of the absorbed company, that is, ITÍNERE INFRAESTRUCTURAS, S.A. The annual accounts corresponding for the year ended 31 December 2008 include detailed information on the aforesaid merger process.

(c) Change in the controlling shareholder

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

(d) Business Combinations

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

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

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

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

2. BASIS OF PRESENTATION

(a) True and fair view

These annual accounts were obtained from the Company's accounting records and are presented in accordance with the prevailing mercantile legislation and the standards established in the Spanish General Chart of Accounts with the aim of giving a true and fair view of the equity and financial position at 31 December 2017 and results of its transactions, changes in equity, and cash flow for the year ended on that date.

These annual accounts, which were authorised for issue by the Company's Directors, will be submitted for approval by the General Ordinary Shareholders' Meeting and are expected to be approved without any changes. The 2016 annual accounts were approved by the shareholders at the general meeting held on 20 June 2017.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

At 31 December 2017, the Company had negative working capital of 73,793 thousand euros. Nevertheless, the directors have prepared these annual accounts on a going concern basis, as this situation is not expected to affect their future development, as a result of the Company's own peculiarities, based on estimated cash flows, and because of the composition of the current liabilities. In this regard, current liabilities include a balance payable arising from a loan agreement with AP-1 EUROPISTAS, C.E.S.A., a company owned by ITÍNERE 100% through ENAITINERE, whose amount at the end of 2017 amounts to 84,121 thousand euros, and that is expected to be delivered to its Sole Shareholder, ENAITINERE, as part of the return of contributions of the aforementioned investee company whose concession contract, which constitutes its principal activity, ends on 30 November 2018, at which time it will proceed to change the lender and the extension of its expiration.

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.

(b) Critical factors for measuring and estimating uncertainties

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

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

- *Impairment of non-financial assets*

Every year, the Company analyses whether there are impairment indicators for non-financial assets (intangible fixed assets, material assets, property investments and investments in Group companies). Where appropriate, it carries out the appropriate impairment tests and proceeds to determine the recoverable value of the aforementioned assets.

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

- *Deferred tax assets*

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

▪ *Provisions*

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

▪ *Calculation of fair values and recoverable values*

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

(c) Comparison of information

As required by article 35.6 of the Spanish Code of Commerce and for the purposes of uniformity and comparability, the annual accounts for 2017 include comparative figures for 2016.

3. DISTRIBUTION OF PROFIT

(a) The proposal to apply the results for the year ended 31 December 2017, formulated by the Directors and pending approval by the General Shareholders' Meeting, consists of the transfer of the total losses for 2017 in the amount of 18,758,608.67 euros to negative results from previous years.

(b) The distribution of earnings for the year ended 31 December 2016, carried out during 2017, is shown in the statement of total changes in equity, which forms an integral part of these annual accounts.

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement standards applied by the Company in the preparation of the Annual accounts for the year ended on 31 December 2017 were as follows:

(a) Intangible assets

It includes computer applications that are valued at their acquisition price minus any accumulated amortisation and impairment losses.

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

(b) Property, plant and equipment

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

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

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

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

(c) Investment property

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

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

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

(d) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognised for all assets, or, where applicable, for the cash generating units to which they belong, when their carrying amount exceeds their estimated recoverable amount. These corrections are recorded in the profit and loss account and are reversed when the circumstances that gave rise to them have ceased to exist. The reversal of impairment is recognised in the income statement and only up to the limit of the carrying amount of the asset net of amortisation and depreciation had impairment not been recognised. Impairment losses corresponding to goodwill are not reversible.

(e) Operating leases

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

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

(f) Financial instruments

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

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

(i) Financial assets

The Company's financial assets are classified as follows:

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

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

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

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

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

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

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

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

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

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

(ii) Financial liabilities

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

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

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

A financial liability is derecognised when the resulting obligation has been cancelled. Likewise, in the case of the exchange of debt instruments, provided that they have substantially different conditions, as well as when there is a substantial change in the current conditions of a liability, the derecognition of the same is recorded, recognizing the new financial liability that arises. In an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognised. Fees and commissions paid are accounted for as an adjustment to the carrying amount.

The profit or loss from a financial liability's derecognition forms part of the profit or loss of the financial year in which it occurs and is determined as the difference between the financial liability's book value and the consideration paid including the attributable transaction costs, also including any assigned asset other than the cash or assumed liability.

(g) Own equity instruments

The own shares held by the Company at 31 December 2017 and 2016 is recognised under the "own shares and equity holdings" line-item on the attached balance sheet and are valued at their average acquisition cost. The costs of these transactions are recognised directly in equity as lower reserves.

(h) Cash and cash equivalents

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

- They are convertible into cash.
- Their maturity does not exceed three months from their acquisition date.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

- They are not subject to significant value change risks.
- They form part of the Company's normal cash management policy.

(i) Foreign currency transactions

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

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

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

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

(j) Income tax

Expenses or revenues relating to income tax include both current and deferred taxes.

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

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

Assets or liabilities relating to current income tax are valued at the amounts expected to be paid or recovered by the tax authorities, using the regulations and tax rates in force or approved and pending publication on the closing date of the fiscal year.

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

(i) Recognition of deferred tax liabilities

The Company recognises the deferred tax liabilities in all cases, except when they arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and does not affect the book value or the tax base at the transaction date.

(ii) Recognition of deferred tax assets

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

In the absence of proof to the contrary, it is not considered probable that the Company will have future taxable profits when it is foreseen that their future recovery will occur more than ten years from the closing date of the fiscal year. This is regardless of the nature of the deferred tax asset or if they are credits arising from deductions and other fiscal advantages pending tax application due to insufficient quota, when the activity has taken place or the yield resulting from the right to the deduction or allowance has been obtained, there are reasonable doubts about compliance with the requirements to make them effective.

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

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

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

In order to determine future taxable profits, the Company takes into account tax planning opportunities, provided that it intends to adopt them or is likely to adopt them.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured based on the tax rates expected at the time of their reversal, in accordance with the approved standard in force, and according to the form in which the deferred tax asset or liability is rationally expected to be recovered or paid. For such purposes, the Company considers the deduction for reversal of the temporary measures implemented in transitional provision thirty-seven of Income Tax Act 27/2014 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.

The adjustments in the valuation of deferred tax assets and liabilities are allocated to the profit and loss account, except to the extent that the affected deferred tax assets or liabilities originate from accounting carried out directly in equity.

(iv) Offsetting and classification

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

(v) Consolidated tax system

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

When paying profit tax under the consolidated taxation system, the Company records the balances derived from the aforementioned tax in accounts with group companies and associates in the attached balance sheet. The corporate income tax expense or revenue of the companies filed under the tax consolidation system is established by taking into account not only the parameters to be considered in the case of individual taxes, as indicated above, but also the following:

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

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

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

(k) Income and expenses

Income and expenses are allocated based on the actual flow of goods and services that they represent and regardless of when the monetary or financial flow deriving from them takes place.

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

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

Revenues from services rendered are recognised by considering the degree of completion of the service at the balance sheet date, provided that the transaction result can be estimated reliably.

(l) Environmental assets

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

(m) Subsidies, donations and bequests received

This line-item recognises the difference between the fair value at which certain loans granted to the Company at zero interest rate have been recognised and the amount at which they were granted, on the grounds that this difference is an interest-rate subsidy.

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

(n) Related-party transactions

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

(o) Current and non-current assets and liabilities

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

5. INTANGIBLE ASSETS

Their detail and movement are as follows:

Thousands of euros	Computer software
Cost at 31 December 2015	67
Additions	3
Cost at 31 December 2016	70
Accumulated amortisation at 31 December 2015	(48)
Additions	(10)
Accumulated amortisation at 31 December 2016	(58)
Net book value at 31 December 2016	12
Cost at 31 December 2016	70
Additions	4
Cost at 31 December 2017	74
Accumulated amortisation at 31 December 2016	(58)
Additions	(9)
Accumulated amortisation at 31 December 2017	(67)
Net book value at 31 December 2017	7

At 31 December 2017, the Company had fully amortised intangible assets amounting to 33 thousand euros (32 thousand euros at 31 December 2016).

