

**Sacyr Group
(Sacyr, S.A. and Subsidiaries)**

**Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2017
and**

**AUDITORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

**Audit Report on Financial Statements
issued by an Independent Auditor**

**SACYR, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2017**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 42)

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of SACYR, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SACYR, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2017, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes thereto, for the year then ended.

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

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

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

Impairment of the value of concession projects, investments accounted for using the equity method, and accounts receivable from concession assets

Description The Group has concession projects, investments accounted for using the equity method, and accounts receivable from concession assets at December 31, 2017 amounting to 1,370,054 thousand euros, 2,115,478 thousand euros, and 3,115,013 thousand euros, respectively. The disclosures pertaining to these assets can be found in Notes 6, 9 and 11 to the accompanying consolidated financial statements.

At year end, Group management and directors test for indications of impairment and, if necessary, estimate the recoverable amount. The purpose of this analysis is to conclude whether it is necessary to recognize an impairment loss against the aforementioned assets when the carrying amount is higher than the recoverable amount. To determine the recoverable amount, Group management and directors test for impairment using the discounted free cash flow method.

The high risk that these assets may be impaired, the relevance of the amounts involved and the fact that the analyses conducted by Group management and directors require complex estimates and judgments, cause us to consider the valuation of these assets to be a key audit matter.

Our response In this regard, our audit procedures included:

- ▶ Reviewing, in collaboration with valuation specialists, the reasonableness of the methodology used by Group management and directors and the construction of discounted cash flows, focusing particularly on the discount rate and long-term growth rate applied.
- ▶ Reviewing the projected financial information used when testing for impairment by analyzing:
 - Historical and budgetary financial information
 - Current market conditions and our own expectations of their future performance
 - Public information provided by other companies in the sector
- ▶ In addition, we assessed whether the information disclosed in the consolidated financial statements meets the requirements established in the regulatory framework for financial information applicable to the Group.

Recoverability of deferred tax assets

Description The Group recognized deferred tax assets at December 31, 2017 amounting to 837,797 thousand euros. The disclosures pertaining to these assets can be found in Note 13 to the accompanying consolidated financial statements.

To determine the recoverable amount of these assets, Group management and directors evaluated the Group's capacity to generate taxable profits on the basis of the business plans of its components and the business plan of the Sacyr Group. At each reporting period, the recoverability of deductions and unused loss carryforwards are reviewed and recognized as assets to the extent that it has become probable that future taxable profit will allow it to be recovered.

We considered this to be a key audit matter, since the analysis conducted by Group management and directors require making complex estimates and judgments on the future taxable earnings of the companies comprising the Group.

Our response In this regard, our audit procedures included:

- ▶ Reviewing the reasonableness of the methodology applied by Group management and directors and the construction of economic forecasts used, focusing primarily on:
 - Historical and budgetary financial information.
 - Current market conditions and our own expectations of their future performance.
 - Public information provided by other companies in the sector.
 - The tax strategies implemented.
- ▶ In addition, we assessed whether the information disclosed in the consolidated financial statements meets the requirements established in the regulatory framework for financial information applicable to the Group.

Revenue recognition, including intentionally circumventing controls

Description Revenue from construction includes the sum of the stipulated contract price, plus the value of the changes made to original work, as well as claims or incentives which are likely to be received and can be reasonably quantified. If contract revenue can be reliability measured, it is recognized based on the contract's stage of completion at the reporting date, using the percentage-of-completion method, that is, costs incurred as a percentage of the total estimated costs. The estimate associated with these costs is significant and is likewise based on complex, highly subjective judgments. Consequently, there is a risk that the contractual terms are incorrectly recorded and thus, revenue recognized in the consolidated financial statements may be incorrectly measured.

Material misstatement of financial information relating to revenue recognition is usually due to overstatement, e.g., as result of early recognition or the recording of fictitious revenue. It can likewise result from understating revenue by, for example, recognizing it in a subsequent period.

Therefore, we consider the abovementioned issues to be a key audit matter.

Our response In this regard, our audit procedures included:

- ▶ Understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes employed by the Group's key components.
- ▶ Carrying out substantive analytical procedures for the Group's key components, analyzing the actual performance of revenues as compared with budgeted data.
- ▶ Reviewing, in collaboration with our valuation and legal experts, the reasonableness of the methodology used by group management and directors to recognize and value submitted claims, focusing primarily on expected estimated recovery and the likelihood that claims will prosper.

Other information: consolidated management report

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the parent Company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.
- b) a general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations 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 the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 16, 2018.

Term of engagement

The ordinary general shareholders' meeting held on June 8, 2017 appointed us as auditors for 3 years, commencing after the year ended December 31, 2016, that is for the years 2017, 2018 and 2019.

Previously, we were appointed as auditors by the general shareholders' meeting for 1 year and we have been carrying out the audit of the consolidated financial statements continuously since December 31, 2003.

ERNST & YOUNG, S.L.
(On the Spanish Official Register of
Auditors with No S0530)

(Signed on the original in Spanish)

Antonio Vázquez Pérez
(On the Spanish Official Register of
Auditors with No 8960)

April 16, 2018

Contents:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
SEPARATE CONSOLIDATED INCOME STATEMENT.....	6
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
1. Sacyr's activity	14
2. Scope of consolidation and subsidiaries	16
3. Basis of presentation and consolidation	27
4. Non-current assets held for sale and discontinued operations.....	51
5. Property, plant and equipment	58
6. Concession projects.....	60
7. Other intangible assets	69
8. Goodwill	70
9. Investments accounted for using the equity method	74
10. Contribution by proportionately consolidated companies.....	85
11. Receivables from concessions.....	86
12. Non-current and current financial assets	90
13. Tax situation	91
14. Inventories	96
15. Trade and other receivables.....	97
16. Cash and cash equivalents.....	99
17. Equity.....	99
18. Deferred income	103
19. Provisions	104
20. Contingent liabilities.....	106
21. Bank borrowings	108
22. Other hedged financial debt	118
23. Non-current payables	118
24. Derivative financial instruments.....	118
25. Trade and other payables and current payables to associates	128
26. Risk management and control policy.....	129
27. Revenue	138
28. Supplies.....	139
29. Other operating expenses.....	139
30. Gains and losses on acquisition/disposal of assets	140
31. Finance income and costs	140
32. Earnings per share	141
33. Backlog by activity.....	142
34. Directors' and Senior Management remuneration and other benefits	143
35. Related party transactions	147
36. Events after the reporting date	151
37. Environmental issues	152
38. Audit fees	153
39. Personnel.....	153
40. Segment information	155
41. Disclosures by geographic location	160
42. Additional note for English translation.....	161
APPENDIX I: SCOPE OF CONSOLIDATION 2016	162
APPENDIX I: SCOPE OF CONSOLIDATION 2017	167
APPENDIX II: CONSOLIDATED TAX GROUP OF SACYR, S.A. FOR 2016	173
APPENDIX II: CONSOLIDATED TAX GROUP OF SACYR, S.A. FOR 2017	174
APPENDIX III: ALTERNATIVE PERFORMANCE MEASURES.....	175
CONSOLIDATED MANAGEMENT REPORT.....	179

Sacyr Group

Sacyr, S.A. and Subsidiaries

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016**

Consolidated statement of financial position at 31 December (thousands of euros)

ASSETS	NOTE	2017	2016
A) NON-CURRENT ASSETS		8,098,033	7,023,765
I. Property, plant and equipment	5	387,600	363,350
II. Concession projects	6	1,370,054	1,402,267
III. Other intangible assets	7	17,188	13,044
IV. Goodwill	8	166,801	185,500
V. Investments accounted for using the equity method	9	2,115,478	2,191,509
VI. Receivables from concessions	11	2,854,735	1,712,627
VII. Non-current financial assets	12	105,010	86,879
VIII. Derivative financial instruments	24	1,656	9,969
IX. Deferred tax assets	13	837,797	821,800
X. Other non-current assets		241,714	236,820
B) CURRENT ASSETS		5,478,224	3,665,182
I. Non-current assets held for sale	4	454,992	475,406
II. Inventories	14	199,937	236,121
III. Trade and other receivables	15	2,314,987	2,061,309
- Trade receivables for sales and services		377,923	356,271
- Receivable from construction contracts		1,361,598	1,310,934
- Personnel		1,447	994
- Receivable from public entities		171,324	160,156
- Other receivables		402,695	232,954
IV. Receivables from concessions	11	260,278	173,877
V. Current financial investments	12	113,361	87,551
VI. Derivative financial instruments	24	0	5,236
VII. Cash and cash equivalents	16	2,115,992	621,308
VIII. Other current assets		18,677	4,374
TOTAL ASSETS		13,576,257	10,688,947

Notes 1 to 42 and Appendices I, II and III form an integral part of this consolidated statement of financial position.

Consolidated statement of financial position at 31 December (thousands of euros)

EQUITY AND LIABILITIES	NOTE	2017	2016
A) EQUITY	17	2,004,419	2,080,398
EQUITY OF THE PARENT		1,652,138	1,791,523
I. Share capital		533,111	517,431
II. Share premium		17,162	17,162
III. Reserves		1,091,751	1,028,924
IV. Profit for the year attributable to the Parent		130,644	120,242
V. Interim dividend paid in the year		0	0
VI. Treasury shares		(37,063)	(41,519)
VII. Available-for-sale financial assets		66,421	65,596
VIII. Hedging transactions		(71,570)	(94,134)
IX. Translation differences		(78,429)	177,672
X. Valuation adjustments		111	149
EQUITY OF NON-CONTROLLING INTERESTS		352,281	288,875
B) NON-CURRENT LIABILITIES		7,253,254	5,271,628
I. Deferred income	18	54,408	56,020
II. Non-current provisions	19.1	294,882	370,428
III. Bank borrowings	21	4,729,167	3,605,678
IV. Other hedged financial debt	22	1,489,252	618,295
V. Non-current payables	23	315,116	284,897
VI. Derivative financial instruments	24	192,800	185,829
VII. Deferred tax liabilities	13	177,629	150,481
C) CURRENT LIABILITIES		4,318,584	3,336,921
I. Liabilities associated with non-current assets held for sale	4	176,965	203,042
II. Bank borrowings	21	921,205	829,062
III. Trade and other payables	25	3,023,372	1,854,961
- Suppliers		2,460,912	1,550,231
- Personnel		44,941	36,136
- Current tax liabilities		10,122	9,593
- Payable to public entities		111,623	93,145
- Other payables		395,774	165,856
IV. Current payables to associates	25	47,189	207,703
V. Derivative financial instruments	24	27,127	21,375
VI. Current provisions	19.2	122,726	220,778
TOTAL LIABILITIES		13,576,257	10,688,947

Notes 1 to 42 and Appendices I, II and III form an integral part of this consolidated statement of financial position.

Sacyr Group

Sacyr, S.A. and Subsidiaries

**SEPARATE CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016**

Separate consolidated income statement for the years ended 31 December
(thousands of euros)

SEPARATE INCOME STATEMENT	NOTE	2017	2016
Revenue	27	3,092,606	2,860,475
Own work capitalised		1,603	1,288
Other operating income		171,709	97,874
Government grants released to the income statement		3,330	4,015
Gain on disposal of assets		235	0
TOTAL OPERATING INCOME		3,269,483	2,963,652
Change in inventories		1,296	646
Supplies	28	(1,176,905)	(1,093,995)
Staff costs	39	(949,051)	(865,821)
Losses on disposal of assets		(170)	0
Depreciation and amortisation expense		(118,398)	(113,073)
Impairment of goodwill	8	(18,699)	(226)
Change in operating provisions		(3,624)	(12,700)
Change in provisions for non-current assets		(8,045)	19
Other operating expenses	29	(739,061)	(670,421)
TOTAL OPERATING EXPENSES		(3,012,657)	(2,755,571)
NET OPERATING PROFIT		256,826	208,081
SHARE OF PROFIT/(LOSS) OF ASSOCIATES	9	259,114	207,085
GAIN/(LOSS) ON ACQUISITION/DISPOSAL OF ASSETS	30	(362)	27,244
Revenue from other marketable securities and asset-backed loans		14,971	11,891
Other interest and similar income		33,434	25,666
Exchange differences		0	10,986
TOTAL FINANCE INCOME		48,405	48,543
Finance costs and similar expenses		(222,658)	(238,221)
Change in provisions for financial investments		86,210	(4,324)
Gain/(loss) on financial instruments		(144,754)	(67,556)
Exchange differences		(71,236)	0
TOTAL FINANCE COSTS		(352,438)	(310,101)
FINANCIAL PROFIT/(LOSS)	31	(304,033)	(261,558)
CONSOLIDATED PROFIT BEFORE TAX		211,545	180,852
Corporate income tax	13	(42,967)	(45,600)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		168,578	135,252
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	4	0	0
CONSOLIDATED PROFIT FOR THE YEAR		168,578	135,252
NON-CONTROLLING INTERESTS		(37,934)	(15,010)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		130,644	120,242
Basic earnings per share (euros)	32	0.25	0.24
Diluted earnings per share (euros)	32	0.26	0.25
Basic earnings per share for discontinued operations (euros)	32	0.00	0.00
Diluted earnings per share for discontinued operations (euros)	32	0.00	0.00

Notes 1 to 42 and Appendices I, II and III form an integral part of this separate consolidated income statement.

Sacyr Group

Sacyr, S.A. and Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AT 31 DECEMBER 2017 AND 2016**

Consolidated statement of comprehensive income at 31 December (thousands of euros)

	2017	2016
A) CONSOLIDATED PROFIT FOR THE YEAR	168,578	135,252
B) OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT TO BE RECLASSIFIED IN THE FUTURE TO THE INCOME STATEMENT	0	0
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT	(247,567)	106,906
1. Available-for-sale financial assets:	1,318	354
2. Cash flow hedges:	3,092	14,637
a) Revaluation gains/(losses)	(21,098)	(9,765)
b) Amounts transferred to the income statement	24,190	24,402
3. Translation differences:	(54,315)	49,905
a) Revaluation gains/(losses):	(54,315)	49,905
4. Participation in other comprehensive income from investments in associates and joint ventures:	(196,851)	45,666
a) Revaluation gains/(losses):	(195,984)	47,388
b) Amounts transferred to the income statement	(867)	(1,722)
5. Other income and expenses that may be reclassified subsequently to the income statement:	(38)	3
a) Revaluation gains/(losses):	(38)	3
6. Tax effect:	(773)	(3,659)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B+C)	(78,989)	242,158
a) Attributable to the Parent	(102,106)	210,699
b) Attributable to non-controlling interests	23,117	31,459

Notes 1 to 42 and Appendices I, II and III form an integral part of this consolidated statement of comprehensive income.

Sacyr Group

Sacyr, S.A. and Subsidiaries

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016**

Consolidated statement of cash flows at 31 December (thousands of euros)

	2017	2016
CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)		
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	291,840	156,254
1. Profit/(loss) before tax from continuing operations	211,545	180,852
2. Adjustment to profit/(loss) (for EBITDA)	194,047	153,209
(+) Depreciation and amortisation expense	118,398	113,073
(+/-) Other adjustment to profit/(loss) (net)	75,649	40,136
EBITDA (1+2)	405,592	334,061
3. Other cash flows from operating activities	(199,510)	(136,121)
4. Income tax payments	(13,148)	(23,081)
5. Changes in working capital	98,906	(18,605)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2+3)	(160,113)	28,451
1. Payments on investments:	(378,643)	(525,247)
(-) Property, plant & equipment, intangible assets and property investments	(132,182)	(88,574)
(+) Other financial assets	(246,461)	(436,673)
2. Income from disposals	69,340	413,374
(-) Property, plant & equipment, intangible assets and property investments	20,608	26,131
(+) Other financial assets	48,732	70,403
(+) Divestment of discontinued operations	0	316,840
3. Other cash flows from investing activities	149,190	140,324
(+) Cash flows from dividends	105,587	98,277
(+) Cash flows from interest	43,603	42,047
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3+4)	1,362,957	(166,216)
1. Cash flows and (payments) on share-based instruments	910	(742)
(+) Issue	0	0
(-) Cancellation	910	(742)
2. Cash flows and (payments) on financial liability instruments	916,372	(501,019)
(+) Issue	2,831,791	1,137,882
(-) Redemption and amortisation	(1,915,419)	(1,638,901)
3. Payments for dividends and returns on other equity instruments	0	0
4. Other cash flows from finance activities	445,675	335,545
(-) Interest payments	(374,471)	(266,275)
(+/-) Other cash flows/(payments) from finance activities	820,146	601,820
D) INCREASE/(DECREASE) NET OF CASH AND CASH EQUIVALENTS (A+B+C)	1,494,684	18,489
E) CASH AND CASH EQUIVALENTS AT START OF YEAR	621,308	602,819
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD (D+E)	2,115,992	621,308
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
(+) Cash on hand and at banks	2,021,559	546,518
(+) Other financial assets	94,433	74,790
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	2,115,992	621,308

Notes 1 to 42 and Appendices I, II and III form an integral part of this consolidated statement of cash flows.

Sacyr Group

Sacyr, S.A. and Subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2017 AND 2016**

Consolidated statement of changes in equity at 31 December (thousands of euros)

	Equity attributable to the Parent							Non-controlling interests	Total equity
	Shareholders' equity						Valuation adjustments		
	Share capital	Share premium	Reserves	Treasury shares and own equity instruments	Profit for the year attributable to the Parent	Other equity instruments			
Thousands of euros									
Closing balance at 31 December 2016	517,431	0	787,934	(52,340)	370,006	(25,727)	58,826	255,460	1,911,590
Adjusted opening balance	517,431	0	787,934	(52,340)	370,006	(25,727)	58,826	255,460	1,911,590
Total income/(expense)	0	0	0	0	120,242	0	90,457	31,459	242,158
Transactions with owners	0	0	0	10,821	0	0	0	0	10,821
Transactions with treasury shares or own equity instruments (net)	0	0	0	10,821	0	0	0	0	10,821
Other changes in equity	0	17,162	240,990	0	(370,006)	25,727	0	1,956	(84,171)
Transfers between equity accounts	0	17,162	327,117	0	(370,006)	25,727	0	0	0
Other changes	0	0	(86,127)	0	0	0	0	1,956	(84,171)
Balance at 31 December 2016	517,431	17,162	1,028,924	(41,519)	120,242	0	149,283	288,875	2,080,398

	Equity attributable to the Parent							Non-controlling interests	Total equity
	Shareholders' equity						Valuation adjustments		
	Share capital	Share premium	Reserves	Treasury shares and own equity instruments	Profit for the year attributable to the Parent	Other equity equity			
Thousands of euros									
Balance at 31 December 2016	517,431	17,162	1,028,924	(41,519)	120,242	0	149,283	288,875	2,080,398
Adjusted opening balance	517,431	17,162	1,028,924	(41,519)	120,242	0	149,283	288,875	2,080,398
Total recognized income/(expense)	0	0	0	0	130,644	0	(232,750)	23,117	(78,989)
Transactions with owners	15,680	0	(18,807)	4,456	0	0	0	0	4,456
Capital increases/(reductions)	15,680	0	(15,680)	0	0	0	0	0	0
Transactions with treasury shares or own equity instruments (net)	0	0	(3,127)	4,456	0	0	0	0	4,456
Other changes in equity	0	0	81,634	0	(120,242)	0	0	40,289	(1,446)
Transfers between equity accounts	0	0	120,242	0	(120,242)	0	0	0	0
Other changes	0	0	(38,608)	0	0	0	0	40,289	(1,446)
Balance at 31 December 2017	533,111	17,162	1,091,751	(37,063)	130,644	0	(83,467)	352,281	2,004,419

Notes 1 to 42 and Appendices I, II and III form an integral part of this consolidated statement of changes in equity.

Sacyr Group

Sacyr, S.A. and Subsidiaries

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2017**

1. Sacyr's activity

The Sacyr Group (formerly known as the Sacyr Vallehermoso Group until it changed its name following the approval of the General Shareholders' Meeting on 27 June 2013) is formed by the Parent, Sacyr, S.A. (formerly Sacyr Vallehermoso, S.A.), and its subsidiaries and associates,

which are detailed in Appendix I. Sacyr, S.A. (incorporated in Spain) arose from the merger by absorption of the Sacyr, S.A. Group (absorbed company) by Vallehermoso, S.A. (absorbing company) in 2003, as explained in the financial statements for the year then ending.

The registered office of the Parent is Paseo de la Castellana, 83-85. The Parent is registered in the Madrid Mercantile Register, volume 1884, folio 165, sheet M-33841, entry 677, and its tax identification number is A-28013811.

Its company purpose is as follows:

- a. The acquisition and construction of urban property for rent or sale.
- b. The purchase and sale of land, building rights and urban development lots, as well as their allocation, land transformation, development of urban infrastructure, division into lots, subdivision, compensation, etc., and, in some cases, subsequent construction of buildings, with involvement in the entire urban development process through to construction.
- c. The administration, conservation, maintenance and, in general, all activities related to the provision of urban facilities and services and the associated land, infrastructure, civil engineering works and other urban facilities provided for by local planning stipulations, either on the Company's own behalf or for third parties, and the provision of architecture, engineering and urban development services relating to the urban lots or their ownership.
- d. The provision and sale of all types of services and supplies relating to communications, IT and power distribution networks, as well as collaboration in the marketing and brokerage of insurance, security services and transport services, either on the Company's own behalf or for third parties.
- e. The management and administration of shopping centres, senior citizen homes and centres, hotels and tourist and student accommodation.
- f. The contracting, management and execution of all kinds of construction work in the broadest sense, both public and private, including roads, water supply projects, railways, port facilities, buildings, environmental projects and, in general, all activities related to construction.
- g. The acquisition, administration, management, development, operation through rental or any other means, construction, purchase and sale of all types of properties, as well as the provision of advisory services in any of the above activities.
- h. The development of all types of engineering and architectural projects, as well as the management, oversight and advisory services on the execution of all types of construction work.
- i. The acquisition, holding, exploitation, administration and sale of all kinds of marketable securities on the Company's own behalf, except for those activities reserved by law, and specifically by the Spanish Securities Market Act, for other types of entities.
- j. The management of public water supply, sewer systems and sewage works.
- k. The management of all types of concessions, subsidies and administrative permits for projects, services and mixed ventures awarded to the Company by the central, regional, provincial and local governments, and investment in the capital of companies responsible for such concessions.

- l. The operation of mines and quarries and the sale of the products extracted.
- m. The manufacture, purchase, sale, import, export and distribution of equipment, and the installation of construction equipment and materials or other items for use in construction.
- n. The acquisition, use in any form, sale, transfer and disposal of all types of intellectual property and patents, and other kinds of industrial property.
- o. The manufacture and sale of prefabricated and other products related to construction.
- p. The provision of support services to Spanish and foreign subsidiaries and investees.
- q. The exploitation, import, export, transport, distribution sale and commercialisation of raw materials of any type, whether vegetable or mineral.

The Company may also carry out any of the activities comprised in its corporate purpose indirectly through equity investments in other entities or companies with similar or identical corporate purposes.

Appendix I provides a list of the subsidiaries that compose the Sacyr Group, their activities and registered addresses, and the percentage of ownership held by the Group.

2. Scope of consolidation and subsidiaries

For the purposes of preparing the consolidated financial statements, the companies that compose the Group are classified as follows:

- a) Subsidiaries: legally independent companies that form a single economic unit with a unified management strategy and over which the Group exercises effective direct or indirect control.
- b) Joint ventures: a joint arrangement in which the parties which have joint control over this arrangement hold rights over its net assets.
- c) Jointly controlled operation: arrangement in which the parties which have joint control over this arrangement hold rights over its net assets and have obligations with respect to its liabilities.
- d) Associates: companies over which one or more Group companies have significant management influence.

a) Consolidated companies.

Subsidiaries have been fully consolidated, such that all the assets, rights and liabilities of the subsidiaries are included in the consolidated statement of financial position of Sacyr, S.A. and all the income and expenses used to determine the subsidiaries' profit or loss are included in the separate consolidated income statement.

Associates have been accounted for using the equity method. Under this method, an investment in an associate is initially recognised at cost and its carrying amount is then increased or decreased to reflect the Group's share in the profit or loss of the associate for the year, since the acquisition date. In the event of changes recognised directly in the associate's equity, the Group recognises its share of these changes directly in its own equity.

Jointly controlled operations included in the scope of consolidation were proportionately consolidated if they have two or more venturers related by a contractual agreement that establishes joint control. The Group reports its share of the assets, liabilities, income and expenses of the joint venture, line by line, in its consolidated financial statements.

Joint ventures have been accounted for using the equity method.

A1) 2016

Companies included within the scope of consolidation for these financial statements are listed in Appendix I, along with details of the ownership interest held by the Group, the consolidation method used, their classification group, activity, registered office and other information.

Auditors' reports for the following companies, audited by an auditor other than the main auditor, were unavailable at the date on which these consolidated financial statements were prepared: Scrinser, S.A., Cavosa Obras y Proyectos, S.A., Febide, S.A., Prinur, S.A.U., Sacyr Construcción Aparcamientos Daoiz y Velarde, S.L., Sacyr Construcción Aparcamientos Virgen del Romero, S.L., Sacyr Construcción Aparcamientos Plaza del Milenio, S.L., Sacyr Construcción Plaza de la Encarnación, S.L., Sacyr Construcción Aparcamientos Juan Esplandiú, S.L., Sacyr Construcción Mercado del Val, S.L., Constructora ACS-Sacyr, S.A., Sacyr Costa Rica, S.A., Constructora San José - Caldera, S.A., Sacyr Construcción USA, LLC, B.F. Constructions Limited, Sacyr India Infra Projects Private Ltd, SIS, S.C.P.A, Superestrada Pedemontana Veneta, S.R.L. Nodo di Palermo, S.C.P.A. (NDP, S.C.P.A.), Eurolink, S.C.P.A., SV Lidco Construcciones Generales, Consorcio GDL Viaducto, S.A. de C.V., Consorcio Túnel Guadalajara S.A. de C.V., Sacyr Panamá, S.A., Sacyr Construcción Sucursal Panamá, A. Madrid Sur, S.A., Sacyr Infraestructure USA, LLC, GSJ Maintenance Ltd, Sercanarias, S.A., Sociedad Economía Mixta de Aguas de Soria, S.L., Boremer, S.A., Metrofangs, S.L., Valdemingómez 2000, S.A., Biorreciclaje de Cádiz, S.A., Parque Eólico La Sotona, S.L., Consorcio Stabile VIS Societat, C.P.A., Sacyr Industrial Colombia, S.A.S., Sacyr Industrial USA, LLC, Sacyr Industrial México, S.A., Sacyr Industrial, LLC, Sacyr Industrial Mondisa Mant. Eléctricos Panamá, S.A. and NM Industrial Developments, S.A.C.

The companies Echezarreta, AIE, Castellana Norte, S.A., Biothys, S.L., S.A., Agroconcer, S.A., Servicio de Estacionamiento Regulado, S.L., Tecnologías Medioambientales Asturianas, S.L., Sílices Turolenses, S.A. were excluded from the scope of consolidation since, as a whole, the effect of their inclusion in the consolidated Group was insignificant.

The items in the consolidated statement of financial position and the separate consolidated income statement of the most significant foreign companies included in the scope of consolidation have been translated into euros at the following exchange rates:

Exchange rate	2016	
	Method	Year-end
US dollar / euro	1.1068	1.0517
Australian dollar / euro	1.4888	1.4597
Chilean peso / euro	748.64	707.80
Libyan dinar / euro	1.5268	1.5144
Mexican peso / euro	20.6629	21.8106
Brazilian real / euro	3.8500	3.4288
New Mozambique metical / euro	69,295.29	75,397.00
Angolan kwanza / euro	183.5032	175.5955
Algerian dinar / euro	121.1248	116.1259
Peruvian nuevo sol/euro	3.7354	3.5342
Colombian peso / euro	3,378.33	3,162.87
Bolivian peso / euro	7.6531	7.277
Indian rupee / euro	74.3701	71.6770
Qatari rial / euro	4.0302	3.8309
Pound sterling / euro	0.8191	0.8535
Omani rial / euro	0.4261	0.4050
Uruguayan peso / euro	33.3507	30.8350

A2) 2017

Companies included within the scope of consolidation for these financial statements are listed in Appendix I, along with details of the ownership interest held by the Group, the consolidation method used, their classification group, activity, registered office and other information.

Auditors' reports for the following companies, audited by an auditor other than the main auditor, were unavailable at the date on which these consolidated financial statements were prepared: Inversora Autopista de Levante, S.L., A. Madrid Sur S.A., Alazor Inversiones, S.A., S.C. Vespuccio Oriente, S.A., Operadora Avo, S.A., Sacyr Infraestructure , S.A., Sacyr Concessions Limited, N6 Operations Ltd, M6 Concessions Holding Ltd, GSJ Maintenance Ltd, Sacyr Operación y Servicios Perú, S.A.C., N6 Concession Ltd, Scrinser, S.A., Cavosa Obras y Proyectos, S.A., Sacyr Infraestructuras, S.A., Sacyr Construcción Aparcamientos Daoiz y Velarde, S.L., Sacyr Construcción Aparcamientos Virgen del Romero, S.L., Sacyr Construcción Aparcamientos Plaza del Milenio, S.L., Sacyr Construcción Plaza de la Encarnación, S.L., Sacyr Construcción Aparcamientos Juan Esplandiú, S.L., Sacyr Construcción Mercado del Val, S.L. Sacyr Construcción Saudí Company Ltd, Constructora ACS-Sacyr, S.A. Sacyr Costa Rica, S.A., Constructora San José - Caldera, S.A., Sacyr Construcción USA, LLC, B.F. Constructions Limited, Sacyr India Infra Projects Private Ltd, N6 Construction Ltd, M50 (D&C) Ltd, SIS, S.C.P.A, Superestrada Pedemontana Veneta, S.R.L., Nodo di Palermo, S.C.P.A. (NDP, S.C.P.A.), Eurolink, S.C.P.A., SV Lidco Construcciones Generales, Consorcio GDL Viaducto, S.A. de C.V., Consorcio Túnel Guadalajara S.A. de C.V., Sacyr Panamá, S.A., Sercanarias, S.A., Sociedad Economía Mixta de Aguas de Soria, S.L., Metrofangs, S.L., Valdemingómez 2000, S.A., Suardiaz Servicios Marítimos de Barcelona, S.L., Parque Eólico La Sotona, S.L., Consorcio Stabile VIS Societá, C.P.A., Sacyr Operación y Servicios Perú, S.A.C., Consorcio Isotron Sacyr, S.A., Sacyr

Industrial Colombia, S.A.S., Sacyr Industrial USA, LLC, Consorcio Stable VIS Societá, C.P.A., Sacyr Industrial Mexico, S.A., Sacyr Industrial, LLC, Sacyr Industrial Mant. Eléctricos Panamá, S.A.

The companies Echezarreta, AIE, Castellana Norte, S.A., Biothys, S.L., S.A., Agroconcer, S.A., Servicio de Estacionamiento Regulado, S.L., Tecnologías Medioambientales Asturianas, S.L., Sílices Turolenses, S.A. and EPC Tracker Developments, S.L. were excluded from the scope of consolidation since, as a whole, the effect of their inclusion in the consolidated Group was insignificant.

The items in the consolidated statement of financial position and the separate consolidated income statement of the most significant foreign companies included in the scope of consolidation have been translated into euros at the following exchange rates:

Exchange rate	2017	
	Method	Year-end
US dollar / euro	1.1295	1.2005
Australian dollar / euro	1.4729	1.5372
Chilean peso / euro	732.31	739.01
Libyan dinar / euro	1.5821	1.6340
Mexican peso / euro	21.3390	23.6131
Brazilian real / euro	3.6079	3.9785
New Mozambique metical / euro	71,592.41	70,510.70
Angolan kwanza / euro	187.4293	199.4533
Algerian dinar / euro	125.3900	137.7533
Peruvian nuevo sol/euro	3.6817	3.8912
Colombian peso / euro	3,334.55	3,586.41
Bolivian peso / euro	7.8070	8.307
Indian rupee / euro	73.4988	76.5327
Qatari rial / euro	4.1557	4.3717
Pound sterling / euro	0.8762	0.8881
Omani rial / euro	0.4349	0.4621
Uruguayan peso / euro	32.3632	34.5857
Saudi riyal / euro	4.2367	4.5004
Paraguayan guaraní / euro	32.3632	34.5857
Canadian dollar / euro	1.4645	1.5089

b) Changes in the scope of consolidation

The Group files all relevant notices when its interest in any of its direct or indirect subsidiaries exceeds 10% and on any subsequent acquisitions of more than 5%.

B1) 2016

b.1.- Business combinations and other acquisitions or increases in interests in subsidiaries, joint ventures, jointly controlled operations and/or associates

- On 14 February 2016, Sacyr Construcción, S.A.U. and Prinur, S.A.U. established Sacyr Construcción Saudi Company LTD, with the corporate purpose of carrying out all types of construction works in Saudi Arabia. They hold ownership interests of 95% and 5%, respectively, and their investment stands at 112,244 euros and 5,908 euros, respectively.
- On 25 February 2016, Valoriza Agua, S.L. formed Sohar SWRO Construction Company LLC, whose corporate purpose is the construction of a desalination plant in Sohar, Oman; it has a 60% stake and an investment of 348,352 euros.
- On 1 March 2016, Sacyr, Securities, S.A. joined the scope of consolidation, with its stated corporate purpose being the acquisition, administration and disposal of investments in the share capital of other companies; Sacyr, S.A., holds a 100% interest and an investment of 100,230,508 euros.
- On 1 April 2016, Sacyr Industrial S.L.U. and Valoriza Energía Operación y Mantenimiento, S.L. formed the company Sacyr Industrial Ecuador, S.A., the corporate purpose of which is the planning and execution of engineering projects and construction works; they hold interests of 99.975% and 0.025%, respectively, and an investment of 11,381 euros and 1 euro, respectively.
- On 17 May 2016, Sacyr Industrial, S.L.U., formed the company Consorcio Isotron Sacyr, S.A., the corporate purpose of which is the management and construction of the "Line 2 extension-200 KV Crucero-Las Lagunas"; it holds a 50% interest and an investment of 35,139 euros.
- On 19 May 2016, Sacyr Industrial, S.L.U. formed Sacyr Industrial Do Brasil, Ltda., the corporate purpose of which is the acquisition, administration and sale of investments in the share capital of other companies; it holds a 100% interest and an investment of 277 euros.
- On 25 April 2016, Sacyr Concesiones S.L.U. and Sacyr Construcción, S.A.U., formed Consorcio PPP Rutas del Litoral, S.A., whose corporate purpose is the construction and financing of the road infrastructure on the Nueva Palmira section of Route 21, and the Routes 2 and 24 roadway corridor project; they hold ownership interests of 43% and 8%, respectively, and an investment of 1,002,414 euros and 190,428 euros, respectively.
- On 1 June 2016, Valoriza Facilities Chile, S.A. joined the scope of consolidation, with its stated corporate purpose being the provision of cleaning services to all types of buildings, properties and infrastructures; Valoriza Facilities, S.A. holds a 100% interest and an investment of 6,460 euros.
- On 13 June 2016, Sacyr Fluor, S.A. formed Sacyr Fluor Participaciones, S.L.U., the corporate purpose of which is the construction, maintenance and control of engineering projects; it holds a 100% stake, with an investment of 3,000 euros.
- On 20 June 2016, Sacyr Industrial Perú, S.A.S. formed NM Industrial Developments, S.A.C., the corporate purpose of which is the construction, maintenance and control of engineering projects; it holds a 100% stake, with an investment of 2,645 euros.
- On 24 June 2016, Sacyr Industrial, S.L.U. formed Sacyr Industrial Chile, SpA, whose corporate purpose is the planning and execution of engineering projects and construction works; it holds a 100% interest and an investment of 6,900 euros.
- On 24 June 2016, Sacyr Industrial, S.L.U. formed Sacyr Mondisa Industrial Chile, SpA, whose corporate purpose is the planning and execution of engineering projects and construction works; it holds a 100% stake, with an investment of 6,900 euros.

- On 15 July 2016, Sacyr Concesiones, S.L.U. formed Sacyr Concesioni, S.R.L., whose corporate purpose is the construction, conservation and management of all types of road infrastructure; it holds a 100% interest and an investment of 10,000 euros.
- On August 4, 2016, Valoriza Servicios Medioambientales, S.A. indirectly increased its ownership interest in Partícipes del Biorreciclaje, S.A. by 33.33%, raising its stake to 66.67%. At the same time, and also indirectly, it increased its stake in Biorreciclaje de Cádiz, S.A. by 32.66% up to 65.34%; the corporate purpose of both companies is the management, transport, treatment and elimination of waste.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Construcción Aparcamientos Juan Esplandiú, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 651,966.19 euros.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Sacyr Construcción Plaza de la Encarnación, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 3,357,821.58 euros.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Sacyr Construcción Aparcamientos Daoiz y Velarde, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 954,413.46 euros.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Construcción Aparcamientos Virgen del Romero, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 361,993.12 euros.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Construcción Aparcamientos Plaza del Milenio, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 685,496.70 euros.
- On 18 August 2016, Sacyr Fluor, S.A. formed Industrial Services SF Perú, S.A.C., whose corporate purpose is the planning and execution of engineering projects and construction works; it holds a 100% interest and an investment of 2,708 euros.
- On 26 August 2016, Sacyr Concesiones, S.L. formed Sacyr Concesiones Uruguay, S.A., whose corporate purpose is the production and sale of all manner of goods; it holds a 100% interest and an investment of 3,602.95 euros.
- On 25 December 2016, Valoriza Agua, S.L.'s company, Myah Gulf Oman Desalination Company, SAOC, was included in the scope of consolidation. Its corporate purpose is the operation of a desalination plant in Sohar, Oman; Valoriza Agua, S.L. has a 51% stake and an investment of 620,319.58 euros.
- On 19 September 2016, Sacyr, S.A. formed Sacyr Investments, S.A., the corporate purpose of which is the acquisition, administration and disposal of investments in the share capital of other companies; it holds a 100% interest and an investment of 150,315,763 euros.
- On 22 September 2016, Sacyr Industrial, S.L.U. formed Sacyr Industrial Panamá, S.A., the corporate purpose of which is to process and perform the business of an investment company; it holds a 100% interest and an investment of 9,584 euros.
- On 13 October 2016, Valoriza Minería, S.L.U. formed Tecnologías Extremeñas del Litio, S.L., whose corporate purpose is the research and investigation, exploration and sale of minerals; it holds a 100% interest and an investment of 3,000 euros.
- On 24 October 2016, Valoriza Servicios Medioambientales, S.A. formed Aplicaciones Gespol, S.L., the corporate purpose of which is the maintenance of IT systems for the

management of traffic offences and road safety; it holds a 100% interest and an investment of 250,000 euros.

- On 1 November 2016, Sacyr Fluor, S.A. formed Sacyr Fluor Bolivia, S.A., the corporate purpose of which is the construction, maintenance and control of engineering projects; it holds a 100% stake, with an investment of 3,811 euros.
- On 29 November 2016, Valoriza Minería, S.L.U. acquired the companies Rio Narcea Recursos S.A.U. and Rio Narcea Nickel, S.A.U., whose corporate purpose is the exploration and sale of nickel and copper; it holds a 100% interest in both countries and an investment of 100 euros and 15,038,740 euros, respectively.
- On 23 December 2016, Sacyr Concesiones, S.L.U. acquired a further 6.666% in the capital of Concesionaria Aeropuerto de Murcia, S.A., which has the operation of Murcia airport as its corporate purpose. At 31 December, it held a 73.9986% stake with an investment of 17,112,900 euros.
- On 12 August 2016, Sacyr Construcción, S.A.U. formed Sacyr Construcción Mercado Del Val, S.L., whose corporate purpose is the management of private car parks; it holds a 100% interest and an investment of 181,750 euros.

b.2.- Decrease in interests in subsidiaries, joint ventures, jointly controlled operations and/or associates, and other similar transactions

- On 4 January 2016, SyV Concesiones Costa Rica, S.A. was dissolved, in which the Group had held a 100% interest.
- On 26 January 2016, Sacyr Concesiones, S.L.U. sold 20% of its stake in the concession operator Hospital Majadahonda, S.A.
- On 26 January 2016, Sacyr Concesiones, S.L.U. sold 25% of its shareholding in the concession operator Hospital Majadahonda, Explotaciones S.L.
- On 25 May 2016, Sociedad Andaluza de Valoración de la Biomasa, S.A. was dissolved, in which the Group had held a 6% interest.
- On 20 June 2016, the 22.60897% stake in the company Testa Inmuebles en Renta, S.A. was sold for 316,839,941.35 euros.
- On 12 July 2016, Sacyr-Necso, S.A. was dissolved; the Group had held a 50% interest in it.
- On 13 July 2016, Tricéfalo, S.A. was dissolved; the Group had held a 60% interest in it.
- On 12 January 2016, as a result of having opted to receive a dividend in cash, Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U. reduced its ownership interest in Repsol, S.A. by 0.25%. Subsequently, on 6 July 2016, the same transaction was repeated and its ownership interest was once again reduced, this time by 0.138%.

b.3.- Other changes in the composition of the Group.

There were no additional changes in 2016.

B2) 2017

b.1.- Business combinations and other acquisitions or increases in interests in subsidiaries, joint ventures, jointly controlled operations and/or associates

- On 4 January 2017, Sacyr Construcción México, S.A. and Sacyr Construcción, S.A.U, formed Sacyr Eppcor Naicm S.A. de C.V.; whose corporate purpose is the execution and fulfilment of the contract for the "Construction of the Foundation Slabbing for the Ground Transport Centre at the New International Airport of Mexico"; it holds an ownership interest of 55% and 5% respectively and an investment of 2.680,76 euros and 223 euros respectively.
- On 30 January 2017, Sacyr Concesiones, S.L.U. and Sacyr Concesiones Chile, S.A., formed Sacyr Concesiones Paraguay, S.A., the corporate purpose of which is the construction, conservation and operation of all manner of infrastructure under public concessions; they hold interests of 99% and 1%, respectively, and an investment of 82,814.22 euros and 836.51 euros, respectively.
- On 9 February 2017, Sacyr Chile, S.A. formed the Chilean Consorcio Hospital Quillota Peterca, S.A., whose corporate purpose is the development, construction and execution of the "Building of the Bi Provincial Quillota Petorca Hospital"; it holds a 100% interest and an investment of 1,319.6 euros.
- On 23 February 2017, Sacyr Construcción, S.A.U. formed Sacyr Construcción Andorra, S.L.U., whose corporate purpose is the contracting, management and execution of all manner of public and private works; it holds a 100% interest and an investment of 3,000 euros.
- On 27 February 2017, Sacyr Concesiones, S.L. formed Sacyr Infraestructure Canadá INC., whose corporate purpose is the development, construction and execution of all manner of infrastructure; it holds a 100% interest and an investment of 339,944.91 euros.
- On 1 March 2017, Saopse Colombia, S.A.S., was included in the scope of consolidation. Its corporate purpose is the hiring, management, execution and maintenance of all manner of infrastructure for public and private clients. Valoriza Conservación de Infraestructuras, S.A.U. and Sacyr Concesiones Colombia, S.A.S. hold an interest of 60% and 40%, respectively, and an investment of 18,259.28 euros and 12,137.69 euros, respectively.
- On 1 March 2017, Rutas del Este, S.A., was included in the scope of consolidation. Its corporate purpose is the execution of the public-private contract for the construction and maintenance of the "National Highways no. 2 and 7 from the beginning of the Ypacarái city km 183". Sacyr Concesiones, S.L.U. holds a 60% interest and an investment of 4,641,650 euros.
- On 17 March 2017, Valoriza Facilities, S.A.U. formed Valoriza Centro Especial de Empleo, S.L., whose corporate purpose is to manage specialised employment centres; it is a wholly owned subsidiary with an investment of 75,000 euros.
- On 27 March 2017, Sacyr Fluor, S.A. formed Sacyr Fluor Colombia, S.A.S., the corporate purpose of which is the study and development of engineering projects, and the maintenance and use of all types of energy; it holds a 100% interest, with an investment of 211,225 euros.
- On 25 April 2017, Sacyr Construcción México, S.A. and Sacyr Construcción, S.A.U. formed Sacyr Alvarga Hospital Acuña SAPI de C.V., the corporate purpose of which is to carry out and fulfil the contract for "Construction of the General Hospital with 90 Beds in the city of Acuña"; they hold a 55% and 5% interest, respectively, and an investment of 2,656 euros and 241 euros, respectively.
- On 26 April 2017, Valoriza Minería, S.L.U. formed Tungsten San Juan, S.L., whose corporate purpose is to perform exploration, research and investigation, mining and sale of minerals; it holds a 51% interest and an investment of 33,660 euros.

- On 1 May 2017, Sacyr Investments II, S.A.U. was included in the scope of consolidation. Its corporate purpose is the acquisition, subscription, ownership and administration of share capital or equity of other companies. Sacyr, S.A. holds a 100% interest and an investment of 444,035,387.71 euros.
- On 1 May 2017, Sacyr Securities II, S.A.U., was included in the scope of consolidation. Its corporate purpose is the acquisition, subscription, ownership and administration of share capital or equity of other companies. Sacyr, S.A. holds a 100% interest and an investment of 60.000 euros.
- On 1 May 2017, Sacyr Industrial Australia Pty. was included in the scope of consolidation. Its corporate purpose is to study and implement engineering projects and maintain and exploit all types of energy. Sacyr Industrial, S.L.U. holds a 100% interest and an investment of 1.33 euros.
- On 23 May 2017, Sacyr Concesiones Colombia, S.A.S. formed Unión Vial Rio Pamplonita, S.A.S., the corporate purpose of which is the construction, operation and maintenance of the "Cúcuta-Pamplona" highway in Colombia; it holds a 100% interest and an investment of 21,114,692.72 euros.
- On 1 June 2017, Saopse Uruguay, S.A., was included in the scope of consolidation. Its corporate purpose is the hiring, management, execution and maintenance of all manner of infrastructure for public and private clients. Valoriza Conservación de Infraestructuras, S.A.U. and Sacyr Concesiones S.L.U. hold an interest of 60% and 40%, respectively, and an investment of 376.17 euros and 249.60 euros, respectively.
- On 17 August 2017, Sacyr Concesiones Chile, S.A. formed Sociedad Parking Siglo XXI, S.A., whose corporate purpose is the provision of cafeteria services and complementary services to the Antofagasta Hospital; it holds a 90% interest and an investment of 97,342 euros.
- On 19 July 2017, Sacyr Concesiones, S.L.U., Sacyr Operaciones and Servicios, S.A. y Sacyr Concesiones México, S.A. de C.V. formed Autovía Pirámides Tulancingo Pachuca, S.A.; the corporate purpose of which is to perform works required to maintain the section of road "Pirámides-Tulancingo Pachuca"; it holds a total interest of 0.5%, 0.1% and 50.4% respectively and an investment of 2,379.52, 653.9 and 239,246.94 euros.
- On 7 June 2017, Sacyr Concesiones, S.L.U. formed Sacyr Infraestructure UK Limited, S.A., the corporate purpose of which is the construction, operation and maintenance of all types of infrastructure; it holds a 100% interest and an investment of 271,030.61 euros.
- On 8 August 2017, Sacyr Construcción México, S.A. de C.V. formed APP E262 Pirámides SAPI de C.V., the corporate purpose of which is the construction, conservation and maintenance of the section of road "Pirámides-Tulancingo-Pachuca"; it holds a 51% interest and an investment of 2,425.2 euros.
- On 19 September 2017, Sacyr Industrial S.L.U. increased its interest by 36.36% in Sacyr Industrial Mantenimientos Eléctricos Panamá, S.A., the corporate purpose of which is the planning and execution of engineering projects and construction works; at 31 December it holds an interest of 96.36% and an investment of 89,053.77 euros.
- On 21 November 2017, Valoriza Renovables, S.L.U. increased its interest by 10% in Compañía Energética Puente del Obispo, S.L., the corporate purpose of which is the performing of research and energy generation projects; at 31 December it holds an interest of 100% and an investment of 8,164,078 euros.
- On 21 November 2017, Valoriza Renovables, S.L.U. increased its interest by 10% in Compañía Energética La Roda, S.L., the corporate purpose of which is to perform research

and energy generation projects; at 31 December it holds an interest of 100% and an investment of 3,308,719 euros.

- On 21 November 2017, Sacyr Valoriza Renovables, S.L.U. increased its interest by 39,7% in Compañía Energética Linares, S.L., the corporate purpose of which is the performing of research and energy generation projects; at 31 December it holds an interest of 100% and an investment of 3,900,423.58 euros.
- On April 25, 2017, Valoriza Renovables, S.L. increased its interest in Compañía Energética Orujera de Linares, S.L. by 5%. It subsequently increased its interest in that company, and again on 21 November 2017, by 44% , the corporate purpose of which is the production, extraction, sale, import and export of all types of olive residues and vegetable oils and derivatives; at 31 December it holds an interest of 100% and an investment of 2,214,979.55 euros.
- On 21 November 2017, Sacyr Valoriza Renovables, S.L.U. increased its interest by 18.56% in Bioeléctrica de Linares, S.L., the corporate purpose of which is to operate an electricity generating plant; at 31 December it holds an interest of 100% and an investment of 8,735,672.28 euros.
- On 23 October 2017, Sacyr Concesiones, S.L.U. and Sacyr Concesiones México, S.A. de C.V. formed Consorcio Operador de Hospitales Regionales del Sur, S.A. de C.V, the corporate purpose of which is provision of services to the General Hospital of the Southern Delegation of the ISSSTE in Mexico; it holds an ownership interest of 20% and 31% respectively and an investment of 2,691,355.37 euros and 4,171,600.82 euros, respectively.
- On 18 October 2017, Saopse Uruguay, S.A. formed Operadora del Litoral, S.A., (formerly Aprinsa, S.A.), the corporate purpose is the maintenance of all types of infrastructure; it holds a 50% interest and an investment of 826.26 euros.
- On 25 November 2017, Sacyr Construcción, S.A.U. formed Sacyr UK Limited, the corporate purpose of which is the contracting and operation of public and private works; it holds a 100% interest and an investment of 1,121.40 euros.
- On 1 December 2017, Sacyr Industrial Bolivia, SIB S.L.R. was included in the scope of consolidation. Its corporate purpose is to perform research studies, projects and services for all types of construction works; Sacyr Industrial, S.L.U. holds an interest of 98% and Sacyr Industrial Operación y Mantenimiento, S.L., 2% and an investment of 36,706.57 euros.
- On 12 December 2017, Sacyr Concesiones, S.L.U. formed Sacyr Concessies B.V., the corporate purpose of which is the construction, conservation and maintenance of all types of infrastructure; it holds a 100% interest and an investment of 1,000 euros.
- On 20 October 2017, Sacyr Construcción, S.A.U. formed Sacyr Canadá INC, the corporate purpose of which is the contracting and operation of all types of public and private works; it holds a 100% interest and an investment of 69.96 euros.
- On 1 December 2017, ValorizaInfraestructuras Ireland Limited joined the scope of consolidation; its corporate purpose being the maintenance of all types of infrastructures; Valoriza Conservación de Infraestructuras, S.A. holds a 100% interest and an investment of 3,000 euros.
- On 1 December 2017, Sacyr Operaciones y Servicios Paraguay, S.A. joined the scope of consolidation, the corporate purpose of which is the construction, conservation and operation of all types of infrastructure; Valoriza Conservación de Infraestructuras, S.A. and Sacyr Concesiones, S.L.U. hold interests of 60% and 40%, respectively, and an investment of 4,977.24 euros and 3,318.16 euros, respectively.

- On 16 August 2017, Valoriza Conservación de Infraestructuras, S.A.U., Sacyr Concesiones México, S.A. de C.V. and Sacyr Concesiones, S.L. formed Sacyr Operaciones y Servicios México, S.A. de C.V., the corporate purpose of which is the construction, conservation and operation of all types of infrastructure; they hold interests of 61% and 37.9% and 1.1%, respectively, and an investment of 587.76, 321.01 and 10.60 euros, respectively.
- On 27 November 2017, Sacyr Operaciones y Servicios México, S.A. de C.V. formed Autovía Pirámide Tulancingo Pachuca Operación y Servicios, S.A. de C.V., the corporate purpose of which is to perform works required for the conservation, maintenance and cleaning of all types of works and services; it holds a 51% interest and an investment of 215.98 euros.
- On 22 December 2017, Sacyr Construcción, S.A.U. proceeded to acquire 91% of Cavosa obras y proyectos, S.A. from Sacyr Infraestructuras, S.A. (formerly, Prinur, S.A.), the corporate purpose of which is demolition, explosives and drilling work; it holds a 100% interest and an investment of 4,972,370.40 euros.
- On 15 December 2017, Sacyr Industrial, S.L.U. increased its ownership interest by 2.09% in Quattro T&D Limited, the corporate purpose of which is the construction of an electric substation; it holds a 50% interest and an investment of 437,651 euros.

b.2.- Decrease in interests in subsidiaries, joint ventures, jointly controlled operations and/or associates, and other similar transactions

- On 16 March 2017, Concesionaria Viales Andinas, S.A. sold 49% of Rutas del Algarrobo, S.A.; the final percentage that it holds is 51%.
- On 1 January 2017, Waste Resources, S.L. was dissolved, in which the Group had held a 100% interest.
- On 5 May 2017, Sacyr Colombia, S.A. was dissolved; the Group had held a 100% interest in it.
- On 6 June 2017, European Tungsten Company S.L. was sold; the Group had held a 51% interest in it.
- On 6 August 2017, Tenemetro, S.L. was dissolved; the Group had held a 30% interest in it.
- On 11 October 2017, Soleval Renovables, S.L. was sold; the Group had held a 50% interest in it.
- On 11 October 2017, Solucía Renovables, S.L. was sold; the Group had held a 50% interest in it.
- On 28 April 2017, Ibervalor Energía Aragonesa, S.A. was dissolved; the Group had held a 50% interest in it.
- On 9 August 2017, Sacyr Construcción, S.A.U., transferred its 50% interest in the Chilean company, Operadora Siglo XXI, S.A. (formerly Sacyr Valoriza Chile, S.A.), 39% to Sacyr Concesiones Chile, S.A., 1% to Valoriza Chile, S.A. and 10% to an external party; the Group holds a total interest of 90%.
- On 3 August 2017, Tecnológica Lena, S.A. was dissolved; the Group had held a 50% interest in it.
- On 14 December 2017, Valoriza Facilities, S.L. and Valoriza Socio Sanitarios, S.L. merged.

- On 7 July 2017, as a result of having opted to receive a dividend in cash, the Sacyr Group reduced its ownership interest in Repsol, S.A. by 0.16%. Subsequently, on 9 January 2018, the same transaction was repeated and its ownership interest was once again reduced, this time by 0.154%.

b.3.- Other changes in the composition of the Group.

In 2017, the consolidation method of SIS S.C.P.A., NDP, S.C.P.A. and Superestrada Pedemontana Veneta, S.R.L. changed due to new management agreements with the shareholders, arising from the development and financing of the project, and moved to a fully consolidated method, rather than the invested method used for accounting purposes in 2014.

The date of the new management agreement with the shareholders was 1 July 2017.

3. Basis of presentation and consolidation

a) Basis of presentation

The Parent's directors have prepared these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

a.1) Standards and interpretations adopted by the European Union applicable in 2017

The accounting policies used to prepare these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2016, as none of the amendments to the standards which are applicable for the first time in this financial year have had any impact on the Group.

(a.2) Standards and interpretations adopted by the European Union but whose application is not mandatory for this year.

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB, which are not obligatory in the European Union at the date of preparation of these consolidated financial statements, when they enter into force, if they are applicable. Although the Group is currently analysing their impact, based on the analyses performed to date, the Group considers that the initial application of such standards, interpretations and amendments will not have a significant impact on its consolidated financial statements, except for the following:

Standard, interpretation or amendment	Date adopted by the EU	Date of application in the EU
IFRS 9 - Financial Instruments	September 2016	1 January 2018
IFRS 15 – Revenue from contracts with customers	November 2016	1 January 2018
IFRS 16 – Leases	October 2017	1 January 2019

- IFRS 9 Financial instruments

In July 2014, the IASB published the final version of IFRS 9 Financial instruments which replaces IAS 39 Financial Instruments: measurement and classification and all

previous versions of IFRS 9. This standard includes these three phases of the project for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 applies to the financial years which commence on 1 January 2018 or subsequently, with early application being permitted. Except for hedge accounting, retrospective application is required, however the comparative information need not be modified. For hedge accounting, the requirements are generally applied prospectively, except for certain exceptions.

The Group plans to adopt the new standard on the mandatory effective date and will not restate the comparative information. In 2017, the Group carried out a detailed assessment of the impact of the three phases of IFRS 9. This assessment is based on the information currently available and may be subject to changes as a result of additional information that may be available in 2018 when the Group adopts IFRS 9. In general, the Group does not expect major changes to its financial position or to its equity.

(a) Classification and measurement

The Group does not expect major changes to its financial position or to its equity as a result of applying the requirements of the classification and appraisal of IFRS 9. It expects to appraise at fair value all of its financial assets that are currently recorded at fair value. Debt instruments are expected to be appraised at fair value reflecting the changes in other comprehensive income in accordance with IFRS 9, since the Group expects not only to maintain the assets to collect the contractual cash flows, but also to sell significant amounts relatively frequently.

Activities of non-listed companies are expected to be maintained in the foreseeable future. No impairment losses have been recognised in the income statements from previous years due to these investments. The Group will apply the option to present changes in the fair value in other comprehensive income and, thus, considers that application of IFRS 9 will not have a significant impact.

Loans, and commercial debtors are maintained in order to receive contractual cash flows and are expected cash flows are expected that they only represent payments of the principal amount and interest. The Group analysed the characteristics of the cash flows of these instruments and concluded that they meet the criteria to be appraised at amortised cost in accordance with IFRS 9. Thus, these instruments do not need to be restated.

(b) Impairment

IFRS 9 requires that the Group records expected credit losses of all its debt securities, loans and commercial debtors, whether they have a maturity of 12 months or are perpetual. The analysis performed by the Group concludes that there is no significant impact on the consolidated financial statements.

(c) Hedge accounting

The Group has determined that all existing hedge relationships, which are currently designated as effective hedges, may continue to be classified as hedges in accordance with IFRS 9. The Group has decided not to apply IFRS 9 retrospectively in the transition from hedges in which excluded forward points from the designation of hedges in accordance with IAS 39. As IFRS 9 does not change the general principles regards how effective hedges must be recorded, the Group does not expect any significant to result from applying the standard.

(d) Other adjustments

In addition to the adjustments described above, as a result of adopting IFRS 9, other items of the financial statements will be adjusted, only if necessary, such as deferred tax assets, assets maintained for sale and their related liabilities, investments in associate companies and joint businesses. Differences in exchange rates arising from the conversion of operations abroad will also be adjusted.

- IFRS 15 – Revenue from contracts with customers

IFRS 15, published in May 2014 and modified in April 2016, establishes a new model with five steps that are applied in accounting for revenue from contracts with customers. In accordance with IFRS 15, revenue is recognised at an amount that reflects the consideration that a company expects to have the right to receive in exchange for providing a customer with goods or services.

This new standard replaces all previous standards relating to revenue recognition. A total or partial retrospective application will be required for the financial years which commence on 1 January 2018 or subsequently. The Group plans to adopt the new standard on the mandatory effective date using the modified retrospective method. In accordance with the new requirements established in IFRS 15, revenues must be recognised such that the transfer of goods or services to customers are shown in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services when the control of a good or service is transferred to the client.

The Group operates in different industrial sectors and geographies which are subject to different legal and contractual regulations. Thus, the Group coordinated with different operating divisions and project teams within each business to assess potential repercussions of the new standards in the various units of the Group.

Key criteria and estimates were used to determine the effect, such as for example evaluation of the probability of the client accepting variances and accepting claims, the estimated project completion date and the degree of implementation. Having performed this evaluation, the individual position of the legal procedures involved was taken into account, for the applicable agreements, including arbitration and litigation.

The main effects on the group's areas of activity are outlined below:

- Construction revenue

Commonly, works contracts, and their fulfilment, for the purposes of IFRS 15, can be equated to a single performance obligation. Revenues to be recognised in the income statement will continue to be recognised throughout the fulfilment of the contract, nevertheless, IFRS 15 lays down more stringent requirements of success probability for the recognition of contractual variances, such as changes and claims.

Additionally, under IAS 11, tendering costs are capitalised when it is deemed likely that the contract shall be obtained, nevertheless, under IFRS 15, costs can only be capitalised if they are expected to be recoverable.

- Revenue from services

Service activity typically consists of plant maintenance and provision of defined services, for the purposes of IFRS 15, can be equated to a single performance obligation or as highly interrelated performance obligations. Revenues to be recognised in the income statement will continue to be

recognised throughout the fulfilment of the contract, nevertheless, IFRS 15 lays down more stringent requirements of success probability for the recognition of contractual variances, such as changes and claims.

- Concession income

Recognition of income stated by the Sacyr group for Concession income, meets the income recognition criteria laid down in IFRS 15. In order to be able to record operating or construction income in each of the financial activities, the construction or operating service is conveyed both specifically (for example, delivery of sections built or purchase of equipment) and on an on-going basis (for example, conservation, maintenance, operation, management...).

The Group plans to adopt the new standard on the mandatory effective date and will not restate the comparative information. In 2017, the Group carried out a detailed assessment of the impact of the three phases of IFRS 15. This assessment is based on the information currently available and may be subject to changes as a result of additional information that may be available in 2018 when the Group adopts IFRS 15.

The Group plans to adopt IFRS 15 using the cumulative effect method, by initially applying this standard on the initial application date (namely, 1 January 2018). As a result of the first application of IFRS 15, an Equity adjustment shall be recognised on 1 January 2018 of 420 million euros (after tax)

- IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise all leases in one single model similar to the current recognition of financial leases in accordance with IAS 17. The standard includes two exemptions in the recognition of leases by lessees: leases of low-value assets (e.g. a lease of a personal computer) and short-term leases (i.e. leases of 12 months or less). At the start of a lease, the lessee records a liability for the lease payments to be made (i.e. the lease liability) and an asset which represents the right to use the underlying asset during the lease period. The lessees must recognise the interest expense on lease liabilities separately from the depreciation expense of the lease assets in the income statement.

Lessees are also required to reassess the lease liability if certain events occur (e.g. a change in the lease term; a change in future lease payments that results from a change of index or interest rate used to determine these payments). The lessee will generally recognise the amount of reassessment of the lease liability as an adjustment in the asset for which it has the right of use.

Recognition under IFRS 16 is not substantially altered with respect to that for the current IAS 17 standard. Lessees continue to classify leases using the same principles as at present and recognise two types of leases: operating and finance leases.

IFRS 16 also requires both lessors and lessees to make more extensive disclosures of information than those stipulated in IAS 17.

IFRS 16 comes into force for financial years beginning on or after January 1, 2019, with early application being permitted, but not before an entity applies IFRS 15. A lessee may choose to apply the standard retrospectively either totally or in a transitional modified form. The transitional provisions for the standard allow certain exemptions.

In 2018, the Group shall continue to assess the potential impact of IFRS 16 on its consolidated financial statements.

The 2017 individual financial statements of each Group company will be presented for approval at their respective General Shareholders' Meetings within the periods established by prevailing legislation. The Sacyr Group's consolidated financial statements for 2017 were prepared by the Parent's Board of Directors on 22 March 2018. They are expected to be approved at the Parent's General Shareholders' Meetings without any modifications.

Unless stated otherwise, the figures in these consolidated financial statements are shown in thousands of euros, rounded to the nearest thousand.

b) Comparative information

For comparison purposes, these consolidated financial statements include figures at the previous year's reporting date in the statement of financial position, in the separate consolidated income statement, in the consolidated statement of comprehensive income, in the consolidated statement of changes in equity and in the consolidated statement of cash flows. Notes to items in the separate consolidated income statement and consolidated statement of financial position show comparative information for the previous year's close.

c) Accounting policies

The accompanying consolidated financial statements were prepared in accordance with IFRS and comprise the consolidated statement of financial position, separate consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, and the accompanying notes, which form an integral part of the consolidated financial statements. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments held for trading, available-for-sale financial assets, non-current assets held for sale and derivative financial instruments, which have been measured at fair value.

The accounting policies were applied uniformly to all Group companies.

The most significant accounting policies applied by the Sacyr Group in preparing the consolidated financial statements under IFRS are as follows:

c.1) Use of judgements and estimates

In preparing the consolidated financial statements the Group's directors have used estimates to measure certain items. These estimates are based on past experience and various other factors believed to be reasonable under the circumstances. These estimates refer to:

- The assessment of potential impairment losses on certain assets (see Notes 5, 6, 7, 8, 9 and 10).
- The useful life of property, plant and equipment and intangible assets (see Notes 5, 6, 7 and 8).

- The recoverability of deferred tax assets (see Note 13).
- Estimates for the consumption of concession assets (see Note 6).
- Provisions against liabilities (see Note 19).

The Group continuously revises its estimates. However, given the inherent uncertainty of such estimates, there is a substantial risk of significant changes in the future value of these assets and liabilities should the assumptions, facts or circumstances on which these estimates were based change significantly. The key assumptions about the future and other significant data regarding the estimation of uncertainty at the reporting date that carry a significant risk of causing material changes in the value of assets or liabilities in the coming year are as follows:

- Impairment of non-financial non-current assets

The Group assesses non-financial assets annually for indications of impairment, based on appropriate impairment tests where circumstances make it advisable to do so.

- Deferred tax assets

Deferred tax assets are recognised based on the Group's estimate of their future recoverability in light of projected future taxable profit.

- Provisions

The Group recognises provisions against risks based on judgements and estimates as to their probability and the amount of any loss, recognising the corresponding provision when the risk is considered probable.

- Measurement of fair value, value in use and present value

Measurements of fair value, value in use and present value require the Group to calculate future cash flows and make assumptions about the future values of these flows and the discount rates to apply. Estimates and assumptions are based on past experience and other factors believed to be reasonable under the circumstances.

c.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sacyr, S.A. and subsidiaries at 31 December 2017 and 2016. The financial statements of the subsidiaries are prepared for the same accounting period as those of the Parent, using uniform accounting policies. Adjustments are made as required to harmonise any differences in accounting policies.

Information on subsidiaries, joint ventures and associates is provided in Appendix I, which forms an integral part of these consolidated financial statements.

c.2.1 Consolidation principles

Consolidated companies are consolidated from the date that the Group obtains control of the company and deconsolidated when the Group ceases to exercise control. When control of a subsidiary ceases during the course of a year, the consolidated financial statements report its results only for the part of the year during which the subsidiary was under Group control.

c.2.2 Subsidiaries

Companies included in the scope of consolidation are fully consolidated in the following circumstances: (i) where the Parent company has a direct or indirect shareholding of over 50% and a majority of the voting rights in the corresponding governing bodies, (ii) where the ownership interest is equal to or less than 50% but there are agreements between shareholders that allow the Sacyr Group to control the management of the subsidiary.

c.2.3 Jointly controlled operations

Jointly controlled operations are included in the scope of consolidation using the proportionate consolidation method if there are two or more venturers related by a contractual arrangement that establishes joint control. The Group reports its share of the assets, liabilities, income and expenses of the joint venture, line by line, in its consolidated financial statements.

The Sacyr Group also includes temporary joint ventures (Uniones Temporales de Empresas, or UTEs) and economic interest groupings (Agrupaciones de Interés Económico, or AIEs) under this heading.

c.2.4 Associates

The companies in which the Sacyr Group does not hold control, but over which it does exercise significant influence or joint control in those cases in which the requirements of IFRS 11 are not met in order to be classified as "Jointly controlled operations", were accounted for using the equity method. For the purpose of preparing these consolidated financial statements, it was considered that the Group exercises significant influence over those companies in which it has a holding of over 20%, except in specific cases where, although the percentage ownership is lower, the existence of significant influence can be clearly demonstrated, as it may participate in the financial and operating decisions of the investee, mainly through representation on the board of directors, participation in policy-making processes or the provision of essential technical information.

Investments in associates are recognised in the consolidated statement of financial position at cost plus changes in the percentage of ownership subsequent to the initial acquisition, depending on the Group's interest in the net assets of the associate, less any impairment in value. The profit or loss of the associate is reflected in the separate consolidated income statement in proportion to the Group's ownership interest. In the event of changes recognised directly in the associate's equity, the Group recognises its share of these changes directly in its own equity.

c.2.5 Intra-group transactions

The following transactions and balances have been eliminated on consolidation:

- Reciprocal debit and credit balances and costs and income arising from intra-group transactions.
- Gains and losses from buying and selling property, plant and equipment and any material unrealised gains on inventories or other assets.
- Internal dividends and interim dividends payable recognised by the company paying them.

c.2.6 Financial year end

The reporting date for the financial statements of most Sacyr Group companies is 31 December. Companies whose financial years do not end at 31 December have prepared pro-forma financial statements as at that date.

c.2.7 Non-controlling interests

The interest of non-controlling shareholders in the equity and profit or loss of the consolidated subsidiaries is presented under "Equity attributable to non-controlling interests" in the consolidated statement of financial position and under "Non-controlling interests" in the separate consolidated income statement, respectively.

c.2.8 Translation of financial statements of foreign subsidiaries

The consolidated statement of financial position and separate consolidated income statement items of consolidated foreign companies are translated to euros using the year-end exchange rate method, which means:

- All assets, rights and obligations are converted to euros using the exchange rate prevailing at the foreign subsidiaries' reporting date.
- Separate consolidated income statement items are translated at the average exchange rate for the year.
- The difference between the equity of foreign companies, including the separate consolidated income indicated in the preceding section, translated at historical exchange rates, and the equity value arising from translating the assets, rights and obligations using the above criteria, is shown with a negative or positive sign as "Translation differences" under equity in the consolidated statement of financial position.

Transactions in currencies other than each company's functional currency are recognised at the exchange rates prevailing at the transaction date and are subsequently translated to euros as explained in this note.

c.3) Business combinations and goodwill

Business combinations are recognised using the acquisition method.

Identifiable assets acquired and liabilities assumed are recognised at their fair value at the acquisition date. For each business combination, the acquirer measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs are recognised as expenses in the income statement.

When the Group acquires a business, it will classify or designate the acquired assets and liabilities as necessary based on contractual agreements, economic circumstances, accounting and operating policies and other relevant conditions applying at the acquisition date.

If the business combination is carried out in several steps, the Group remeasures its previous interest in the equity of the acquiree previously held at fair value at the acquisition date and recognises any resulting gains or losses in income.

Any contingent consideration that the Group transfers is recognised at fair value at the acquisition date. Subsequent changes in fair value of contingent considerations classified as an asset or liability are recognised in accordance with IAS 39, with any resulting gain or loss being recognised in either income or other comprehensive income. If the contingent consideration is classified as equity it is not remeasured and subsequent settlement is accounted for within equity.

Goodwill arising from a business combination is initially measured at cost at the time of the acquisition. This is the excess of the consideration transferred plus any non-controlling interest in the acquiree over net identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the acquiree's net assets, the difference is recognised in income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than their carrying amount, the Group recognises an impairment loss.

Impairment losses relating to goodwill cannot be reversed in future periods.

If goodwill has been allocated to a cash-generating unit and the entity sells or otherwise disposes of an activity from this unit, the goodwill associated with the activity is included in the carrying amount of the business when determining the gain or loss from disposal, and it is measured based on the relative values of the activity disposed of and the retained portion of the cash-generating unit.

c.4) Other intangible assets

This heading includes computer software, industrial property and leasehold assignment rights. These assets are carried at acquisition or production cost, less accumulated amortisation and any accumulated impairment losses. An intangible asset is recognised only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Costs incurred in each development project are capitalised when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the asset for use or sale,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset, and

- the ability to measure reliably the expenditure during development

Capitalised development costs are amortised over the period of expected future revenue or benefit from the project.

“Computer software” shows the carrying amount of computer programmes acquired from third parties and intended for use over several years. Computer software is amortised over its useful life, which is generally four years.

“Leasehold assignment rights” is the amount paid for the right to lease business premises. Assignment rights are amortised over their useful life, which is generally five years.

In light of the United Nations Framework Convention on Climate Change and the Kyoto Protocol, which set a European Community target for the reduction of greenhouse gas emissions, an emissions rights trading system has been created.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds from disposal and the carrying amount of the asset. They are recognised in the separate consolidated income statement when the asset is derecognised.

c.5) Property, plant and equipment

Property, plant and equipment is measured at cost, including all directly related costs incurred before the asset becomes available for use, net of accumulated depreciation and accumulated impairment losses.

The costs of expanding, upgrading or improving property, plant and equipment that increase its productivity, capacity or efficiency, or prolong its useful life are capitalised as an increase in the cost of the asset.

Repair and maintenance costs for the year are recognised in the separate consolidated income statement.

Leased assets in which the terms of the arrangement transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. Properties acquired through finance leases are carried at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less any accumulated depreciation and impairment.

Depreciation is recognised in the separate consolidated income statement on a straight-line basis over the estimated useful life of each asset. Depreciation of the assets begins from the moment they become available for use.

The cost of property, plant and equipment is depreciated using the straight-line method over the period of the asset's estimated useful life, except for machinery, which is depreciated using the declining balance method in nearly all cases:

Buildings for own use	50 - 68
Machinery	5 - 10
Materials for installations	2 - 4
Tools and associated equipment	4 - 8
Transport equipment	5 - 8
Furniture and fittings	9 - 12
Data processing equipment	3 - 4
Complex pieces of plant and equipment	2 - 4
Other property, plant and equipment	5

At the end of each reporting period, the Group reviews and, where necessary, adjusts the assets' residual values, useful life and depreciation method.

Borrowing costs that are directly attributable to the acquisition or development of property, plant and equipment are capitalised when assets require more than a year to be ready for use.

c.6) Investment property

Investment properties are recognised at acquisition cost, including directly attributable start-up costs, the initial estimate of decommissioning costs and transaction costs. Subsequent investments in the property are recognised at cost, applying the same criteria as for property, plant and equipment.

In accordance with the accounting treatment required by IAS 23, borrowing costs that are directly attributable to the acquisition or development of investment property are capitalised when assets require more than a year to be ready for their intended use.

The costs of any improvements that increase the properties' rental yield are capitalised each year. In contrast, repairs that do not prolong or improve the useful life of the assets, as well as maintenance costs, are recognised in the separate consolidated income statement as incurred.

Investment property is derecognised when sold or permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of any investment property are recognised in the separate consolidated income statement for the year of the retirement or disposal.

Investment property is depreciated based on its acquisition cost using the straight-line method over its estimated useful life, as revised annually, which is 50-68 years.

The Group remeasures its investment property when the market value of the assets falls below their net carrying amount. Market value is appraised independently.

c.7) Concession projects

Under the various concession agreements, until each concession project becomes operational, all planning, construction, expropriation and other expenses, including the corresponding portions of administration expenses and finance costs until the start-up date, and the depreciation of other property, plant and equipment, are capitalised as investments in concession projects.

Investment in these concession projects includes any revaluations applied by any company under prevailing legislation until the date of transition to IFRS.

For certain subsidiaries where the carrying amount of equity at the date of acquisition is greater than the associated investment, the excess is recorded under "Concession projects".

Certain companies have begun to depreciate some items of returnable property, plant and equipment whose estimated useful life is less than the concession period. These items continue to be depreciated over their estimated useful life.

In relation to other investments in concession projects, i.e., returnable assets that are not technically depreciated over the life of the concession, the Group has opted to use a

depreciation method based on the economic use of the assets under concession, except for hospital concessionaire companies, which depreciate the assets on a straight-line basis over the period in question.

Service concession arrangements acquired through business combinations after 1 January 2004 (transition date to IFRS) are measured in accordance with IFRS 3 at fair value (based on discounted cash flow valuations at the acquisition date) and depreciated on a straight-line basis over the concession period.

With respect to accounting methods, see Note 3.c.10).

c.8) Financial assets

Financial assets are initially measured at fair value, which generally coincides with acquisition cost, adjusted for any directly attributable transaction costs, except financial assets held for trading, for which gains or losses are recognised in profit or loss for the year.