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

6. PROPERTY, PLANT AND EQUIPMENT

Their detail and movement are as follows:

Thousands of euros	Other facilities, fixtures and furniture	Other property, plant and equipment	Total
Cost at 31 December 2015	1,024	1,120	2,144
Additions	2	6	8
Cost at 31 December 2016	1,026	1,126	2,152
Accumulated depreciation at 31 December 2015	(698)	(1,095)	(1,793)
Additions	(85)	(8)	(93)
Accumulated depreciation at 31 December 2016	(783)	(1,103)	(1,886)
Net book value at 31 December 2016	243	23	266
Cost at 31 December 2016	1,026	1,126	2,152
Additions	11	3	14
Cost at 31 December 2017	1,037	1,129	2,166
Accumulated depreciation at 31 December 2016	(783)	(1,103)	(1,886)
Additions	(85)	(9)	(94)
Accumulated depreciation at 31 December 2017	(868)	(1,112)	(1,980)
Net book value at 31 December 2017	169	17	186

At 31 December 2017, the Company had fully amortised property, plant and equipment amounting to 1,323 thousand euros (1,269 thousand euros at 31 December 2016).

At 31 December 2017 and 2016, no property, plant and equipment have been pledged as security or are subject to ownership restrictions.

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

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

7. INVESTMENT PROPERTY

Their detail and movement are as follows:

Thousands of euros	Land and buildings
Cost at 31 December 2015	2,535
Additions	-
Cost at 31 December 2016	2,535
Accumulated depreciation at 31 December 2015	(1,848)
Additions	(75)
Accumulated depreciation at 31 December 2016	(1,923)
Net book value at 31 December 2016	611
Cost at 31 December 2016	2,535
Additions	-
Cost at 31 December 2017	2,535
Accumulated depreciation at 31 December 2016	(1,923)
Additions	(75)
Accumulated depreciation at 31 December 2017	(1,998)
Net book value at 31 December 2017	536

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

The investment properties registered at 31 December 2017 and 2016 refer to two business premises located in Bilbao and Vitoria that are owned by the Company. At 31 December 2017, the Bilbao premises are partially available for leasing.

Expenses deriving from the investment properties owned by the Group refer to their annual depreciation and maintenance charges, which amounted to 47 thousand euros in 2017 (46 thousand euros in 2016). All the expenses are recognised in the income statement on an accrual basis.

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

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

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

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

8. LEASES

At 31 December 2017, the Company had signed with Merlin Properties Socimi, S.A. an operating lease for offices as the tenant which matures in September 2021. Details of the minimum instalments according to the terms and conditions in force, excluding the re-invoicing of the building's expenses and, future CPI-based increases, are as follows:

Maturity	Thousands of euros
Up to one year	248
Between one and four years	692
Total maturities	940

9. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

Thousands of euros

FINANCIAL ASSETS	Credits and receivables	
	2017	2016
Non-current financial assets:		
Non-current financial investments	46	62
Other financial assets	46	62
Total non-current financial assets	46	62
Current financial assets:		
Trade and other receivables	27,728	11,673
Receivables from group companies and associates (note 19)	27,700	10,770
Sundry receivables (note 11)	28	569
Personnel (note 11)	-	334
Total current financial assets	27,728	11,673
Total financial assets	27,774	11,735

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

At 31 December 2017 and 2016, the carrying amount of financial assets does not differ significantly from their fair value.

(a) Other financial assets

At 31 December 2017 and 2016, this item mainly refers to the deposit handed over by the Company in connection with the lease of its offices (see note 8).

PASIVOS FINANCIEROS

The breakdown of the financial liabilities by category at 31 December 2017 and 2016 is as follows:

Thousands of euros											
Category	Type	Debentures and other marketable securities		Debt with financial institutions		Trade creditors and other payables		Derivatives and other		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		Debts and payables		10,513	14,221	568,313	569,659	-	-	397,258	454,964
Non-current financial liabilities		10,513	14,221	568,313	569,659	-	-	397,258	454,964	976,084	1,038,844
Debts and payables		5,427	-	4,538	4,539	6,011	5,966	99,941	15,853	115,917	26,358
Current financial liabilities		5,427	-	4,538	4,539	6,011	5,966	99,941	15,853	115,917	26,358
Total financial liabilities		15,940	14,221	572,851	574,198	6,011	5,966	497,199	470,817	1,092,001	1,065,202

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

Thousands of euros										
FINANCIAL LIABILITIES	Debentures and other marketable securities		Debt with financial institutions		Trade creditors and other payables		Derivatives and other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Non-current financial liabilities:									
Non-current payables	10,513	14,221	568,313	569,659	-	-	-	-	578,826	583,880
Debentures and other marketable securities (note 15)	10,513	14,221	-	-	-	-	-	-	10,513	14,221
Debt with financial institutions (note 16)	-	-	568,313	569,659	-	-	-	-	568,313	569,659
Non-current payables to group companies and associates (note 19)	-	-	-	-	-	-	397,258	454,964	397,258	454,964
Total non-current financial liabilities	10,513	14,221	568,313	569,659	-	-	397,258	454,964	976,084	1,038,844
Current financial liabilities:										
Current payables	5,427	-	4,538	4,539	1	1	-	-	9,966	4,540
Debentures and other marketable securities (note 15)	5,427	-	-	-	-	-	-	-	5,427	-
Debt with financial institutions (note 16)	-	-	4,538	4,539	-	-	-	-	4,538	4,539
Other financial liabilities	-	-	-	-	1	1	-	-	1	1
Current payables to group companies and associates (note 19)	-	-	-	-	-	-	99,941	15,853	99,941	15,853
Trade creditors and other payables	-	-	-	-	6,010	5,965	-	-	6,010	5,965
Sundry payables	-	-	-	-	525	487	-	-	525	487
Staff payables	-	-	-	-	5,485	5,478	-	-	5,485	5,478
Total current financial liabilities	5,427	-	4,538	4,539	6,011	5,966	99,941	15,853	115,917	26,358
Total financial liabilities	15,940	14,221	572,851	574,198	6,011	5,966	497,199	470,817	1,092,001	1,065,202

At 31 December 2017 and 2016, the carrying amount of financial liabilities does not differ significantly from their fair value.

(a) 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:

	2017	2016
	Days	Days
Average period for payments to suppliers	3	3
Ratio of transactions paid	3	3
Ratio of transactions pending payment	3	3
Thousands of euros	Amount	Amount
Total payments made	3,573	3,519
Total payments pending	76	124

At 31 December 2017 and 2016, the Company does not have any amounts pending payment on commercial transactions that accumulate a deferment in excess of the legal deadline as per the

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

provisions of Act 3/2004 of 29 December and its subsequent amendments through Act 15/2010 of 5 July and Royal Decree Law 4/2013 of 22 February.

10. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Their breakdown and movement at 31 December 2017 and 2016 is as follows:

Thousands of euros	Balance at 31/12/2015	Additions	Balance at 31/12/2016	Additions	Balance at 31/12/2017
Enaitinere, S.A.U.	2,583,966	-	2,583,966	-	2,583,966
Equity investments in group companies	2,583,966	-	2,583,966	-	2,583,966
Tacel Inversiones, S.A.	3,130	-	3,130	-	3,130
Bip&Drive, S.A.	1,821	-	1,821	293	2,114
Equity investments in associates	4,951	-	4,951	293	5,244
Enaitinere, S.A.U.	(284,664)	-	(284,664)	-	(284,664)
Tacel Inversiones, S.A.	(3,130)	-	(3,130)	-	(3,130)
Impairment adjustments	(287,794)	-	(287,794)	-	(287,794)
EQUITY INSTRUMENTS	2,301,123	-	2,301,123	293	2,301,416
Tacel Inversiones, S.A.	1,217	-	1,217	-	1,217
Loans to group companies, associates and jointly controlled entities (note 18)	1,217	-	1,217	-	1,217
Tacel Inversiones, S.A.	(1,217)	-	(1,217)	-	(1,217)
Impairment adjustments	(1,217)	-	(1,217)	-	(1,217)
LOANS TO COMPANIES	-	-	-	-	-
TOTAL	2,301,123	-	2,301,123	293	2,301,416

(a) Equity investments in group companies

Thousands of euros	Company name	Stake (%)	Capital	Reserves	Other equity items	Operating profit/(loss)	Other income	Equity	Carrying amount (*)	Dividend received
	Enaitinere, S.A.U. ⁽¹⁾	100.00%	139,062	845,341	(2,347)	(115)	80,596	1,062,538	2,299,302	-

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

Thousands of euros	Company name	Stake (%)	Capital	Reserves	Other equity items	Operating profit/(loss)	Other income	Equity	Carrying amount (*)	Dividend received
	Tacel inversiones, S.A.	9.36%	33,450	(148)	-	(7)	2	33,297	-	-
	Bip&Drive, S.A.	20.00%	3,516	3,595	-	(581)	122	6,652	2,114	-

These companies are audited by Deloitte, S.L.