The Group classifies financial assets into the following groups:

- Loans to companies accounted for using the equity method: These include loans granted by the various Group companies to companies accounted for using the equity method.
- Available-for-sale financial assets: These relate to investments in equity instruments that do not meet IFRS criteria for consideration as investments in subsidiaries, associates or joint ventures. They are recognised in the consolidated statement of financial position at fair value where fair value can be determined. If this is not possible, the assets are recognised at cost less any impairment losses. Any gains or losses arising from changes in fair value are recognised directly in equity until the investment is derecognised or determined to be impaired, whereupon the accumulated gain or loss previously recorded in equity is recognised in the separate consolidated income statement.
- Financial assets at fair value through profit or loss: This heading includes the financial assets held for trading, derivative financial instruments not assigned as accounting hedges as well as financial assets which, when initially recognised, are designated to be measured at fair value through profit or loss. They are initially measured at fair value which, unless proven otherwise, is the transaction price, which is equivalent to the fair value of the consideration received. Directly attributable transaction costs will be recognised in profit and loss for the year.

Such assets are subsequently measured at fair value, recognising the gains and losses from the changes in this fair value in the income statement, without deducting transaction costs.

- Receivables from certain service concession agreements which apply the financial asset model under IFRIC 12 (see Note 3.c.10). These are initially measured at amortised cost. A credit based on an effective interest rate is then recognised as finance income at each closing date over the lifetime of the agreement.
- Other loans and receivables: After their initial measurement at the fair value of the collection rights, loans and receivables are carried at amortised cost, which means the original carrying amount less repayments of principal, plus interest receivable, less any provision for impairment or default. Accrued interest is recognised in the consolidated income statement as an increase in the amount receivable, unless paid as accrued.

- Financial assets held for trading: Those acquired for the purpose of selling them in the near term to obtain profits from fluctuations in their prices.
- Financial instruments at fair value: The Group uses derivative financial instruments such as currency contracts and interest rate swaps to hedge its interest rate and foreign currency risks. The related explanation is detailed in Note 3.c.22).
- Hybrid financial instruments: Include financial instruments which combine a non-derivative host contract and an embedded derivative, which cannot be transferred separately.

The Company separately recognises and measures the host contract and the embedded derivative when:

- a) the characteristics and economic risks inherent to the embedded derivative are not closely related to those of the host contract.
- b) a separate instrument with the same conditions as those of the embedded derivative would comply with the definition of a derivative instrument.
- c) the hybrid instrument is not measured at fair value through profit or loss.

The embedded derivative is recognised for accounting purposes as a derivative financial instrument and the host contract is recognised according to its type.

In the initial recognition, the Company may designate the entire hybrid (combined) contract as a financial asset or a financial liability at fair value through profit or loss unless:

- a) the embedded derivative(s) do not significantly modify the cash flows which it would otherwise have generated, or
 - b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.
- Guarantees and deposits given: these represent the amounts posted as a guarantee of compliance with obligations or as a deposit.

Financial assets are derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and transferred substantially all the risks and rewards incidental to ownership of the asset.

In the accompanying consolidated statement of financial position, financial assets and, in general, all assets and liabilities, are classified on the basis of their contractual or estimated maturity. For this purpose, those maturing in 12 months or less are classified as current and those maturing in over 12 months, as non-current.

The Group generally recognises normal purchases and sales of financial assets at the settlement date.

There are no significant differences between the fair values and carrying amounts of the Sacyr Group's financial assets and liabilities.

c.9) Impairment

c.9.1 Impairment of property, plant and equipment and intangible assets

Impairment losses are recognised for all assets or, where appropriate, the related cash-generating units, when an asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the separate consolidated income statement.

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. Where such indications exist, in the case of goodwill, the recoverable amount of the assets is estimated, as the case may be.

Recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate largely independent cash flows, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and, second, to reduce the carrying amount of the other assets based on a review of the individual assets that show indications of impairment.

Except in the case of goodwill, a previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of an impairment loss is recognised in the separate consolidated income statement.

An impairment loss can only be reversed up to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset.

c.9.2 Impairment of financial assets

When a decrease in the fair value of an available-for-sale financial asset has been directly recognised in equity and there is objective evidence that the asset is impaired, the accumulated losses previously reported in equity are recognised in the separate consolidated income statement for the year. The accumulated loss recognised in profit or loss is the difference between cost and current fair value.

An impairment loss on an investment in an equity instrument classified as available for sale is reversed through equity, without being recognised in the separate consolidated income statement.

If the fair value of a fixed-income financial instrument classified as available for sale increases and this increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, this loss can also be reversed in the separate consolidated income statement.

The recoverable amount of held-to-maturity investments and receivables carried at amortised cost is calculated as the present value of the expected future cash flows discounted at the original effective interest rate. Current investments are not discounted to present value.

Impairment losses on held-to-maturity financial investments or receivables carried at amortised cost are reversed if the subsequent increase in the recoverable amount can be objectively related to an event occurring after the impairment loss was recognised.

c.10) Concession assets

IFRIC 12 regulates the accounting treatment of public-private partnership agreements on service concession arrangements from the concession operator's point of view and prescribes accounting methods based on the nature of the agreements entered into with the grantor. It applies to public-private service concession agreements when:

- The grantor controls or regulates which services the concession operator needs to provide in respect of infrastructure, to whom it should provide the services and at what price.
- The grantor controls all significant residual interests in the infrastructure once the concession agreement expires.

Under such agreements, the concession operator acts as service provider, rendering construction or infrastructure upgrade services specifically, and operating and maintenance service during the lifetime of the concession.

Depending on the type of rights that the concession operator receives as consideration for the construction or upgrade work, the following accounting methods are applied:

1. Intangible asset model

This method is usually applied when the concession operator has the right to charge users for the use of the public service. The right is not unconditional, rather it depends on users using the service. Therefore the concession operator assumes the demand risk.

In these cases the asset that should be recognised as consideration for the construction or upgrade services (i.e., the value of the right to charge users for a public service under the concession) is measured in accordance with IAS 38 "Intangible assets" and amortised over the lifetime of the concession.

2. Financial asset model

Under this model, the concession operator recognises a financial asset where it has an unconditional contractual right to receive from the grantor (or from others on the grantor's behalf) cash or another financial asset as consideration for the construction and operation services provided, and the grantor has little or no possibility of avoiding the payment. This means that the grantor guarantees payment to the concession operator of a fixed or measurable sum or, in some cases, makes good on any deficit in income. In this case, the operator assumes no demand risk, as it would be paid even if no one used the infrastructure.

In this case, the asset is measured according to IAS 32, IAS 39 and IFRS 7 on Financial instruments. The financial asset is recognised under financial assets from the moment work begins, calculated using an effective interest rate equal to the project's internal rate of return.

3. Mixed model

Under the mixed model, the financial asset model is applied to the elements of the agreement where payment of a sum is guaranteed and the intangible asset model is applied to the unguaranteed portion. The key distinction is between the elements of income that offset the initial investment in the assets (intangible asset model) and those that are paid in settlement of receivables (financial asset model).

In accordance with the transitional provisions of IFRIC 12, the main implication for the consolidated financial statements is that concession projects for which income is guaranteed by the authorities are classified and measured as financial assets.

The Group separately recognises income and expenses corresponding to infrastructure construction or upgrade services for the concession, whether the construction is carried out by a Group company or by an unrelated third party, i.e., it records the gross amount of such income and expenses.

c.11) Non-current assets held for sale and associated liabilities

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continued use. This condition is deemed to have been met only when disposal is highly probable and the asset is available for immediate sale in its current state. The sale must be expected to occur within one year from the classification date.

These assets are measured at the lower of carrying amount and fair value less costs to sell or, where IAS 39 applies, at fair value without deducting any costs to sell.

Liabilities related to assets that meet the above definition are recognised under "Liabilities associated with non-current assets held for sale" on the liability side of the consolidated statement of financial position.

c.12) Inventories

Land lots, developments under construction and completed buildings, in each case held for sale, are measured at cost of acquisition or construction, as described below:

- Buildings are measured according to the cost system indicated below for developments under construction or at cost in the case of buildings that were acquired after completion, including costs directly attributable to the acquisition.
- Developments under construction include costs incurred for real estate developments whose construction is not yet complete. This heading includes direct construction costs certified by the relevant project managers, development costs and finance costs incurred over the construction phase. Once construction has begun, the value of buildings and other structures includes the cost of the land lots on which they are built.
- Land lots and adaptation of land are valued at cost of acquisition, which includes costs directly related to purchases. The value of unbuilt land and lots also includes the capitalised cost of spending on the project, on urban development and on planning up to the point where the lot is ready for development.

"Inventories" includes the finance costs accrued during the construction phase.

Stockpiles of raw and other materials and consumables are valued at cost.

Products and work in progress are measured at production cost, which includes the cost of materials, labour and any direct production costs incurred.

The Group writes down the value of its inventories where the cost booked exceeds market value, based on independent appraisals.

Project start-up costs are costs incurred up to the start of construction and are recognised in profit or loss based on the stage of completion over the lifetime of the project.

In the real estate business, impairment losses are recorded to cover any estimated losses on projects in full.

"Raw materials and other supplies" includes greenhouse gas emission rights received under the various national allocation plans, and also those acquired.

In light of the UN Framework convention on climate change and the Kyoto Protocol which set a European Community target for reduction in greenhouse gas emissions, an emissions rights trading system has been created.

Emission rights are measured at the lower of acquisition price or market value. However, when this involves rights acquired free of charge, the acquisition price is considered to be the market price of these rights at the time of their acquisition. On 31 December 2017, SENDECO, the Spanish CO₂ emission rights trading system, published the price of a CO₂ emission right at 6.11 euros (8.04 euros in 2016).

A balancing entry is made under "Equity, Grants, donations and bequests received" in the statement of financial position for those emission rights acquired free of charge and is released to income as the rights are used.

Emission rights are not amortised but a provision for emission costs is recognised under "Other provisions" in line with the actual use of the greenhouse gas emission rights; this provision remains on the liability side of the statement of financial position until the moment of use. In April of each year the rights consumed in the previous year are settled with the authorities and adjustments are made to greenhouse gas emission rights under intangible assets, provisions and government grants.

c.13) Receivables

Discounted bills pending maturity at 31 December are included in the accompanying consolidated statement of financial position under "Trade receivables for sales and services", with a balancing entry in "Bank borrowings".

c.14) Cash and cash equivalents

"Cash and cash equivalents" comprise cash on hand and at banks, and short-term deposits with an original maturity of three months or less and no exposure to significant changes in value. However, this cash may only be used by the Group company owning it.

c.15) Capital increase costs

Capital increase costs are recognised as a decrease in equity, net of any tax effect.

c.16) Treasury shares

Shares of the Parent held by the Group are shown at cost and recognised as a deduction from equity. No gain or loss is recognised in profit or loss on the purchase, sale or redemption of treasury shares. Any gains or losses on the sale of these shares are recognised directly in equity at the time they are sold.

c.17) Provisions and contingencies

Provisions are recognised in the consolidated statement of financial position when the Group has a present obligation (legal, contractual or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Amounts recognised as provisions are the best estimate of the amounts required to offset the present value of the obligations at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the liability.

The policy on contingencies and expenses is to make provisions for the estimated amount of probable or certain liabilities arising from legal proceedings in progress, compensation or obligations pending, and for guarantees and other similar commitments. This provision is recorded when the contingency or obligation giving rise to the indemnity or payment arises.

The provision for completion of construction is recorded as a liability in the consolidated statement of financial position and reflects the estimated amount of the payment liabilities for completing construction which cannot yet be determined or for which the actual settlement date is not known, since they depend on the fulfilment of certain conditions. Provisions are made according to the best estimates of the annual accrual, which is between 0.5% and 1% of the completed project.

The Group assesses its obligations and liabilities by considering the potential obligations arising from past events whose existence must be confirmed by uncertain future events not under the Group's control as "contingent liabilities".

c.18) Financial liabilities

Financial liabilities are classified, for measurement purposes, into the following categories:

- Bank borrowings and payables

These include trade payables for goods and services plus negative balances on non-trade transactions not including derivatives.

They are initially recognised in the consolidated statement of financial position at fair value, which, unless there are indications to the contrary, is the transaction price measured as the fair value of the consideration received less directly attributable transaction costs.

Subsequently, they are measured at amortised cost. Accrued interest is recognised in the separate consolidated income statement using the effective interest rate method.

However, trade payables due within one year that have no contractual interest rate and are expected to be paid in the short term are measured at their nominal value when the effect of not discounting cash flows is insignificant.

- Hedging derivatives

See Note 3.c.22).

Financial liabilities are derecognised when the corresponding obligation is settled, cancelled or expires.

Liabilities maturing in less than 12 months from the date of the consolidated statement of financial position are classified as current and those with longer maturity periods as non-

current, except mortgage loans on items of inventory or related to non-current assets held for sale, which are reclassified as current regardless of the maturity date.

c.19) Foreign currency transactions

Foreign currency transactions are converted to euros at the exchange rate prevailing at the date of the transaction. Gains or losses from foreign currency transactions are recognised in the separate consolidated income statement as they occur.

Foreign currency receivables and payables are translated to euros using the closing exchange rate. Unrealized exchange differences on transactions are recognised in the separate consolidated income statement.

c.20) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Non-repayable grants used to finance returnable assets are recognised as deferred income at their fair value. These grants are recognised as income in proportion to the depreciation charged for the assets financed with the grants.

Certain Chilean companies have recognised in their financial statements the annual grants receivable from the Chilean Ministry of Public Works under their respective concession contracts. These receivables are recognised in income following the same criteria as those used to depreciate the concession assets.

c.21) Income tax

Income tax expense each year is calculated as the sum of the current tax resulting from applying the appropriate tax rate to the taxable profit for the year, after taking into account all applicable tax credits and relief, and the change in deferred tax assets and liabilities recognised in the separate consolidated income statement.

Income tax expense is recognised in the separate consolidated income statement except when it relates to items recognised directly in equity, in which case it is recognised in equity.

In accordance with Royal Decree 4/2004, of 5 March, approving the consolidated Corporate Income Tax Law, Sacyr, S.A. and its subsidiaries have decided, with the approval of each company's corporate bodies, to file consolidated tax returns, and have duly notified the Spanish tax authorities, which assigned tax identification number 20/02 to the head of the tax group.

Companies forming part of the tax group are listed in Appendix II of these consolidated financial statements.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, on the basis of the tax rates in force at the reporting date.

Deferred income tax is recognised using the liability method for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Group recognises deferred tax assets for all deductible temporary differences, and unused tax credit and tax loss carryforwards, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credit and tax loss carryforwards can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences relating to investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be recovered.

The carrying amount of the deferred tax assets is reviewed by the Group at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be applied. The Group also reassesses unrecognised deferred tax assets at each reporting date and recognises them to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Group recognises deferred tax liabilities for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary difference can be controlled by the Parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

c.22) Hedging derivatives

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its interest rate and foreign currency risks. Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are recognised directly in profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction, or
- hedges of a net investment in a foreign operation.

Hedges of the foreign currency risk of a firm commitment are recognised as cash flow hedges.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

- Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability, or of an unrecognised firm commitment, or of an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. In fair value hedges, the carrying amount of the hedged item is adjusted to reflect gains and losses in the hedged risk, the derivative is remeasured at fair value and the gains and losses from both are recognised in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability, with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in the income statement.

The Group discontinues the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, no longer meets the criteria for hedge accounting, or the Group revokes the designation.

- Cash flow hedges

Cash flow hedges are hedges of exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the separate consolidated income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged finance income or expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the separate consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is no longer expected to occur, the amount is taken to the separate consolidated income statement.

- Hedges of a net investment

Hedges of a net investment in a foreign operation, including hedges of a monetary item accounted for as part of the net investment, are treated similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity, while any gains or losses relating to the ineffective portion are recognised in the separate consolidated income statement. On disposal of the foreign operation, the accumulated value of any such gains or losses recognised directly in equity is transferred to the separate consolidated income statement.

c.23) Related parties

The Group defines related parties as its direct and indirect shareholders, related companies, directors and key management personnel, as well as any individuals or legal entities dependent on such persons.

c.24) Income and expense recognition

In general, revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Income is only recognised when all the following criteria have been satisfied:

- the risks of ownership have been transferred,
- control over goods has been transferred,
- the amount of income and costs incurred or to be incurred can be measured reliably, and
- it is probable that the economic benefits associated with the transaction will flow to the company.

The Sacyr Group uses the following methods to recognise the income of certain specific business areas:

1. Construction companies.

Contract income corresponds to the sum of the stipulated contract price plus the value of the changes made to original work, as well as claims or incentives which are likely to be received and can be quantified reliably.

Contract costs include:

- Net costs directly related to the contract, such as labour costs, materials, etc.
- Related contract costs, e.g., insurance, finance costs, indirect costs such as technical assistance not directly related to a specific contract. These costs are distributed equally using systematic, rational criteria.

- Other costs billable to the customer under the contract, which include certain general administration and development costs, provided that they have been specified in the contract.
- Costs that cannot be attributed to the contracting activity or allocated to specific contracts are excluded from construction contract costs.

The recognition of income or costs related to a construction contract differs depending on whether the outcome of the contract can be estimated reliably. To estimate the outcome of a contract reliably, the following criteria must be satisfied:

- It must be probable that the economic benefits budgeted in the contract will flow to the group.
- The contract costs can be identified clearly and measured reliably.
- For contracts with a fixed price, it must likewise be possible to measure the costs to complete the project and the current stage of completion reliably at the reporting date, so that actual costs incurred can be compared with the prior estimates.

If the outcome of the contract can be estimated in a sufficiently reliable manner, contract income and costs are recognised by reference to the stage of completion at the reporting date.

If the outcome of a contract cannot be measured reliably, income is recognised only to the extent of the expenses incurred that are eligible for recovery, and those incurred during the year are recognised as expenses. If the outcome of a contract is expected to be a loss, the loss is recorded immediately.

To assess the stage of completion of a contract, which determines the income or profit to be recognised, the Sacyr Group uses the percentage-of-completion method. Each month the costs incurred are measured as a proportion of the total budgeted cost and the month's production recognised as income. Costs of carrying out the work are recognised as accrued.

The difference between the original production amount at the beginning of each project and the amount certified up to each reporting date is recorded as "Completed work pending certification" under "Trade and other receivables".

Auxiliary work performed for construction projects, including general and specific construction installations and study and project expenses, is allocated proportionally in accordance with the ratio of costs incurred to total budgeted costs. The unamortised amount is recognised under "Inventories" in the consolidated statement of financial position.

The estimated costs of termination of the project or contract are provisioned on an accrual basis to "Trade provisions" in the consolidated statement of financial position over the life of the project or contract and recognized in profit or loss based on the proportion of work completed as a percentage of estimated costs. Costs incurred after completion of work but before its final termination are charged against these provisions.

2. Real estate companies.

The Group recognises profit and loss in each year and reports sales under "Revenue" when the risks and rights incidental to ownership of the property have been substantially transferred to the buyer.

Prepayments by customers before the building is delivered are reported as "Advances received on orders" under "Trade and other payables" on the liability side of the consolidated statement of financial position.

For developments expected to generate a loss, full provisions are recorded once this circumstance becomes known.

3. Concession operators

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Income is only recognised when all the following criteria have been satisfied:

- The income and expenses incurred or to be incurred can be measured reliably.
- It is probable that the economic benefits of the transaction will flow to the Company.

The Group recognises foreseeable liabilities and losses arising in the current or prior years as soon as they are known, provided they comply with IFRS requirements for risk recognition.

The accounting methods of IFRIC 12 are set out in Note 3.c.10.

c.25) Transferable mortgage loans

Transferable mortgage loans are recognised under "Bank borrowings" in the consolidated statement of financial position and classified as current if they relate to inventory financing carried as current assets in the consolidated statement of financial position.

c.26) Advances received on orders

This line item appears under "Trade and other payables" on the liability side of the accompanying consolidated statement of financial position and includes prepayments received from customers on uncompleted work, and on buildings awaiting delivery.

c.27) Termination benefits

Companies must compensate employees contracted for a project or service when they cease to work on the projects for which they were contracted through no fault of their own.

As there is no foreseeable need to terminate the contracts of employees and given that employees who retire or leave the Company of their own accord are not entitled to compensation, any termination benefits are recognised in the income statement when decisions are made and notified to the employee concerned.

c.28) Environmental initiatives

Costs incurred to acquire systems, equipment and installations for the purpose of eliminating, mitigating or monitoring the potential environmental impact of the Group's activities carried out in the normal course of business are considered to be investments in fixed assets.

Other environment-related expenses that do not concern the acquisition of fixed assets are recorded as expenses for the year.

The Parent's directors consider that any contingencies arising in connection with environmental matters are sufficiently covered by the third-party liability insurance policies taken out.

c.29) Segment information

The Group identifies segments based on the following factors:

- The businesses engage in similar economic activities.
- To provide consolidated financial statements to users, with the relevant financial information on the activities of the Group's businesses and the economic environments in which it operates.

The Group's management regularly reviews the operating results of the segments individually in order to make decisions on allocating resources and to assess results and performance. Operating segments are assessed based on their operating income (see Note 40).

4. Non-current assets held for sale and discontinued operations

At 31 December 2017, the Group had classified its contributions to the investment in Vallehermoso as a non-current asset held for sale and discontinued operations, with those in Itínere classified as non-current assets held for sale.

The detail of the consolidated statement of financial position in respect of these non-current assets held for sale at 31 December 2017 and 2016 is as follows:

ASSETS	2017	2016
A) NON-CURRENT ASSETS	345,171	342,801
I. Property, plant and equipment	1,982	1,990
II. Investment property	0	0
III. Investments accounted for using the equity method	3,381	3,414
IV. Non-current financial assets	244,189	242,504
V. Derivative financial instruments	38,714	37,636
VI. Deferred tax assets	49,903	50,041
VII. Other non-current assets	7,002	7,216
B) CURRENT ASSETS	109,821	132,605
I. Inventories	107,352	127,654
II. Trade and other receivables	1,909	4,384
III. Current financial investments	144	2
IV. Cash and cash equivalents	415	467
V. Other current assets	1	98
TOTAL ASSETS	454,992	475,406

Thousands of euros

EQUITY AND LIABILITIES	2017	08-jul.-05
A) EQUITY	0	12
EQUITY OF NON-CONTROLLING INTERESTS	0	12
B) NON-CURRENT LIABILITIES	42,169	52,331
I. Non-current provisions	32,433	42,525
II. Bank borrowings	0	0
III. Non-current payables	9,736	9,806
C) CURRENT LIABILITIES	134,796	150,699
I. Bank borrowings	7,664	29,824
II. Trade and other payables	17,050	10,780
III. Current payables to associates	0	0
IV. Current provisions	110,082	110,095
TOTAL LIABILITIES	176,965	203,042

Income and expenses after tax under "Profit for the year from discontinued operations" in the separate consolidated income statement at 31 December 2017 and 2016 were as follows:

SEPARATE INCOME STATEMENT	Thousands of euros	
	2017	2016
Revenue	5,247	2,320
Other operating income	170	383
Gain on disposal of assets	0	239
TOTAL OPERATING INCOME	5,417	2,942
Change in inventories	(31,288)	1,150
Supplies	(228)	(6,310)
Staff costs	(1,041)	(1,309)
Losses on disposal of assets	0	(239)
Depreciation and amortisation expense	(23)	0
Change in operating provisions	14,419	3,421
Change in provisions for non-current assets	0	0
Other operating expenses	(10,542)	(6,136)
TOTAL OPERATING EXPENSES	(28,703)	(9,423)
NET OPERATING PROFIT	(23,286)	(6,481)
SHARE OF PROFIT/(LOSS) OF ASSOCIATES	0	(2,096)
GAIN/(LOSS) ON ACQUISITION/DISPOSAL OF ASSETS	1	(73)
Other interest and similar income	20,911	2,873
TOTAL FINANCE INCOME	20,911	2,873
Finance costs and similar expenses	(7,010)	(1,385)
Change in provisions for financial investments	5,432	6,360
TOTAL FINANCE COSTS	(1,578)	4,975
FINANCIAL PROFIT/(LOSS)	19,333	7,848
CONSOLIDATED PROFIT BEFORE TAX	(3,952)	(802)
Corporate income tax	3,952	802
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	0	0
CONSOLIDATED PROFIT FOR THE YEAR	0	0

The cash flows arising from discontinued operations in 2017 and 2016 were as follows:

Thousands of euros	2017	2016
Cash flows from operating activities of discontinued operations	1,700	1,381
Cash flows from investing activities of discontinued operations	19,116	4,624
Cash flows from financing activities of discontinued operations	(21,083)	(11,232)
CHANGE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	(267)	(5,227)

4.1 Vallehermoso División Promoción, S.A.

Under IFRS 5, the Group's 100% interest in Vallehermoso División Promoción, S.A. at 31 December 2017 and 2016 was classified as a non-current asset held for sale as the value of the asset is expected to be recovered through its sale rather than its continuing use. Under international accounting standards, this condition is deemed to have been met only when disposal is highly probable and the assets are available for immediate sale in their present condition.

The transaction is deemed to be a discontinued operation under international accounting standards, since it represents a business line which is significant and may be separated from the other lines.

Under IFRS 5, Vallehermoso is available, in its current conditions for immediate sale. This sale is highly probable since Management is committed to its disposal, a programme exists to find a buyer and external advisers have been hired in this connection. The sale is being actively negotiated at fair value and the disposal is expected to take place within one year.

Under paragraph 9 of IFRS 5, events or circumstances may arise which extend the period for the sale's completion beyond one year. An extension of the period required to complete a sale does not prevent the asset from being classified as held for sale, if the delay is caused by events or circumstances beyond the entity's control. The sale process of Vallehermoso has been slowed down in recent months as a result of negotiations with financial institutions and other players interested in its real estate assets.

The breakdown of the profit and loss from these non-current assets held for sale at 31 December 2017 and 2016 is as follows:

SEPARATE INCOME STATEMENT	Thousands of euros	
	2017	2016
Revenue	5,247	2,320
Other operating income	170	383
Gain on disposal of assets	0	239
TOTAL OPERATING INCOME	5,417	2,942
Change in inventories	(31,288)	1,150
Supplies	(228)	(6,310)
Staff costs	(1,041)	(1,309)
Losses on disposal of assets	0	(239)
Depreciation and amortisation expense	(23)	0
Change in operating provisions	14,419	3,421
Change in provisions for non-current assets	0	0
Other operating expenses	(10,542)	(6,136)
TOTAL OPERATING EXPENSES	(28,703)	(9,423)
NET OPERATING PROFIT	(23,286)	(6,481)
SHARE OF PROFIT/(LOSS) OF ASSOCIATES	0	(2,096)
GAIN/(LOSS) ON ACQUISITION/DISPOSAL OF ASSETS	1	(73)
Other interest and similar income	20,911	2,873
TOTAL FINANCE INCOME	20,911	2,873
Finance costs and similar expenses	(7,010)	(1,385)
Change in provisions for financial investments	5,432	6,360
TOTAL FINANCE COSTS	(1,578)	4,975
FINANCIAL PROFIT/(LOSS)	19,333	7,848
CONSOLIDATED PROFIT BEFORE TAX	(3,952)	(802)
Corporate income tax	3,952	802
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	0	0
CONSOLIDATED PROFIT FOR THE YEAR	0	0

The independent expert Gesvalt Sociedad de Tasación, S.A. appraised the Vallehermoso Group's real estate assets classified as inventory at 31 December 2017, issuing its report on the same day. The estimated value (fair value less costs to sell) of the Vallehermoso Group's

inventories amounted to 114 million euros (140 million euros in 2016) as compared with a carrying amount of 107 million euros (128 million euros in 2016).

The appraisal was performed on a portfolio of land, developments under construction and completed buildings in accordance with the tenth edition of the RICS Appraisal Standards published on July 2017 by the Royal Institution of Chartered Surveyors. This standard defines fair value as: "the price to be received on selling an asset, or that would be paid to transfer an obligation, in a transaction that is performed in an ordered and appropriate manner between market participants on the measurement date".

In order to calculate the value of the land, in its various states of urban development earmarked to future developments, the dynamic residual method was applied in all cases. This method is based on the discounting of cash flows during the period. These flows are established based on a forecast of revenue and expenses associated with the most probable real estate development which could be built on the land in accordance with the principle of better and greater use, calculating the foreseeable development period of the whole operation. The discount rate is the expected IRR, which includes the operation's risk factor in each case. In general, a rate of around 15% has been applied for land.

The appraisal of different land took into account coincidences in the same city or environment of the capacity of this nucleus in the absorption of the finished product, setting possible and probable scenarios, always within the rational forecast conditions, in which going beyond horizons exceeding 10 years represents too risky a venture. Likewise, the forming of new economic cycles which cannot be compared to past cycles in terms of developments over time were considered.

In order to calculate the value of property for-sale, each property was calculated under the "Free Market Value" assumption, which is defined as the best price which can reasonably be obtained from the sale of a property if it had been performed without conditions and in cash at the appraisal date, supposing: (i) there is a seller willing to sell, (ii) that, taking into account the nature of the property and the market situation, there was, prior to the appraisal date, a reasonable period of time for the adequate marketing of the property, to reach an agreement on price and conditions, and to perform the sale, (iii) that the market situation, level of prices and other circumstances on any previous date assumed to perform the sale, were the same as on the appraisal date, (iv) any offer exceeding that of a buyer with special interest in the acquisition is not taken into account, and (v) that the parties to the transaction have acted on an informed basis, prudently and without coercion.

The assets and liabilities of the Vallehermoso Group are recognised at their carrying amount and not at their fair value.

With regard to the warnings, restrictions, appraisal methods and key assumptions, this section of the report, which should be considered as a whole, contains all the information, assumptions and estimates conditioning it. It is also stated that the land appraisals were performed in the event of compliance with the development periods envisaged by law in each case, in accordance with the urban development status at the appraisal date. If any of the land appraised was involved in any of the expropriation situations envisaged by the Land Law 8/2007, the values calculated would not be valid. A new appraisal would be necessary in accordance with the methods reflected by this Law.

4.2 Itinere Infraestructuras, S.A.

At 31 December 2017, the Group considered that its ownership interest and other balances in Itinere Infraestructuras, S.A. meet the necessary requirements to be classified as a "Non-current asset held for sale", under IFRS 5, as the value of the asset is expected to be recovered through its sale rather than continuing use. Under international accounting standards, this condition is deemed to have been met only when disposal is highly probable and the assets are available for immediate sale in their present condition. At 31 December 2016 and 2017, the Group held a stake of 15.5% in the aforementioned company.

Under IFRS 5, Itinere is available, in its current conditions for immediate sale. This sale is highly probable since management is committed to its disposal, a programme exists to find a buyer and external advisers have been hired in this connection. The sale is being actively negotiated at fair value and the disposal is expected to take place within one year.

Under paragraph 9 of IFRS 5, events or circumstances may arise which extend the period for the sale's completion beyond one year. An extension of the period required to complete a sale does not prevent the asset from being classified as held for sale, if the delay is caused by events or circumstances beyond the entity's control.

At 31 December 2017 and 2016, the breakdown of non-current assets held for sale was as follows:

Thousands of euros	2017	2016
Shareholding (shares in Itinere Infraestructuras, S.A.)	238,619	237,447
Convertible bonds	5,427	4,845
Option to convert the convertible bonds into shares (derivative)	38,714	37,636
TOTAL	282,760	279,928

The Group estimates the recoverable value based on the calculation of the value of all the Itinere shares using the dividend discounting method (cash flows), subsequently adjusting this figure for the Group's effective ownership interest at the reference date of the analysis. The assumptions used by the Group to estimate the recoverable value of the holding in Itinere Infraestructuras, S.A. are as follows:

Cost of equity (K_e): an average discount rate of 9.18% was considered, based on the dynamic discount rate method, and the following parameters:

- Risk-free rate (R_f): 2.40% (2.30% in 2016).
- Market spread of 6.50% (6.50% in 2016).
- Unleveraged beta of 0.65 (0.625 in 2016).

Also, in order to calculate the recoverable value, the two main non-financial assumptions were growth in traffic and in rates. With respect to the Average Daily Traffic (ADT) on motorways, the following changes were projected for each Itinere motorway:

	2017	2016
Audasa	3.96%	4.56%
Aucalsa	3.28%	4.14%
Audenasa	3.05%	4.20%
Autoestradas	7.05%	6.19%
AP-1	2.69%	4.25%

Although in 2017 the growth of ADT was slightly lower than in 2016, the growth in 2017 continues to be positive and substantial. The recoverable value is also based on expected ADT growth

rates until the maturity of the respective concession, which consider positive year-on-year growth rates over the entire period.

In 2017, an increase in the value of the Itínere investment was recognised in the amount of 1,172 thousand euros (354 thousand euros in 2016).

The Group performed a sensitivity analysis relating to the cost of equity (Ke) of +/- 0.5%. A variation in the ke of -0.5% represents a valuation increase attributable to the Sacyr Group of +20.52 million euros; on the other hand, a variation of +0.5% represents a reduction in the attributable valuation of -18.76 million euros.

On 25 July 2014, Itínere Infraestructuras, S.A.'s subordinated share-convertible bond issue was drawn up on a public deed. 11,000 bonds were issued with a par value of 5 thousand euros, and the bond issue totalled 55 million euros. The bonds carry annual interest of 12%, except in the event of partial mandatory early redemption, which carries a per annum interest of 10%. The final maturity date is 31 October 2018. Via the Parent, the Group subscribed the convertible bonds in its 15.50% stake in Itínere Infraestructuras, S.A. It subscribed 1,705 bonds with a par value of 5 thousand euros, paying out 8,525 thousand euros.

Itínere Infraestructuras, S.A. made an early partial mandatory repayment of the obligations dated 2 January 2015, in the amount of 5,047 thousand euros. Finance income recognised in the income statement for the bonds in 2017 amounted to 581 thousand euros (521 thousand euros in 2016).

As mentioned above, the Group subscribed Itínere Infraestructuras, S.A.'s share-convertible bond issue. The option to convert the bonds into shares may be exercised in the first five days of each quarter from 2015 to 2018, both inclusive. The bonds would be converted into new Itínere shares with a par value of 55 million euros and preferential subscription rights. The option to convert the bonds into shares is tied to each of the bonds, and may not be transferred separately from the bonds.

The bonds will be measured at their par value plus the cumulative interest until the conversion date; the shares, at their present par value (0.49 euro per share) or at the lower par value in the case of a capital reduction.

The Company assessed the conditions established by the regulatory accounting framework to recognise this share convertibility option separately from the issue of bonds. Consequently, a financial asset at fair value through profit or loss was recognised. The variation in fair value in 2016 and 2017, was as follows:

Thousands of euros Derivatives	Valuation at 31-12-2017	Valuation at 31-12-2016
Itínere share conversion option	38,714	37,636
Fair value change	1,078	564

The "exponential" method was used to measure the Itínere share convertibility options (call options). This exponential method is based on a one-step binomial method via implicit probabilities and the application of an exponential function.

Firstly, an estimate is made of two values of the underlying share. One determines a rise therein and the other a fall in value with respect to the current value.

- The higher value is set on the basis of the expected return of the share which, in percentage terms, would be equivalent to the company's WACC. The lower is approximately half the lower amount and below the present value.
- The underlying value of the option (spread) is obtained in each case by the difference between the estimated higher and lower values and the value for the year.

Based on the estimated higher and lower values, the growth factors and the decline in the underlying value are obtained, producing an estimated probability of the value of the share.

5. Property, plant and equipment

Movement in property, plant and equipment in 2016 and 2017 and the related accumulated depreciation are as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
Land and buildings	110,938	1,994	(5,389)	2,993	59,547	(809)	169,274
Plant and machinery	509,901	6,320	(17,667)	2,237	62,724	(5,180)	558,335
Other installations, tools and furniture	86,373	6,688	(3,501)	(2)	1,909	169	91,636
Prepayments and work-in-progress	15,709	10,520	(3,423)	(8,691)	903	(5)	15,013
Other items of property, plant and equipment	183,444	33,584	(16,295)	(19)	3,553	582	204,849
Cost	906,365	59,106	(46,275)	(3,482)	128,636	(5,243)	1,039,107
Impairment	(8,317)	(351)	388	0	0	(3)	(8,283)
Impairment	(8,317)	(351)	388	0	0	(3)	(8,283)
Land and buildings	(28,419)	(3,267)	1,783	15	(52,145)	49	(81,984)
Plant and machinery	(307,738)	(27,657)	15,836	13	(61,407)	543	(380,410)
Other installations, tools and furniture	(68,665)	(5,052)	2,242	30	(1,841)	(274)	(73,560)
Other items of property, plant and equipment	(117,078)	(16,199)	5,221	9	(3,402)	(71)	(131,520)
Accumulated amortisation	(521,900)	(52,175)	25,082	67	(118,795)	247	(667,474)
TOTAL	376,148	6,580	(20,805)	(3,415)	9,841	(4,999)	363,350
2017 Thousands of euros	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
Land and buildings	169,274	7,633	(2,577)	(632)	0	(128)	173,570
Plant and machinery	558,335	32,509	(30,442)	4,405	15,860	(2,770)	577,897
Other installations, tools and furniture	91,636	6,785	(3,216)	(1,482)	6,704	(391)	100,036
Prepayments and work-in-progress	15,013	7,451	(2,603)	(601)	0	(1,083)	18,177
Other items of property, plant and equipment	204,849	41,138	(13,583)	(3,007)	7,608	(1,241)	235,764
Cost	1,039,107	95,516	(52,421)	(1,317)	30,172	(5,613)	1,105,444
Impairment	(8,283)	(8,028)	3,839	0	0	0	(12,472)
Impairment	(8,283)	(8,028)	3,839	0	0	0	(12,472)
Land and buildings	(81,984)	(3,021)	1,081	0	0	48	(83,876)
Plant and machinery	(380,410)	(26,843)	17,988	54	(8,302)	2,020	(395,493)
Other installations, tools and furniture	(73,560)	(6,516)	3,187	374	(4,256)	211	(80,560)
Other items of property, plant and equipment	(131,520)	(19,057)	6,457	889	(2,956)	744	(145,443)
Accumulated amortisation	(667,474)	(55,437)	28,713	1,317	(15,514)	3,023	(705,372)
TOTAL	363,350	32,051	(19,869)	0	14,658	(2,590)	387,600

Of note in 2016 were the changes in the scope of consolidation, due mainly to the acquisition of Río Narcea Recursos, S.A.

Additions of note were to "Other items of property, plant and equipment", principally due to cleaning and waste collection contracts in Ibiza and Albacete; waste collection services in Poio in Galicia and in Burgos, and the rendering of services for the green areas in Fuenlabrada.

Derecognitions mainly related to installations and machinery, in particular from disposals of machinery by the Group. The rest of the derecognitions in property, plant and equipment were largely tools, furniture and obsolete IT equipment owned by the Group.

In 2017, the most significant additions, both in Technical plant and machinery and in Other items of property, plant and equipment, came from the purchase of equipment for the Albacete, Alcalá de Henares cleaning contracts, the Catarroja waste collection and cleaning

service in Valencia, the Madrid-Barajas Adolfo Suárez airport cleaning service and the waste collection service in Madrid by Ute RM2.

Regarding derecognitions, these were mainly due to the sale of construction machinery both in Spain and Colombia.

Lastly, changes in scope for financial year 2017, correspond mainly to the change in the accounting of SIS, S.c.p.A., from using the equity method in 2016 to full consolidation in 2017.

Impairment losses and the corresponding reversals are reported under "Change in provisions for non-current assets" in the separate consolidated income statement. The main assets affected by impairment losses relate to plant at the Group's different energy plants.

The detail of property, plant and equipment located outside Spain at 31 December 2016 and 2017 is as follows:

2016 Thousands of euros	Portugal	Libya	Angola	Cape Verde	Chile	Ireland	Mexico	Colombia	Other	TOTAL
Land and buildings	53,819	690	4,163	3,568	0	3,706	108	0	108	66,162
Plant and machinery	84,789	8,468	6,600	5,657	12,647	148	19,527	149	2,099	140,084
Other installations, tools and furniture	17,361	238	1,324	1,135	3,819	41	42	141	998	25,099
Prepayments and work-in-progress	5,163	0	386	331	1,950	0	12	4,532	64	12,438
Other items of property, plant and equipment	22,331	6,047	1,478	1,267	4,989	32	131	556	4,730	41,561
Cost	183,463	15,443	13,951	11,958	23,405	3,927	19,820	5,378	7,999	285,344
Accumulated amortisation	(117,560)	(13,840)	(8,998)	(7,713)	(19,256)	(1,997)	(9,570)	(296)	(2,411)	(181,641)
TOTAL	65,903	1,603	4,953	4,245	4,149	1,930	10,250	5,082	5,588	103,703

2017 Thousands of euros	Portugal	Libya	Angola	Cape Verde	Chile	Ireland	Mexico	Colombia	Other	TOTAL
Land and buildings	54,055	640	4,166	3,571	0	3,706	100	0	4,979	71,217
Plant and machinery	75,119	7,848	5,783	4,957	9,786	148	18,097	2,080	2,018	151,514
Other installations, tools and furniture	17,140	112	1,299	1,114	3,839	41	65	468	1,130	30,718
Prepayments and work-in-progress	4,973	0	400	343	2,473	0	11	6,736	145	16,251
Other items of property, plant and equipment	20,972	5,604	1,323	1,134	6,506	36	203	3,082	4,647	50,416
Cost	172,259	14,204	12,971	11,119	22,604	3,931	18,476	12,366	12,919	320,116
Impairment	(7,010)	0	(564)	(483)	0	0	0	0	0	(8,057)
Accumulated amortisation	(112,071)	(12,799)	(8,511)	(7,295)	(15,907)	(2,197)	(12,970)	(481)	(3,317)	(195,543)
TOTAL	53,178	1,405	3,896	3,341	6,697	1,734	5,506	11,885	9,602	116,549

At year-end 2017, the Group had 223,297 thousand euros of fully depreciated property, plant and equipment in use (250,725 thousand euros in 2016).

All items of property, plant and equipment are used in operations.

In 2017 and 2016, no finance costs were capitalised as an addition to property, plant and equipment.

Group companies take out insurance policies to adequately cover potential risks that could affect the items recognised under "Property, plant and equipment".

6. Concession projects

Movements in the various items under "Concession projects" in 2016 and 2017 and the related accumulated depreciation were as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
Concession projects	1,711,926	5,790	(2,315)	3,533	40,203	0	1,759,137
Concession projects under construction	276,517	16,752	(412)	(231,324)	0	2,336	63,869
Cost	1,988,443	22,542	(2,727)	(227,791)	40,203	2,336	1,823,006
Impairment	(1,593)	(672)	390	582	(13,432)	0	(14,725)
Impairment	(1,593)	(672)	390	582	(13,432)	0	(14,725)
Depreciation	(342,997)	(58,060)	66	(21)	(4,781)	(221)	(406,014)
Accumulated amortisation	(342,997)	(58,060)	66	(21)	(4,781)	(221)	(406,014)
TOTAL	1,643,853	(36,190)	(2,271)	(227,230)	21,990	2,115	1,402,267

2017 Thousands of euros	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
Concession projects	1,759,137	3,776	(26,533)	2,764	0	43	1,739,187
Concession projects under construction	63,869	32,393	(833)	(1,527)	0	(1,739)	92,163
Cost	1,823,006	36,169	(27,366)	1,237	0	(1,696)	1,831,350
Impairment	(14,725)	0	13,513	0	0	0	(1,212)
Impairment	(14,725)	0	13,513	0	0	0	(1,212)
Depreciation	(406,014)	(60,180)	7,348	(1,237)	0	(1)	(460,084)
Accumulated amortisation	(406,014)	(60,180)	7,348	(1,237)	0	(1)	(460,084)
TOTAL	1,402,267	(24,011)	(6,505)	0	0	(1,697)	1,370,054

The increase in "Concession projects under construction" in 2016, mainly resulted from Ruta del Limarí where work continued to progress.

In addition, there was a reclassification under the same heading in 2016, resulting from the transfer to "Other non-current assets" of the assets of Murcia International Airport.

In July 2016, the Regional Government of Murcia initiated the termination and settlement process for the concession agreement. As a result, at 31 December 2016, the Group had no control over the concession project and the carrying amount thereof could not be recovered through operations, however, it is estimated that it may be recovered through the settlement of the concession contract, and as a result the net carrying amount associated with the procurement of and cost incurred in the concession were reclassified in the consolidated statement of financial position under the heading: "Other non-current assets".

The increase in this heading in 2017 has again mainly resulted from Ruta del Limarí, due to progress made in the project.

The concession projects under construction or being operated by the Group's concessionaire companies at the reporting dates in 2017 and 2016 are as follows:

Thousands of euros	2016						
	operating provisions				Construction		
	Cost	Accum. amortisation	Provision	Net	Cost	Provision	Net
Viastur Conc. del Principado de Asturias, S.A.	123,360	(46,207)	0	77,153	0	0	0
Aut. del Eresma. Cons. Junta Castilla y Leon, S.A.	106,379	(24,636)	0	81,743	0	0	0
Aut. del Barbanza Conc. Xunta de Galicia, S.A.	109,609	(28,455)	0	81,154	0	0	0
Aut. Del Arlanzón, S.A.	245,550	(69,433)	0	176,117	0	0	0
S.C. de Palma de Manacor, S.A.	173,196	(60,634)	0	112,562	0	0	0
Autov. del Turia, Conc. Generalitat Valenciana S.A	256,016	(57,185)	0	198,831	0	0	0
Aut. del Guadalmedina	351,749	(22,396)	0	329,353	0	0	0
Total motorways in Spain	1,365,859	(308,946)	0	1,056,913	0	0	0
S.C. Ruta del Limarí	0	0	0	0	34,494	0	34,494
Total other motorways	0	0	0	0	34,494	0	34,494
Motorways	1,365,859	(308,946)	0	1,056,913	34,494	0	34,494
Valoriza Servicios Medioambientales, S.A.	46,921	(18,082)	0	28,839	3,036	0	3,036
Tratamientos de Residuos La Rioja, S.L.	4,475	(1,176)	0	3,299	0	0	0
Biorreciclaje de Cádiz, S.A.	38,833	(5,382)	(13,432)	20,019	0	0	0
Waste treatment	90,229	(24,640)	(13,432)	52,157	3,036	0	3,036
Empresa Mixta Aguas Santa Cruz de Tenerife, S.A.	59,000	(25,960)	0	33,040	0	0	0
Somague Ambiente, S.A.	161,162	(31,487)	0	129,675	26,339	0	26,339
Sacyr, S.A.U. Alcudia desalination plant	1,367	(526)	0	841	0	0	0
Valoriza Agua, S.L.	22,995	(6,790)	0	16,205	0	0	0
Water	244,524	(64,763)	0	179,761	26,339	0	26,339
Somague SGPS	300	(126)	0	174	0	0	0
Car parks: Pza. del Centenario, V. Romero and Juan Explandi	11,681	(1,838)	0	9,843	0	0	0
Mercado del Val	2,050	(11)	(1,293)	746	0	0	0
Daoiz y Velarde car park	5,065	(106)	0	4,959	0	0	0
Plaza de la Encarnación car park	39,428	(5,583)	0	33,845	0	0	0
Other	58,524	(7,664)	(1,293)	49,567	0	0	0
CONCESSION PROJECTS	1,759,136	(406,013)	(14,725)	1,338,398	63,869	0	63,869

Thousands of euros	2017						
	operating provisions				Construction		
	Cost	Accum. amortisation	Provision	Net	Cost	Provision	Net
Viastur Conc. del Principado de Asturias, S.A.	123,360	(50,769)	0	72,591	0	0	0
Aut. del Eresma. Cons. Junta Castilla y Leon, S.A.	106,383	(27,823)	0	78,560	0	0	0
Aut. del Barbanza Conc. Xunta de Galicia, S.A.	109,718	(32,503)	0	77,215	0	0	0
Aut. Del Arlanzón, S.A.	245,550	(84,914)	0	160,636	0	0	0
S.C. de Palma de Manacor, S.A.	173,196	(65,457)	0	107,739	0	0	0
Autov. del Turia, Conc. Generalitat Valenciana S.A	255,926	(65,225)	0	190,701	247	0	247
Aut. del Guadalmedina	351,749	(29,435)	0	322,314	0	0	0
Total motorways in Spain	1,365,882	(356,126)	0	1,009,756	247	0	247
S.C. Ruta del Limarí	0	0	0	0	63,924	0	63,924
Total other motorways	0	0	0	0	63,924	0	63,924
Motorways	1,365,882	(356,126)	0	1,009,756	64,171	0	64,171
Valoriza Servicios Medioambientales, S.A.	34,763	(12,743)	0	22,020	2,332	0	2,332
Tratamientos de Residuos La Rioja, S.L.	4,491	(1,415)	0	3,076	0	0	0
Biorreciclaje de Cádiz, S.A.	25,401	(5,982)	0	19,419	0	0	0
Waste treatment	64,655	(20,140)	0	44,515	2,332	0	2,332
Empresa Mixta Aguas Santa Cruz de Tenerife, S.A.	59,000	(28,320)	0	30,680	0	0	0
Somague Ambiente, S.A.	163,017	(36,568)	0	126,449	25,660	0	25,660
Sacyr, S.A.U. Alcudia desalination plant	1,367	(631)	0	736	0	0	0
Valoriza Agua, S.L.	26,742	(9,081)	0	17,661	0	0	0
Water	250,126	(74,600)	0	175,526	25,660	0	25,660
Somague SGPS	300	(139)	0	161	0	0	0
Sacyr Construcción S.A.U (Juan Esplandiú)	4,005	(736)	0	3,269	0	0	0
Sacyr Construcción S.A.U (Pza. Encarnación)	39,426	(6,571)	0	32,855	0	0	0
Sacyr Construcción S.A.U (Daoiz and Velarde)	5,065	(232)	0	4,833	0	0	0
Sacyr Construcción S.A.U (Virgen del Romero)	4,648	(903)	0	3,745	0	0	0
Sacyr Construcción S.A.U (Plaza del Milenio)	3,028	(499)	0	2,529	0	0	0
Sacyr Construcción S.A.U (Val market)	2,032	(138)	(1,212)	702	0	0	0
Other	58,524	(9,218)	(1,212)	48,094	0	0	0
CONCESSION PROJECTS	1,739,187	(460,084)	(1,212)	1,277,891	92,163	0	92,163

Concession projects under construction include interest on the borrowings that effectively finance investment in the motorway concerned. These finance costs were capitalised under "Concession projects under construction". "Concession projects in operation" also includes interest capitalised by the concessionaire companies.

The Group performs impairment tests on its concession assets, highlighting the following:

a) Sociedad Concesionaria del Aeropuerto de la Región de Murcia, S.A.:

With respect to the Sociedad Concesionaria del Aeropuerto de la Región de Murcia, S.A. (SCAM), and in accordance with the Order dated 16 September 2013, the Department for Development, Public Works and Organisation of the Territory of the Murcia Autonomous Community Government (CARM) terminated the Administrative Concession for the Construction and Operation of the Murcia International Airport (AIRM) for the following reasons: (i) failure to comply with the obligation of opening the AIRM to traffic, and (ii) the unilateral decision by SCAM not to execute the Concession Agreement. This ruling led to the early termination of the financing agreement entered into with the banks and the retainment of the definitive guarantees of the Concession Agreement.

SCAM, in legitimate defence of its interests, filed an appeal for judicial review against this Order before the Judicial Review Chamber of the Murcia High Court of Justice (TSJRM), as it has also filed appeals against other decisions of the CARM in relation to the Concession (up to eight appeals), against the order to provide additional guarantees, the retainment of the definitive guarantees, the dismissal of the request for rebalancing or the reimbursement orders regarding the debt claimed by the CARM from the Concession Operator. At the same time as the appeal was filed against the Order that resolved to terminate the Concession Agreement, injunctive relief was requested and granted by the Court on 21 October 2013, thereby suspending the effects of the Termination Order, whereby the Court agreed that SCAM could maintain ownership over the AIRM facilities, on the condition that they are maintained in proper conditions.

Despite the progress made in 2014, whereby SCAM was even able to obtain the certificate for the AIRM on 18 December 2014, the CARM ended negotiations with SCAM, which resulted in the Resolution issued by the Governing Council of the CARM on 23 December 2014 and in CARM withdrawing from the process of obtaining authorisation from the European Commission in relation to the granting of a participating loan, in addition to the immediate resumption of the legal proceedings that had been stayed. SCAM, in legitimate defence of its interests, filed two new appeals for judicial review against the aforementioned Resolution issued by the Governing Council and against the decision of the CARM to withdraw from the process initiated before the European Commission.

With regard to the Order dated 16 September 2013 issued by the aforementioned Department of the CARM, on 2 October 2015 the TSJRM handed down a ruling dismissing the appeal filed by SCAM against the CARM, as it deemed such actions to be in accordance with the law. Although the TSJRM considers that there was no unilateral termination of the Agreement by SCAM, it asserted that the company failed to comply with one of its essential obligations, namely the entry into service of the AIRM on a specific date. Having filed a pleading for the preparation of a cassation appeal against this ruling, it was considered to be received and prepared through the Court Order issued by the TSJRM on 29 October 2015. On 16 December 2015, SCAM filed the cassation appeal with the Supreme Court, however a ruling has yet to be handed down, for which reason the termination of the Concession Agreement is not yet confirmed.

However, as a result of the ruling of 2 October 2015, the CARM requested its provisional execution and, citing a ruling handed down by the TSJM on 21 March 2016, took possession of AIRM on 23 March 2016. Furthermore, the CARM began proceedings to terminate the Concession Contract, through a Ministerial Order from the Ministry of Public Works and Infrastructure on 20 July 2016, although this has advanced very little, with SCAM waiting to receive a valuation of the investments made in AIRM in order to

claim the corresponding amount. In any event, SCAM submitted a written petition on 17 January 2018 in which it requested CARM to rule to recognise SCAM, in terms of settlement of the Public Works Concession Contract for the construction of AIRM, in the amount of 518,508,495.70 euros, which consists of:

1. The total amounts credited, under Investments and Costs incurred by the company, for the implementation and fulfilment of the concession contract, amounting to a total of 256,619,729 euros, to 22 March 2016, the date immediately prior to taking over the Infrastructure by CARM, added to which is the amount of 1,978,149 euros from 23 March 2016 to 30 September 2017.
2. The amounts of additional costs assumed by the Company, arising from the early termination of the concession contract, amounting to a total of 28,177,853 euros, to 22 March 2016, and 6,905,353 euros from 23 March 2016 to 30 September 2017, amounts which must in any event be updated on their redemption and/or settlement date.
3. The lost profit, valued in the independent expert's report amounted to 224,827,411.70 euros at 1 July 2007.

At the reporting date, there are nineteen appeals for judicial review against CARM in progress and two against AESA, relating to the concession.

In any case, it should be pointed out that neither the termination of the contract nor CARM taking possession of the airport facilities are of a conclusive nature. Until the corresponding process has been completed by a confirmed ruling either way by the Supreme Court, this is merely a provisional and non-definitive ruling on the issue.

At 31 December 2016, the gross amount of the balances related to this company that had previously been classified as "Concession projects" were reclassified as "Other non-current assets".

The only guarantees amounted to 7.1 million euros and their value was impaired, due to the fact that recovering such guarantees was less likely.

In order to calculate the recoverable amount via the settlement of the contract, the value of the R.P.A. (Responsabilidad Patrimonial de la Administración) was taken into account, in accordance with Article 266 of the Consolidated Public Procurement Law, to calculate the recoverable amount, i.e., the amount of the investments made as a result of the compulsory purchase of land, execution of construction work and acquisition of goods necessary to operate the concession.

At 31 December 2017, there is one asset derived from the start of the settlement of the concession contract, although the final value of this asset would be the difference between the carrying amount of the account receivable classified under the heading "Other non-current assets" and the definitive settlement amount of the contract with the Regional Government of Murcia. The Group cannot reliably determine the amount of the asset since it depends on the negotiations and/or litigation which may arise with the Regional Government of Murcia. In any event, the amount currently recorded under the heading "Other non-current assets" would not be lower than the estimated settlement amount of the contract with the Regional Government of Murcia.

The recoverable amount estimated by the Company is based on the independent expert's report which assesses the investments and costs incurred by the Company on 22 March 2016, updated with a complementary report on 30 September 2017. The amount is higher than the carry amount recorded in receivables.

The Parent Company's directors are firmly committed to continuing the project and, therefore, will continue to defend their legitimate interests in the appeals for judicial review filed against the CARM. Given these circumstances, the continuity of the concessionary company's operations is subject to any decisions that the CARM may adopt in the future in relation to the concession agreement and the existing financing with the company.

b) Autovía de Barbanza Concesionaria Xunta de Galicia, S.A.:

Similarly, with regard to Autovía del Barbanza, Concesionaria de la Xunta de Galicia, S.A., the Group carried out impairment tests at both year-end 2016 and 2017. The traffic curves and growth forecasts were identical for both years, with the traffic in 2017 updated to the value forecast at year-end. In addition, in January 2015 the adjusted balance considered in the previous year's test became effective. The effect of this measure has been to increase the toll by 35.5%. The 2017 and 2018 toll rates were updated in the 2017 test.

In line with the methodology of asset appraisal, a dynamic capital rate was used (hereinafter, K_e). It is dynamic because each year it is calculated based on the project's leverage. The values used were as follows:

Risk-free (R_f) rate = 2.43% (2.30% in 2016).

Market spread (M_s) = 6,50% (6.50% in 2016).

Unleveraged beta = 0.58 (0.58 in 2016).

The calculation of the K_e = Risk-free rate + market spread x leveraged beta.

The calculation of the leveraged beta is obtained through the result of the net financial debt ratio between the value of equity for each year by the value of 1 plus the deleveraged Beta, net of the tax effect.

The choice of the dynamic K_e as the discount rate instead of the WACC is based on two aspects:

- 1) The concession is an end-of-life asset, accordingly, projections should be made until the end of the concession.
- 2) The debt/equity ratio changes over time. It begins with a very high leverage and ends with an unlevered asset.

As a result of applying this valuation method, the recoverable amount of the investment is 2.61 million euros more than its carrying amount (1.52 million euros in 2016).

There are three key assumptions to take into account in the analyses of the impairment test, namely inflation, interest rates and traffic.

The value assigned to inflation was determined by taking the consensus of analysts and international bodies for the years 2017, 2018, 2019, 2020, 2021 and 2022.

In relation to the amount that the concession operator must pay the banks for interest on the loan granted, it should be taken into account, in the case of Barbanza, that 80% of the interest rate is covered by a derivative that mitigates any possible fluctuations that may arise in the Euribor projections for the coming years. In this case, the Euribor yield curve used was that received on 18/12/2017 from the US company Bloomberg.

With regard to traffic, the impairment test was prepared on the basis of the actual traffic on the motorway during the last available month (November 2017). The increase in the growth of traffic with regard to previous years seems to support the idea that Galicia may recover from the economic crisis at a different rate than the rest of Spain.

The key assumption on which the calculation of the recoverable amount should be based is the performance of traffic. The impairment test estimated an average rise in traffic of 3.01% (3.06% in 2016).

Accordingly, in order for the carrying amount to equal the recoverable amount, traffic would need to decrease by 4.33% with respect to the expected variation.

c) Viastur Concesionaria del Principado de Asturias, S.A.

Respective impairment tests were also carried out for Viastur Concesionaria del Principado de Asturias, S.A. at year-end 2016 and 2017. The 2017 test incorporates the assumptions included in the proposed Phase II Works plan of 28 September 2017, which, from 2018 onwards, affect investment, and from 2020 onwards, affect toll increases and toll road barriers. The tolls approved by the Valencia Regional Ministry of Housing, Public Works and Infrastructure's resolution of 23 November 2017, have been used for the 2018 test. The traffic from 2016 and 2017 has been updated, considering an increase in traffic in accordance with existing macroeconomic forecasts for the remaining years. CAPEX, in the 2017 test, was revised in accordance with the company forecast, with the same amounts maintained as those considered in the 2016 impairment test.

In line with the methodology of asset appraisal, a dynamic capital rate was used (hereinafter, K_e). It is dynamic because each year it is calculated based on the project's leverage. The values used were as follows:

Risk-free (R_f) rate = 2.43% (2.30% in 2016).

Market spread (M_s) = 6.50% (6.50% in 2016).

Unleveraged beta = 0.58 (0.58 in 2016).

The calculation of the K_e = Risk-free rate + market spread x leveraged beta.

The calculation of the leveraged beta is obtained through the result of the net financial debt ratio between the value of equity for each year by the value of 1 plus the deleveraged Beta, net of the tax effect.

The choice of the dynamic K_e as the discount rate instead of the WACC is based on two aspects:

- 1) The concession is an end-of-life asset, accordingly, projections should be made until the end of the concession.
- 2) The debt/equity ratio changes over time. It begins with a very high leverage and ends with an unlevered asset.

As a result of applying this valuation method, the recoverable amount of the investment is 6.3 million euros less than its carrying amount (0.768 million euros in 2016).

There are three key assumptions to take into account in the analyses of the impairment test, namely inflation, interest rates and traffic.

The value assigned to inflation was determined by taking the consensus of analysts and international bodies for the years 2017, 2018, 2019, 2020, 2021 and 2022.

Regarding the amount that the concessionary company must pay to financial entities for interest on the loan which it holds. The Euribor yield curve received on 18/12/2017 from the US company Bloomberg was used.

The key assumption on which the calculation of the recoverable amount should be based is the performance of traffic. The impairment test estimated an average rise in traffic of 2.73% (3.58% in 2016).

Accordingly, in order for the carrying amount to equal the recoverable amount, traffic would need to increase by 12.61% with respect to the expected variation.

d) Autopista del Guadalmedina Concesionaria Española, S.A.

In relation to Autopista del Guadalmedina Concesionaria Española, S.A., the impairment tests performed at year-end 2016 and 2017 did not lead to the recognition of any impairment allowances for the company's concession assets. Regarding the traffic curve, in 2016 there was a slight decrease versus the previous year whereas in 2017 there was a moderate increase. The new traffic curve reflects the effect of the entry into operation of the new northbound Malaga Airport corridor, currently under construction, which will enable the Highway to be considered as the most direct, fastest and safest route for all users heading to the airport or surrounding areas. Similarly, and from a conservative outlook, the traffic increase in the corridor, with its subsequent positive effect on the highway, and the future development of new roadway corridors which will substantially boost traffic numbers, have not been included. In addition, the concession agreement tolls for 2017 were updated in line with CPI. The Postal Law (Ley Postal) charge has been postponed from 2018 to 2019.

In line with the methodology of asset appraisal, a dynamic capital rate was used (hereinafter, K_e). It is dynamic because each year it is calculated based on the project's leverage. The values used were as follows:

Risk-free (R_f) rate = 2.43% (2.30% in 2016).

Market spread (M_s) = 6.50% (6.50% in 2016).

Unleveraged beta = 0.63 (0.63 in 2016).

The calculation of the K_e = Risk-free rate + market spread x leveraged beta.

The calculation of the leveraged beta is obtained through the result of the net financial debt ratio between the value of equity for each year by the value of 1 plus the deleveraged Beta, net of the tax effect.

The choice of the dynamic K_e as the discount rate instead of the WACC is based on two aspects:

- 1) The concession is an end-of-life asset, accordingly, projections should be made until the end of the concession.
- 2) The debt/equity ratio changes over time. It begins with a very high leverage and ends with an unlevered asset.

The value assigned to inflation was determined by taking the consensus of analysts and international bodies for the years 2017, 2018, 2019, 2020, 2021 and 2022.

In relation to the amount that the concession operator must pay the banks for interest on the loan granted, it should be taken into account, in the case of Guadalmedina, that 70% of the interest rate is covered by a derivative that mitigates any possible fluctuations that may arise in the Euribor projections for the coming years. In this case,

the Euribor yield curve used was that received on 18/12/2017 from the US company Bloomberg.

With regard to traffic, reasonably possible decreases are not expected to occur in the Average Daily Traffic (ADT) curves. With the current assumptions, the recoverable value significantly exceeds the carrying amount. Accordingly, no decline in value is envisaged.

The impairment tests performed at year-end 2016 and 2017 did not lead to the recognition of any impairment allowances for the company's concession assets.

e) Autovía del Eresma, Concesionaria de la Junta de Castilla y León, S.A.:

With regard to Autovía del Eresma, Concesionaria de la Junta de Castilla y León, S.A., the Group carried out impairment tests at both year-end 2016 and 2017. The reinvestment curves and traffic growth forecasts were identical for both years. With regard to refundable advances, the Refundable Advances Order was deemed applicable under the terms set forth in the provisions of this Order. The assumptions include the new hedge contract, signed in 2017 (1.35% at 80% until 2029). At the end of both years, as the recoverable amount was not considered to be less than the carrying amount, no provision for impairment was recognised.

f) Autovía del Turia, Concesionaria de la Generalitat Valenciana, S.A.:

Respective impairment tests were also carried out for Autovía del Turia, Concesionaria de la Generalitat Valenciana, S.A. at year-end 2016 and 2017. The 2017 test incorporates the assumptions included in the proposed Phase II Works plan of 28 September 2017, which, from 2018 onwards, affect investment, and from 2020 onwards, affect toll increases and toll road barriers. The tolls approved by the Valencia Regional Ministry of Housing, Public Works and Infrastructure's resolution of 23 November 2017, have been used for the 2018 test. The traffic from 2016 and 2017 has been updated, considering an increase in traffic in accordance with existing macroeconomic forecasts for the remaining years. CAPEX, in the 2017 test, was revised in accordance with the company forecast, with the same amounts maintained as those considered in the 2016 impairment test.

At the end of both years, as the recoverable amount was not considered to be less than the carrying amount, no provision for impairment was recognised.

g) Carretera Palma-Manacor Concessionària del Consell Insular de Mallorca, S.A.:

Respective impairment tests were also carried out for Carretera Palma-Manacor Concessionària del Consell Insular de Mallorca, S.A. at year-end 2016 and 2017. Identical CAPEX curves were used in both years. Regarding traffic, with the exception of 2017 and 2018, which use traffic values included at year-end and forecast in the budget, the traffic growth indicated in the Traffic Report prepared by Deloitte in September 2017 has been used. Regarding tariffs, the 2017 test updates 2017 and 2018 tariffs and, from 2019 onwards, an increase is estimated in accordance with existing macroeconomic forecasts.

At the end of both years, as the recoverable amount was not considered to be less than the carrying amount, no provision for impairment was recognised.

h) Autovía del Arlanzón, S.A.:

Respective impairment tests were also carried out for Autovía del Arlanzón, S.A. at year-end 2016 and 2017. Both the CAPEX curve and the forecast traffic growth rate curve were updated in 2017, in line with the best estimates of the concessionaire, based on the technical analysis which the technical and traffic assessment company, Steer Davies Gleave (SDG) performed on both curves.

At the end of both years, as the recoverable amount was not considered to be less than the carrying amount, no provision for impairment was recognised.

The accrued capitalised borrowing costs, concession periods and investments committed are as follows:

	Capitalised finance costs		Concession period		Committed investment (thousands of euros)
	2017	2016	Date put into service	End of concession	
Motorways					
Víastur Conc. del Principado de Asturias, S.A.	4,537	4,537	2007	2035	0
Aut. del Eresma, Cons. Junta Castilla y León, S.A.	4,557	4,557	2008	2041	0
Aut. del Barbanza Conc. Xunta de Galicia, S.A.	5,478	5,478	2008	2036	0
Autop. del Guadalmedina Conc. Española, S.A.	8,547	8,547	2011	2044	0
Aut. Del Arlanzón, S.A.	4,214	4,214	2011	2026	0
S.C. de Palma de Manacor, S.A.	4,642	4,642	2007	2042	0
Autov. del Turia, Conc. Generalitat Valenciana S.A	7,892	7,892	2008	2041	33,275
S.C. Ruta del Limari	2,469	778	2018	2042	8,169
Waste treatment					
Valoriza Servicios Medioambientales, S.A.					
Underground containers	0	0	2007	2019	0
Las Calandrias waste treatment plant	0	0	2002	2023	0
Guadarrama green areas	0	0	2008	2022	0
Puertollano car park	0	0	2011	2045	0
Móstoles crane	0	0	2008	2016	0
Majadahonda SUW	0	0	2012	2022	0
Boadilla SUW	0	0	2001	Extended	0
Los Hornillos waste treatment centre	21,315	21,315	2011	2030	0
Maresme integrated waste treatment centre	0	0	2007	2024	0
Edar Cariño water treatment plant	0	0	2006	2026	0
Butarque thermal sludge-drying plant	705	705	2002	2028	0
Aranda de Duero plant	0	0	2008	2016	0
La Paloma plant	0	0	2003	2022	0
Tratamiento de Residuos de La Rioja, S.L.	464	464	2009	2029	0
Water					
Somague Ambiente, S.A.					
AGS Paços Ferreira	2,017	2,017	2004	2039	0
Aguas de Barcelos	12,728	12,728	2005	2034	0
Aguas do Marco	2,290	2,290	2005	2039	0
Emp. Mixta Aguas S. Cruz de Tenerife, S.A.	0	0	2006	2031	0
Valoriza Agua, S.L.					
Guadalajara water concession	0	0	2009	2034	6,398
Almaden water concession	0	0	2010	2035	0
Cabezon de la Sal water concession	0	0	2011	2036	627
Valdaliga concession	0	0	2012	2025	340
Other					
Somague SGPS (Vila Real car park)	0	0	1999	2019	0
S. Concesionaria Aeropuerto Region Murcia, S.A. (*)	12,221	12,221	N/A	N/A	0
Plaza del Centenario car park	0	0	2011	2051	0
Virgen del Romero car park	0	0	2011	2049	0
Juan Esplandiú car park	0	0	2011	2049	0
Mercado del Val	0	0	2014	2030	0
Plaza de la Encarnación car park	0	0	2011	2049	0
Daoiz y Velarde car park	0	0	2011	2049	0

(*) Transferred to "Other non-current assets"

At 31 December 2016 and 2017, none of the items reported by Group companies under "Concession projects" were subject to guarantees, other than the terms of the project financing, or to ownership restrictions.

At 31 December 2016 and 2017, the entire investment recognised under "Concession projects" relates to returnable assets that Group companies will transfer back to the concession grantors upon expiry of the concession period, as per the specific concession agreements. These companies do not expect to incur any additional costs on the reversion of the infrastructures at the end of the concession periods, other than those already budgeted in the relevant economic and financial plans.

Group companies take out insurance policies to adequately cover potential risks that could affect the items recognised under "Concession projects".

There are no significant undertakings to make repairs now or in the future other than those that are usual for this type of company.

7. Other intangible assets

Movements in "Other intangible assets" in 2016 and 2017 and the related accumulated amortisation were as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
Industrial property	604	634	(192)	0	3,120	0	4,166
Goodwill	262	1,760	0	0	73	0	2,095
Development costs	796	457	0	0	70,009	0	71,262
Transfer rights	6,993	1,665	(60)	0	0	0	8,598
Computer software	32,746	1,454	(435)	16	0	105	33,886
Other intangible assets	2,037	0	0	0	1,593	0	3,630
Down payments	2,654	451	(36)	(2,781)	0	0	288
Greenhouse gas emission rights	2,467	4,212	0	(6,679)	0	0	0
Cost	48,559	10,633	(723)	(9,444)	74,795	105	123,925
Industrial property	(406)	(28)	129	6	(3,120)	0	(3,419)
Goodwill	(262)	0	81	0	0	0	(181)
Other intangible assets	(313)	(1,539)	0	0	(70,009)	0	(71,861)
Transfer rights	(2,880)	(145)	43	0	0	0	(2,982)
Computer software	(29,882)	(1,208)	78	(15)	(1,370)	(41)	(32,438)
Accumulated amortisation	(33,743)	(2,920)	331	(9)	(74,499)	(41)	(110,881)
TOTAL	14,816	7,713	(392)	(9,453)	296	64	13,044
2017 Thousands of euros	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
Industrial property	4,166	412	(96)	2,099	335	0	6,916
Goodwill	2,095	2,159	0	(73)	0	0	4,181
Development costs	71,262	4	0	5	0	0	71,271
Transfer rights	8,598	1,226	(205)	(1,858)	0	0	7,761
Computer software	33,886	1,622	(40)	(371)	562	(31)	35,628
Other intangible assets	3,630	0	0	0	0	0	3,630
Down payments	288	1,979	(417)	(14)	0	(61)	1,775
Greenhouse gas emission rights	0	0	0	1	0	0	1
Cost	123,925	7,402	(758)	(211)	897	(92)	131,163
Industrial property	(3,419)	(268)	8	(395)	(327)	0	(4,401)
Goodwill	(181)	(434)	81	240	0	0	(294)
Other intangible assets	(71,861)	(343)	0	(3)	0	0	(72,209)
Transfer rights	(2,982)	(286)	0	0	0	0	(3,268)
Computer software	(32,438)	(1,450)	38	369	(349)	27	(33,803)
Accumulated amortisation	(110,881)	(2,781)	127	211	(678)	27	(113,975)
TOTAL	13,044	4,621	(631)	0	219	(65)	17,188

In 2016, the changes in the scope of consolidation were mainly due to the inclusion of Río Narcea Recursos, S.A.

The detail of intangible assets located outside Spain at 31 December 2016 and 2017 is as follows:

2016 Thousands of euros	Portugal	Libya	Chile	Ireland	Other	TOTAL
Industrial property	156	0	0	0	0	156
Computer software	5,513	102	273	6	139	6,033
Cost	5,669	102	273	6	139	6,189
Accumulated amortisation	(5,647)	(102)	(251)	(6)	(114)	(6,120)
TOTAL	22	0	22	0	25	69

2017 Thousands of euros	Portugal	Libya	Chile	Ireland	Other	TOTAL
Industrial property	156	0	0	0	0	491
Computer software	5,512	94	262	6	136	6,574
Cost	5,668	94	262	6	137	7,069
Accumulated amortisation	(5,652)	(94)	(253)	(6)	(128)	(6,960)
TOTAL	16	0	9	0	9	109

At 31 December 2017 and 2016 fully amortised intangible assets in use totalled 95,836 thousand and 94,650 thousand euros, respectively.

8. Goodwill

8.1. Movement

Movements in "Goodwill" in 2016 and 2017 were as follows:

2016 Thousands of euros	Balance at 31 December 2015	Additions	Disposals	Impairment and exchange-rate effect	Balance at 31 December 2016
Valoriza Group	167,244	0	0	(226)	167,018
Valoriza Servicios Medioambientales	94,987	0	0	0	94,987
Sacyr Fluor	67,829	0	0	0	67,829
Suardiaz	1,444	0	0	(59)	1,385
Hidurbe	843	0	0	(62)	781
Aguas do Marco	2,141	0	0	(105)	2,036
Somague Group	19,334	0	(852)	0	18,482
Somague Engenharia (Soconstroj)	19,334	0	(852)	0	18,482
TOTAL	186,578	0	(852)	(226)	185,500
2017 Thousands of euros	Balance at 31 December 2016	Additions	Disposals	Impairment and exchange-rate effect	Balance at 31-dec-17
Valoriza Group	167,018	0	0	(217)	166,801
Valoriza Servicios Medioambientales	94,987	0	0	0	94,987
Sacyr Fluor	67,829	0	0	0	67,829
Suardiaz	1,385	0	0	(48)	1,337
Hidurbe	781	0	0	(74)	707
Aguas do Marco	2,036	0	0	(95)	1,941
Somague Group	18,482	0	(18,482)	0	0
Somague Engenharia (Soconstroj)	18,482	0	(18,482)	0	0
TOTAL	185,500	0	(18,482)	(217)	166,801

There were no significant changes in 2016.

In 2017, there was total impairment of the goodwill which the Group held with Soconstroj – Sociedade de Construções, S.A., since the recoverable amount was lower than the carrying amount.