The breakdown of the stakes in Group companies at 31 December 2017 is as follows:

The activity of ENAITINERE is the rendering of services to trading corporations and the purchase and sale of commercial companies and their assets. At 31 December 2017, it owns 100% of the capital of ENA INFRAESTRUCTURAS, S.A.U. (hereinafter ENA), the parent company of the Group of the same name whose main activity is the direction and coordination of the management, the implementation of common policies, as well as the management of the debt and treasury of its subsidiaries AUTOPISTAS DEL ATLÁNTICO CONCESIONARIA ESPAÑOLA, S.A.U. (AUDASA), AUTOPISTA CONCESIONARIA ASTUR-LEONESA, S.A.U. (AUCALSA), AUTOPISTAS DE NAVARRA, S.A. (AUDENASA), AUTOESTRADAS DE GALICIA, AUTOPISTAS DE GALICIA, CONCESIONARIA DE LA XUNTA DE GALICIA, S.A. (AUTOESTRADAS), as well as 100% of the capital of AP-1 EUROPISTAS CONCESIONARIA DEL ESTADO, S.A.U., beneficiary of the administrative concession contract for the construction, conservation and operation of the AP-1 Burgos-Armiñón motorway, which in turn, has a 55% stake in GESTION DE INFRAESTRUCTURAS DE BIZKAIA, S.A., whose activity consists of the upkeep and operation of the AP-8 in the section that runs through the historical territory of Bizkaia. The respective concession contracts of the companies in which ENAITINERE has a stake expire between 2018 (AP-1) and 2050 (AUCALSA).

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

In 2012, the Company recorded an impairment loss in relation to its subsidiary ENAITINERE, for an amount of 284,664 thousand euros. The aforesaid impairment was the consequence of the fall in levels of traffic on the motorways operated by the investees and the consequent impact on future estimates; changes in the fiscal rules, particularly Royal Decree 12/2012 and the regulations for its application, which introduced limitations on the extent to which finance expenses can be deducted that affect the Group's financing structure and whose forecast evolution differs from the initial projections; the tightening of financial market conditions and their impact on future projections.

At year-end 2017, the Company checked the value in use of its investments in group companies by calculating the present value of future cash flows, although the need to modify the already recorded valuation correction has not been made clear.

(b) Equity investments in associates

The breakdown of the stakes in associates at 31 December 2017 is as follows:

Activity	Address
Concession holding - stake in ENA Infraestructuras, S.A.	Plaza Carlos Trías Bertrán 7. Madrid - Spain

Activity	Address
Concession holding (stake in ACEGA)	C/ Feal -San Mamede de Ribadulla, Vedra, A Coruña - Spain
Telematic collection of right of access to infrastructure	Calle Serrano, 45; Planta 2. Madrid - Spain

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

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

BIP & DRIVE, S.A., a company in which ITÍNERE has a 20% stake at 31 December 2017, was incorporated on 18 March 2014. In 2017, capital disbursements for an amount of 293 thousand euros were made (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. At 31 December 2017, the Company recognizes uncalled payments pending for this investee amounting to 293 thousand euros.

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

At the end of 2017, the Company has verified the value in use of its investments in associates, and the need to modify the already recorded valuation correction has not been made clear.

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

On 28 December 2006, Tacel Inversiones, S.A. arranged a participating loan of 13,000 thousand euros with its shareholders. The Company extended 1,217 thousand euros of this amount. The loan was subordinated to the main credit contract signed by ACEGA with several lenders and whose maturity is for 2024. The loan was extended so that the borrower could meet its payment commitments with the temporary joint venture constructing the toll road and accrues interest based

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

on the rise in traffic of the borrowing company. In 2017 and 2016, the conditions established for this purpose were not met and, therefore, no interest accrued.

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

11. TRADE AND OTHER RECEIVABLES

Their breakdown and movement at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Receivables from group companies and associates (note 19)	27,700	10,770
Sundry receivables	28	569
Personnel (note 24)	-	334
Current tax assets (note 18)	5,627	11,619
Trade and other receivables	33,355	23,292

The "other receivables" line-item refers to the balances with related parties at 31 December 2017, in an amount of 27 thousand euros (568 thousand euros at 31 December 2016) (see note 19).

At 31 December 2017, current tax assets include 5,623 thousand euros corresponding to the settlement of corporate income tax for the 2017 financial year derived from taxation under the tax consolidation system, as well as 4 thousand euros corresponding to corporate income tax for 2016 pending collection, which at the date of formulation of these accounts has already been collected (see note 18).

12. CASH AND CASH EQUIVALENTS

At 31 December of 2017, this heading includes bank deposits within which the debt service reserve account related to the syndicated loan subscribed by the Company is recorded (see note 16), which at the end of 2017 amounts to 5,896 thousand euros (5,912 thousand euros at year-end 2016). At 31 December 2016, it also included term deposits with a maturity of no more than 3 months from the date of contracting, which accrued interest at an average rate of 0.07%.

13. EQUITY

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

(a) Subscribed capital

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

At 31 December 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.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

Company	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%
Other shareholders	3,043,198	0.67%	3,043,193	0.67%
Own shares	53,464	0.01%	53,469	0.01%
TOTAL	452,804,870	100.00%	452,804,870	100.00%

At 31 December 2017, 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 an average acquisition price of 3.96 euros per share (53,469 shares at 31 December 2016).

(b) 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, to the extent that the resulting capital and reserves are not less than the share capital.

(c) Legal reserve

Companies are required to transfer at least 10% of profit for the year to a legal reserve until this reserve reaches 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. At 31 December 2017, the Company has endowed this reserve for an amount of 29,756 thousand euros (26,956 thousand euros at 31 December 2016).

(d) Other reserves

It includes voluntary reserves amounting to 486,946 thousand euros at 31 December 2017 and 2016, as well as others derived from the first application of the General Accounting Plan in effect since 1 January 2008, amounting to 6,280 thousand euros. The aforementioned reserves are freely available unless the distribution of the net assets is less than the share capital of the Company.

Their movement in 2017 and 2016 is as follows (in thousands of euros):

Thousands of euros	2017	2016
Balance at 1 January	493,226	508,561
Adjustments for inspection certificate (note 18)	-	(15,335)
Balance at 31 December	493,226	493,226

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

14. SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED

Their breakdown and movement at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Balance at 1 January	30	44
Allocated to earnings (*)	(11)	(14)
Balance at 31 December	19	30

(*) Net of the tax effect

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

At 31 December 2017 and 2016, this line-item includes the difference between the fair value at which the zero interest rate loans granted to the Company by the Ministry of Energy, Tourism and the Digital Agenda have been recorded and the amount granted, on the understanding that this difference is an interest-rate subsidy (note 16).

Until 31 December 2017, income in the amount of 261 thousand euros, net of the tax effect, has been transferred to the income statement, as the allocation of financial subsidies, donations and bequests, of which 11 thousand euros correspond to the 2017 financial year (14 thousand euros in 2016).

15. DEBENTURES AND OTHER MARKETABLE SECURITIES

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

Within the framework of the refinancing process completed in February 2016 (see note 16), the final due date of 84.5% of the issue was extended and will take place in October 2025. The rest of the issue, i.e. 1,705 debentures subscribed by Sacyr Concesiones, S.L., maintains its maturity in October 2018. It is envisaged that the debentures will be amortised in full for an amount equal to the outstanding principal plus the accumulated interest, except in the case of the debentures whose title-holders choose their conversion into shares. The aforesaid conversion shall take place solely at the election of the debenture holders, who will be able to request the conversion of all or part of their debentures into ordinary shares, in the terms and conditions established in the issue deed. The debentures are remunerated at an effective 12% annual compound interest rate, while the debentures corresponding to the tranche which was amortized early and on a mandatory basis in 2015 accrued a remuneration of 10% compounded annually.