8.2. Impairment test of goodwill

At each reporting date, the Group performs an impairment test on each cash-generating unit to which goodwill has been assigned. An analysis is performed in order to identify the recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Fair value is defined as the price for which a company could be sold between knowledgeable, willing parties in an arm's length transaction.

The recoverable amount of each cash-generating unit determined by this method is then compared to its carrying amount. Where the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised in the separate consolidated income statement.

Where the recoverable amount cannot be measured reliably (usually because the company is not listed on an organised financial market), it is assessed using other valuation methods.

Goodwill is valued by discounting forecast future cash flows to their present value at a discount rate that reflects the time value of money and the risks specific to the asset.

a) Goodwill of Valoriza Servicios Medioambientales

Valoriza Servicios Medioambientales projects the cash flows of all projects currently in its backlog until the end of their concession term. The cash flows of each project carry the value of the assets of each project until they end (concession projects, accounts receivable for concession assets, property, plant and equipment, etc.).

The following key assumption is taken into account when calculating the projects' cash flows.

- a. Fees received from the customer with their possible price reviews and extensions. These fees are stipulated in each tender and in each bid and constitute the contract price. The tender specifications include the price review formulas and the periods from which they are claimable. Sometimes, as a result of extensions of towns, increases in population or new neighbourhoods, contracts are extended, but they have not been considered in the models. In the flows considered, only the contracts in force have been included, with their current prices and subsequent reviews.
- b. Evolution of operating costs. Improvements in margins when the contracts reach maturity. Contracts usually attain stability in the income statement from the third or fourth year of the contract, since at the beginning they have start-up, service preparation, labour force adjustment costs, etc. From the third year, or the fourth on occasions, services have been adjusted; retirements are covered (or otherwise) by more productive employees (more hours, lower salaries, without seniority). A considerable reduction in absenteeism is usually attained and vehicle performance is maximised (more efficient routes, service reorganisation). For all of these reasons, margins improve and greater stability is obtained.
- c. The average collection period vis-à-vis the customer and its foreseeable evolution: following the supplier payment plan, which enabled old debt to be collected, and the approval of the Budget Stability Law in 2012, municipal councils are complying reasonably well with the Law, although they are not paying services at 30 days. An average collection period of between 90 and 120 days has been considered, without much variation over the years of the concession.

- d. Replacement investment: this does not normally exist in cleaning and collection contracts, but do exist in certain treatment projects. When they are included in our offering, they have been considered in the models.

In order to prepare cash flows for the goodwill impairment test, the company adds the flows of all its individual projects. From a certain year onwards, the flows reflect the completion of certain contracts but they do not show the inclusion of new contracts. That is, in the projection of the total flows of VSM, only the contracts in force for the first five years have been considered, without including new awards. Accordingly, perpetual income is paid in year five. Accordingly, the key assumptions to prepare the goodwill impairment test are as follows:

- a. Discount rate
- b. Perpetual growth rate from year five

The flows are based on the company's budgets, and on the best performance estimate of these contracts until maturity, in conformity with the contracts signed with customers, normally from the public sector. Values do reflect past experiences, since the urban service contracts are usually quite stable. Normally a fee is charged to the customer, reviewable on the basis of a series of parameters (personnel costs, fuel, CPI) associated with operating costs, and the experience indicates to us that there is usually a notable improvement in margins when the contracts reach maturity (more efficient service, stability and improved collection, use of synergies and other services in the area).

The reason for having considered extensive periods for the projects is the fact that the service concessions usually last 8-10 years in the area of cleaning and collection, and 10-15 years in the waste services area. Aside from the stability afforded by revenue and results of this extensive concession term, the public tender itself foresees maintaining the company's contract.

For the goodwill impairment test, the flows of all the individual projects contributed each year are added together. From a certain year onwards, the flows reflect the completion of certain contracts but they do not show the inclusion of new contracts. That is, in the projection of the total flows of Valoriza Servicios Medioambientales, only the contracts in force for the first five years have been considered, without including new awards. Accordingly, in year five, instead of continuing to project and reflect a company with a declining flow (as a result of not having included new contracts), perpetual income is paid, which is based on the amount of cash flow in year five, and which reflects the company's continuity value, via the arrangement of new contracts, which replace contracts which have ended. This assumption reflects the company's past reality. In 2010-2017, the pace of growth in contracts for Valoriza Servicios Medioambientales remained strong, reaching a backlog of 2,092 million euros. Accordingly, the perpetual income in year five to validate goodwill does not represent a residual value, since the company has contracts in its backlog with terms far exceeding five years (as previously explained, service concessions usually last 8-10 years in the area of cleaning and collection, and 10-15 years in the waste services area). But year five is considered to reflect the appropriate time to grant a value to the company based on perpetual income, given that the non-inclusion of new contracts would distort the company's value in use. The percentage of the residual value with respect to the recoverable amount, obtained from the foregoing, is 75%.

An analysis was performed on the variations in the key variables in the goodwill impairment test. It was established that for a perpetual growth rate of between 1% and 2% (between 0% and 1% in 2016) and a discount rate of between 10.5% and 11% (between 11.5% and 12% in 2016), the company's fair value would be equal to its carrying amount.

The estimated cash flow projections are based on the budgets approved by company management, using a discount rate of 6.63% (6.63% at 31 December 2016).

Varying the perpetual growth rate between 1% and 2% (between 1% and 2% in 2016), the company's valuation ranged between -6.6% and 7.2% (-7% and 8% in 2016), without giving rise to asset impairment at any time.

Varying the discount rate between 6.0% and 7.0% (between 6.0% and 7.0% in 2016), the company's valuation ranged between +13.3% and -6.4% (+14% and -7% in 2016), without giving rise to asset impairment at any time.

b) Goodwill of Somague SGPS Engenharia

As mentioned above, there was total impairment of this goodwill in 2017.

At 31 December 2016, goodwill related to Somague SGPS Engenharia was 18,482 thousand euros.

Somague Engenharia was valued based on the price paid for Soconstroi - Sociedade de Construções, S.A. which was wholly acquired by Somague SGPS in 1997 and subsequently merged by absorption in December 1998 into its wholly-owned subsidiary, Somague Engenharia, S.A.

To arrive at this valuation, the expected cash flows were discounted over a period of five years in line with the Group's economic-financial plans. Subsequent projections were based on perpetual cash flows equal to those forecast for the fifth year, adding an additional element of prudence into the estimates. The main assumptions underlying this valuation are as follows:

- Growth rates for cash flows over the next 5 years ranged from 0.6% to 13%.
- Discount rates were based on the estimated cost of capital (CAPM) calculated using a risk-free rate benchmarked to the 10-year German government bond, a beta that reflected the risk of the assets and gearing, and a country risk premium. With these assumptions, the discount rate or K_e (cost of equity) stood within a range of 5% and 6%.

Recoverable amount was calculated for each concession project assessed, based on the lifetime of the concession in years. From the range of values reached in this analysis, the Group concluded that the recoverable amount of its interest in the company was at least equal to its carrying amount at 31 December 2016.

c) Goodwill of Sacyr Fluor

Sacyr Fluor's value was obtained by discounting the estimated cash flows that the shareholder will receive over the next five years based on the economic-financial plans approved for this company. The main assumptions underlying this valuation are as follows:

- The viability and the business plan of Sacyr Fluor were assessed based on the opportunities identified by the shareholders in South America and the Middle East, specifically in Colombia, Ecuador, Peru, Paraguay, Uruguay, Oman, Angola, Egypt, Libya, Tunisia, Morocco and Algeria.
- A growth rate of 2.7% (1.5% in 2016) was used, which is the weighted result of the countries in which the company expects to generate income.
- The discount rates are based on the cost of equity (K_e) and fall within a range of between 10% and 15%, since the rate includes a risk premium for all new projects added after the date on which this valuation is made.

As a result, it is concluded that there is no goodwill impairment.

9. Investments accounted for using the equity method

Under IAS 28 (paragraphs 29 and 30), once the value of an investment in companies accounted for using the equity method is zero, any additional losses are recorded by the Group as non-current provisions, insofar as it has incurred any legal or constructive obligations.

Movements in this heading in 2016 and 2017 were as follows:

Thousands of euros	Balance at 31 December 2015	Changes in scope	Share of profit/(loss)	Impairment	Dividends received	Change in instruments	Additions	Disposals	Balance at 31 December 2016
Alcoreca, S.L.	28	0	(7)	0	0	(2)	0	0	19
Ambigal Engenharia de Infraestruturas Ambientais, S.A.	(50)	0	52	0	0	4	0	0	0
Biomassas del Pirineo, S.A.	60	0	0	0	0	0	0	0	60
Consorcio Stable VIS Societ� C.P.A.	66	0	0	0	0	0	0	0	66
Cultivos Energ�ticos de Castilla, S.A.	1	0	(1)	0	0	0	0	0	0
Desarrollo Vial al Mar, S.A.S.	62	0	761	0	0	13,167	0	0	13,990
Enervator Naval, S.L.	21	0	0	0	0	0	0	0	21
Engig�s-Cabo Verde	119	0	0	0	0	0	0	(117)	2
Eurolink S.C.P.A.	7,013	0	0	0	0	0	0	0	7,013
Finsa, S.R.L.	0	0	(5)	0	0	28	0	0	23
Geida Skikda, S.L.	5,071	0	1,288	0	(982)	(263)	0	0	5,114
Geida Tlemcen, S.L.	16,543	0	4,082	0	(3,532)	(1,706)	0	0	15,387
GSA - Gest�o de Sistemas Ambientais, S.A.	0	0	0	0	0	302	0	0	302
Ha�or- Concession�ria do Edif�cio do Hospital da Ilha Terceira,S.A.	991	0	49	0	0	(209)	0	(831)	0
H.S.E. - Empreendimentos Imobili�rios, Lda	0	0	(10)	0	0	0	60	0	50
Ibervolar Energ�a Aragonesa, S.A.	0	0	(3)	0	0	14	0	0	11
Infofer Estacionamiento Regulado, A.I.E.	34	0	0	0	0	32	0	0	66
Iniciativas Medioambientales del Sur, S.L.	142	0	(2)	0	0	0	0	0	140
Operadora Avo, S.A.	2	0	15	0	0	(1)	0	0	16
Parque Edificio La Sotenera, S.L.	2,412	0	103	0	0	0	0	0	2,515
Repsol, S.A.	1,913,206	0	142,360	55,022	(53,561)	4,407	0	0	2,061,434
Sociedad Andaluza de Valoraci�n de la Biomasa, S.A.	58	(58)	0	0	0	0	0	0	0
Sociedad Concesionaria Vespucio Oriente, S.A.	12,277	0	691	0	0	12,957	0	0	25,925
Valorinima Group	58	0	62	0	0	68	0	0	188
Sacyr Nervi�n, S.L.R.	60	(60)	0	0	0	0	0	0	0
Soleval Renovables, S.L.	1,286	0	51	0	0	47	0	0	1,384
Somague Mesquita Hidurbe	4	0	0	0	0	(4)	0	0	0
Somague Panama	8	0	0	0	0	0	0	0	8
Tenemetro, S.L.	97	0	49	0	0	204	0	0	350
Via Expreso	13,924	0	1,726	0	0	0	0	(701)	14,949
Associates	1,973,487	(118)	151,261	55,022	(58,075)	29,045	60	(1,649)	2,149,033
Biorreciclaje de C�diz, S.A.	5,302	(5,302)	0	0	0	0	0	0	0
Compost del Pirineo, S.A.	80	0	(24)	0	0	0	0	0	56
Constructora ACS-Sacyr, S.A.	35	0	0	0	0	19	0	0	54
Constructora Neco-Sacyr, S.A.	34	0	0	0	0	(34)	0	0	0
Constructora Sacyr - Neco, S.A.	24	(24)	0	0	0	0	0	0	0
Constructora San Jose-San Ramon, S.A.	0	0	1,811	0	0	159	0	0	1,970
Constructora. San Jose- Caldera, S.A.	2,329	0	(1,981)	0	0	(34)	0	0	314
Desarrollos Edificos Extremeos, S.L.	735	0	(19)	0	0	0	0	0	716
Empresa Mixta de Aguas de Las Palmas, S.A.	23,886	0	(505)	0	0	61	0	0	23,442
GSJ Maintenance Ltd	1,905	0	470	0	(495)	0	0	0	1,880
Metrolangs, S.L.	3,160	0	106	0	0	0	0	0	3,266
N4 Operations Ltd	784	0	385	0	(625)	0	0	0	544
NDP, S.C.P.A.	9,594	0	554	0	0	(14)	0	0	10,134
Sociedad Sacyr Agua Santa, S.A.	87	0	5	0	0	8	0	0	100
Joint Arrangements	47,955	(5,326)	802	0	(1,120)	165	0	0	42,476
SACYR GROUP	2,021,442	(5,444)	152,063	55,022	(59,195)	29,210	60	(1,649)	2,191,509

Thousands of euros	Balance at 31 December 2016	Changes in scope	Share of profit/(loss)	Impairment	Dividends received	Change in equity	Additions	Disposals	Balance at 31-dec-17
Alcorec, S.L.	19	0	(2)	0	0	0	0	0	17
Biomosas del Pirineo, S.A.	60	0	0	0	0	0	0	0	60
Consorcio Stabile VIS Societat C.P.A.	66	0	0	0	0	0	0	0	66
Desarrollo Vial al Mar, S.A.S.	13,990	0	1,937	0	0	185	0	0	16,112
Enervalar Naval, S.L.	21	0	0	0	0	0	0	0	21
Engidás-Cabo Verde	2	0	(2)	0	0	0	0	0	0
Eurolink S.C.P.A.	7,013	0	0	0	0	0	0	0	7,013
Finsa, S.R.L.	23	0	0	0	0	(23)	0	0	0
Geida Skikda, S.L.	5,114	0	1,414	0	(385)	0	0	0	6,143
Geida Tlemcen, S.L.	15,387	0	4,331	0	(2,159)	0	0	0	17,559
GSA - Gestao de Sitemas Ambientais, S.A.	302	0	72	0	0	(141)	0	0	233
H.S.E. - Empreendimentos Imobiliários, Lda	50	0	(11)	0	0	(3)	0	0	36
Ibervalor Energía Aragonesa, S.A.	11	(11)	0	0	0	0	0	0	0
Infoser Estacionamiento Regulado, A.I.E.	66	0	0	0	0	0	0	0	66
Iniciativas Medioambientales del Sur, S.L.	140	0	0	0	0	(4)	0	0	136
Operadora Avo, S.A.	16	0	1	0	0	(1)	0	0	16
Parque Edificio La Sofonera, S.L.	2,515	0	403	0	0	(103)	0	0	2,815
Repsol, S.A.	2,061,434	0	167,220	77,266	(108,111)	(238,219)	0	0	1,959,590
Sociedad Concesionaria Vespuccio Oriente, S.A.	25,925	0	1,875	0	0	36,413	0	0	64,213
Valonima Group	188	0	60	0	0	(26)	0	0	222
Soleval Renovables, S.L.	1,384	(1,436)	52	0	0	0	0	0	0
Samague Panama	8	0	0	0	0	0	0	0	8
Tenemetra, S.L.	350	(1,825)	1,495	0	(20)	0	0	0	0
Via Expreso	14,949	0	291	0	(3,233)	(264)	0	0	11,743
Asociates	2,149,033	(3,272)	179,135	77,266	(113,908)	(202,185)	0	0	2,086,069
Compost del Pirineo, S.A.	56	0	(16)	0	0	0	0	0	40
Constructora ACS-Sacyr, S.A.	54	0	0	0	0	(2)	0	0	52
Constructora Necso Sacyr, S.A.	0	0	0	0	0	5	0	0	5
Constructora San Jose-San Ramon, S.A.	1,970	0	13	0	0	(1,936)	0	0	47
Constructora. San Jose- Caldera, S.A.	314	0	0	0	0	(313)	0	0	1
Desarrollos Edificos Extremehos, S.L.	716	0	(22)	0	0	0	0	0	694
Empresa Mixta de Aguas de Las Palmas, S.A.	23,442	0	(478)	0	0	0	0	0	22,964
GSIJ Maintenance Ltd	1,880	0	425	0	(630)	0	0	0	1,675
Metrofangs, S.L.	3,266	0	86	0	0	0	0	0	3,352
N4 Operations Ltd	544	0	491	0	(550)	0	0	0	485
NDP, S.C.P.A.	10,134	(12,350)	2,217	0	0	0	0	0	1
Sociedad Sacyr Agua Santa, S.A.	100	0	(3)	0	0	(4)	0	0	93
Joint Arrangements	42,476	(12,350)	2,713	0	(1,180)	(2,250)	0	0	29,409
SACYR GROUP	2,191,509	(15,622)	181,848	77,266	(115,088)	(204,435)	0	0	2,115,478

In addition to the companies included in these tables, the Group has shareholdings in other companies accounted for using the equity method whose value is zero.

The assumptions and procedures used to assess impairment in the various companies are explained below:

Repsol, S.A.:

The Sacyr Group is represented on Repsol's Board of Directors, since it holds two positions thereon, one of which is the second Deputy Chairman of the company.

Additionally, the two directors are members of the following committees, which set the financial and operating policies of the investee: Executive Committee of the Board of Directors, Appointments and Remuneration Committee and the Strategy and Investments and Corporate Social Responsibility Committee.

As a result of the foregoing, Sacyr considers that it complies with the conditioning factors of significant influence under IAS 28. Accordingly, it accounts for its investment in Repsol, using the equity method.

The Sacyr Group measures its investment in Repsol at its recoverable amount. NIC 36 defines the recoverable value of an asset as the higher of the asset's fair value less the costs to sell and its value in use.

At 31 December 2017, the quoted price of Repsol shares was 14.745 euros per share (13.42 euros per share in 2016), leading to a valuation (fair value) of Sacyr's holding of 1,809 million euros (1,646 million euros in 2016). Nonetheless, the value in use of the Repsol investment is higher than its fair value, and the stake's recoverable value is therefore considered to be its value in use.

The Sacyr Group views this shareholding as a stable long-term investment and has no plans to accept a selling price for the shares below their value in use. The Group estimates the value in use pursuant to IAS 36.

Based on Repsol's financial statements for the year ended 2017 and the 2016-2020 Strategic Plan submitted by Repsol on 15 October 2015, the Group estimated the recoverable amount of its holding in Repsol, by comparing it with the carrying amount of this investment, in order to reassess the value recognised in this regard.

Since it acquired its interest in Repsol, the Group estimates its value in use, which was based on the calculation of the value of total assets by the free discounted cash flows method (cash flows) which this Group expects to generate, subsequently deducting the value of net financial debt and the non-controlling interests at the reference date of the analysis:

The Group estimated free cash flows based on its forecasts of the cash flows it will receive as a core shareholder in Repsol and on the Strategic Plan announced by Repsol.

Medium-term projections were used (five years), taking into account the maturity periods of the Group's major exploration and extraction projects. Likewise, perpetual income was considered from the last projected period, using the Gordon-Shapiro model. This applies a normalised free cash flow based on the cash flow for the last projected year, recurring perpetual investment in line with that of the last projected period and the maintenance of the productive capital stock. A perpetual growth rate (g) of 1% in nominal terms was applied (1% in 2016).

Projected cash flows were discounted at a rate based on the weighted average cost of capital (WACC), which, considering the weightings of each source of capital, is estimated at around 9.55% (9.01% in 2016). The key assumptions used in calculating the WACC were as follows:

- Cost of equity (Ke): using a discount rate of 11.3% (11.7% in 2016), based on the capital asset pricing model (CAPM) for construction, and the following parameters:
 - Risk-free rate (Rf): using the average weighted risk-free rates of countries in which Repsol operates (Spain, Argentina, Brazil, Mexico, Libya, Algeria, the United States, etc.) based on the yield on the respective long-term government fixed-interest assets (generally maturing at 10 years). The weighted average for these rates, based on Repsol's share of the net assets and exposure, is approximately 4.09% (4% in 2016).
 - Market risk spread of 6.24% (6.5% in 2016), considered globally for all markets in which Repsol operates.
 - Leveraged beta of 1.15 (1.18 in 2016), based on the correlation between the trading price of Repsol shares and the Spanish benchmark index.
- Specific spread: a specific spread may be applied to allow for any risks left out of previous parameters.
- The cost of bank borrowings after tax (Kd): a rate of around 2.53% is considered (2.71% in 2016).

In addition, a sensitivity analysis is performed regarding the residual growth rate (between 0.5% and 1.5% in 2017 and between 0.5% and 1.5% in 2016) and the WACC (between 9.25% and 9.85% in 2017 and between 8.51% and 9.51% in 2016).

The range of the value per share reached with this analysis, after excluding extreme values, lay between 15.5 euros and 16.5 euros per share, placing the central value at 16.0 euros per share.

A cross-over of values was obtained from this analysis, which excludes extreme values, in order to calculate the sensitivity of the reasonably possible changes in any of the key assumptions.

This cross-over of values shows the following underlying impact of Sacyr's profit/loss after tax (in millions of euros):

	Perpetual growth				
	0.50%	0.75%	1.00%	1.25%	1.50%
9.05%			137.26		
9.30%		26.59	66.00	107.87	
9.55%	-70.41	-36.21	0.00	38.39	79.18
9.80%		-94.62	-61.27	-25.98	
10.05%			-118.29		

Pursuant to IAS 36, the Group assessed a reasonably possible change in two other key assumptions on which management based its calculation of the recoverable amount of Repsol, S.A.: the euro/dollar exchange rate and the price of a barrel of Brent. Due to the correlation between both variables, the sensitivity thereof must be jointly analysed. Moreover, variations in key assumptions beyond the confines of normal market setups mean the measurement method may need to be reviewed, since this may result in a change to the business model. As a result of this analysis, it was concluded that:

- A 1% appreciation in the euro against the dollar in the entire projected period led to a drop in the value per share of -1.8% (-2.04% in 2016).
- An increase of 1% in the price of a barrel of Brent in the entire projected period led to a rise in the value per share of 0.56% (0.40% in 2016).

Moreover, variations of key assumptions beyond the confines of normal market setups mean the measurement method requires a global analysis, or even a change to the business model.

The Group has arranged three derivative instruments on its Repsol shares (see Note 24).

Autopista Madrid Sur (Radial 4):

Inversora de Autopistas del Sur, S.L., in which the Group holds a 35% interest and which owns 100% of the concessionaire Autopista Madrid Sur, C.E.S.A., which relates to the R4 motorway asset.

There is no potential sales option on Autopista Madrid Sur, C.E.S.A. On 14 September 2012 the R4 Board resolved to file for insolvency proceedings. The Inversora Autopista del Sur and Autopista Madrid Sur insolvency proceedings are being processed jointly. On 4 October 2012 an Order was received accepting voluntary insolvency proceedings.

On 12 April 2017, company requested the settlement. Subsequently, Madrid Commercial Court no. 4 transmitted the ruling via which the Liquidation Plans submitted by the Insolvency Administrators and the concessionaire are approved. At the end of January 2018, the Insolvency Administrators informed that the Government Delegation in National Concessionaires of Toll Highways had notified them that SEITSA intended to take over control of the management of the R4 on 1 February. The Insolvency Administrators informed SEITSA that they did not consider that date to be viable, and finally an agreement was reached for the transfer to occur on 21 February 2018, which took effect without incident.

The concession continues to operate, offering users a top-level service.

The Group made impairment provision for the entire investment and the subordinated loans with both companies. It did not recognise any further provisions, nor did it consider that any additional liabilities would arise.

Inversora Autopista Madrid Levante (AP-36):

Inversora de Autopistas de Levante, S.L., in which the Group holds a 40% interest and which owns 100% of the concessionaire Autopista Madrid-Levante Sur, C.E.S.A., which relates to the AP36 motorway asset (Ocaña-La Roda).

There is no potential sales option right on this motorway. The Ocaña-La Roda Motorway filed for bankruptcy on 19 October 2012. On 4 December 2012 an Order was received in acceptance of voluntary insolvency proceedings.

On 24 February 2015 the Judge at Commercial Court N° 2 refused to accept the proposed proceedings submitted by SEITSA, and ruled that the liquidation phase should commence for both companies. On 4 September 2015 the company was notified of a Resolution dated 31 July 2015 to suspend the period granted to the Insolvency Administrators to present the Liquidation Plan until the appeal submitted by the State Lawyer against the Order of 26 February 2015 had been resolved.

By agreement between the Government Delegation in National Concessionaires of Toll Highways and the Insolvency Administrators, on 15 March 2018 SEITSA took over control of the management of the AP36 without incident.

Meanwhile, the concessionaire received an official notice from the Ministry of Public Works which initiates the resolution of the concession contract of the AP36.

The concession continues to operate, offering users a top-level service.

The Group made impairment provision for the entire investment and the subordinated loans with both companies. It did not recognise any further provisions, nor did it consider that any additional liabilities would arise.

Accesos de Madrid (R-3 and R-5 Motorways):

In accordance with the insolvency proceedings no. 701/2012, pursuant to a ruling of 16 September 2014: 1) the common phase of insolvency proceedings was declared to have ended 2) the agreement phase commenced 3) the written processing of the agreement was resolved and written agreement proposals could be submitted until 16 October 2014; and 4) in order to exercise adherence, a period of one month was set following the completion of this presentation period.

On 16 October 2014 Accesos de Madrid presented its proposed agreement to the Court, which granted it leave to proceed. The grantor authority also presented its proposed agreement.

On 30 January 2015 Accesos de Madrid challenged the appeal for reconsideration filed by the State Lawyer against the Order of 6 November 2014, which granted leave to proceed to the proposal of Accesos de Madrid and urged the Administration to rectify certain aspects of its proposal.

An Order on 19 February 2015 compelled both Accesos de Madrid and the Administration to make good a number of defects, and the period granted was suspended. Accesos de Madrid presented clarifications to this requirement.

On 5 May 2016, notification was received of a number of Orders of 3 May 2016, which began the liquidation process for the companies Alazor Inversiones, S.A. and Accesos de Madrid C.E.S.A.

In the liquidation order for Accesos de Madrid C.E.S.A. the concession agreement was declared terminated and a total cessation of the insolvent company's business activity in relation to the abovementioned concession was ordered on 1 October 2016.

On 28 September 2016, the Insolvency Administrators submitted a petition to the Madrid Commercial Court number 6, through which the Liquidation Plan for Accesos de Madrid, C.E.S.A. was presented. In addition, the petition asked for the closure and cessation of activity order to be overruled, requesting that the court hearing be held on 1 July 2017.

An Order of 30 September 2016 overruled the closure and cessation of business activity decision, with the insolvent company continuing its operations.

Finally, an Order of 30 December 2016, (i) partially approved the Liquidation Plan; (ii) ordered the Insolvency Administrators to present a progress report within the first five calendar days of each month; (iii) ordered the removal of all charges, encumbrances, impediments and personal guarantees of an obligational nature, that could affect the moveable or immoveable assets subject to the liquidation plan and made by virtue of credits included or excluded in the insolvency process and (iv) ordered the 6th Section, the assessment of insolvency, to be prepared.

For both companies, by Order of 2 November 2017 the following is agreed: (1) the opening, ex officio, of the liquidation phase; (ii) the suspension, during the liquidation phase, of the company administrators in their administration and provision faculties, which shall be entirely assumed by the insolvency administrators, (iii) the removal of the company administrators and/or liquidators, where relevant, who shall be replaced in their positions, faculties, functions and duties by the insolvency administrators; (iv) dissolution of the company; (v) the early repayment of deferred claims and conversion of those amounts consisting of other forms into cash; (vi) notices of the initiation of the liquidation phase published on the Court bulletin board and publication in the Insolvency Public Register; (vii) registration of the initiation of the liquidation phase in the Trade Register; (viii) registration of the initiation of the liquidation phase in the Property Register and in the other Registers in which assets of the insolvent party appear; (ix) submission of the various official documents and orders to the Inspector of the insolvent party for them to be completed; (x) the insolvency administrators are required to submit the liquidation plan in a period of fifteen days; and for Accesos de Madrid, (xi) the concessional contract signed between the National Administration and the insolvent party is declared terminated and ineffective by means of Ministry of the Law and this Resolution.

Pursuant to Order of 14 March 2018, the liquidation plan of Accesos de Madrid is approved, with the date set for transfer to the public entity, SEITSA, of 10 May 2018 at 6am.

The Group made impairment provision for the entire investment and the subordinated loans with both companies.

Pazo de Congresos de Vigo:

The Sacyr Group has a total investment in Pazo de Congresos de Vigo, S.A. of 11.11%.

The most significant events affecting Pazo de Congresos de Vigo in 2016, were as follows:

- On 22 November, the Company requested voluntary insolvency proceedings, in accordance with the decision adopted by the Board of Directors on 18 November, after four months in pre-insolvency.
- On 2 December, Pontevedra Commercial Court number 3, based in Vigo, announced the start of ordinary insolvency proceedings for Pazo de Congresos de Vigo S.A.
- On 16 December, Abanca Corporación Bancaria, by means of a notarial deed, submitted certifiable and lawful notification requesting early repayment of the loan granted to the Company.

Key milestones in 2017:

- On 14 November, a notice of the Order from Madrid Commercial Court was received pursuant to which the liquidation phase of Pazo de Vigo was agreed. Therein the concession contract was declared resolved for insolvency purposes and it ordered the complete termination of company activity regarding the asset with deadline of 31 March 2018, with the provision of the facility to the City Council, and the initiation of the insolvency ruling section.
- On 28 December, the filing of the Liquidation Plan was formalised, by the Insolvency Administrators, and
- On 13 February 2018, the Liquidation Plan was approved by the Commercial Court, drawn up by the Insolvency Administrators on 28 December 2017. The liquidation process is on-going.

The Group made impairment provision for its entire investment.

N6 Concession Ltd:

N6 Concession Ltd is a mixed asset, in view of the income flows arising from the payment of users ("traffic risk"), plus payments guaranteed by the Administration.

Historically, the low level of traffic on the road made it necessary to verify year after year whether it was expected that the portion of the company's intangible assets could be borne by the discounting of future operating flows, without including the amount of traffic income, which had led to classification as a mixed asset.

In order to calculate the operating flows, the company considered the assumptions to be taken into account (traffic, opex, capex, etc.) were always based on the reports of the company's external advisors or on on-going contracts. When these flows had been calculated, a discount rate of 1,7% was considered for the year ended 31 December 2017 (2% for the year ended 31 December 2016).

These are the main assumptions which were included in the impairment test for intangible assets.

At 31 December 2017, the calculation of the impairment test for this company did not entail any impairment (the same as in the year ended 31 December 2016).

Concerning financial assets, Irish Administration payments are discounted at 9.4%. The financial model assumed collection of sums benchmarked against the 2% consumer price index, although this rate was not reached over the last two years. As a result, impairment provision was made against receivables on concession financial assets in the amount of 0.31 million euros at 31 December 2017 (0.67 million euros for the year ended 31 December 2016).

The table below presents the financial highlights of the main companies accounted for using the equity method in 2016:

	Dividends received	Assets assets	Assets non-current	Current assets	Current non-current	Income from Ordinary activities	Profit continuing operations
Desarrollo Vial al Mar, S.A.S.	0	21,447	35,017	18,055	1,104	0	2,028
Finsa, S.R.L.	0	72	3	4	25	9	(10)
Alazor Inversiones, S.A.	0	54,621	1,304,288	1,073,361	239,780	25,092	(25,352)
Tenemetro, S.L.	0	913	8,997	791	0	0	46
A. Madrid Sur, S.A.	0	28,981	1,130,611	750,901	633,492	16,266	(23,868)
Inversora de Autopistas de Levante, S.L.	0	20,651	464,354	606,257	51,012	13,418	(21,880)
G&J Maintenance Ltd	0	3,308	2,344	1,473	0	17,518	1,045
N6 Operations Ltd	0	1,440	344	613	82	339	771
N6 Concession Holding Ltd	0	0	0	0	0	0	0
N6 Concession Ltd	0	44,312	54,338	18,090	143,508	0	(8,307)
Sociedad Concesionaria Vespucio Oriente, S	0	81,975	52,063	1,160	2,610	0	1,381
Operadora Avo, S.A.	0	324	18	314	0	0	30
Consorcio Stabile VIS Societá C.P.A.	0	3,742	1,246	4,838	0	2,257	0
Solucio Renovables, S.L.	0	8,303	225,761	19,588	229,470	27	11,947
Enevalor Naval, S.L.	0	52	0	(1)	0	0	(0)
Empresa Mixta de Aguas de Las Palmas, S.A.	0	43,962	22,340	19,752	15,009	5,121	49
Sercanarías, S.A.	0	2,490	499	921	3,188	0	351
Gelda Skikida, S.L.	3,683	611	10,811	14	0	0	3,904
Gelda Temcen, S.L.	9,652	98	21,432	60	0	0	8,165
Valorinima, S.L.	0	528	3,700	3,679	548	676	179
Sociedad Economía Mixta de Aguas de Sorla	0	2,823	11,809	7,550	1,554	4,288	176
Biomassas del Pirineo, S.A.	0	243	277	167	218	0	(0)
Residuos de Construcción de Cuenca, S.A.	0	52	1	101	0	0	(2)
Sacorec, S.L.	0	0	0	0	0	0	0
Boremer, S.A.	0	1,438	14,422	9,194	8,824	652	(1,874)
Compost del Pirineo, S.A.	0	11	510	203	205	0	(48)
Cultivos Energéticos de Castilla, S.A.	0	(197)	316	43	75	0	(2)
Desgasificación de Vertederos, S.A.	0	1	0	182	0	0	(0)
Gestión de Partícipes del Biorreciclaje, S.A.	0	70	0	41	237	0	(184)
Reciclados y Tratamientos Andaluces, S.L.	0	900	84	208	0	0	(0)
Intoser Estacionamiento Regulado, A.I.E.	0	182	0	(177)	0	0	0
Iniciativas Medioambientales del Sur, S.L.	0	0	281	2,124	(0)	0	(4)
Inte RCD Huelva, S.L.	0	0	0	0	0	0	0
Alcorec, S.L.	0	503	404	686	0	33	(53)
Inte RCD Bahía de Cádiz, S.L.	0	0	0	0	0	0	0
Inte RCD, S.L.	0	49	0	214	0	0	(0)
Metrofangs, S.L.	0	18,160	0	3,044	0	13	493
Parque Eólico La Sotonera, S.L.	0	1,096	13,058	1,146	4,670	1	341
Valdemingómez 2000, S.A.	0	10,958	309	10,578	3,481	1,545	(511)
Plataforma por la Movilidad, A.I.E.	0	1,089	1,435	858	1,664	0	(2)
Desarrollos Eólicos Extremeños, S.L.	0	31	2,142	109	651	0	(38)
Soleval Renovables, S.L.	0	4,342	167	1,744	0	0	101
Ibervalor Energía Aragonesa, S.A.	0	23	0	0	0	1	(6)
M 50 (D&C) Ltd	0	193	0	7,798	7,798	0	(93)
N6 Construction Ltd	0	545	0	90,589	90,589	0	(0)
Grupo Unidos por el Canal, S.A.	0	1,489,048	48,412	628,268	628,268	16,896	0
Sociedad Sacyr Agua Santa, S.A.	0	204	0	0	0	17	10
Constructora ACS-Sacyr, S.A.	0	1,117	0	0	0	0	1
Constructora Nicio Sacyr, S.A.	0	116	58	0	0	0	2
Constructora San Jose-San Ramon, S.A.	0	8,323	0	0	0	0	5,487
Constructora San Jose- Caldera, S.A.	0	5,698	24	0	0	0	(6,004)
Eurolink S.C.P.A.	0	56,777	0	0	0	1,175	(0)
NDP, S.C.P.A.	0	80,827	0	0	0	55,740	0
Superstrada Pedemontana Veneta, S.R.L.	0	116,285	424,393	1,331	1,331	0	1,130
SS, S.C.P.A.	0	705,937	116,124	26,875	26,875	317,529	0
Tecnológica Lena, S.L.	0	390	19	0	0	0	0
Pazo de Congreso de Vigo, S.A.	0	435	54,551	1,356	46,279	1,092	(1,445)
Repsol YPF, S.A.	0	15,928,000	48,921,000	14,737,000	19,001,000	990,000	1,437,000
SNRL Concessões Rodovias do Portugal, S	0	50,055	110,954	624,636	6,574	29,577	(2,765)
Haçor Domus, Compra e Venda de Imóveis,	0	2,079	0	150	0	31	27
Gestão de Sistemas Ambientais, S.A.	0	603	0	13	0	291	0
Sarmague Hidrúbe ACE	0	3	0	3	0	0	0
H.S.E. - Empreendimentos Imobiliários, Lda	0	514	0	308	31,679	0	(35)
Via Expresso	0	299,953	203,445	27,082	185,069	16,831	7,421

	Cash	Financial liabilities assets	Financial liabilities non-current	Depreciation and amortisation charge	Income on interest	Expenses on interest	Income tax paid on income
Desarrollo Vial al Mar, S.A.S.	20,298	0	1,104	172	410	410	96
Finsa, S.R.L.	3	0	0	1	0	0	0
Alazor Inversiones, S.A.	54,398	664,385	173,528	16,069	10	10	25,938
Tenemetra, S.L.	220	0	0	0	0	0	0
A. Madrid Sur, S.A.	15,695	678,044	0	4,211	9,136	9,136	36,500
Inversora de Autopistas de Levante, S.L.	19,724	601,250	0	9,370	21	21	17,862
GSJ Maintenance Ltd	1,885	406	0	931	0	0	91
N6 Operations Ltd	627	29	81	189	1	1	6
N6 Concession Holding Ltd	0	0	0	0	0	0	0
N6 Concession Ltd	23,391	15,926	99,953	2,736	0	0	10,589
Sociedad Concesionaria Vespucio Oriente, S	889	0	2,575	47	63	63	0
Operadora Avo, S.A.	58	0	0	5	0	0	0
Consorcio Stabile VIS Sociatá C.P.A.	24	1,183	0	139	0	16	9
Solucia Renovables, S.L.	804	16,401	227,823	9,485	121	12,931	(10,625)
Enervator Naval, S.L.	52	0	0	0	0	0	0
Empresa Mixta de Aguas de Las Palmas, S.A.	9,878	3	1,776	3,303	404	(1)	0
Sercanarias, S.A.	414	0	1,594	31	1	164	168
Geida Skikda, S.L.	51	0	0	0	15	0	0
Geida Temcen, S.L.	38	0	0	0	67	0	0
Valorínima, S.L.	126	446	0	0	0	81	60
Sociedad Economía Mixta de Aguas de Soría	193	454	7,545	551	3	251	61
Biomosas del Pirineo, S.A.	243	83	218	0	0	0	0
Residuos de Construcción de Cuenca, S.A.	48	2	0	0	0	0	0
Socarec, S.L.	0	0	0	0	0	0	0
Boremer, S.A.	85	4,820	0	970	0	71	(657)
Compost del Pirineo, S.A.	8	0	0	12	0	9	0
Cultivos Energéticos de Castilla, S.A.	(197)	0	0	2	0	0	0
Desgasificación de Vertederos, S.A.	1	90	0	0	0	0	0
Gestión de Partículas del Biorreciclaje, S.A.	70	0	0	0	0	0	0
Reciclados y Tratamientos Andaluces, S.L.	0	208	0	0	0	0	0
Infoser Estacionamiento Regulado, A.I.E.	182	(1177)	0	0	0	0	0
Iniciativas Medioambientales del Sur, S.L.	0	2,124	0	0	0	0	0
Inte RCD Huelva, S.L.	0	0	0	0	0	0	0
Alcorec, S.L.	187	426	0	38	0	0	0
Inte RCD Bahía de Cádiz, S.L.	0	0	0	0	0	0	0
Inte RCD, S.L.	0	318	0	0	0	16	0
Metrofangs, S.L.	0	0	0	1,492	192	0	218
Parque Eólico La Sotonera, S.L.	891	810	0	849	0	96	114
Valdemingómez 2000, S.A.	(1,081)	0	0	408	0	116	0
Plataforma por la Movilidad, A.I.E.	207	0	0	24	0	0	0
Desarrollos Eólicos Extremeños, S.L.	1	0	515	0	0	20	11
Soleval Renovables, S.L.	35	1	0	5	1	0	34
Ibervator Energía Aragonesa, S.A.	23	0	0	0	0	0	0
M 50 (D&C) Ltd	191	0	0	0	0	0	0
N6 Construccion Ltd	538	0	0	0	0	0	0
Grupo Unidos por el Canal, S.A.	14,422	245,078	270,749	0	117	25,000	104
Sociedad Sacyr Agua Santa, S.A.	202	0	0	0	0	0	1
Constructora ACS-Sacyr, S.A.	910	0	0	0	27	0	(1)
Constructora Neco-Sacyr, S.A.	2	0	0	0	0	0	0
Constructora San Jose-San Ramon, S.A.	191	0	0	0	0	0	0
Constructora, San Jose- Caldera, S.A.	38	0	0	0	0	0	0
Eurolink S.C.P.A.	1,172	1,800	0	0	0	91	0
NDP, S.C.P.A.	241	1,287	0	0	0	1,387	0
Superstrada Pedemontana Veneta, S.R.L.	4,547	7,802	1,331	0	2,301	3,242	455
SIS, S.C.P.A.	5,265	2,079	7,539	4,275	4	2,593	0
Tecnológica Lena, S.L.	380	440	0	0	0	0	0
Pazo de Congreso de Vigo, S.A.	283	631	0	1,229	0	4	0
Repsol YPF, S.A.	4,687,000	6,909,000	9,482,000	3,476,000	176,000	741,000	(391,000)
SMNL Concessoes Rodoviaras do Portugal, S	47,771	617,417	0	7,133	15	10,699	4
Haçor Domus, Compra e Venda de Imoveis,	2	0	0	0	0	0	7
Gestao de Sistemas Amientais, S.A.	0	0	0	0	0	0	0
Somague Hidurbe ACE	0	0	0	0	0	0	0
H.S.E. - Empreendimentos Imobiliários, Lda	127	0	8	0	0	0	0
Via Expresso	92,075	19,738	161,247	11,485	3,198	(3,677)	(723)

Reconciliation							
Equity	% stake	Value of ownership	Adjustments	Investments in associates	Transfer restriction of funds	Commitments cash outflow	
Desarrollo Vial al Mar, S.A.S.	37,306	37.50%	13,990	(0)	13,990	15,223	13,588
Finsa, S.R.L.	46	49.00%	23	(0)	23	0	0
Alazor Inversiones, S.A.	(135,282)	25.16%	(34,037)	(34,037)	0	0	0
Tenemetro, S.L.	1,168	30%	350	0	350	0	0
A. Madrid Sur, S.A.	(224,801)	35%	(78,680)	(78,680)	0	0	0
Inversora de Autopistas de Levante, S.L.	(172,264)	40%	(68,906)	(68,906)	0	0	0
G5J Maintenance Ltd	4,180	45%	1,881	1	1,880	0	0
N6 Operations Ltd	1,089	50%	545	1	544	0	0
N6 Concession Holding Ltd	0	45%	0	0	0	0	0
N6 Concession Ltd	(62,948)	45%	(28,326)	(28,326)	0	8,030	0
Sociedad Concesionaria Vespucio Oriente, S.A./ Operadora Avo, S.A.	130,263	50%	65,132	39,207	25,925	0	0
Operadora Avo, S.A.	27	50.00%	14	(2)	16	0	0
Consorcio Stable VIS Societá C.P.A.	150	9%	14	(53)	66	0	0
Solucia Renovables, S.L.	(14,793)	50%	(7,397)	(7,397)	0	0	0
Enervator Naval, S.L.	53	40%	21	0	21	0	0
Empresa Mixta de Aguas de Las Palmas, S.A.	31,540	33%	10,408	(13,034)	23,442	0	0
Sercanarías, S.A.	(1,121)	50%	(560)	(560)	0	0	0
Geida Skikda, S.L.	15,497	33%	5,114	(0)	5,114	0	0
Geida Tlemcen, S.L.	30,772	50%	15,386	(1)	15,387	0	0
Valorínima, S.L.	548	20%	110	(707)	817	0	0
Sociedad Economía Mixta de Aguas de Soria, Biomasa del Pirineo, S.A.	5,528	14.80%	818	1,447	(629)	0	0
Residuos de Construcción de Cuenca, S.A.	135	44%	59	(1)	60	0	0
Sacorec, S.L.	(48)	5%	(24)	(24)	0	0	0
Sacorec, S.L.	(58)	5%	(3)	(3)	0	0	0
Boremer, S.A.	(2,158)	50%	(1,079)	(1,079)	0	0	0
Compost del Pirineo, S.A.	113	50%	56	0	56	0	0
Cultivos Energéticos de Castilla, S.A.	1	44%	0	0	0	0	0
Desgasificación de Vertederos, S.A.	(180)	50%	(90)	(90)	0	0	0
Gestión de Partícipes del Biorreciclaje, S.A.	(209)	33.34%	(70)	(70)	0	0	0
Reciclados y Tratamientos Andaluces, S.L.	(123)	5%	(6)	(6)	0	0	0
Infoser Estacionamiento Regulado, A.I.E.	360	18.34%	66	0	66	0	0
Iniciativas Medioambientales del Sur, S.L.	279	50%	140	(0)	140	0	0
Infte RCD Huelva, S.L.	(107)	20.00%	(21)	(21)	0	0	0
Alcorec, S.L.	205	10%	21	2	19	0	0
Infte RCD Bahía de Cádiz, S.L.	(472)	20.00%	(94)	(94)	0	0	0
Infte RCD, S.L.	(217)	33.33%	(72)	(72)	0	0	0
Metrofangs, S.L.	15,116	21.60%	3,265	(1)	3,266	0	0
Parque Eólico La Sofonera, S.L.	8,338	30.16%	2,515	0	2,515	0	0
Valdemingómez 2000, S.A.	(2,792)	40%	(1,117)	(1,117)	0	0	0
Plataforma por la Movilidad, A.I.E.	2	14.68%	0	0	0	0	0
Desarrollos Eólicos Extremeños, S.L.	1,433	50%	716	0	716	0	0
Soleval Renovables, S.L.	2,765	50%	1,382	(2)	1,384	0	0
Ibervator Energía Aragonesa, S.A.	23	50%	11	0	11	0	0
M 50 (D&C) Ltd	(7,700)	42.50%	(3,273)	(3,273)	0	0	0
N6 Construicua Ltd	(90,382)	42.50%	(38,412)	(38,412)	0	0	0
Grupo Unidos por el Canal, S.A.	(509,847)	41.60%	(212,096)	(212,096)	0	0	0
Sociedad Sacyr Agua Santa, S.A.	202	50%	101	1	100	0	0
Constructora ACS-Sacyr, S.A.	106	50%	53	(1)	54	0	0
Constructora Necso Sacyr, S.A.	(213)	50%	(107)	(107)	0	0	0
Constructora San Jose-San Ramon, S.A.	5,979	33%	1,973	3	1,970	0	0
Constructora, San Jose- Caldera, S.A.	947	33%	313	(1)	314	0	0
Eurolink S.C.P.A.	37,500	18.70%	7,013	(1)	7,013	0	0
NDP, S.C.P.A.	10,000	48.90%	4,890	(5,244)	10,134	0	0
Superstrada Pedemontana Veneta, S.R.L.	90,687	49%	44,437	44,437	0	0	0
SIS, S.C.P.A.	15,000	49%	7,350	7,350	0	0	0
Tecnológica Lena, S.L.	(478)	50%	(239)	(239)	0	0	0
Pazo de Congreso de Vigo, S.A.	(11,767)	11.11%	(1,307)	(1,307)	0	0	0
Repsol YPF, S.A.	28,487,000	8.20%	2,335,934	274,500	2,061,434	0	0
SMNL Concessoes Rodoviaras do Portugal, S./	(470,201)	25%	(117,550)	(117,550)	0	0	0
Haçor Domus. Compra e Venda de Imoveis, L	2,025	39%	790	790	0	0	0
Gestao de Sistemas Amientais, S.A.	591	50%	296	(7)	302	0	0
Somague Hidurbe ACE	(45)	43%	(19)	(19)	0	0	0
H.S.E. - Empreendimentos Imobiliários, Lda	175	28%	48	(2)	50	0	0
Via Expresso	87,801	11%	9,834	(5,125)	14,959	0	0

Reconciliation						
Equity	% stake	Shareholding value	Adjustments	PPE	Transfer restriction on equity	Cash outflow commitments
Finsa, S.R.L.	(107)	100,00%	(107)	0		
Desarrollo Vial al Mar, S.A.S.	42,965	37,50%	16,112	(0)	16,112	15,351,00
Alazor Inversiones, S.A.	(10,625)	25,16%	(2,673)	(2,673)	0	0
A. Madrid Sur, S.A.	(254,348)	35%	(89,022)	(89,022)	0	0
Inversora de Autopistas de Levante, S.L.	(195,189)	40%	(78,076)	(78,076)	0	0
G&J Maintenance Ltd	3,725	45%	1,676	1	1,675	0
N6 Operations Ltd	970	50%	485	0	485	0
N6 Concession Holding Ltd	0	45%	0	0	0	0
N6 Concession Ltd	(71,158)	45%	(32,021)	(32,021)	0	889
Sociedad Concesionaria Vespucio Oriente, S.A.	128,430	50%	64,215	2	64,213	0
Operadora Avo, S.A.	28	50%	14	0	0	0
Consorcio Stabile VIS Societat C.P.A.	150	9%	13	(53)	66	0
Aguas de Toledo, A.I.E.	0	50%	0	0	0	0
Solucia Renovables, S.L.	0	50%	0	0	0	0
Enervador Naval, S.L.	53	40%	21	0	21	0
Biomasa del Pirineo, S.A.	135	44%	59	(1)	60	0
Residuos de Construcción de Cuenca, S.A.	(61)	50%	(30)	(29)	(1)	0
Sacorec, S.L.	(58)	5%	(3)	(3)	0	0
Boremer, S.A.	(566)	50%	(283)	(283)	0	0
Compost del Pirineo, S.A.	81	50%	40	0	40	0
Cultivos Energéticos de Castilla, S.A.	223	44%	98	98	0	0
Desgasificación de Vertederos, S.A.	(180)	50%	(90)	(90)	0	0
Gestión de Participes del Biorreciclaje, S.A.	(209)	33,34%	(70)	(70)	0	0
Reciclados y Tratamientos Andaluces, S.L.	(123)	5%	(6)	(6)	0	0
Infoser Estacionamiento Regulado, A.I.E.	360	18,34%	66	0	66	0
Iniciativas Medioambientales del Sur, S.L.	272	50%	136	(0)	136	0
Inte RCD Huelva, S.L.	(107)	20,00%	(21)	(21)	0	0
Alcorec, S.L.	184	10%	18	18	0	0
Inte RCD Bahía de Cádiz, S.L.	(472)	20,00%	(94)	(94)	0	0
Inte RCD, S.L.	(217)	33,33%	(72)	(72)	0	0
Metrofongs, S.L.	15,512	21,60%	3,351	(1)	3,352	0
Parque Eólico La Solonera, S.L.	9,332	30,16%	2,815	(0)	2,815	0
Valdemingómez 2000, S.A.	(3,840)	40%	(1,536)	(1,533)	17	2,783
Plataforma por la Movilidad, A.I.E.	4	14,68%	1	1	0	0
Empresa Mixta de Aguas de Las Palmas, S.A.	31,668	33%	10,450	(12,513)	22,963	0
Sercanarias, S.A.	(568)	50%	(284)	(284)	0	0
Geida Skikda, S.L.	(1)	33%	(0)	(6,143)	6,143	0
Geida Tlemcen, S.L.	0	50%	0	(17,559)	17,559	0
Valorinima, S.L.	0	20%	0	596	(596)	0
Sociedad Economía Mixta de Aguas de Soria, S.L.	(63,460)	14,80%	(9,392)	(10,210)	818	0
Desarrollos Eólicos Extremeños, S.L.	1,389	50%	695	1	694	0
M 50 (D&C) Ltd	(7,700)	42,50%	(3,273)	(3,273)	0	0
N6 Construccion Ltd	(90,382)	42,50%	(38,412)	(38,412)	0	0
Grupo Unidos por el Canal, S.A.	(490,958)	41,60%	(204,239)	(204,239)	0	0
Sociedad Sacyr Agua Santa, S.A.	188	50%	94	1	93	0
Constructora ACS-Sacyr, S.A.	102	50%	51	(1)	52	0
Constructora Neco Sacyr, S.A.	(203)	50%	(101)	(106)	5	0
Constructora San Jose-San Ramon, S.A.	151	33%	50	3	47	0
Constructora San Jose- Caldera, S.A.	(3,534)	33%	(1,166)	(1,167)	1	0
Eurolink S.C.P.A.	37,500	18,70%	7,013	(1)	7,013	0
Pazo de Congreso de Vigo, S.A.	(11,767)	11,11%	(1,307)	(1,307)	0	0
Repsol YPF, S.A.	30,063,000	8,58%	2,579,080	619,490	1,959,590	0
SMNL Concessões Rodovias do Portugal, S.A.	(463,523)	25%	(115,881)	(115,881)	0	0
Haçor Domus, Compra e Venda de Imóveis, Ltda	2,036	39%	794	17	777	0
H.S.E. - Empreendimentos Imobiliários, Lda	125	28%	35	35	0	0
Via Expresso	53,351	11%	5,869	5,869	0	0
Gestao de Sistemas Amientais, S.A.	504	50%	252	0	0	0

The Group classifies companies as associates when it exercises significant influence over their management, regardless of whether its holding is less than 20%, in fulfilment of the conditions of IAS 28.

10. Contribution by proportionately consolidated companies

The tables below present the financial highlights of the proportionately consolidated companies in 2016 and 2017:

Thousands of euros	2016					
	Non-current assets	Assets assets	Non-current liabilities	Current liabilities	Income	Expenses
Consorcio GDL Viaducto, S.A. de C.V.	228	38,106	596	34,839	51,962	50,891
Consorcio Túnel Guadalajara, S.A. de C.V.	588	65,264	643	61,054	75,447	74,401

Thousands of euros	2017					
	Non-current assets	Assets assets	Non-current liabilities	Current liabilities	Income	Expenses
Consorcio GDL Viaducto, S.A. de C.V.	0	19,322	1,091	14,557	64,002	62,765
Consorcio Túnel Guadalajara, S.A. de C.V.	122	52,021	780	49,903	85,364	87,881

There were no contingent liabilities or commitments in respect of the investments of the above-mentioned businesses in 2017 and 2016.

11. Receivables from concessions

As indicated in Note 3.c.10), following application of IFRIC 12 some concession projects have been classified as financial assets and recorded under "Receivables from concessions". This item includes receivables from the public authorities granting the concessions under the various agreements.

The conditions of the concession agreements justifying accounting treatment as financial asset receivables pursuant to IFRIC 12 recognised at 31 December 2017, involve the following companies: Autovía del Noroeste Concesionaria de CARM, S.A., Valles del Desierto, S.A., S.C. Rutas del Desierto, S.A., S.C. Valles del Bio Bio, S.A., S.C. Ruta del Algarrobo, S.A., S.C. Salud siglo XXI, S.A., Concesionaria Vial Sierra Norte, S.A., Concesionaria Vial Unión del Sur, S.A.S., Hospital de Parla, S.A., Hospital del Noreste, S.A., Intercambiador de Transportes de Plaza Elíptica, S.A. Intercambiador de Transportes de Moncloa, S.A., Rutas del Este, S.A., Unión Vial Río Pamplonita, S.A.S., Autovía Pirámides Tulancingo Pachuca, S.A. de C.V., Consorcio Operador de Hospitales Regionales del Sur, S.A. de C.V. and Superestrada Pedemontana Veneta, S.R.L.

The changes in the scope of consolidation in 2016 resulted from the sale of two Portuguese concession companies, Escala Braga – SGED, S.A. and Escala Vila Franca – SGED, S.A., and the inclusion of Uruguayan company, Consorcio PPP Rutas del Litoral, S.A., which currently contributes little to income as works are still in their early stages.

Pursuant to IFRIC 12 "Service Concession Arrangements", these companies recognised a financial asset instead of an intangible asset for the building investment undertaken (construction services), as they have an unconditional right acknowledged in legally enforceable agreements to receive cash or other financial assets from the grantor for the construction services provided, either through the collection of specific measurable amounts, or through the collection of any shortfalls between the amounts received from users of the public services and the specific or measurable amounts.

Pursuant to the instructions of the IFRS Interpretations Committee, Sociedad Concesionaria Rutas Limarí, S.A. recognised a receivable by way of a consideration for construction services, as the company has an unconditional contractual right to receive cash or other financial assets from the grantor (investment subsidies), the value of which discounted at the risk rate for this type of instrument is equivalent to 64.97% of the estimated cost of construction. This is therefore a combined concession asset consisting of intangible assets, and also a financial asset in the percentage stated.

The movements in this heading in 2017 and 2016 were as follows:

2016	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
<i>Thousands of euros</i>							
Non-current receivables from concessions	1,388,989	502,390	(3,385)	(200,530)	(69,581)	94,744	1,712,627
Current receivables from concessions	213,985	27,912	(229,896)	200,530	(44,281)	5,627	173,877
2017	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
<i>Thousands of euros</i>							
Non-current receivables from concessions	1,712,627	802,551	(8,581)	(257,460)	679,879	(74,281)	2,854,735
Current receivables from concessions	173,877	43,187	(206,548)	257,460	0	(7,698)	260,278

In 2017, there was an increase in this headings, mainly due to the change in accounting method of Superestrada Pedemontana Veneta, S.R.L. which went from using the equity method in 2016 to being fully consolidated from 1 July 2017, and due to the progress made in the construction works in the Chilean, Colombian, Uruguayan and Peruvian concessions in 2016 and 2017.

In addition, new projects located in the American continent have been included which are beginning to contribute to this heading and in some cases, significantly so. These are:

- the Paraguayan company, Rutas del Este S.A., the first highway project under the Paraguayan concession and which entails the construction and operation of Highways 2 (between Asunción and Coronel Oviedo) and 7 (between Coronel Oviedo and Caaguazú). Its development is vital for the nation's growth, since this is the most important corridor in the country and where 70% of the country's economic activity is concentrated. The contract comprises 170 km of motorways that will be duplicated, improved, operated and maintained by the concessionaire, including the construction of five alternative routes between the cities of Asunción and Caaguazú.
- the Mexican company, Autovía Pirámides Tulancingo Pachuca, S.A. de C.V. The General Directorate of Road Maintenance in Mexico has awarded Grupo Sacyr Concesiones its first public private partnership project in the country: the renovation, maintenance and upkeep of 91.5 km of highway between Pirámides, Tulancingo and Pachuca. The 10-year project consists of the renovation, maintenance and upkeep of two road sections: Pirámides-Tulancingo and Tulancingo-Pachuca, in the states of México and Hidalgo. The road has an Average Daily Traffic (ADT) of 19,473 vehicles. Among the works to be carried out are road surfacing, reinforcing embankments, drainage and horizontal and vertical signage, among others.
- the Mexican company Consorcio Operador de Hospitales Regionales del Sur, S.A. de C.V.: the National Institute of Social Security and Social Services for Workers awarded the concession for the new General Hospital in the southern regional district of Mexico City to a consortium led by Sacyr Concesiones. The project includes the financing, design, construction and outfitting of the hospital, in addition to its operation and maintenance for a period of 23 years. The hospital will serve more than 1.2 million people in the south of the Mexican capital. It will have a total of 250 beds and 36 consultation rooms to treat 32 medical specialties, over 33,480 square metres.
- the Colombian company, Unión Vial Río Pamplonita, S.A.S. The motorway is in the Norte de Santander department in the northeast of the country. The project involves the construction of 47 km of second carriageway, 4 km of single carriageway, and the refurbishment of the existing 67 km. The awarding of the Cúcuta-Pamplona reinforces Sacyr's position as the leading construction company and concessionaire in Colombia. The Group has another three Fourth Generation motorway projects in the country.

The disposals in both years relate to the amounts received from the grantor Authority by each concession operator.

The changes in the scope of consolidation in 2016 resulted from the sale of the Hospital de Braga and Hospital de Vila Franca concessions.

The detail of "Receivables from concessions" is as follows:

Thousands of euros	2017		2016	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Autovía del Noroeste Concesionaria de CARM, S.A.	45,260	10,997	47,820	10,894
Total motorways in Spain	45,260	10,997	47,820	10,894
Sociedad Concesionaria Vial Sierra Norte, S.A.	11,085	32,383	9,062	7,223
Sociedad Concesionaria Valles del Desierto, S.A.	120,458	31,552	135,881	30,518
Sociedad Concesionaria Ruta del Limarí, S.A.	112,246	10,920	66,123	0
Sociedad Concesionaria Rutas del Desierto, S.A.	145,964	13,404	146,011	13,680
Sociedad Concesionaria Valles del Bio Bio, S.A.	317,836	22,400	300,348	22,134
Sociedad Concesionaria Ruta del Algarrobo, S.A.	263,847	26,234	283,048	25,508
Concesionaria Vial Unión del Sur, S.A.S.	54,424	0	29,396	0
Sociedad Concesionaria Vial Montes de María, S.A.S.	40,042	0	26,015	0
Consortio PPP Rutas del Litoral S.A.	2,803	1,738	108	0
Rutas del Este, S.A.	6,905	0	0	0
Autovía Pirámides Tulancingo Pachuca, S.A. de CV	0	3,034	0	0
Unión Vial Río Pamplonita, S.A.S.	22,186	0	0	0
Superstrada Pedemontana Veneta, S.R.L.	974,081	0	0	0
Total motorways abroad	2,071,877	141,665	995,992	99,063
Motorways	2,117,137	152,662	1,043,812	109,957
Escala Braga - Sociedad Gestora do Edificio, S.A.	0	0	0	0
Escala Vila Franca - Sociedad Gestora do Edificio, S.A.	0	0	0	0
Sociedad Concesionaria Salud Siglo XXI, S.A.	214,728	49,415	210,457	7,184
Hospital de Parla, S.A.	74,948	15,052	76,654	15,003
Hospital del Noreste, S.A.	73,460	16,172	76,013	15,909
Consortio Operador de Hospitales Regionales del Sur, S.A. de C.V.	2,037	0	0	0
Hospitals	365,173	80,639	363,124	38,096
Intercambiador de Transportes de Moncloa, S.A.	133,252	15,055	135,708	14,532
Interc. de Transporte de Plaza Elíptica, S.A.	47,381	7,736	48,509	7,454
Transport hubs	180,633	22,791	184,217	21,986
Valoriza Servicios Medioambientales, S.A.	46,671	3,915	49,833	3,833
Waste treatment	46,671	3,915	49,833	3,833
Somague Ambiente, S.A.	0	0	0	0
Desaladora de Alcudia (Sacyr Construcción, S.A.U. and Sadyt, S.A.)	158	266	959	5
Myah Gulf Oman Desalination Company SAOC	126,415	0	52,423	0
Valoriza Agua, S.A.	423	5	0	0
Water	126,996	271	53,382	5
Valoriza Facilities S.A.U. (Energy management)	0	0	0	0
Sacyr Construcción, S.A.U (Gisa police stations)	18,125	0	18,259	0
Other	18,125	0	18,259	0
RECEIVABLES, CONCESSION PROJECTS	2,854,735	260,278	1,712,627	173,877

Concession periods and the investment commitment are as follows:

	Concession period		Committed investment (thousands of euros)
	Date put into service	End of concession	
Motorways			
Autovía del Noroeste Concesionaria de CARM, S.A.	2001	2026	0
Sociedad Concesionaria Vial Sierra Norte, S.A.	2014	2039	102,614
Sociedad Concesionaria Valles del Desierto, S.A.	2011	2025	0
Sociedad Concesionaria Ruta del Limarí, S.A.	2018	2042	29,132
Sociedad Concesionaria Rutas del Desierto, S.A.	2014	2035	0
Sociedad Concesionaria Valles del Bio Bio, S.A.	2016	2040	10,440
Sociedad Concesionaria Ruta del Algarrobo, S.A.	2015	2042	1,024
Concesionaria Vial Unión del Sur, S.A.S.	2015	2044	558,069
Sociedad Concesionaria Vial Montes de María, S.A.S.	2015	2040	145,458
Consorcio PPP Rutas del Litoral, S.A.	2017	2041	66,135
Rutas del Este, S.A.	2017	2041	309,695
Unión Vial Río Pamplonita, S.A.S.	2017	2044	470,514
Autovía Pirámides Tulancingo Pachuca, S.A. de C.V.	2017	2027	69,952
Superstrada Pedemontana Veneta, S.R.L.	2020	2059	2,258
Hospitals			
Sociedad Concesionaria Salud Siglo XXI, S.A.	2017	2032	0
Hospital de Parla, S.A.	2007	2035	0
Hospital del Noreste, S.A.	2007	2035	0
Consorcio Operador de Hospitales Regionales del Sur, S.A. de C.V.	2019	2042	78,030
Transport hubs			
Intercambiador de Transportes de Moncloa, S.A.	2008	2043	0
Interc. de Transporte de Plaza Elíptica, S.A.	2007	2040	0
Waste treatment			
Valoriza Servicios Medioambientales, S.A.			
Los Hornillos waste treatment centre	2011	2030	0
La Paloma plant	2003	2022	0
Las Calandrias	2003	2023	0
Guadarrama green areas	2008	2022	0
Cleaning and solid urban waste collection, Majadahonda	2012	2022	0
Water			
Alcudia desalination plant	2010	2025	0
Myah Gulf Oman Desalination Company SAOC	-	2038	41,880
Other			
Sacyr Construcción, S.A.U (Gisa police stations)	2007	2032	0

There are no significant undertakings for repairs or replacements either now or in the future, other than the habitual repairs and replacements for this type of company. Concession arrangements usually include the following infrastructure procedures:

- a) Major repair and replacement works when they are carried out with respect to periods of use exceeding one year, enforceable in relation to the conditions that must be met by each of the infrastructures to make them suitable for the services and activities for which they are used.
- b) The procedures required to revert the infrastructure to the grantor entity at the end of the concession, in the state of use and operation set forth in the concession arrangement.

12. Non-current and current financial assets

The movements in the various accounts under this heading of non-current financial assets in 2016 and 2017 were as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
Loans to companies accounted for using the equity method	101,731	13,678	(6,307)	0	0	0	109,102
Other loans	37,169	13,753	(2,418)	85	289	1,881	50,759
Available-for-sale financial assets	244,753	5,659	(3,621)	(237,447)	903	3	10,250
Debt securities	4,410	524	(3)	(4,931)	0	0	0
Financial assets held for trading	101	318	(51)	0	0	16	384
Non-current guarantees and deposits given	16,057	3,330	(4,290)	729	7,889	(435)	23,280
Cost	404,221	37,262	(16,690)	(241,564)	9,081	1,465	193,775
Impairment	(89,471)	(19,648)	2,223	0	0	0	(106,896)
Impairment	(89,471)	(19,648)	2,223	0	0	0	(106,896)
TOTAL	314,750	17,614	(14,467)	(241,564)	9,081	1,465	86,879

2017 Thousands of euros	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
Loans to companies accounted for using the equity method	109,102	8,407	(400)	0	0	0	117,109
Other loans	50,759	14,148	(7,508)	(21,310)	0	(1,178)	34,911
Available-for-sale financial assets	10,250	1,895	(5,906)	1,881	0	0	8,120
Other financial assets	0	31,831	0	0	0	(2,235)	29,596
Financial assets held for trading	384	80	(4)	(311)	0	(22)	127
Non-current guarantees and deposits given	23,280	4,514	(2,893)	294	0	(622)	24,573
Cost	193,775	60,875	(16,711)	(19,446)	0	(4,057)	214,436
Impairment	(106,896)	(6,355)	3,755	0	0	70	(109,426)
Impairment	(106,896)	(6,355)	3,755	0	0	70	(109,426)
TOTAL	86,879	54,520	(12,956)	(19,446)	0	(3,987)	105,010

Particularly of note in 2016, was the reduction for reclassifications and transfers due to the Group's interest in Itinere Infraestructuras, S.A. being reclassified as "non-current assets held for sale", under IFRS 5, as explained in Note 4.

In 2017, of note was the increase in the heading "Other financial assets" which is due to amounts attributable to Concesionaria Vial Unión del Sur, S.A.S. in the amount of 15,092 thousand euros and Concesionaria Vial Montes de María, S.A.S. in the amount of 16,738 thousand euros. In both cases, the amounts reflect the collection at explicit toll points and which are payable to the National Transport Agency given that the revenue generated by those Colombian concessions are paid for by that agency in accordance with the compensation laid down in the contract between the two parties.

As required by law, Group companies have disclosed all companies in which they have taken up a shareholding of over 10% or, where they already held such a shareholding, any additional acquisitions or sales above 5%.

"Loans to companies accounted for using the equity method" reports the Group's loans to companies consolidated in this manner.

"Guarantees and deposits given" mainly comprises the percentage of guarantees paid by lessees that Spain's regional governments require as a deposit.

The breakdown of current financial assets at 31 December 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Loans to companies accounted for using the equity method	34,302	32,350
Other current assets	8,904	13,944
Debt securities	32,374	6,233
Loans to third parties	36,864	31,224
Short-term deposits and guarantees	11,974	13,711
Provisions	(11,057)	(9,911)
TOTAL	113,361	87,551

In 2016, the reduction of the balance under "Loans to companies accounted for using the equity method" mainly related to the dividend receivable and pending payment from Repsol that the Group had at 31 December 2015.

In 2017, there was an increase in "Debt securities" mainly related to an investment in short-term bonds.

In 2017 and 2016, "Other current financial assets" related mainly to fixed-term deposits.

13. Tax situation

13.1. Consolidated tax group

As indicated in Note 3.c.21, in compliance with Corporate Income Tax Law, 27/2014 of 27 November, Sacyr, S.A. and its subsidiaries have decided, with the approval of each of the company's corporate bodies, to file a consolidated tax return, and have duly notified the A.E.A.T. (the Spanish tax authorities), which assigned the tax identification number 20/02 to the head of the Tax Group.

Companies forming part of the tax group are listed in Appendix II of these consolidated financial statements.

13.2. Years open for inspection

On 3 July 2017, the Delegation of Large Contributors of the Spanish Tax Authorities notified Sacyr, S.A. of the commencement of review proceedings in relation to:

- Corporate Income Tax for 2012-2014, as Parent of the Tax Group 20/02.
- Value Added Tax for the period 06/2013 to 12/2015, as Parent of VAT group 410/08.

Aside from the years currently open for review, the Group also has 2015-2016 open for Corporate Income Tax, and VAT and IRPF (personal Income Tax) for 2016-2017.

The return signed in dispute by Sacyr, S.A. as Parent of the Tax Group 20/02 in relation to Corporate Income Tax for the periods 2004 to 2007, totalling 75,824,683.84 euros, are currently being challenged at Spain's Appeals Court ("Audiencia Nacional"). This review was instigated against Sacyr, S.A. and included payment agreements and the imposition of penalties, and all of them related to subsidiaries of the Tax Group in this period. Of this amount, 74,607,971.34 euros correspond to the group, as the sum in respect of Merlin Properties (the company that absorbed Testa Inmuebles en Renta, Socimi, S.A.) was eliminated because the company no longer forms part of the group.

The return signed in dispute by Sacyr, S.A. as Parent of the Tax Group 20/02 in relation to Corporate Income Tax for the periods 2007 to 2010, totalling 128,796,080.93 euros, is now being challenged at Spain's Central Administrative Economic Tribunal. This review was initiated against Sacyr, S.A. and will not under any circumstances entail payments to the tax authorities, as they will merely involve smaller recognised tax loss carryforwards. Of this amount, 125,784,482.75 euros correspond to the group, as the sum in respect of Merlin Properties (the company that absorbed Testa Inmuebles en Renta, Socimi, S.A.) was eliminated because the company no longer forms part of the group. The sanction proceedings deriving from the aforementioned tax return have also been appealed before the Central Administrative Economic Tribunal.

The VAT return for the period between May 2009 and December 2010, signed in dispute by Sacyr, S.A. as Parent of the VAT Tax Group 410/08, for a total cumulative amount of 14,336,876.11 euros, is currently being challenged at the Central Administrative Economic Tribunal. The sanction proceedings deriving from this tax return have also been appealed before the same Tribunal.

And, lastly, the return in relation to the partial inspection of VAT for the period 11/2011 to 12/2012, for a total amount of 8,929,577.48 euros, is also being challenged at the Central Administrative Economic Tribunal.

The Parent's management and its tax advisers do not expect the final outcome of the review proceedings under way and of the appeals submitted to have a significant impact on the consolidated financial statements at year-end 2017.

13.3. Tax rate

The main nominal tax rates used in calculating tax on the income of the Group companies for 2017 are as follows:

Spain:	25 %
Portugal:	21 %
Chile:	25.5 %
Mexico:	30 %
Panama:	25 %
Brazil:	15 % to 25%
Ireland:	12.5 %
Great Britain:	19 %
Ecuador:	22 %
Costa Rica:	30 %
Italy:	24 %
United States:	32.5 %
Libya:	15 % to 40 %
Algeria:	19 % to 26%
Australia:	30 %
Qatar:	10 %
India:	40 % to 43.26%
Oman:	15 %
Colombia:	34 %
Peru:	29.5 %
Bolivia:	25 %
Uruguay:	25 %
Paraguay:	10 %

Income tax expense on continuing operations recognised by the Sacyr Group at 31 December 2017 and 2016 amounted to 42,967 thousand euros and 45,600 thousand euros respectively, which represents an effective rate on pre-tax earnings of 20.31% and 25.21% respectively.

The reconciliation between accounting income and taxable income, and tax expense reconciliation before and after deductions and adjustments are as follows:

<i>Thousands of euros</i>	2017	2016
Consolidated profit before tax	211,545	180,852
Profit and loss of companies using the equity method	(279,551)	(199,244)
Other consolidated adjustments	3,587	12,910
Permanent differences	246,980	169,996
Tax profit/loss	182,561	164,514
x average tax rate	25.33%	26.95%
Tax expense before deductions and other adjustments	46,243	44,334
Deductions and rebates for the year	(2,314)	2,614
Adjustment of prior years' income tax	(1,205)	0
Adjustment due to change in tax rate	0	(4,203)
Other adjustments	243	2,855
Income tax	42,967	45,600
Effective tax rate	20.31%	25.21%
Breakdown of Capital Gains tax:		
(-/+) Deferred tax expense/income from continuing operations	(10,502)	4,700
(-/+) Current tax expense/income from continuing operations	(32,465)	(50,300)

In 2017:

In terms of reconciliation of accounting income and taxable income, in addition to corrections in respect of the results provided by the companies recorded using the equity method, most of the permanent differences are accounted for by: losses obtained in foreign subsidiaries that are not tax deductible, mainly from the construction business, and those losses from derivative financial instruments related to the Group's stake in the associate Repsol, S.A., and the non-deductible finance costs that the Group has estimated will not be recoverable in a period of less than 10 years and which therefore have not been capitalised.

In 2016:

In terms of reconciliation of accounting income and taxable income, in addition to corrections in respect of the results provided by the companies recorded using the equity method, most of the permanent differences are accounted for by: losses obtained in foreign subsidiaries that are not tax deductible, those losses from derivative financial instruments related to the Group's stake in the associate Repsol, S.A., and from the non-deductible finance costs that the Group has estimated will not be recoverable in a period of less than 10 years and which therefore have not been capitalised.

13.4. Change in deferred tax

Movements in deferred tax assets and liabilities in 2017 and 2016 were as follows:

<i>Thousands of euros</i>	Balance at 31-Dec-15	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Impact on equity	Balance at 31-Dec-16
Deferred tax assets	791,599	69,482	(37,755)	(5,553)	(10,335)	13,026	1,336	821,800
Deferred tax liabilities	110,205	43,590	(116,564)	4	335	13,360	(449)	150,481
<i>Thousands of euros</i>	Balance at 31-Dec-16	Additions	Disposals	Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Impact on equity	Balance at 31-Dec-17
Deferred tax assets	821,800	103,590	(67,482)	0	3,927	(21,800)	(2,238)	837,797
Deferred tax liabilities	150,481	76,742	(30,132)	(392)	6,983	(26,542)	489	177,629

Movements in deferred tax assets in 2017 were mainly caused by the temporary differences resulting from the different taxation and accounting criteria used to measure certain assets and liabilities, chiefly in the concessions segment as a consequence of the application of IFRS-EU.