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

Thus, by virtue of the foregoing, the nominal amount of the outstanding debentures at 31 December 2017 and 2016 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 income statement, in application of the effective interest rate method, in an amount of 3,753 thousand euros (3,367 thousand euros in 2016) (note 22).

The breakdown of non-current and current convertible debentures per subscriber, including accrued interest, at 31 December 2017 and 2016, is as follows:

Thousands of euros

Subscriber	No. of debentures	2017				2016		
		Non-current		Current	TOTAL	Non-current		TOTAL
		Other group companies	Other related parties	Other related parties		Other group companies	Other related parties	
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	-	(117)	(99)	-	(216)	(118)	(100)	(218)
TOTAL	11,000	18,856	10,514	5,427	34,797	16,823	14,221	31,044

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

Thousands of euros	2017	2016
Balance at 1 January	31,044	27,705
Accrued interest	3,751	3,358
Adjustment for valuation at amortised cost	2	(19)
Balance at 31 December	34,797	31,044

16. DEBTS WITH CREDIT INSTITUTIONS

The breakdown of the current and non-current balances held with credit institutions at 31 December 2017 and 2016 is as follows:

Thousands of euros	Current		Non-current		Total	
	2017	2016	2017	2016	2017	2016
Debt with financial institutions	116	116	568,313	569,659	568,429	569,775
Interest debt	4,422	4,423	-	-	4,422	4,423
Debt with financial institutions	4,538	4,539	568,313	569,659	572,851	574,198

The breakdown of the balances held with credit institutions at 31 December 2017 is as follows:

Thousands of euros

Description/Agent	Original amount	Currency	Date		Interest rate	Principal		Total
			Start date	Maturity		Current	Non-current	
Syndicated loan	571,082	EUR	2016	2025	EURIBOR 6M + MARGIN	-	568,092	568,092
Ministry of Industry	678	EUR	2007	2021	ZERO RATE	62	166	228
Ministry of Industry	441	EUR	2008	2020	ZERO RATE	54	55	109
Interest debt	-	-	-	-	-	4,422	-	4,422
Loans	572,201					4,538	568,313	572,851
Debt with financial institutions						4,538	568,313	572,851

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

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.

On 6 October 2015, this loan was novated, subject to a condition precedent, among which the conditions envisaged were the accrual of interest in accordance with a variable interest rate pegged to 6-month Euribor plus a 2% spread 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 worth 50,000 thousand euros by the investee ENAITINERE and which had to be allocated to redeeming the loan, the novation entered into force, placing the principal of the loan at that date at 571,082 thousand euros.

During the 2017 financial year, 1,432 thousand euros were amortized (no amortization 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).

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

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

On 5 June 2007, the Ministry of Energy, Tourism and the Digital Agenda granted ITÍNERE an interest-free preferential repayable loan of 678 thousand euros, for the execution of a project for the analysis of telecommunications systems applied to tolls by satellite positioning. This loan's final maturity is 30 June 2021 and 11 partial repayments have been planned (see note 14).

In 2008, the Ministry of Energy, Tourism and the Digital Agenda granted ITÍNERE an interest-free preferential repayable loan of 441 thousand euros for the execution of a project for the development of an independent power system. The final maturity is 30 December 2020 (see note 14).

The breakdown of the maturity of non-current debt with credit institutions at 31 December 2017, is as follows:

Maturity	Thousands of euros
2019	103
2020	75
2021 and after	568,135
Total maturities	568,313

The interest accrued and pending payment at 31 December 2017 amounts to 4,422 thousand euros (4,423 thousand euros at 31 December 2016). These amounts are shown under “debts with credit institutions” under the “current liabilities – debts with credit institutions” heading on the attached balance sheet.

In 2017, finance expenses were allocated to the income statement in application of the effective interest rate method for an amount of 11,911 thousand euros (13,791 thousand euros in 2016).

17. PUBLIC ADMINISTRATIONS

The breakdown of the credit balances with public authorities at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Payable to Public Treasury:		
For tax withholdings	118	148
For VAT	5,962	6,318
Payable to the Social Security	14	18
Other tax provisions (note 18)	-	15,831
Public authorities	6,094	22,315

The Company taxes Value Added Tax under the Special provisions for groups of entities (REGE), forming part, as of 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 (note 19).

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

18. TAX SITUATION

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

The companies that make up the tax consolidation group at 31 December 2017 are as follows: ITÍNERE INFRAESTRUCTURAS, S.A., ENAITINERE, S.A.U., ENA INFRAESTRUCTURAS, S.A.U., AUTOPISTAS DEL ATLÁNTICO, C.E.S.A., AUTOPISTA CONCESIONARIA ASTUR LEONESA, S.A., AUTOESTRADAS DE GALICIA, A.G., C.X.G., S.A., and AP-1 EUROPISTAS, C.E.S.A.U.

Income Tax Act 27/2015 of 27 November, on Corporate Tax, published in the Spanish State Gazette (BOE) on 28 November 2014, includes, inter alia, the modification of the general income tax rate of 25% for years beginning on 1 January 2016.

At 31 December 2017, the Company recognized an income tax income of 2,863 thousand euros (3,104 thousand euros at 31 December 2016).

As a consequence of paying tax under a fiscal consolidation regime, at 31 December 2017 the Company recorded a receivable with the Treasury Department in the amount of 5,632 thousand euros, corresponding to the settlement of the income tax for 2017, as well as 4 thousand euros corresponding to the income tax for 2016 which, at the date of the preparation of these annual accounts, have already been collected (11,619 thousand euros at 31 December 2016) (see note 11).

A reconciliation of net income and expenses for the year and the taxable income the Company estimates it will contribute to the consolidated tax return for 2017 and that contributed for 2016 is as follows:

Thousands of euros	2017			2016		
	Income statement	Income and expenses recognised directly in equity	Total	Income statement	Income and expenses recognised directly in equity	Total
Balance of income and expenses in the year	(18,759)	(11)	(18,770)	28,005	429	28,434
Income tax	(2,863)	(4)	(2,867)	(3,104)	143	(2,961)
Permanent differences:	10,169	-	10,169	(37,316)	-	(37,316)
Dividend exception for tax group	-	-	-	(50,000)	-	(50,000)
Non-deductible finance expense	10,169	-	10,169	12,684	-	12,684
Timing differences:	(13)	15	2	(13)	(572)	(585)
Arising in prior years	(13)	-	(13)	(13)	-	(13)
Reversal of the limit to the deductibility of redemptions	(13)	-	(13)	(13)	-	(13)
Arising in the year	-	15	15	-	(572)	(572)
Cash flow hedges	-	-	-	-	(591)	(591)
Subsidies	-	15	15	-	19	19
Taxable income	(11,466)	-	(11,466)	(12,428)	-	(12,428)
Total tax liability (taxable income)	(2,866)	-	(2,866)	(3,107)	-	(3,107)
Net tax payable	(2,866)	-	(2,866)	(3,107)	-	(3,107)

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 131,296 thousand euros (121,127 thousand euros at 31 December 2016). The Company chose not to recognize the tax credits resulting from the application of the aforesaid limit since it expects a future recovery ten years after the closing date.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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

Thousands of euros	2017			2016		
	Income statement	Income and expenses recognised directly in equity	Total	Income statement	Income and expenses recognised directly in equity	Total
Pre-tax profit/(loss) from continuing operations	(21,622)	(15)	(21,637)	24,901	572	25,473
Permanent differences	10,169	-	10,169	(37,316)	-	(37,316)
Applicable tax rate	25%	25%	25%	25%	25%	25%
Theoretical tax burden	(2,863)	(4)	(2,867)	(3,104)	143	(2,961)
Effective tax expense	(2,863)	(4)	(2,867)	(3,104)	143	(2,961)
Detail:						
Current	(2,866)	-	(2,866)	(3,107)	-	(3,107)
Deferred	3	-	3	3	-	3
Income tax	(2,863)	-	(2,863)	(3,104)	-	(3,104)

The breakdown of the tax recognized directly in equity at 31 December 2017 and 2016 is as follows:

Thousands of euros	Increase	Reduction	Total	Increase	Reduction	Total
Arising in the year:						
Subsidies	-	4	4	-	(143)	(143)
Cash flow hedges	-	-	-	-	(148)	(148)
Total deferred tax	-	4	4	-	(143)	(143)
Total tax recognised directly in equity	-	4	4	-	(143)	(143)

The breakdown of and movement in deferred taxes at 31 December 2017 and 2016 are as follows:

Thousands of euros	ASSETS					LIABILITIES	
	Cash flow hedges	Tax loss carryforwards	Other deductible timing differences	Pending deductions	TOTAL	Subsidies and other	TOTAL
Balance at 31 December 2015	148	139	29	6	322	15	15
Removals	(148)	(139)	(5)	-	(292)	(5)	(5)
Balance at 31 December 2016	-	-	24	6	30	10	10
Removals	-	-	(3)	(1)	(4)	(4)	(4)
Balance at 31 December 2017	-	-	21	5	26	6	6

In accordance with Royal Decree-Law 3/2016 of 2 December, effective from 2016, the consolidated tax group to which the Company belongs has a limit for offsetting tax losses of 25% of the tax loss prior to that offset and a limit to the double tax deduction envisaged in transitional provision 23 of Act 27/2014, which cannot exceed 50% of the consolidated tax group's gross tax payable.