Finally, movements were also generated by temporary differences resulting from the results obtained from temporary joint ventures, where the accounting treatment differs from the tax treatment, and capitalisation of tax-loss carryforwards generated in the year.

Movements in deferred tax liabilities in 2016 were mainly caused by the temporary differences resulting from the different taxation and accounting criteria used to measure certain assets, principally related to the valuation of receivables in the Group's concession projects in Chile.

Movements in deferred tax assets in 2016 were mainly caused by the temporary differences resulting from the different taxation and accounting criteria used to measure certain assets and liabilities, chiefly in the concessions segment as a consequence of the application of IFRS-EU. Movements under this heading were also affected by the application of Royal Decree 3/2016, that limits the tax deductibility of portfolio provisions made in relation to companies accounted for using the equity method. Finally, movements were also generated by temporary differences resulting from the results obtained from temporary joint ventures, where the accounting treatment differs from the tax treatment.

Just as in 2017, movements in deferred tax liabilities in 2016 were mainly caused by the temporary differences resulting from the different taxation and accounting criteria used to measure certain assets, principally related to the valuation of receivables in the Group's concession projects in Chile.

In 2017 and 2016, the balance of "Deferred tax assets" is broken down as follows:

Thousands of euros	2017	2016
DEFERRED TAX ASSETS	837,797	821,800
SACYR, S.A. TAX GROUP IN SPAIN	660,039	654,105
1. TOTAL DEDUCTIONS AND CARRYFORWARDS OF THE CONSOLIDATED TAX GROUP	488,030	447,551
1.1. Deductions	289,866	291,647
Sacyr Vallehermoso Participaciones Mobiliarias SL (double taxation on dividends)	199,065	200,665
Rest of consolidated tax group (*)	90,801	90,982
1.2. Tax loss carryforwards	198,164	155,904
Sacyr Vallehermoso Participaciones Mobiliarias SL (sale of 10% of Repsol)	81,407	82,218
Rest of consolidated tax group (*)	116,757	73,686
2. TAX EFFECT OF FINANCIAL INSTRUMENTS	5,100	6,230
3. TEMPORARY DIFFERENCES ARISING BETWEEN ACCOUNTING AND TAXABLE PROFIT	166,909	200,324
Other	166,909	200,324
COMPANIES NOT INCLUDED IN THE TAX GROUP	177,758	167,695

(*) The credits of Vallehermoso División Promoción are not recognised under "Deferred tax assets" as they are classified as Non-current assets held for sale.

The Group assessed the recoverability of the consolidated deferred tax assets relating to tax loss carryforwards and unused tax credits, based on the evaluation of the economic projections of each of the companies forming the consolidated Tax Group in line with its own business plans and with the Sacyr Group's strategic plan.

The Group has deductible temporary differences which were not recognised as deferred tax assets in the statement of financial position. These differences were mainly non-deductible finance costs, the impact of which on deferred tax assets was 43 million euros (40 million euros in 2016). Article 16 of Corporate Income Tax Law 27/2014 stipulates a limit on the deductibility of finance costs whereby finance costs may generally only be deducted up to 30% of operating profits.

13.5. Tax loss carryforwards

Some Tax Group companies have tax losses that can be carried forward and offset against taxable income of individual companies in subsequent years.

Unused tax loss carryforwards at 31 December 2017 applicable in future years and considered recoverable are broken down as follows:

Consolidated tax group		
Year generated	Thousands of euros	Cumulative
2001	1,015	1,015
2002	331	1,346
2003	0	1,346
2004	0	1,346
2005	109	1,455
2006	0	1,455
2007	0	1,455
2008	20,212	21,667
2009	69	21,736
2010	3,963	25,699
2011	322,515	348,214
2012	138,271	486,485
2013	125,873	612,358
2014	0	612,358
2015	182,043	794,401
2016	23,113	817,514
2017	176,851	994,365
TOTAL BASE	994,365	

The Corporate Income Tax Law 27/2014 eliminated the temporary limit for the offset of tax losses, which had previously been set at 18 years. This means that tax assets will not expire. These tax loss carryforwards are expected to be offset against future profits and unrealised gains.

In 2017, the consolidated Tax Group was not able to deduct all the finance costs generated in the year. At year-end, the Group had finance costs amounting to 173 million euros (161 million euro in 2016) which were not subject to tax relief and which may be deducted in the following tax periods with no time limit. However, in line with the accounting principle of prudence, they were not capitalised since it cannot be guaranteed that they will be deducted over the next ten years.

13.6. Unused tax credits

At 31 December 2017, the Tax Group had 293,737 thousand euros in unused tax credits, accrued in 2017 and previous years (2007 to 2016). The yearly breakdown is as follows:

Year generated	Amount (thousands of euros)	Cumulative (thousands of euros)
2007	12,665	12,665
2008	9,643	22,308
2009	49,831	72,139
2010	66,390	138,529
2011	53,119	191,648
2012	35,559	227,207
2013	33,191	260,398
2014	29,154	289,552
2015	1,670	291,222
2016	2,177	293,399
2017	368	293,767
TOTAL	293,767	

The main unused tax relief relates to the tax credits for the double taxation of dividends of Repsol, S.A., the 2009 reinvestment tax relief and R&D&i tax credits. The maximum periods to apply unused tax relief are unlimited for tax credits for double taxation, 18 years for R&D&i tax credits and 15 years for the remaining tax relief, all calculated from the period in which they were generated.

14. Inventories

The detail of Group inventories at 31 December 2017 and 2016 was as follows:

<i>Thousands of euros</i>	2017	2016
Auxiliary work and start-up costs	62,592	62,968
Down payments	56,385	91,857
Construction materials and other supplies	44,557	44,820
Goods for resale	33,785	35,801
Work-in-progress and semi-finished goods	4,726	5,432
Finished goods	4,477	4,474
By-products, waste and recycled materials	76	38
Provisions	(6,661)	(9,269)
TOTAL	199,937	236,121

The Group's inventories, which are classified as non-current assets held for sale, include finance costs, and no further amounts were added in 2016 and 2017. Total cumulative finance costs included in inventories totalled 2,237 thousand euros in 2017 and 2,258 thousand euros in 2016.

At 31 December 2017, the carrying amount of finished buildings used to secure debts including the Vallehermoso Group, was 294 thousand euros (345 thousand euros in 2016); and the carrying amount of the land used to secure debts amounted to 8,048 thousand euros (60,659 thousand euros in 2016).

Additionally, at 2017 year-end, including the Vallehermoso Group, the debt secured by finished buildings amounted to 722 thousand euros (34 thousand euros in 2016); and land-secured debt amounted to 6,568 thousand euros (26,124 thousand euros in 2016).

The Group's property assets classified as inventories with a carrying amount of 107 million euros at 31 December 2017 were valued at 114 million euros, representing an unrealised gain of 7 million euros. These inventories are classified as "Non-current assets held for sale". At 31 December 2016, with an accounting value of 128 million euros, they had been appraised as 140 million euros, producing an unrealised gain of 12 million euros. These inventories were classified as "Non-current assets held for sale".

At 31 December 2017 and 2016, the majority of the gas emission rights and consumed rights were contributed by the following companies:

	2017				2016			
	Balance		Consumption		Balance		Consumption	
	Number of rights	Value (thousands of euros)	Number of rights	Value (thousands of euros)	Number of rights	Value (thousands of euros)	Number of rights	Value (thousands of euros)
Compañía Energética Puente del Obispo	94,849	588	94,712	587	91,783	611	91,670	610
Compañía Energética Las Villas	90,976	538	108,351	675	95,636	633	112,785	675
Compañía Energética Pata de Mulo	71,816	440	71,661	439	52,744	370	52,710	369
Compañía Energética de Linares	77,923	473	89,591	565	76,742	464	93,389	557
TOTAL	335,564	2,039	364,315	2,266	316,905	2,078	350,554	2,211

15. Trade and other receivables

The breakdown of "Trade and other receivables" at 2017 and 2016 year-end is as follows:

<i>Thousands of euros</i>	2017	2016
Customers	864,435	860,639
Completed work pending certification	875,086	806,566
Personnel	1,447	994
Receivable from companies accounted for using the equity method	69,671	210,695
Other receivables	438,438	124,480
Receivable from public entities	171,324	160,156
Impairment	(105,414)	(102,221)
TOTAL	2,314,987	2,061,309

The breakdown by business and type of customer trade receivables at 31 December 2016 and 2017 is as follows:

2016 Thousands of euros	Central government	Autonomous regions	Local authorities	Public sector companies	Private customers	TOTAL
Construction	80,826	13,694	23,735	69,673	312,869	500,797
Valoriza	8,160	31,511	67,682	10,730	123,442	241,525
Industrial	0	0	0	0	64,366	64,366
Concessions	11,315	22,001	3,683	11,188	5,743	53,930
Adjustments and others	0	0	0	0	21	21
TOTAL	100,301	67,206	95,100	91,591	506,441	860,639

2017 Thousands of euros	Central government	Autonomous regions	Local authorities	Public sector companies	Private customers	TOTAL
Construction	186,925	19,325	13,959	53,618	212,226	486,053
Valoriza	8,575	16,915	85,374	28,954	92,430	232,248
Industrial	73	708	0	1,033	59,861	61,675
Concessions	36,825	20,852	3,795	16,825	6,147	84,444
Adjustments and others	0	0	0	0	15	15
TOTAL	232,398	57,800	103,128	100,430	370,679	864,435

The average collection period for the Sacyr Group in 2017 was approximately 141 days (155 days in 2016).

In 2017, completed work pending certification has increased mainly due to the change in accounting method of NDP, S.C.P.A. and SIS, S.c.p.A. and due to the performance of the Group's business activities. In 2016, it increased as a result of the inclusion of NM Industrial Developments, S.A.C. in the scope of consolidation and the performance of the Group's business activities.

The Group has established that a contract amendment consists of agreed changes to the scope of the work to be implemented within the scope of the contract, including change of amounts, such that it can increase or decrease income arising from the contract, such as changes to designs or specifications. These changes in scope can be made via changes to the main contract or additional contracts related to the content of the main contract, such that income from the main contract, changes and additional contracts are recognised based on the degree of joint progress.

On the other hand, the Group considers that a claim is a reasonably expected amount which corresponds to the reimbursement of costs not included in the price of the contract or resulting from appeals with the client due to the circumstances required to implement a project and not recognised by the customer in the contract, such as delays in providing the necessary resources, errors in project specifications, lack of specification in the design, etc. These amounts are subject to appeal, they are highly uncertain and in most cases the result depends on a subsequent negotiation and even on arbitration by a third party. The Group, in order to recognise the claim amounts as income, must have reached an advance stage in the negotiations or have dispute settlement mechanisms established in the contract, such as arbitration, the amount must be likely to be accepted by the client, clearly determinable and reliably valued. The Group has reports from independent technical and legal advisors for that purpose in order to appraise the value of such amounts and the likelihood of the claim being successful. The Group recognises income under the aforementioned circumstances, both in negotiation phase directly with the client or in arbitration phase stipulated in the contract, however, it does not recognise additional claim amounts when the conflict has moved into litigation phase, with this being understood as when resorting to ordinary jurisdiction during the litigation phase.

The Group's businesses assess the extent to which contractual changes are made, taking into account, among other things, what is stipulated in each contract with the client,

conversations held with the client, the degree of approval of each stage of a contractual change and accumulated experience.

The various managers of the Group's businesses assess how likelihood of acceptance by the client to obtain compensation for the additional costs incurred based on: conversations with the client, dispute settlement mechanisms stipulated in the contract, appraisal of the requested compensation. The analysis of all of the above circumstances is carried out by the central departments of each business.

The line-item "Receivable from associates" includes the Group's balances at equity-accounted companies. In 2017, there was a significant decrease in this heading as a result of the change in the accounting of SIS, S.c.p.A., which as mentioned above, went from using the equity method to full consolidation. The largest amount, 141 million euros in 2016, corresponded to the commercial credits with this company.

The heading "Other receivables" increased in 2017, mainly due to the change in accounting of SIS, S.c.p.A. and Superstrada Pedemontana Veneta, S.R.L.

"Receivables from public entities" at 31 December 2017 and 2016 mainly comprises VAT and Income Tax payments owed to the Group.

Regarding "Impairment", the Group writes down loans and receivables as impaired if payment has not been received six months after maturity or when it becomes aware that the customer has declared itself insolvent, except for public entities, which are assumed to be solvent.

16. Cash and cash equivalents

The detail of "Cash and cash equivalents" in 2017 and 2016 is as follows:

<i>Thousands of euros</i>	2017	2016
Cash	2,021,559	546,518
Other cash equivalents	94,433	74,790
TOTAL	2,115,992	621,308

Of this total cash amount, 1,890,893 thousand euros are unrestricted (363,343 in 2016) for those companies who hold cash for the specific development of their business activities. Specifically, 1,459,342 thousand euros correspond, exclusively, to the Pedemontana project to cover the pending investment.

The restricted portion is due mainly to the restrictions established for the lending agreements arranged, which oblige the fixed assets to have the required amount to service the debt at the next maturity date. This situation occurs mainly in the concessions area and in the project companies financed through "Project finance", due to the reserve accounts to service debt (which guarantee the next round of debt servicing).

17. Equity

Details and movements in this heading in 2016 and 2017 are shown in the consolidated statement of changes in equity, which forms an integral part of the consolidated annual financial statements.

a) Allocation of profits of Sacyr, S.A. (Parent)

The distribution of 2017 profits proposed by the Directors of the Parent and to be submitted for approval at the General Shareholders' Meeting is as follows:

Euros	2017	2016
Basis of distribution	(491,185,130.22)	331,893,446.91
Income statement	(491,185,130.22)	331,893,446.91
Application	(491,185,130.22)	331,893,446.91
To prior years' loss carryforwards	(491,185,130.22)	0.00
To voluntary reserves	0.00	331,893,446.91

Limitations on the distribution of dividends

The Company is required to transfer 10% of profit for the year to a legal reserve until the reserve reaches at least 20% of share capital. The reserve cannot be distributed to shareholders unless it exceeds 20% of share capital.

Once the legal or Company bylaw requirements are met, dividends may only be distributed against profit for the year or against unrestricted reserves if the value of equity is not lower than that of share capital or does not fall below share capital as a result of this distribution. Accordingly, profit recognised directly in equity may not be distributed either directly or indirectly. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

b) Share capital and share premium

At year-end 2017, the share capital of the Parent stood at 533,111 thousand euros (517,431 thousand euros in 2016), represented by 533,110,718 shares of 1 euro par value each (517,430,991 shares of 1 euro par value each in 2016), fully subscribed and paid. All shares are of the same class. No shares bear founder rights. All of the shares have been admitted for trading on Spain's Continuous Market.

In 2017 the Company carried out a share capital increase charged to reserves in the amount of 15,679,727 euros, by issuing 15,679,727 shares with a par value of 1 euro each, all the same class.

The General Shareholders' Meeting held on 12 June 2014, authorised the Board of Directors, during a maximum period of five years, to increase share capital through monetary contributions up to a maximum of 251,106,216 euros.

The share premium is subject to the same restrictions and can be used for the same purposes as voluntary reserves, including conversion to share capital.

In 2016 the Company redeemed convertible debentures in the amount of 200 million euros, whereby the component of equity not enforced generated a share premium of 17,163 thousand euros.

The Company's shareholders at 31 December 2016 and 2017, as recorded at the Spanish Central Securities Registration, Clearance and Settlement of Stock Exchange Trades, are as follows: "Iberclear". (Article 6 of the Bylaws).

	2017	2016
Disa Corporación Petrolifera, S.A.	12.47%	12.66%
Grupo Corporativo Fuertes, S.L.	6.27%	6.27%
Beta Asociados, S.L.	5.50%	5.08%
Prilomi, S.L.	4.66%	4.66%
Prilou, S.L.	3.16%	3.16%
Other	67.94%	68.17%
Total	100.00%	100.00%

c) Reserves

- Reserves of the Parent

The details of the reserves of the Group's Parent at 31 December 2017 and 2016 is as follows:

<i>Thousands of euros</i>	2017	2016
Legal reserve	103,486	103,486
Voluntary reserve	1,074,547	761,880
Total	1,178,033	865,366

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 cover the receivable balance of the income statement if no other reserves are available.

At 31 December 2016 and 2017, the Company's legal reserve amounted to 20% and 19.4% of share capital, respectively.

The Company's voluntary reserves are unrestricted.

- Other reserves

In 2016, the changes in reserves were due mainly to the transfer to reserves of profit from the previous year. In addition, other changes in reserves took place which affected the Group, mainly 48 million euros, as a result of the change in Repsol's equity.

In 2017, the changes in reserves were again due mainly to the transfer to reserves of profit for the previous year.

d) Valuation adjustments

Movements in the reserve for unrealised gains and losses are recognised in the statement of comprehensive income and include:

- Available-for-sale financial assets

As explained in Note 4, in accordance with IAS 39, the interest in Itínere Infraestructuras, S.A. was recognised at fair value, with no deduction of any potential costs to sell, as these costs were non-material. Changes resulting from restatements to fair value are recognised directly in equity under "Available-for-sale financial assets" until the financial asset is derecognised from the consolidated statement of financial position or its value is considered impaired, at which point the amount recognised in equity is taken to the separate consolidated income statement.

- Hedging instruments

The reconciliation between the fair values of hedging instruments described in Note 24 and adjustments recognised in the consolidated income statement and consolidated equity is as follows:

Fair value at 31 December 2015	(162,245)
Income and expense recognised directly in equity	(9,765)
Ineffective hedge, changes in scope and other	20,552
Transfer to separate consolidated income statement	24,402
Fair value at 31 December 2016	(127,056)
Income and expense recognised directly in equity	(21,098)
Ineffective hedge, changes in scope and other	(12,307)
Transfer to separate consolidated income statement	24,190
Fair value at 31 December 2017	(136,271)

- Translation differences

This is the difference between translating the equity of companies reported in non-euro currencies at year-end and at historical exchange rates. In 2017 and 2016, the main movements in this heading were due to the performance of Repsol S.A.

e) Treasury shares

At 31 December 2017, the Parent company held 422,587 treasury shares, (6,068,302 treasury shares in 2016), equivalent to 0.079% of its share capital (1.1728% in 2016). At the average exchange rate, the price paid was 2.213 per share.

Movements in treasury shares in 2016 and 2017 were as follows:

Balance at 31/12/15	4,898,800
Purchased shares	76,988,618
Transferred shares	(75,819,116)
Balance at 31/12/16	6,068,302
Purchased shares	49,693,234
Transferred shares	(55,361,090)
Bonus share issue	22,141
Balance at 31/12/17	422,587

Throughout 2017, Sacyr maintained the liquidity agreement it entered into on 29 March 2012, although, on 10 July of this year it was renewed in order to comply with the new requirements provided for in Circular 1 of 26 April 2017, of the Spanish National Securities Market Commission.

Between 1 January and 31 December 2017, 49,693,234 and 55,361,090 Sacyr shares were bought and transferred, respectively.

At 31 December 2017, Sacyr was custodian of 6,461 Sacyr shares; those were the shares not subscribed in the bonus issues of 2015 and 2017.

Sacyr will be the legal custodian of these securities in the three years established by law, at the end of which, and pursuant to Article 59 of the Spanish Corporate Enterprises Act, it will sell and deposit the resulting amount, together with the dividend rights received during this entire period, in the General Deposit Fund, where it will be available to its shareholders.

At year-end 2017, the Company had derivative instruments on 5,000,000 treasury shares, in order to financially optimise its short-term treasury stock. At the date of preparation of these consolidated financial statements, the derivative structure was cancelled.

At the 2017 balance sheet date, the Sacyr share price was 2.359 euros, 6.26% higher than at the prior year close (2.22 euros per share).

f) Equity of non-controlling interests

"Non-controlling interests" shown under equity on the consolidated statement of financial position represents the value of all the stakes held by minority shareholders in the equity of the Group's consolidated subsidiaries. "Minority interests" on the consolidated income statement reflects the portion of profit or loss for the year attributable to these minority shareholders.

There were no significant changes in 2016.

In 2017, there was an increase in this heading, mainly as a result of the change in accounting of SIS S.C.P.A., NDP, S.C.P.A. and Superestrada Pedemontana Veneta, S.R.L., as described in Note 2, and of the sale of 49% of Sociedad Concesionaria Ruta del Algarrobo, S.A.

18. Deferred income

Movements in "Deferred income" in 2016 and 2017 were as follows:

2016	Balance at	Additions	Disposals	Restatements	Changes in scope	Balance at
<i>Thousands of euros</i>	31-Dec-15			and transfers	of consolidation	31-Dec-16
Government grants	57,682	3,450	(6,067)	174	781	56,020

2017	Balance at	Additions	Disposals	Restatements	Changes in scope	Balance at
<i>Thousands of euros</i>	31-Dec-16			and transfers	of consolidation	31-Dec-16
Government grants	56,020	2,623	(4,242)	7	0	54,408

The amount in this heading for both years consists mainly of the non-refundable government grant by the Mallorca Regional Government provided to Sociedad Concesionaria de Palma de Manacor, S.A..

19. Provisions

19.1. Non-current provisions

Movements in this heading at 2017 and 2016 year-end were as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Additions	Disposals		Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-16
			Reversals	Amounts used				
Non-current provisions	361,804	27,760	(5,021)	(19,932)	(52,156)	58,052	(79)	370,428
Reconciliation								
Provisions for income tax	11,462	537	0	(2,024)	135	9,863	0	19,973
Other provisions (income statement by nature)	94,607	10,985	(5,021)	(15,529)	(3,815)	11,676	(82)	92,821
Associates (financial)	213,580	6,623	0	0	(48,476)	0	0	171,727
Provisions for pensions and similar obligations	2,107	66	0	(224)	0	1,879	3	3,831
Major repairs (other operating costs)	40,048	9,549	0	(2,155)	0	34,634	0	82,076

2017 Thousands of euros	Balance at 31-Dec-16	Additions	Disposals		Restatements and transfers	Changes in scope of consolidation	Exchange rate effect	Balance at 31-Dec-17
			Reversals	Amounts used				
Non-current provisions	370,428	50,375	(22,141)	(12,317)	(91,158)	0	(305)	294,882
Reconciliation								
Provisions for income tax	19,973	1,981	0	(539)	0	0	0	21,415
Other provisions (income statement by nature)	92,821	33,837	(8,050)	(8,502)	(9,786)	0	(297)	100,023
Associates (financial)	171,727	4,246	(14,091)	0	(69,953)	0	0	91,929
Provisions for pensions and similar obligations	3,831	268	0	(1,265)	0	0	(8)	2,826
Major repairs (other operating costs)	82,076	10,043	0	(2,011)	(11,419)	0	0	78,689

Non-current provisions include:

- a) Provisions for losses on equity-method companies that exceed the investment in them, in accordance with IAS 28 (paragraphs 29 and 30), amounting to 92 million euros at 31 December 2016 (172 million euros at 31 December 2016). Once the value of the investment in equity-method companies is zero, the provision for any additional losses are recorded by the Group insofar as it has incurred in the legal or implicit obligations. Those losses relating to Grupo Unidos por el Canal, S.A. are of particular note here.

In 2010, Sacyr, S.A. bought a stake in Grupo Unidos por el Canal, S.A., the company which holds the Project and Construction contract for the third set of locks for the Panama Canal. Although Sacyr, S.A. is the owner of the holding, the construction division staff is representing the Group as a whole in the project, with an internal agreement existing between the Company and its shareholder that the profits or losses will be assumed by Sacyr Construcción, S.A. (sole shareholder company) without this implying the transfer of the rights, benefits or interests that Sacyr, S.A. may have in the contract or in the company, as is expressly prohibited in the construction works agreement. At 31 December 2016 and 2017, Sacyr Group held a 48% stake in the consortium awarded the contract to build the third set of locks on the Panama Canal, with respect to the customer, and this was the basis whereby the initial guarantees currently in force were established. There are also internal agreements concerning the redistribution of percentages in the results of members of the consortium, which allocate Sacyr, S.A. a 41.6% share in earnings. This company is accounted for using the equity method and this is the main explanation for the variation between the two years, which results from new loans being granted by the Group.

On 31 May 2016, GUPC successfully completed the extension of the third set of locks on the Panama Canal, with delivery being received by the ACP on 24 June 2016. The works are currently in the maintenance and conservation stage, within their guarantee period.

In December 2017, advance payments by ACP and GUPC stood at 848 million US dollars, corresponding to advance payments stipulated in the contract: "Mobilization Security" and "Plant Security" and to payments made directly to certain suppliers based on a series of changes in the Contract signed with ACP.

GUPC has filed several objective quantified claims amounting to date to 4,061 million US dollars. These claims, originating from diverse unplanned costs arising from the project, are

currently going through the international arbitration process with the ICC (Arbitration court with head office in Miami, subject to Panamanian Law, which is governed by the rules of the International Chamber of Commerce). The arbitration proceedings established will take a decision on the liability of those unforeseen costs with respect to which the GUPC has presented various claims.

The claims submitted that have been recorded within GUPC's income in the Sacyr, S.A. financial statements consolidated using the equity method amounted to 1,283.7 million US dollars at the end of 2017 (1,245.7 million US dollars in 2016), i.e. 31.6% of the claims submitted during the resolution phase.

In 2017, 8.9 million US dollars was collected from claims resulting from the DAB ruling, with 346.4 million US dollars having been received in total.

To date, 4 arbitration tribunals have been held, grouping together several claims, detailed as follows:

- Arbitration 1: Pacific Cofferdam, updated in the amount of 194 million US dollars: the arbitration process with the Miami ICC commenced in 2016. The proceedings were held in January 2017 and the ICC issued a ruling denying GUPC's claim.
- Arbitration 2: Basalt, concrete formulae, faults and laboratory, in the amount of 541 million US dollars.
- Arbitration 3: Floodgates and labour, in the amount of 585 million US dollars.
- Arbitration 4: Disruption, prototype, general concrete and omnibus, in the amount of 2,741 million US dollars.

On 24 October 2017 the independent expert DFL Associate, Ltd. updated the report analysing each claim, describing the status of each until that date, and establishing a fair estimate of the amount that the company can expect from each. The estimates are based on its own research and experience and on the documentation provided by GUPC. Its conclusion is that the company should reasonably expect to recover 1,983.6 million US dollars.

b) Provisions to cover risks associated with lawsuits in progress. These were recorded in accordance with the best estimates at year-end and there is no material amount. By business areas, they are as follows:

- Services
 - Provisions for greenhouse gas emissions by several power companies (C.E. Puente del Obispo, C.E. Pata de Mulo, C.E. de Linares and C.E. de las Villas). This provision is allocated as the rights are used. Emission rights are not amortised.
 - Grupo Valoriza Servicios Medioambientales, Sadyt and Facilities were provisioned for onerous contracts with which the company expects a negative cash flow for construction completion and environmental action.
- Concessions
 - Based on the concession sector's circumstances and in view of the uncertainties in the regulatory and market conditions, in 2017 the Group recorded non-current provisions amounting to 31.5 million euros (52.5 million euros in 2016) for the contingencies and liabilities that it would have to assume

as the shareholder vis-à-vis third parties in the event of an asset impairment at its investees beyond the capital provided.

- Provisions provided for large repairs envisaged in the concession agreement amounting to 35,007 thousand euros (39,649 thousand euros in 2016).

The amount of financial adjustments is not significant.

c) Provisions for tax claims include tax liabilities whose amount or due date is uncertain and where an outflow of resources from the group will probably be required to settle a liability arising from a present obligation. The increase in 2016 was mainly due to the inclusion of Río Narcea Recursos, S.A.U. in the scope of consolidation. There were no significant changes in 2017.

19.2. Current provisions

Movements in this heading in 2016 and 2017 were as follows:

2016 Thousands of euros	Balance at 31-Dec-15	Change in operating provision	Additions	Disposals		Restatements and transfers	Ex. rate effect	Changes in scope of consolidation	Balance at 31-Dec-16
				Reversals	Amounts used				
Current provisions	246,248	12,701	2,130	(16,898)	(29,399)	3,013	2,948	35	220,778
Reconciliation									
Change in operating provisions	222,692	12,701	105	(16,233)	(26,398)	(2,376)	2,785	35	193,311
Other responsibilities (income statements by nature)	20,443	0	1,049	0	0	5,195	157	0	26,844
Provisions for taxes	3,001	0	0	0	(3,001)	0	0	0	0
Other trade provisions (income statements by nature)	112	0	976	(665)	0	194	6	0	623
	246,248	12,701	2,130	(16,898)	(29,399)	3,013	2,948	35	220,778
2017 Thousands of euros	Balance at 31-Dec-16	Change in operating provision	Additions	Disposals		Restatements and transfers	Ex. rate effect	Changes in scope of consolidation	Balance at 31-Dec-17
				Reversals	Amounts used				
Current provisions	220,778	3,624	48,735	(146,831)	(26,259)	6,913	17,865	(2,099)	122,726
Reconciliation									
Change in operating provisions	193,311	3,624	29,015	(133,264)	(24,213)	(4,051)	17,842	(1,877)	80,387
Other responsibilities (income statements by nature)	26,844	0	17,263	(13,082)	(1,283)	(452)	23	(175)	29,138
Provisions for taxes	0	0	525	(1)	0	0	0	(37)	487
Other trade provisions (income statements by nature)	106	0	252	0	(246)	0	0	(10)	102
Provision for Major Repairs ST	517	0	1,680	(484)	(517)	11,416	0	0	12,612
	220,778	3,624	48,735	(146,831)	(26,259)	6,913	17,865	(2,099)	122,726

In 2017, there was a decrease in the amount of current provisions, arising mainly from the application of 93 million euros corresponding to coverage of the potential risks it had to assume as shareholder of the Madrid radial motorways in relation to the legal proceedings filed by third parties.

20. Contingent liabilities

The Group assesses its obligations and liabilities by considering the potential obligations arising from past events whose existence must be confirmed by uncertain future events not under the Group's control as "contingent liabilities". At 31 December 2016 and 2017 there were no material contingent liabilities that could have a significant impact on the Group's financial statements or which could lead to an outflow of resources.

At 31 December 2016 and 2017 Group companies had provided guarantees of 2,306,480 thousand euros and 2,237,441 thousand euros, respectively. The breakdown of guarantees provided in each segment is as follows:

2016 <i>Thousands of euros</i>	Financial guarantees		Technical guarantees		TOTAL
	Spain	Outside	Spain	Outside	
Holding	124,147	126,567	31,187	275,632	557,533
Construction	49,038	281,728	235,304	553,737	1,119,807
Concessions	1,826	0	70,018	195,290	267,134
Valoriza	7,173	22,630	207,846	111,229	348,878
Vallehermoso	4,712	0	8,416	0	13,128
Total	186,896	430,925	552,771	1,135,888	2,306,480

2017 <i>Thousands of euros</i>	Financial guarantees		Technical guarantees		TOTAL
	Spain	Outside	Spain	Outside	
Holding	94,354	113,712	20	214,052	422,137
Construction	78,734	243,228	200,796	550,410	1,073,168
Concessions	1,688	0	70,017	317,958	389,663
Valoriza	6,971	7,678	208,121	116,792	339,562
Vallehermoso	4,626	0	8,285	0	12,911
Total	186,373	364,618	487,239	1,199,212	2,237,441

In the construction divisions, these were performance guarantees signed up on contracts with customers and tenders, and any advances received.

In the Concessions division, a distinction is made between technical guarantees (deposits for tender, construction and operation of toll motorways) and financial guarantees (bank guarantees).

The guarantees extended by the Valoriza Group largely correspond to construction contracts.

In the Real Estate Development division (Vallehermoso Group), a distinction is made between:

- Technical guarantees, relating to the contracts for construction and sale of developments, land tenders and down payments from property buyers.
- Financial guarantees, which mainly relate to deferred payments for the acquisition of land.

The holding's technical guarantees mainly concern the project to build the third set of locks on the Panama Canal.

The amount of the guarantees and collateral posted by Sacyr directly or indirectly via Grupo Unidos por el Canal, S.A. (GUPC) for construction of the third set of locks on the Panama Canal is as follows:

<u>Guarantees (millions of US dollars)</u>	<u>Guarantee by Sacyr</u>
Corporate credit guarantee granted to GUPC	111.4
Guarantee for the payment of suppliers and employees	21.6
Good performance guarantee	22.0
Advances	375.0

Guarantees at 31 December 2016	530.0
Partial cancellation of corporate credit guarantee granted to GUPC	(1.8)
Advances	(9.0)
Guarantees at 31 December 2017	519.2

By virtue of the contract, the GUPC members undertake a joint and several guarantee vis-à-vis the ACP (Panama Canal Authority), as stated in clause 1.7A of the contract, to a maximum amount of 600 million US dollars.

In addition, the GUPC members jointly guarantee the correct operation of the work carried out, in accordance with the appendix of the VO 108 contract, for 150 million US dollars.

No liabilities other than those recorded and described in these notes to the consolidated financial statements that would result in an outflow of resources for the Group are expected to arise.

21. Bank borrowings

The table below shows the Group's financial debt by division at year-end 2016 and 2017. Schedules are prepared based on the contractual maturity of financing agreements. Debt maturities are classified in the consolidated statement of financial position in accordance with applicable accounting standards.

The breakdown of the Group's gross financial debt at 31 December 2016, by division and contractual maturity, was follows:

2016	2017	2018	2019	2020	2021	Subsequent years	TOTAL BORROWINGS
Sacyr	97,522	142,611	242,956	10,955	4,050	42,507	540,601
- Bank borrowings	55,599	142,611	9,187	3,800	4,050	13,776	229,023
- Bonds and other marketable debt securities	41,923	0	233,769	7,155	0	28,731	311,578
Sacyr Group (Construction)	167,595	6,118	5,007	3,234	3,395	35,560	220,909
Sacyr Group (Concessions) (1)	347,004	105,961	89,573	184,377	192,893	1,343,400	2,263,208
- Bank borrowings	339,159	101,166	84,376	178,738	186,722	1,317,757	2,207,918
- Bonds and other marketable debt securities	7,845	4,795	5,197	5,639	6,171	25,643	55,290
Valoriza Group	95,882	34,456	59,472	31,160	24,311	123,874	369,155
Industrial Group	61,704	8,092	8,645	6,258	5,858	11,808	102,365
Somague Group	50,977	14,751	11,763	14,641	76,294	32,314	200,740
SVPM (Repsol)	14,577	769,126	0	0	0	0	783,703
TOTAL DEBT PAYABLE	835,261	1,081,115	417,416	250,625	306,801	1,589,463	4,480,681
Transaction costs to be distributed	0	0	0	0	0	0	(45,941)
TOTAL DEBT	835,261	1,081,115	417,416	250,625	306,801	1,589,463	4,434,740
Vallehermoso Group	29,824	0	0	0	0	0	29,824
TOTAL DEBT PAYABLE	29,824	0	0	0	0	0	29,824

Figures include 29 million euros of accrued unpaid interest.

Debt maturities are classified according to contractual maturities.

(1) At Sacyr Concesiones current bank borrowings include all Viastur's and S. C. del Turia's financial debt as the coverage ratio used to service the debt is lower than that stipulated in the contract.

Gross financial debt at 31 December 2016 amounted to 4,435 million euros, down by 488 million euros against financial debt of 4,923 million euros at 31 December 2015.

The main characteristics of borrowings in each division at 31 December 2016 are as follows:

- Holding: The Parent's financial debt includes a convertible bond issue launched in May 2014, for 250 million euros, consisting of 2,500 bonds each with a value of 100,00 euros, maturing on 8 May 2019, and with a 4% fixed annual nominal coupon paid on a quarterly basis. The initial swap or conversion price at 31 December 2016 was 5.444 euros.

On 29 April 2016, Sacyr, S.A. fully repaid convertible bonds for an amount of 200 million euros, from the issue carried out on 31 March 2011.

On 7 May 2015, there was an issue of simple bonds in the amount of 26.2 million euros, maturing at five years. On 14 December 2016, an early redemption of 186 bonds was made for a nominal amount of 18.6 million euros. The outstanding nominal balance of the issue at 31 December 2016 stood at 7.6 million euros. This issue was carried out among eligible investors, at a fixed interest rate, paid by an annual coupon of 4.5%.

In November 2016, Sacyr S.A. launched a new simple bonds issue, at below par value, for 30 million euros. These bonds mature on 23 November 2023, have a 4.75% coupon payable annually and are subject to English law.

On 13 April 2016, promissory notes of the ECP programme were registered, with maturity of one year and a maximum amount of 300 million euros at a variable interest rate.

Floating-rate bank debt amounted to 229 million euros, consisting of working capital credits and corporate loans used by Sacyr S.A. to coordinate and provide financial management as the Group's Parent.

- Sacyr Vallehermoso Participaciones Mobiliarias S.L. (SVPM): gross debt of 784 million euros, of which 769 million euros relates to the principal on the loan associated with the stake in Repsol, and the remaining 15 million euros is accrued interest payable. This loan matures on 31 December 2018. Dividends received from the Repsol holding are used to service this debt.

In order to comply with the terms of the guarantee contract concerned associated debt, the value to loan ratio must be above 130%. At 31 December 2016 the rate was 185%. The assets pledged as a guarantee are all the shares in Repsol, S.A. and shares in other Sacyr group companies.

In 2016, Sacyr continued with its financial debt reduction policy in relation to the Repsol loan, repaying 885 million euros early. At 31 December 2016, the principal of the loan pending payment amounted to 769 million euros.

This early repayment was mainly made by using the 317 million euros received from the sale of Testa in June 2016; with the funds obtained from the two derivatives instruments on 50 million Repsol shares, in the sum of 533 million euros, arranged in October and December 2016, and the rest coming from the dividends received during this same year from the stake in Repsol.

- Construction (Sacyr and Somague): Bank borrowings totalled 422 million euros: 79% with a variable interest rate and 21% at fixed interest; 52% was repayable at short term.

This division finances net working capital generated through the use of credit facilities, loans and sales of trade receivables. A total of 68% of the borrowings come from activity outside Spain.