Act 16/2012 of 27 December sets a limit of 70% on the deductibility of amortization 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 amortization and depreciation shall be deducted on a straight-line basis over a period of 10 years or the useful life of the asset, as of the first tax period beginning in 2015. Consequently, at 31 December 2017 the Company had recognized a deferred tax asset of 21 thousand euros in this respect (24 thousand euros at 31 December 2016).

In relation to the deferred tax asset derived from the limit to the deductibility of amortization 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 amortization and depreciation charges in 2013 and 2014 (2% deduction in 2015). Therefore, as a result of the above, at 31 December 2017 and 2016 the Company had recognized

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

deductions pending application amounting to 5 thousand euros for reversal of the temporary measures.

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

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

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

In 2016, the Tax Agency made partial verification and inspection of the income tax for 2013 and 2014. On 23 December 2016, the inspection certificate was issued and signed in conformity by the Company, amounting to 14,969 thousand euros in tax and 862 thousand euros in late payment interest; no penalty file was initiated for any of those years. The aforementioned tax debt was liquidated by the Company on 2 March 2017.

As a consequence of the aforementioned inspection report and of the adjustment made in the negative tax bases offset by the group and, in accordance with the provisions of the Resolution of 9 February 2016 of the Accounting and Account Auditing Institute, by which the rules for the recording, valuation and preparation of the annual accounts for the accounting of profit tax are developed, in 2016 an adjustment was recorded and charged to voluntary reserves amounting to 15,335 thousand euros (see notes 13 and 17), as well as financial expenses amounting to 862 thousand euros. Likewise, negative tax bases amounting to 139 thousand euros were offset, and there was an increase in net financial expenses pending deduction amounting to 19,283 thousand euros.

19. BALANCES AND TRANSACTIONS WITH GROUP COMPANIES, ASSOCIATES AND OTHER RELATED PARTIES

Receivables from and payables to group companies, jointly controlled entities, associates and other related parties at 31 December 2017 and 2016 are as follows:

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

Thousands of euros	2017			2016		
	Other group companies	Total	Other related parties	Other group companies	Total	Other related parties
Trade and other receivables (note 11)	27,700	27,700	27	10,770	10,770	568
Enaitinere, S.A.U.	816	816	-	816	816	-
Ena Infraestructuras, S.A.	367	367	-	369	369	-
Ena Infraestructuras, S.A., Grupo IVA	28	28	-	63	63	-
Autopistas del Atlántico, C.E.S.A.,	-	-	-	5	5	-
Autopistas del Atlántico, C.E.S.A., Consolidación fiscal	11,566	11,566	-	2,285	2,285	-
Autopistas del Atlántico, C.E.S.A., Grupo IVA	3,260	3,260	-	3,756	3,756	-
Autopista Astur Leonesa, S.A., Consolidación fiscal	1,131	1,131	-	-	-	-
Autopista Astur Leonesa, S.A., Grupo IVA	1,342	1,342	-	1,232	1,232	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U., Consolidación fiscal	1,214	1,214	-	156	156	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U., Grupo IVA	122	122	-	135	135	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	316	316	-	283	283	-
AP-1 Europistas Concesionaria del Estado, S.A.U., Consolidación fiscal	6,367	6,367	-	472	472	-
AP-1 Europistas Concesionaria del Estado, S.A.U., Grupo IVA	1,118	1,118	-	1,049	1,049	-
Gestión de Infraestructuras de Bizkaia, S.A.	53	53	-	149	149	-
Sacyr, S.A.	-	-	27	-	-	568
Current receivables with group companies, jointly controlled entities and associates	27,700	27,700	27	10,770	10,770	568
Non-current debt - Convertible debentures (note 15)	18,856	18,856	10,514	16,823	16,823	14,221
Pear Luxembourg Investment S.Á.R.L.	13,295	13,295	-	11,871	11,871	-
Kutxabank, S.A.	5,678	5,678	-	5,070	5,070	-
Abanca Corporación Industrial y Empresarial, S.L.	-	-	8,324	-	-	7,432
Caser, S.A.	-	-	121	-	-	108
Liberbank, S.A.	-	-	2,031	-	-	1,813
Sacyr Concesiones, S.L.	-	-	-	-	-	4,846
Other (directors and senior management)	-	-	137	-	-	122
Adjustment for valuation at amortised cost	(117)	(117)	(99)	(118)	(118)	(100)
Non-current debt - Other debt	378,401	378,401	-	438,141	438,141	-
Pear Luxembourg Investment S.Á.R.L.	2,881	2,881	-	2,655	2,655	-
Ena Infraestructuras, S.A.	92,191	92,191	-	89,345	89,345	-
Enaitinere, S.A.U.	283,329	283,329	-	263,625	263,625	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	-	-	-	82,516	82,516	-
Non-current receivables with group companies, jointly controlled entities and associates	397,257	397,257	10,514	454,964	454,964	14,221
Current debt - Convertible bonds (note 15)	-	-	5,427	-	-	-
Sacyr Concesiones, S.L.	-	-	5,427	-	-	-
Current debt - Other debt	84,232	84,232	-	102	102	-
Pear Luxembourg Investment S.Á.R.L.	111	111	-	102	102	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	84,121	84,121	-	-	-	-
Trade and other payables	15,708	15,708	2	15,751	15,751	2
Enaitinere, S.A.U., Consolidación fiscal	14,895	14,895	-	14,464	14,464	-
Enaitinere, S.A.U., Grupo IVA	-	-	-	-	-	-
Autopista Astur Leonesa, S.A., Consolidación fiscal	-	-	-	224	224	-
Ena Infraestructuras, S.A., Consolidación fiscal	812	812	-	1,063	1,063	-
Gestión de Infraestructuras de Bizkaia, S.A.	1	1	-	-	-	-
Sacyr, S.A.	-	-	2	-	-	2
Current receivables with group companies, jointly controlled entities and associates	99,940	99,940	5,429	15,853	15,853	2

At 31 December 2017 and 2016, the Company has a credit with ENAITINERE for an amount of 816 thousand euros, corresponding to certain expenses relating to the purchase of ENA, which were originally borne by ITÍNERE and which are still pending payment.

At 31 December 2017 and 2016, the Company has trade receivables with its investees deriving from comprehensive management services rendered during the year by virtue of the contracts signed by the parties.

At 31 December 2017 and 2016, ITÍNERE has credits and debits with the companies in its Group integrated under the consolidated taxation regime relating to income tax (see note 18).

At 31 December 2017 and 2016, ITINERE maintains credits with the companies of its Group attached to the special arrangements for the group of entities in relation to the Value Added Tax, in which the integrated companies are taxed since 1 January 2010, and of which ITÍNERE is the parent company (notes 11 and 17).

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 (2,655 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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

of 234 thousand euros, of which 111 thousand euros had not yet matured (217 thousand euros in 2016 of which, at the end of that reporting period, 102 thousand euros had not yet matured).

On 16 February 2016, the Company entered into a loan agreement with ENA that matures in October 2025 and whose remuneration is referenced to 1-year Euribor plus a spread. At 31 December 2017 the capital provision for the aforementioned loan amounts to 92,191 thousand euros (89,345 thousand euros at 31 December 2016), a new provision having been made in July 2017 amounting to 1,099 thousand euros corresponding to balances of a fiscal nature. This loan provides for the capitalisation of any unpaid interest at the end of the settlement period. The interest accrued in 2017 amounts to 1,747 thousand euros (1,828 thousand euros in 2016), which have been capitalised.

On 16 February 2016, the Company signed a loan with its investee ENAITINERE to replace the one originally formalised on 29 June 2009 by PARTICIPACIONES AP-1 EUROPISTAS, S.L. and assigned by it to ENAITINERE during the merger process in 2015 (note 1 (e)) and based on which 263,625 thousand euros had been drawn down at 31 December 2016. That loan envisages that the interest will be settled on a yearly basis and is pegged to 1-year Euribor plus a spread. In addition, interest outstanding at the end of the settlement period will be capitalised. That loan will mature on 31 October 2025. In 2017, the Company capitalised tax balances amounting to 14,463 thousand euros (74,398 thousand euros in 2016) and unsettled interest payable totalling 5,241 thousand euros (7,331 thousand euros in 2016), so the balance of that loan stood at 283,329 thousand euros at 31 December 2017. This loan accrued interest of 5,241 thousand euros in 2017 (4,927 thousand euros in 2016).

Likewise, on 16 February 2016, the Company signed a loan with AP-1 EUROPISTAS C.E.S.A.U. to replace the one originally formalised on 30 April 2008 and based on which 82,516 thousand euros had been drawn down at 31 December 2016. That loan envisages that the interest will be settled on a yearly basis and is pegged to 1-year Euribor plus a spread. In addition, interest outstanding at the end of the settlement period will be capitalised. The expiration date of the contract will take place on 30 November 2018, so the outstanding balance at 31 December 2017 is presented under the heading "Debts with Group companies and Short-term Associates" on the attached balance sheet. In 2017, the loan accrued interest totalling 1,605 thousand euros, which was capitalised (1,692 thousand euros in 2016). Consequently, at 31 December 2017, the aforementioned loan amounts to 84,121 thousand euros.

Additionally, at 31 December 2017 and 2016, the Company has balances of a financial nature with related parties that comprise the banking syndicate with which the syndicated loan is held (note 16), as per the following detail:

Thousands of euros	2017	2016
Loans⁽¹⁾		
ABANCA	66,216	66,382
KUTXABANK	98,378	98,625
LIBERBANK	23,648	23,708

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

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

The breakdown of transactions with group companies, jointly controlled entities and other related parties in 2017 and 2016 is as follows:

Thousands of euros	2017				2016			
	Other group companies	Jointly controlled entities	Total	Other related parties	Other group companies	Jointly controlled entities	Total	Other related parties
Finance expenses - Convertible debentures	2,034	-	2,034	1,719	1,824	-	1,824	1,543
Pear Luxembourg Investment S.Á.R.L.	1,425	-	1,425	-	1,275	-	1,275	-
Kubabank, S.A.	608	-	608	-	545	-	545	-
Abanca Corporación Industrial y Empresarial, S.L.	-	-	-	892	-	-	-	798
Caser, S.A.	-	-	-	13	-	-	-	12
Liberbank, S.A.	-	-	-	218	-	-	-	195
Sacyr Concesiones, S.L.	-	-	-	581	-	-	-	521
Other (directors and senior management)	-	-	-	15	-	-	-	13
Adjustment for valuation at amortised cost	1	-	1	1	4	-	4	4
Finance expenses - Other debt	8,827	-	8,827	-	8,664	-	8,664	-
Pear Luxembourg Investment S.Á.R.L.	234	-	234	-	217	-	217	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	1,605	-	1,605	-	1,692	-	1,692	-
Ena Infraestructuras, S.A.	1,747	-	1,747	-	1,828	-	1,828	-
Enaitinere, S.A.U.	5,241	-	5,241	-	4,927	-	4,927	-
Total expenses	10,861	-	10,861	1,719	10,488	-	10,488	1,543
Finance income	-	-	-	-	50,000	-	50,000	-
Enaitinere, S.A.U. - Dividendos (note 10)	-	-	-	-	50,000	-	50,000	-
Management or collaboration contracts	7,191	-	7,191	-	7,032	-	7,032	-
Ena Infraestructuras, S.A.	3,889	-	3,889	-	3,803	-	3,803	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	2,773	-	2,773	-	2,708	-	2,708	-
Gestión de Infraestructuras de Bizkaia, S.A.	529	-	529	-	521	-	521	-
Rendering of services and other income	854	156	1,010	-	824	153	977	-
Autopistas de Navarra, S.A.	-	156	156	-	-	153	153	-
Autopista Astur Leonesa, S.A.	79	-	79	-	78	-	78	-
Autopistas del Atlántico, C.E.S.A.	284	-	284	-	290	-	290	-
AP-1 Europistas Concesionaria del Estado, S.A.U.	196	-	196	-	138	-	138	-
Gestión de Infraestructuras de Bizkaia, S.A.	20	-	20	-	57	-	57	-
Autoestradas de Galicia, Autopistas de Galicia, C.X.G., S.A.U.	29	-	29	-	27	-	27	-
Ena Infraestructuras, S.A.	243	-	243	-	234	-	234	-
Enaitinere, S.A.U.	3	-	3	-	-	-	-	-
Total revenues	8,045	156	8,201	-	57,856	153	58,009	-

The transactions carried out with related parties are related to the normal traffic of the Company and are carried out at market prices.

20. REVENUE

The breakdown of revenues in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Revenues from services rendered:	7,191	7,032
Ena Infraestructuras, S.A.	3,889	3,803
AP-1 Europistas Concesionaria del Estado, S.A.U.	2,773	2,708
Gestión de Infraestructuras de Bizkaia, S.A.	529	521
Other services to group companies, jointly controlled entities and other related parties	704	704
Revenues	7,895	7,736

By virtue of the various contracts signed by the Company with certain Group companies and associates, a total of 7,191 thousand euros was invoiced in 2017 (7,032 thousand euros in 2016), for technical, operational, financial and legal advisory services.

All the revenue recorded by the Company in 2017 and 2016 was obtained in Spain.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

21. EXTERNAL SERVICES

The breakdown of external services at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Leases and royalties	370	428
Repairs and maintenance	31	36
Freelance professional services	734	585
Insurance premiums	764	764
Banking and similar services	45	45
Advertising and public relations	16	22
Supplies	60	65
Other services	236	269
External services	2,256	2,214

22. FINANCE INCOME AND EXPENSES

The breakdown of finance income at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Income on investments in equity instruments in group companies, jointly controlled entities and associates (notes 10 and 19)	-	50,000
Intereses de otros valores negociables	3	19
Otros intereses e ingresos asimilados	7	18
Finance income	10	50,037

As mentioned in note 10, on 16 February 2016, ENAITINERE agreed to distribute to its Sole Shareholder an extraordinary dividend charged to voluntary reserves in the amount of 50,000 thousand euros, which the Company allocated to amortization of its syndicated loan (note 16).

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

Thousands of euros	2017	2016
Interest on debts with group companies, jointly controlled entities and associates (note 19)	10,861	10,488
Interest on debentures (note 15)	2,034	1,824
Interest on other debt	8,827	8,664
Interest on debt (note 16)	11,911	14,391
Interest on debentures with other related parties (notes 15 and 19)	1,719	1,543
Interest on late payments (note 18)	-	862
Other finance expenses	18	18
Finance expenses	24,509	27,302

Debt interest at 31 December 2016 includes 600 thousand euros of financial expenses charged to the profit and loss account using the effective interest rate method corresponding to derivative instruments (IRS) expired in January 2016.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

23. STAFF EXPENSES

The average headcount in 2017 and 2016, broken down by category, is as follows:

	2017	2016
Management	7	8
Experts and specialists	1	3
Administrative staff	2	3
Total	10	14

At 31 December 2017 and 2016, the breakdown of the Company's headcount by category and gender is as follows:

	Men		Women	
	2017	2016	2017	2016
Management	7	7	-	1
Experts and specialists	1	2	1	1
Administrative staff	-	-	1	3
Total	8	9	2	5

In 2017 and 2016, the Company did not have any employees with a disability of 33% or higher.

At 31 December 2017 and 2016, the Company's Board of Directors is made up of 12 men and 3 women.

Likewise, of the amount of social security contributions for 2017, 135 thousand euros correspond to the company's social security cost (184 thousand euros in 2016).

24. INFORMATION ABOUT COMPANY DIRECTORS AND SENIOR MANAGEMENT

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.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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.

25. GUARANTEES TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

(a) Guarantees to third parties

At 31 December 2017 and 2016, the Company has provided bank guarantees to different public bodies as performance bonds, maturing in 2021, as per the following detail:

Thousands of euros	2017	2016
Research and development projects	400	508
Total	400	508

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

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

(b) Other contingent liabilities

Superstrada Pedemontana Veneta S.p.A

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

To carry out the project, the concession company Superstrada Pedemontana Veneta S.p.A. was created to which ITÍNERE contributed a capital of 10 euros (which was completely provisioned from the start) and currently represents 0.000005% of its share capital, while the remaining 99.999995% is owned by CONSORZIO STABILE SIS S.c.p.A.; since the signature of that agreement, ITÍNERE has not participated in any way whatsoever in the project or held any responsibility on its board of directors. Since the start of the project, ITÍNERE has notified Sacyr on several occasions that it wants to leave the project, but this has not yet 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.

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

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.

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. The latter contracted this construction to a construction joint venture in which SACYR and other PAMASA shareholders 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. Throughout 2017 various actions have been developed in relation to this procedure, among which we highlight the presentation on 11 October 2017 of the statement of defence 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 directors believe that, if any damages take place as a result of this case, it would be subject to the obligation of being harmless on the part of Sacyr stated in the "Undertaking contract drafting and accepting the takeover bid for the shares of Itínere Infraestructuras, S.A."

26. ENVIRONMENT

Based on the type of activity conducted by the Company, no environmental actions are required. Therefore, it has not incurred any environmental expense in 2017 or 2016 and no provision is considered necessary to cover possible expenses or risks relating to environmental actions.

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

27. INFORMATION ABOUT THE NATURE AND RISKS OF FINANCIAL INSTRUMENTS

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

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

The management and financial policy of ITÍNERE is determined and executed, with prior approval by the company's top management, by the Company's Finance Division, in a manner consistent with the financial structure and cash flows of the Group as a whole and being, in terms of financial risk management, succinctly, the following:

ITÍNERE INFRAESTRUCTURAS, S.A.
Notes to the Financial Statements

- **Interest rate risk:** Given the maturity in January 2016, of the derivative instruments subscribed by ITÍNERE in 2011, which are linked to the corporate debt with credit institutions of the Company, practically all of the financial debt contracted by the Company is remunerated at a variable interest rate pegged to Euribor. Notwithstanding the above, given the economic circumstances, current interest rates and those foreseen for the medium term, this situation will probably mean a reduction in the finance costs of the Company in the years to come. In any case, the evolution of the markets is constantly monitored and, if deemed advisable, the contracting of new hedge instruments can be studied.

A possible variation of ± 100 basis points in the interest rate prevailing at year-end would have a quantitative effect which would mean a lower net result for the year of 6,507 thousand euros if the interest rate increases and a higher net result of 3,392 thousand euros if it decreases.

- **Exchange rate risk:** The Group's policy is to arrange its indebtedness with financial institutions in the same currency as the one in which its business flows are produced. Likewise, no transactions are made in currency other than the euro. Consequently, there is currently no exchange rate risk.
- **Credit risk:** Given the characteristics of the activity conducted by ITÍNERE (holding of a Group of concessionary companies), the major part of its income is obtained from the rendering of services to these companies. Consequently, due to the nature of the business conducted by the Group, the risk of non-payment is low.
- **Refinancing risk:** As stated in note 16, effective as of February 2016, the Company proceeded to the non-extinguishing modifying novation of the financing agreement entered into by the Company in August 2011, which has involved, among other modifications, the extension of the maturity date of said loan agreement until 6 October 2025. As a consequence, practically all of ITÍNERE'S debt is long term, so the Company directors believe that this risk is low.
- **Liquidity risk:** Due to the particular characteristics of the Company as well as cash flow generation estimates, there are sufficient funds for the Company to meet its payment commitments. Consequently, the Company's directors are of the opinion that this risk is low.

Notwithstanding the foregoing, and as mentioned in note 2 (a), at 31 December 2017, the working capital of the Company is negative because the current liability on that date includes a balance to be paid arising from a loan agreement with AP-1 EUROPISTAS, C.E.S.A., a company owned by ITÍNERE 100% through ENAITINERE, which is expected to be received by the latter in the liquidation process of the aforementioned investee, whose concession contract ends on 30 November 2018, at which point the lender will change and its maturity will be extended.

- **Price risk:** This risk is low since ITÍNERE'S revenues are associated with the activity of its investees, which are not exposed to this risk, as they operate in a regulated market in which the tariffs applied are reviewed based on the variation of the CPI.

28. OTHER INFORMATION

The auditors of the annual accounts of the Company, KPMG Auditores, S.L., have rendered professional services to the Company during the years ended 31 December 2017 and 2016 totalling 81,305 euros and 70,700 euros, respectively.

This amount corresponds to total audit fees for 2017 and 2016, irrespective of the date of invoice. Likewise, during the 2017 fiscal year, KPMG Auditores, S.L. has provided other accounting verification services whose fees amount to 3,680 euros (3,200 euros in 2016). KPMG Auditores, S.L. has not provided any other type of service to the Company during the 2017 fiscal year.

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

ITÍNERE INFRAESTRUCTURAS, S.A.

Directors' Report

1. COMPANY BUSINESS PERFORMANCE AND POSITION

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. The economic recovery began in the second half of 2014, after a long period of economic crisis, which greatly affected traffic on motorways, with declines that are 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 have been 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 the Company and the Ministry of Development under Royal Decree 1733/2011, of November 18. 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 July 28, published in the B.O.E. of July 29, which modifies the Agreement between the General State Administration, the Xunta de Galicia and AUDASA, approved by Royal Decree 633/2006, of May 19, which established a shadow toll system for the Vigo-O Morrazo and A Coruña-A Barcala itineraries 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 billing and the recipient thereof, which becomes exclusively the Ministry of Development. 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 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 Shareholders' Meeting 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. This reduction was completed in October.

The revenues, corresponding mainly to invoices from services rendered to investees, increase 2.1% as a result of the performance of the Group's activity itself. Current operating expenses decreased by 7.5% compared to the previous year, with which EBITDA in 2017 shows a positive result of 3.0 million euros, 30.4% higher than in 2016.

As established in the accounting standards, at 2017 year-end the Company has not identified any signs of impairment in its financial investments, so it has not been deemed necessary to

ITÍNERE INFRAESTRUCTURAS, S.A.
Directors' Report

recognise any additional value impairment changes over and above those already registered in previous financial years.

The financial result presents a negative figure of 24.5 million euros, which corresponds mainly to the financial expenses of the corporate debt, both with third parties and other inter-company debts. However, financial expenses are lower than those of the previous year by 2.8 million euros (10.23% less), as a result of the novation of the syndicated loan that took place in February 2016. The comparison of the financial result between the two years is distorted by the fact that, as part of the refinancing process carried out in 2016, an extraordinary dividend from ENAITINERE was received for an amount of 50 million euros, which was entirely allocated to amortize syndicated loan.

As we all know, since the 2012 financial year there is a limit on the tax deductibility of finance expenses according to which only net finance expenses up to an amount of 30% of the financial year's operating profit can be deducted, with it being possible for the net finance expenses not deducted in the financial year to be deducted in the following financial years with no time limit and with the same percentage limitation. The calculation of corporate tax for the year shows an income of 2.9 million euros.

All of the above means that the 2017 fiscal year result stands at a loss of 18.8 million euros.

As we pointed out at the beginning of these comments, after a long recession which affected the Spanish economy well into 2014, the economic situation in 2017 continued its improvement and this was reflected in the toll road sector. The improvement in traffic in the sector became noticeable 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 2017 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.

The Group's turnover in 2017 (considering the proportional contribution of AUDENASA) amounts to 296.5 million euros, 2.4% more than the comparative figure for 2016, and reflects the consolidation of the improvement in the Spanish economy during the past year. Consolidated EBITDA in 2017 (also considering the contribution of AUDENASA) amounts to 241.2 million euros, representing an EBITDA margin of 81.4%, 1.0 percentage points wider than in 2016.

The activity of the motorway concession sector has historically maintained a close correlation with general economic developments. The economic recovery, which began to make itself known in 2014 and has consolidated since then, allows 2017 to close with GDP growth around 2016 and a continuous 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 slowing down of the recovery, which has resulted in a general economic improvement, which is 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, which have experienced growth of 2.2% and 5% 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%. Domestic demand has 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. It is worth highlighting the financing

ITÍNERE INFRAESTRUCTURAS, S.A.
Directors' Report

capacity of the Spanish economy with regard the rest of the world, which has accumulated 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 is affecting all levels: household consumption, investment, with exports and imports showing 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 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. At the international level, 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 fell in Spain by almost half a million people, bringing the total number of unemployed down 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. Employment growth, full-time equivalent jobs, is estimated at 2.9% and the number of Social Security affiliates increased by 3.6% (626,000 new affiliates), the highest rise in the historical series which began in 2001 (except for 2005 and 2006, due to the regularization of immigrants). The number of affiliates 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 number of those 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 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 rise was due to price increases in energy products (due to the increase in the price of oil). To a lesser extent, the increase in core inflation also contributed at an annual average of 1.1%, which, even so, was at moderate levels. The differential with respect to the average of the eurozone changed to positive, after having been negative in recent years. Inflation continues to grow at levels below that 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. In addition to meeting the financial needs of the different Group companies at any given moment, the activity in this area is permanently focused on the analysis and prospecting of possible Group debt financing transactions that add value and improve its structure, and this under the prism of the characteristics of the concession business and the future generation of cash flows.

The 2017 financial year, 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 enabled an increase in the Group's financial stability over the long term, has been a year of continuity, in which there have been no maturities or contracted debt.

During the 2017 financial year, the following milestones in the financial area 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 at 31 December 2017 is 4.0% and the average life of its debt exceeds 5 years.

ITÍNERE INFRAESTRUCTURAS, S.A.
Directors' Report

- 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 has 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 the Company to the various public authorities for taxes, social security contributions, etc. totalled 11.4 million euros in 2017.

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

2. SUBSEQUENT EVENTS

No significant events have taken place since 2017 year-end.

3. FORESEEABLE EVOLUTION OF THE COMPANY

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.

At a financial level, it is important to point out that, after the process of the joint and simultaneous refinancing and novation of the debt of ITÍNERE and its investee ENAITINERE, which occurred in 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. 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 amortize the previous one. Likewise, it is worth noting that in October 2018, 1,705 convertible subordinated debentures corresponding to Sacyr Concessions, S.L. reached maturity, at the end of the year the book value of the latter amounted to 5.4 million euros.

With regard to the debt maturities and 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 refinancing operations. Even in such adverse situations as those which came about in the financial markets during the years of the economic crisis, 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 should be noted that the issuing of debentures to be carried out by AUCALSA in the coming years will not be able to enjoy the tax relief of emissions currently in circulation, although the most efficient formulas for refinancing will be sought.

ITÍNERE INFRAESTRUCTURAS, S.A.
Directors' Report

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

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

4. MAIN RISKS AND UNCERTAINTIES

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 forecasted results.

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

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

In regard 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

ITÍNERE INFRAESTRUCTURAS, S.A.
Directors' Report

experience of previous years, the conclusion can be drawn that the performance in traffic is directly related to the behaviour of the main macroeconomic variables.

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

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

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

5. FINANCIAL RISK MANAGEMENT POLICIES

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

Thus, the structure, type of financing, hedges, guarantees and, in short, all the other most suitable financing instruments are selected on the basis of the nature of and the risks for the Group's companies, which are 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) have been and are wholly financed through the issue of tax-deductible debentures addressed to the retail market.

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

- **Interest rate risk:** Given that, in January 2016, derivative instruments in ITÍNERE, which were linked to corporate debt with the Company's credit institutions signed in 2011, reached maturity, all of the financial debt contracted by the Company is remunerated at a variable interest rate pegged to Euribor. Notwithstanding the above, given the economic circumstances, current interest rates and those foreseen for the medium term, this situation will probably mean a reduction in the finance costs of the Company in the years to come. In any case, the evolution of the markets is constantly monitored and, if deemed advisable, the contracting of new hedge instruments can be studied.

A possible variation of ± 100 basis points in the benchmark interest rate would have a quantitative effect which would mean a lower net result for the year of 6,507 thousand euros, if the interest rate increases and a higher net result of 3,392 thousand euros, if it decreases.

- **Exchange rate risk:** The Group's policy is to arrange its indebtedness with financial institutions and capital markets in the same currency as the one in which its business flows are produced. Likewise, no transactions are made in currency 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 16, effective as of February 2016, the Company proceeded to the non-extinguishing modifying novation of the financing agreement entered into by the Company in August 2011, which has involved, among other modifications, the extension of the maturity date of said loan agreement until 6 October 2025. As a consequence, practically all of ITÍNERE'S debt is long term, so the Company directors believe that this risk is low.
- **Liquidity risk:** Due to the particular characteristics of the Company and the structure of its current liabilities, as well as debt refinancing and cash flow generation estimates, there are sufficient funds for the Company to meet its payment commitments. It should be noted however that, as mentioned in note 2 (a), at 31 December 2017, the working capital of the Company is negative because the current liability on that date includes a balance payable derived from a loan contract with AP-1 EUROPISTAS, C.E.S.A., a company owned by ITÍNERE 100% through ENAITINERE, which is expected to be received by the latter in the liquidation process of the aforementioned investee company, whose concession contract ends on 30 November 2018, at which point the lender will change and the extension of its maturity.

At the same time, within the different concessionary companies that make up ITÍNERE, the liquidity risk is low due to the nature and characteristics of their collections and payments, their EBITDA, the projects' financial structure, toll systems and a predictable and systematic replacement investment programme. Consequently, the Company's directors are of the opinion that this risk is low.

- **Price risk:** This risk is very low given the fact that the revenue of ITÍNERE is associated with the activity of its investees. These companies, in turn, are not exposed to this risk either, because they operate in a regulated market in which the prices applied are reviewed on the basis of the variation in the Consumer Price Index (CPI).

6. RESEARCH AND DEVELOPMENT ACTIVITIES

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

7. ACQUISITION OF OWN SHARES

The Company did not acquire its own shares in 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 corporate capital. These acquisitions were made in accordance with the resolution adopted by the General Meeting of Shareholders held on 24 June 2009, authorising the derivative acquisition of own shares by the Company and/or its subsidiaries, with the limits and requirements established by the prevailing legislation.

ITÍNERE INFRAESTRUCTURAS, S.A.

**PROPOSED DISTRIBUTION OF EARNINGS
FOR 2017**

The result for the 2017 financial year was a loss of 18,758,608.67 euros that will be transferred in its entirety to negative results from previous years.

ITÍNERE INFRAESTRUCTURAS, S.A.

ONE: Pursuant to the requirements of article 253 of the Corporate Enterprises Act and article 37 of the Spanish Code of Commerce, the directors of **ITÍNERE INFRAESTRUCTURAS, S.A.** have prepared the attached annual accounts comprised of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto, the directors' report and the proposed distribution of earnings for the year ended 31 December 2017, which are presented on pages 1 to 46 of this document, signed by the secretary to the board of directors.

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

Signed in Madrid on 22 March 2018.

D. Francisco Piedras Camacho
Presidente

D. Antonio Herrera Bustamante
Vicepresidente

D. Francisco Javier Pérez Gracia
Consejero Delegado

ARECIBO SERVICIOS Y GESTIONES, S.L.,
representada por D^a. Vicky Chan
Consejero

CORPORACIÓN EMPRESARIAL DE TENENCIA DE ACTIVOS DE GALICIA, S.L.
representada por D. Juan María Hernández Andrés
Consejero

LIBERBANK CAPITAL, S.A.
representada por D. Ignacio Javier López de Hierro Bravo
Consejero

ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L.
representada por D. Javier José Carral Martínez
Consejero

D. Mark Edwin Lorkin
Consejero

D. Michael Osborne
Consejero

D^a Amy Marie Knapp
Consejero

D^a. Cynthia Joan Praschnik
Consejero

D. Paul Michael Cabral
Consejero

D. Carlos Mijangos Gorozarri
Consejero

D. José M^a Orihuela Uzal
Consejero

D. Fernando Mendezona Peña
Consejero

D. Santiago del Pino Aguilera
Secretario, no consejero