In 2016, the Somague Group successfully obtained refinancing of 121.2 million euros of financial debt that was due to mature in the short term in its Portuguese subsidiary, Somague Engenharia. Maturity has been extended to 2023.

- Concessions (Sacyr Concesiones Group): gross financial debt at 31 December 2016 amounted to 2,218 million euros, divided into 2,163 million euros in concession project financing and 55 million euros in bonds.

Sacyr Concesiones increased its gross borrowing by 295 million euros in 2016, for two main reasons. Firstly, international expansion requiring greater investment, particularly in Chile where gross debt has increased by 314 million euros, and secondly due to the divestment of the Braga, Vila Franca de Xira and Azores hospitals in Portugal, which saw the associated gross debt reduced by 92 million euros.

A total of 45% of this financial debt is hedged against interest rate rises. The debt will be serviced with cash flows generated by the concessions. 85% is contractually due from 2018 onwards. Projects outside Spain, i.e. Chile, and Peru, account for 50% of the division's borrowings.

Sacyr Concesiones refinanced the debt of the concessionaire companies that manage and operate the Plaza Elíptica and Moncloa transport hubs in Madrid for a total of 190 million euros. This refinancing has allowed the average repayment period to be extended by almost 25 years, to the new maturity dates of 2038 and 2041, respectively. The transaction takes advantage of the current low market interest rates.

All of Viastur Concesionaria del Principado de Asturias, S.A.'s bank borrowings are shown as current liabilities on the basis of the expected failure to meet the debt service coverage ratio in 2017.

With regard to Autovía del Turia, Concesionaria de la Generalitat Valenciana, S.A., the debt service coverage ratio in 2016 was lower than that stipulated in the company's loan agreement, for which reason, at 31 December 2016, total bank borrowings have been reclassified as current liabilities in the statement of financial position.

Between them Viastur and Autovía del Turia have classified 238 million euros as short term, which, according to the maturity schedules stipulated in the financing agreements, is to be repaid long term.

On 19 April 2016, Autovía del Noroeste Concesionaria de CARM, S.A. issued 540 below-par, senior covered bonds, for 100,000 euros each, on the Alternative Fixed-Income Market (MARF). The total of the issue was 54 million euros and the bonds have an annual coupon of 4.75%, with a final maturity date of 30 June 2025.

The breakdown of the Group's gross financial debt at 31 December 2017, by division and contractual maturity, was as follows:

2017	2018	2019	2020	2021	2022	Subsequent years	TOTAL BORROWINGS
Sacyr	332,363	258,834	41,000	4,050	4,238	80,324	720,809
- Bank borrowings	254,188	9,408	33,800	4,050	4,238	9,537	315,221
- Bonds and other marketable debt securities	78,175	249,426	7,200	0	0	70,787	405,588
Sacyr Group (Construction)	130,020	76,302	144,154	9,334	11,156	1,482,137	1,853,103
- Bank borrowings	129,856	20,526	24,154	9,334	9,234	33,059	226,163
- Bonds and other marketable debt securities	164	55,776	120,000	0	1,922	1,449,078	1,626,940
Sacyr Group (Concessions) (1)	299,383	237,723	178,295	135,857	136,839	1,492,788	2,480,885
- Bank borrowings	291,685	232,305	172,390	129,420	130,253	1,474,610	2,430,663
- Bonds and other marketable debt securities	7,698	5,418	5,905	6,437	6,586	18,178	50,222
Valoriza Group	78,374	68,271	33,931	29,342	23,392	148,073	381,383
Industrial Group	39,922	4,681	8,000	6,249	5,856	80,573	145,281
Somague Group	42,868	13,418	14,821	12,368	13,809	76,485	173,769
SVPM (Repsol)	0	0	0	0	0	0	0
TOTAL DEBT PAYABLE	922,930	659,229	420,201	197,200	195,290	3,360,380	5,755,230
Transaction costs to be distributed	0	0	0	0	0	0	(104,858)
TOTAL DEBT	922,930	659,229	420,201	197,200	195,290	3,360,380	5,650,372
Vallehermoso Group	7,014	72	72	72	72	362	7,664
- Bank borrowings	7,014	72	72	72	72	362	7,664
TOTAL DEBT PAYABLE	7,014	72	72	72	72	362	7,664

Figures include 26 million euros of accrued unpaid interest.

(1) At Sacyr Concesiones current bank borrowings include all Viastur's financial data as the coverage ratios used to service the debt is lower than that stipulated in the contract.

Gross financial debt at 31 December 2017 amounted to 5,650 million euros, up by 1,215 million euros versus financial debt of 4,435 million euros at 31 December 2016.

This increase in gross financial debt arose, mainly, due to the change in the Group's scope of consolidation. Effective on 1 July 2017, Superestrada Pedemontana Veneta S.p.A. y la sociedad S.I.S., S.C.P.A. joined the Sacyr Construcción Group; they contribute 1,627 million euros in debt and other trading securities.

The main characteristics of borrowings in each division at 31 December 2017 are as follows:

- Holding: The Parent Company's debt includes the bonds and other trading securities in the amount of 406 million euros, spread across convertible bonds, simple bonds and promissory notes programmes.

This heading includes a convertible bond issue launched in May 2014, for 250 million euros, consisting of 2,500 bonds each with a value of 100,000 euros, maturing on 8 May 2019, and with a 4% fixed annual nominal coupon paid on a quarterly basis. The initial swap or conversion price at 31 December 2017 was 5.284 euros.

Three issues of simple bonds: (i) one amounting to 26.2 million euros launched on 7 May 2015 with 5-year maturity, in December 2016 early redemption of 186 bonds in the nominal amount of 18.6 million euros with an outstanding nominal balance at 31 December 2017 of 7.6 million euros, annual coupon of 4.5%; (ii) in November 2016 Sacyr S.A., launched another simple bond issue, under par, in the amount of 30 million euros, coupon of 4.75% payable annually and maturing on 23 November 2023, subject to English Law. In November 2017, they bought back 262 bonds nominally equivalent to

26.2 million euros, which appear without being redeemed in the balance sheet as a financial asset. (iii) a third simple bond issue, at par value, launched on 16 November 2017, for 44 million euros, with a coupon of 4.5% payable annually and maturing on 16 November 2024.

On 25 April 2017, the one-year renewal of the ECP promissory notes programme was registered, launched in April 2016, with a maximum amount of 300 million euros at a variable interest rate.

On 3 October 2017 Sacyr S.A. launched a Company promissory notes programme with maturity of one year and a maximum amount of 250 million euros at a variable interest rate.

The total amount available at the end of 2017 under both programmes was 85.7 million euros.

Floating-rate bank debt amounted to 315 million euros with 68% financed at a variable rate and 32% at a fixed rate; they consist of working capital credits and corporate loans used by Sacyr S.A. to coordinate and provide financial management as the Group's Parent.

- Construction (Sacyr Group and Somague): Bank borrowings totalled 400 million euros: 76% with a variable interest rate and 24% at fixed interest; 43% was repayable at short term. In the last year, Somague Engenharia refinanced 122 million euros of short-term debt, extending its maturity to 2023, thus at year-end 2017, 75% of its debt had maturity dates of 2019 onwards.

Effective on 1 July 2017, Superestrada Pedemontana Veneta S.p.A. and S.I.S., S.C.P.A. joined the scope of consolidation of Sacyr Construcción Group; this implied the inclusion of 1,627 million euros in financial debt under the heading Debt and other trading securities.

The trading company Superestrada Pedemontana Veneta S.p.A. issued Senior bonds in the amount of 1,221 million euros, over a 30-year term, with a current variable coupon at year-end 2017, Eonia +100pbs, fixed coupon in the infrastructure construction period of 5.0% and, another Subordinate bond issue in the amount of 350 million euros, a 10-year term, coupon of 8% modifiable under certain events.

On 31 March 2017, the Italian company S.I.S., S.C.P.A. issued bonds in two tranches under English Law in the amount of 57.4 million euros, for a 2-year term with option to extend it one further year.

This division finances net working capital generated through the use of credit facilities, loans and sales of trade receivables. A total of 93% of the borrowings come from activity outside Spain.

- Concessions (Sacyr Concesiones Group): gross financial debt at 31 December 2017 amounted to 2,481 million euros, divided into 2,431 million euros in concession project financing and 50 million euros in bonds.

At year-end, this financial debt had increased by 218 million euros versus 31 December 2016. The main increases were due to borrowing required by the Chilean companies and the Peruvian concessionaire, and to obtain financing throughout 2017 in various companies in Uruguay and Mexico: Consorcio PPP Rutas del Litoral S.A. and Autovía Pirámides Tulancingo Pachuca, S.A. de C.V.

In addition, the change in exchange rates at year-end, mainly for the Chilean and Peruvian companies (with debt stated in US dollars) led to a decrease in the debt with credit institutions from one year to the next.

A total of 48,9% of this financial debt is hedged against interest rate rises. The debt will be serviced with cash flows generated by the concessions. 88% is contractually due from 2019 onwards. Projects outside Spain, i.e. Chile, and Peru, account for 53% of the division's borrowings.

All of Viastur Concesionaria del Principado de Asturias, S.A.'s bank borrowings, 97.4 million euros, are shown as current liabilities on the basis of the expected failure to meet the debt service coverage ratio in 2017.

With regard to Autovía del Turia, Concesionaria de la Generalitat Valenciana, S.A., the debt service coverage ratio in 2016 was lower than that stipulated in the company's loan agreement, for which reason, at 31 December 2016, total bank borrowings were classified as current liabilities in the statement of financial position. Finally, this situation of not complying with the debt service coverage ratio did not arise in 2017, thus the financial debt is already classified in accordance with its maturity date.

The bond issue launched by Autovía del Noroeste Concesionaria de CARM, S.A. in April 2016 remains outstanding, with a fixed annual coupon of 4.75%, redeemable and realizable in calendar semesters, with maturity at 30 June 2025. The balance at 31 December 2017 stood at 50.2 million euros.

- Services (Valoriza Group and Industrial): distributes the 526 million euros of gross financial debt stated at 31 December 2017 in two blocks; firstly, the structured financing, 62% of the total and which is in turn 54% guaranteed against the risk of increases in interest rates. This is debt acquired by the concessionary businesses for water treatment, renewable energy and environmental services, which is serviced by cash flows generated by the concessions; meanwhile, the debt associated with works and contracts, encompassed in the remaining 38%, is of a corporate nature and finances the net working capital arising from the operation of service contracts of the following lines of business activity: Environment, Water, Multi-services and Industrial.

Projects abroad on water distribution and treatment at Somague Ambiente in Portugal account for 12% of Valoriza's gross borrowings.

Gross financial debt at 31 December 2017 had increased by 55 million euros (12%) with respect to a year earlier, mainly due to the provision of the loan granted for the execution of the contract to "design, build, operate and maintain a seawater desalination plant in Sohar, Oman" and the increase in financing of energy companies via Valoriza Renovables S.L..

With regard to repayments, 408 million euros (78% of gross financial debt) reach contractual maturity in 2019 onwards.

Pursuant to IAS 32, convertible bonds are a compound financial instrument that includes a financial liability and an equity component. In the consolidated statement of financial position the two components are presented separately: They are separated firstly based on the value of the liability component and later assigning the rest of the value of the equity instrument.

At 31 December 2016, the Group's financial debt due to its nature was summarised under the following headings and each division had the following basic characteristics:

Millions of euros	Amount	Current average interest rate	Date of next interest rate review	Interest rate review period
Loan for Repsol acquisition	769	2.90%	7/31/2017	6 months
Other debt				
Credit facilities	359	4.23%	As per facility	1,3,6,12 months
Loans	446	3.38%	As per loan	1,3,6,12 months
Concession project finance	2,451	4.59%	As per loan	1,3,6,12 months
Mortgage loans and leasing	62	4.41%	As per loan	1,3,6,12 months
Bonds and other marketable debt securities	365	4.19%	-	Fixed
Unmatured interest accrued and debt arrangement expenses	(17)	-	-	-
TOTAL	4,435			

Financing of concession projects represents the major portion of financial debt, with limited recourse to shareholders.

Borrowings for the acquisition of the Repsol interest, are reflected entirely in the special-purpose vehicle, Sacyr Vallehermoso Participaciones Mobiliarias.

Debt and bonds and other marketable debt securities have been issued amounting to 365 million euros, the outstanding balance of three bond issues and a promissory notes programme of the company ECP carried out by Sacyr S.A., along with a bond issue carried out in April 2016 by Concessionaire Autopista del Noroeste (AUNOR), part of Sacyr Concesiones Group.

The Sacyr Construcción Group and Valoriza Group took out mortgage loans in the amount of 5.4 million euros and leases in the amount of 21.4 million euros. Sacyr Construcción has credit rights generated by sales of mortgaged land pledged in favour of the bank. The proceeds of the sale will be used to cancel the mortgage loans ahead of schedule.

Working capital requirements are financed by credit/loan lines and sales of trade receivables. Capital-intensive strategic investment made by the Group where returns are generated in the long term have their own project finance. These investments and the concession projects form part of the Group's long-term financing policy.

The following table presents a summary of the Group's borrowings, according to their nature, at 31 December 2017:

Millions of euros	Amount	Current average interest rate	Date of next interest rate review	Interest rate review period
Credit facilities	265	3.69%	As per facility	1,3,6,12 months
Loans	592	3.89%	As per loan	1,3,6,12 months
Concession project finance	2,736	4.18%	As per loan	1,3,6,12 months
Mortgage loans and leasing	55	4.46%	As per loan	1,3,6,12 months
Debt instruments and other marketable securities (1)	2,082	2.81%	As per issue	1,3,6,12 months
Other and accrued unpaid interest	(80)	-	-	-
TOTAL	5,650			

(1) Includes borrowings linked to concession projects: Pedemontana Veneta 1,571 million euros and Aunor 50 million euros.

The main character of the debt corresponds to concession projects, including debt and bonds issued by Autoestrada Pedemontana Veneta S.p.A. and Aunor, which amounts to 4,357 million euros, representing 77% of total financial debt of the Group. In this type of financing, the guarantee received by the lender is limited to the project cash flow and its asset value, with

limited recourse to shareholders. These guarantees entail pledging the shares of the concession operators, their major current accounts and collection rights (insurance claims, contracts etc.).

Debt and bonds and other trading debt securities, deducted by Pedemontana Veneta and Aunor, amounted to 461 million euros outstanding after four bond issues and two promissory notes programme carried out by Sacyr S.A., along with a bond issue by S.I.S., S.C.P.A..

Operating working capital requirements are financed mainly through credit facilities and loans, which at 31 December 2017 had an outstanding balance of 265 and 592 million euros, respectively. To a lesser extent, the working capital is financed by credit/loan lines and sales of trade receivables.

Capital-intensive strategic investment made by the Group where returns are generated in the long term have their own project finance. These investments and the concession projects form part of the Group's long-term financing policy.

The Sacyr Construcción Group, Valoriza and Industrial Groups took out mortgage loans in the amount of 4 million euros and, leases in the amount of 51 million euros.

In April 2017, SVPM made an early redemption of the loan which financed its interest in Repsol, the gross debt of which stood at 769 million euros at 31 December 2016. Cancellation of the loan was performed using funds obtained through the derivative instrument subscribed on April 2017 on 72.7 million Repsol shares.

Interest-bearing borrowings and loans and debt securities are recognised at amortised cost which, unless more reliable evidence is provided, is equivalent to fair value; therefore, there are no significant differences between the fair value and the carrying amount of the Sacyr Group's financial assets and liabilities.

Most of the Group companies' floating-rate financing arrangements are benchmarked to Euribor, as are any related hedges. Their review frequency is based on the loans' characteristics: at short term, at one to three months for the working capital policies, and at six months for the longer-term structured debt associated with specific assets and project financing. In any case, interest rates on long-term financial liabilities are reviewed regularly, at intervals of less than a year.

The average interest rate of financial debt at 31 December 2017 was 3.7%, compared to 4.08% at 31 December 2016. This change was mainly due to the fall in the variable benchmark interest rates on bank borrowings in almost all new lines of finance: credit policies, financing of concession projects, loans, and the average cost associated with bonds issued in Italy for the financing of the Pedemontana Veneta motorway.

The Sacyr Group has non-euro borrowings taken out by companies whose cash flows are also generated in foreign currency, thereby providing a natural hedge against currency risk. The breakdown of the Group's consolidated borrowings at 31 December 2017 and 2016 is as follows:

<i>Thousands of units</i>						
Company	Type of financing	Currency of loan	2017 foreign currency	2017 thousands of euros	2016 foreign currency	2016 thousands of euros
Sacyr Concesiones Chile	Corporate loan	CLP	48,236,661	65,272	3,539	5
Sacyr Conc. Valle del Desierto (clp)	Project financing	CLP	92,302,349	124,900	104,327,597	147,397
Rutas del Desierto (link roads to Iquique)	Project financing	CLP	105,342,180	142,545	102,976,406	145,488
Soc. Conc. Bio Bio (Concepción-Cabrero)	Project financing	CLP	205,711,563	278,361	175,552,095	248,025
Ruta del Algarrobo (Aut. Serena-Vallenar)	Project financing	CLP	183,593,732	248,432	183,584,917	259,374
Sacyr Chile	Working-capital loans	CLP	11,705,179	15,839	26,446,947	37,365
Sociedad Concesionaria Salud Siglo XXI	Project financing	CLP	163,663,372	221,463	124,486,448	175,878
Sociedad Concesionaria Ruta del Limarí	Project financing	CLP	125,288,060	169,535	53,906,756	76,161
Sacyr Industrial Mantenimientos Chile, Spa	Working-capital loans	CLP	588,991	797	0	0
Sacyr Industrial Mantenimientos Chile, Spa	Corporate loan	CLP	662,892	897	0	0
Sacyr Industrial Mantenimientos Chile, Spa	Finance leases	CLP	1,507,580	2,040	0	0
Consorcio Isotron Sacyr S.A.	Working-capital loans	CLP	358,420	485	0	0
Chile			938,960,980	1,270,566	771,284,705	1,089,693
Consorcio Isotron Sacyr S.A.	Working-capital loans	USD	7,567	6,303	0	0
Sacyr Chile Sucursal Colombia	Corporate loan	USD	861	717	0	0
Chile			8,428	7,020	0	0
Sacyr Construccion (Panamá branch)	Working-capital loans	USD	0	0	4,950	4,707
Panama			0	0	4,950	4,707
Sainca	Project financing	USD	17,196	14,324	34,139	32,461
Sacyr Concesiones, S.L.	Project financing	USD	27,178	22,639	26,762	25,446
Sacyr Construction (Peru branch)	Finance leases	USD	37	31	0	0
Sacyr Construction (Peru branch)	Working-capital loans	USD	779	649	481	457
Sociedad Concesionaria Vial Sierra Norte	Project financing	USD	106,947	89,085	52,920	50,319
Sacyr Concesiones Perú	Project financing	USD	12,635	10,525	12,191	11,591
Peru			164,772	137,253	126,492	120,274
Sacyr Construction (Qatar)	Corporate loan	QAR	68,339	15,578	64,417	16,785
Sacyr Construction (Qatar)	Working-capital loans	QAR	1,616	3,497	32,422	8,448
Qatar			69,955	19,075	96,839	25,233
Myah Gulf Oman Desalination Company	Project financing	OMR	42,890	92,815	23,199	57,282
Myah Gulf Oman Desalination Company	Asset-linked	OMR	5,157,065	25,856	12,080	29,828
Oman			5,199,954	118,671	35,280	87,110
Sacyr Construcción (Colombia branch)	Working-capital loans	COP	31,295,014	8,726	20,694,658	6,543
Sacyr Construcción (Colombia branch)	Finance leases	COP	0	0	1,559,295	493
Colombia			31,295,014	8,726	22,253,953	7,036
Somague Engenharia Sucursal Angola	Working-capital loans	AOA	809,980	4,061	0	0
Somague Angola	Working-capital loans	AOA	633,065	3,174	0	0
Somague Angola	Corporate loan	AOA	1,209,684	6,065	0	0
Somague Angola	Finance leases	AOA	2,792	14	0	0
Angola			2,655,521	13,314	0	0
Sacyr Concesiones	Project financing	MXN	60,001	2,541	0	0
SV México Holding	Project financing	MXN	95,066	4,026	0	0
Autovia Piramides Tulancingo Pachuca, S.A.	Project financing	MXN	125,976	5,335	0	0
Mexico			281,043	11,902	0	0
Somague Engenharia Sucursal Brasil	Working-capital loans	BRL	5,018	1,261	0	0
Somague Engenharia Sucursal Brasil	Corporate loan	BRL	3,995	1,004	0	0
Somague Mph Construções	Working-capital loans	BRL	2,861	719	0	0
Brazil			11,875	2,984	0	0
Somague Mph Construções	Project financing	UYU	218,789	6,326	0	0
Uruguay			218,789	6,326	0	0
Somague Engenharia	Working-capital loans	USD	10,700	8,913	0	0
Portugal			10,700	8,913	0	0

Maturity schedules for foreign currency denominated borrowings outstanding at companies which operate in other currencies at year-end 2016 and 2017 are as follows:

For Chile:

<i>Thousands of euros</i>	2017	2018	2019	2020	Subsequent years	Total
2016	75,214	60,801	53,317	141,791	758,570	1,089,693
<i>Thousands of euros</i>	2018	2019	2020	2021	Subsequent years	Total
2017	107,943	185,007	133,269	68,578	782,789	1,277,586

For Panama:

<u>Thousands of euros</u>	2017	2018	2019	2020	Subsequent years	Total
2016	4,950	0	0	0	0	4,950

For Colombia:

<u>Thousands of euros</u>	2017	2018	2019	2020	Subsequent years	Total
2016	7,036	0	0	0	0	7,036

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	8,726	0	0	0	0	8,726

For Peru:

<u>Thousands of euros</u>	2017	2018	2019	2020	Subsequent years	Total
2016	57,117	15,818	4,536	5,453	37,350	120,274

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	57,944	12,712	14,828	15,026	36,743	137,253

For Qatar:

<u>Thousands of euros</u>	2017	2018	2019	2020	Subsequent years	Total
2016	25,233	0	0	0	0	25,233

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	16,594	2,481	0	0	0	19,075

For Oman:

<u>Thousands of euros</u>	2017	2018	2019	2020	Subsequent years	Total
2016	399	24	30,608	2,062	54,017	87,110

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	0	28,849	3,303	5,214	81,305	118,671

For Mexico:

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	1,477	3,026	2,238	218	4,943	11,902

For Uruguay:

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	148	0	0	1,031	5,147	6,326

For Angola:

<u>Thousands of euros</u>	2018	2019	2020	2021	Subsequent years	Total
2017	13,314	0	0	0	0	13,314

For Brazil:

<i>Thousands of euros</i>	2018	2019	2020	2021	Subsequent years	Total
2017	1,556	1,428	0	0	0	2,984

And for Portugal:

<i>Thousands of euros</i>	2018	2019	2020	2021	Subsequent years	Total
2017	8,913	0	0	0	0	8,913

22. Other hedged financial debt

The Group has arranged three derivative instruments on its Repsol shares. The resources obtained from these instruments in the amount of 1,489 million euros (618 million euros in 2016), were classified as "Other secured financial liabilities". All information referring thereto is detailed in Note 24 to these consolidated financial statements.

23. Non-current payables

The breakdown of "Non-current payables" in 2017 and 2016 was as follows:

<i>Thousands of euros</i>	2017	2016
Bills of exchange payable	223	378
Other payables	311,341	280,841
Guarantees and deposits received	3,552	3,678
TOTAL	315,116	284,897

"Other payables" mainly comprises payables to suppliers of property, plant and equipment where payment does not fall due for more than a year. In 2017 and 2016, this also reflects the balances provided by Autopista del Guadalmedina Concesionaria Española, S.A., which include the subordinated and participating loans granted by the company's other partners.

There were no significant changes in 2017.

The balances include an implied interest rate, and there is considered to be no significant difference between their carrying amount and fair value.

24. Derivative financial instruments

The Sacyr group arranges derivatives only if the risk can be assumed, avoiding the arrangement of financial instruments which may lead to impairment of its equity solvency.

Derivatives which act as their hedges tend to be arranged for long-term financing at floating rates. The objective is to always maintain prospectively effective hedges between the derivatives and the underlying, avoiding speculative positions in the domestic and international financial markets.

The Group seeks to adapt financial liabilities to the best market conditions, and thus occasionally refinances certain liabilities. When a liability or its underlying is renegotiated, the derivative financial instrument used to hedge the related cash flow risk is adapted accordingly.

The derivative financial instruments arranged by the Group hedge exposure to changes in flows associated with financing, and almost all are cash flow hedges as defined by IAS 39. Their objective is to reduce the risk of interest rate variations and their impact on the cash flows associated with the financing hedged, specifically those arising from the increased costs thereof as a result of rising benchmark interest rates, enabling the cost of the transaction to be set.

In the overwhelming majority of cases, variable financing rates are swapped to fixed rates using interest rate swaps (IRS); other instruments such as caps and collars are not representative in the Group's portfolio. As a result, the Group transforms its variable-rate financing into fixed-rate financing for the hedged amount. Nearly all the Group's derivatives are indexed to the euro; only in Chile and Mexico does the group arrange derivatives in non-euro currency. Two cross-currency swaps were signed to convert the project finance in Chilean pesos (CLP) into units of account (CLF), the interest rates for which are expected to be more favourable to the concessionaires and a Cap in Mexico to limit the maximum payable rate. The Group partially hedges the financing based on the arranged derivatives; notional derivatives account for an average of 76% of the principal of the underlying debt (82% in 2016).

In 2016, the hedged financing and the hedge instruments used could be stated as follows:

Thousands of euros	HEDGED ITEM		HEDGE		
	Main	Benchmark rate payable	Nature	Notional	Benchmark rate hedged
Loans to finance concession projects and others	1,020,004			811,336	
Services (Utilities)	145,992	Euribor	IRS	110,186	Euribor
Infrastructure (Motorways, Hospitals, transport hubs)	874,012	euribor/ICP (1)	IRS /CCS	701,150	euribor/ICP (1)
TOTAL	1,020,004			811,336	

(1) ICP: "Índice Cámara Promedio"

The main financing lines hedged and the instruments used to hedge them at year-end 2017 were as follows:

Thousands of euros	HEDGED ITEM		HEDGE		
	Main	Benchmark rate payable	Nature	Notional	Benchmark rate hedged
Loans to finance concession projects and others	1,423,862			1,077,828	
Services (Utilities)	216,068	Euribor	IRS	164,218	Euribor
Infrastructure (Motorways, Hospitals, transport hubs)	1,207,794	euribor/ICP (1)	IRS /CCS	913,610	euribor/ICP (1)
TOTAL	1,423,862			1,077,828	

(1) ICP: "Índice Cámara Promedio"

The changes in the notional amounts of derivatives tied to the financing of both hedges and the speculative ones at 31 December 2016 and 2017 were as follows:

<i>Thousands of euros</i>	CHANGE 2016			
	Notional 31-12-15	Change in current instruments at at 31 December 2015	New instruments	Notional 31-12-16
Loans to finance service concession projects	136,614	(26,428)	25,356	135,542
Loans to finance infrastructure concession projects	961,444	(179,386)	0	782,058
TOTAL	1,098,058	(205,814)	25,356	917,600

<i>Thousands of euros</i>	CHANGE 2017			
	Notional 31-12-16	Change in current instruments at at 31-12-16	New instruments	Notional 31-12-17
Loans to finance service concession projects	135,542	(42,680)	81,600	174,462
Loans to finance infrastructure concession projects	782,058	144,591	62,058	988,707
TOTAL	917,600	101,911	143,658	1,163,169

The market value of the derivatives contracted by the Group, recognised at 31 December 2017, entails a net liability of 218.3 million euros. Balances at year-end 2016 and 2017, and movements in financial asset and liability instruments, both hedging and speculative, were as follows:

<i>Thousands of euros</i>	31-Dec-2015	Movement	31-Dec-2016	Movement	31-Dec-2017
Effective hedging instruments	(162,245)	35,189	(127,056)	(9,215)	(136,271)
Ineffective speculative instruments	(13,433)	(2,502)	(15,935)	1,113	(14,822)
Trading instruments	0	(34,840)	(34,840)	(18,916)	(53,756)
Call/put options	23,751	(37,919)	(14,168)	746	(13,422)
	(151,927)	(40,072)	(191,999)	(26,272)	(218,271)
Financial assets	13,941	15,432	29,373	(14,295)	15,078
Financial liabilities	(189,619)	(17,585)	(207,204)	(12,723)	(219,927)
Call/put options	23,751	(37,919)	(14,168)	746	(13,422)
	(151,927)	(40,072)	(191,999)	(26,272)	(218,271)

The value of the option on Guadalmedina, whose market value at 31 December 2017 provides an asset of 13.4 million euros, is not recognised as a hedge instrument.

The valuations of the instruments, not including the aforementioned option, represent net overall liabilities of 204.9 million euros and account for their full market value. Although the majority were arranged prospectively as hedges, the degree of ineffectiveness quantified afterwards in the link to the underlying financing means that 14.8 million euros were reclassified as speculative instruments at 31 December 2017, recognised in the year's earnings.

The instruments recorded as hedge transactions for financing account for net liabilities of 136.3 million euros (130.4 million euros in 2016). Of these, 133.2 million euros (127.6 million euros in 2016) are pending application to the income statement. The remaining 3.1 million euros (2.8 million euros in 2016) are due to the degree of partial ineffectiveness of several instruments which, though they help to continue with the hedge, have led to recognition of part of the valuation in the earnings for the year and previous years.

The valuations of the interest rate derivatives, mostly vanilla IRS, were made in line with the calculation of the present value of all the settlements envisaged per the notional amount schedule set and with the expected interest rate curve, interpolated in accordance with the establishment and settlement periods. Market data were obtained from Bloomberg, both on the underlying rate curves of 3-6 month Euribor at 31 December 2017 and 2016, and the volatility curve of the caps and swaptions on the different strikes.

The technique used at 31 December 2017 and 2016 to calculate the valuations in accordance with the market curve did not vary with respect to that used at 31 December 2016 and 2015. In the case of options, an insignificant percentage within the Group, their intrinsic value is separated from their temporary value - the latter is affected by volatilities, with a direct impact on results. With this mechanism, the valuations were obtained without considering the credit risk.

On 1 January 2013, IFRS 13 came into force on the measurement of fair value with the consideration of the credit risk on the calculation of the valuation of the derivative instruments, both that relating to each of the counterparts and own credit risk. Since this involves derivatives the market value of which may be positive or negative from the point of view of the Sacyr Group, a counterparty credit risk exists when the value is positive and an own credit risk when it is negative.

A consolidated net positive effect of 6.7 million euros was appraised and recognised in this regard. Without adjusting the credit risk, the valuation of the financial instruments recorded as effective and ineffective interest rate hedge would represent a net liability of 144.4 million euros instead of the 151.1 million euros recognised at 31 December 2017.

At 31 December 2016, the net positive adjustment was 14.1 million euros, without which the net liabilities would have totalled 163.7 million euros instead of the 177.8 million euros recognised.

Accordingly, the average expected exposure was calculated taking into account the changes in the market variables, introducing volatilities as a measurement of the frequency and intensity of the changes in value. This was adjusted by the probability of non-payment of each counterparty. The implicit probability of non-payment was obtained based on market data of companies with a comparable credit rating in some cases and through the implicit quoted price on the secondary own marketable securities market. The loss rate used given the degree of non-compliance is 30% for Project finance and 60% for other types of projects and that of 40% recoverability, which corresponds to the Credit Default Swaps market standard.

Changes in the fair value of derivative financial instruments may exert additional volatility on results, owing to non-compensation because of the hedging against variations in the underlying. To limit this risk, and in light of the requirements under IAS 39, the Group has conducted prospective and retrospective effectiveness tests on instruments designated as hedges when they were initially contracted.

The numeric measurement of effectiveness will indicate the degree to which the changes of value of the hedging instrument offset the changes in the value of the hedged risk.

In accordance with the degree of effectiveness, the valuation of hedges will be recognised in equity to the extent that they are effective, and the ineffective portion will be recognised in the income statement.

With financing in which the underlying loan and the designated instrument contain identical critical characteristics, variance reduction analyses have been conducted comparing the cumulative variance of the hedged instrument with the variance in the hedge relationship. For each rate-renewal date, steps will be taken to ensure that the IRS notional amount does

not exceed the outstanding principal on the loan. If the notional amount does exceed the outstanding principal, the hedge must be considered ineffective as overhedged. The variations in the cash values of the hedged instrument and of the hedging instrument will be calculated on each rate-renewal date.

The main differences between an effective and ineffective hedge are as follows:

- **Effective hedge:** when the ratio of the performance of the hedging instrument and the underlying is between 80% and 125%. In these cases, the measurement of the effective portion of these derivatives has been directly recognised in equity and the ineffective portion in the income statement.
- **Ineffective hedge:** the derivatives are recorded in the income statement for the year. When it is understood that a derivative may pose difficulties because its characteristics include terms that, a priori, cause a certain degree of ineffectiveness, such as step-up in the fixed rate, a mismatch in periods, Euribor benchmark or overhedging, the hypothetical derivative is formulated in accordance with the characteristics of the hedged item. In addition, the change in its valuation is contrasted with the change in the valuation of the actual derivative. Both data series then undergo a regression analysis and statistics accepted in the standard are obtained. Firstly, the R2 correlation coefficient is used to measure the degree to which the two variables are correlated and must be situated between 80% and 100% and, secondly, the slope of the regression line which must lie between 0.8 and 1.25. If the hedge is not 100% effective but is within the margins, it may be considered a hedge under IAS 39, but the degree of ineffectiveness should be recognised directly in the income statement.

The notional amount of derivative contracts entered into relates to the amount on which future settlement of the derivative is based and does not represent a risk undertaken by the Group. Four cross-currency swaps hedging four project finances in Chile were converted, for collection and payment, from Chilean pesos (CLP) into units of account (CLF), but they are not significant amounts for the Group.

The amount corresponding to the effective portion of cash flow hedge derivatives was recognised in the consolidated statement of comprehensive income for 2017 and 2016.

The breakdown is shown below of the maturity at year-end 2017 and 2016 of the notional amounts of the interest rate derivatives of the both the assets and liabilities arranged by the Group and the valuation pending allocation to the income statement, i.e. the effective portion, since the ineffective portion and that related to the speculative derivatives were already included in them.

2016 Thousands of euros DERIVATIVES	Valuation	Notional	Notional					
			2017	2018	2019	2020	2021	Subsequent years
Interest rate derivatives	(111,674)	836,693	(127,762)	(61,733)	(77,575)	(134,532)	(125,696)	(309,396)
-Cash flow hedges (1)	(111,674)	730,429	(117,477)	(46,232)	(59,462)	(109,082)	(102,161)	(296,018)
-Other non-hedge derivatives	0	106,264	(10,285)	(15,501)	(18,113)	(25,450)	(23,535)	(13,378)

* Positive amounts imply increases in notional amounts, while negative amounts relate to redemptions.

(1) The total measurement of derivative financial instruments accounted for as interest rate hedges was 130,474 thousand euros. As a result of the partial ineffectiveness of several hedges at year-end 2016, an outstanding amount of 127,609 thousand euros (7,532 thousand maturing in 2017) was pending recognition in profit and loss. The other 2,865 thousand euros was recognised in the income statement of this year and of previous years.

(2) The total valuation of financial instruments that have ceased to be hedged amounts to 15,935 thousand euros, an amount fully recognised in the current and previous years' results.

2017 Thousands of euros DERIVATIVES	Valuation	Notional	Notional					
			2018	2019	2020	2021	2022	Subsequent years
Interest rate derivatives	(134,942)	1,163,169	(79,074)	(166,785)	(80,015)	(160,447)	(63,556)	(613,292)
-Cash flow hedges (1)	(134,942)	1,077,829	(62,881)	(147,856)	(56,512)	(139,526)	(62,372)	(608,682)
-Other non-hedge derivatives (2)	0	85,340	(16,193)	(18,929)	(23,503)	(20,921)	(1,184)	(4,610)

* Positive amounts imply increases in notional amounts, while negative amounts relate to redemptions.

(1) The total measurement of derivative financial instruments accounted for as interest rate hedges was 136,271 thousand euros. As a result of the partial ineffectiveness of several hedges at year-end 2017, an outstanding amount of 134,942 thousand euros (20,235 thousand maturing in 2018) was pending recognition in profit and loss. The other 1,329 thousand euros was recognised in the income statement of this year and of previous years.

(2) The total valuation of financial instruments that have ceased to be hedged amounts to 14,822 thousand euros, an amount fully recognised in the current and previous years' results.

The expected schedule for future application to the income statement of the valuation of the instruments recognised as hedges, as explained above, is as follows.

Thousands of euros	2016
2017	(19,464)
2018	(20,590)
2019	(16,357)
2020	(7,874)
2021	(7,685)
2022 and subsequent years	(39,702)
TOTAL	(111,674)

Thousands of euros	2017
2018	(20,235)
2019	(22,107)
2020	(15,712)
2021	(13,703)
2022	(5,397)
2023 and subsequent years	(57,789)
TOTAL	(134,943)

For financial instruments measured at fair value, the Group uses the following three-level hierarchy, based on the reliability of the variables used to carry out the measurements:

- Level 1: trading price (unadjusted) on active markets for identified assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. arising from prices); and
- Level 3: variables that are not based on observable market data (non-observable variables).

2016 Thousands of euros	Level 1	Level 2	Level 3
Financial assets measured at fair value	0	15,205	486,041
	0	15,205	486,041
Financial liabilities measured at fair value			
Hedging and trading derivatives	0	207,204	0
Liabilities associated with non-current assets held for sale	0	0	203,042
	0	207,204	203,042
2017 Thousands of euros	Level 1	Level 2	Level 3
Financial assets measured at fair value	0	1,656	492,837
	0	1,656	492,837
Financial liabilities measured at fair value			
Hedging and trading derivatives	0	219,927	0
Liabilities associated with non-current assets held for sale	0	0	176,965
	0	219,927	176,965

In 2017 and 2016, there were no significant transfers between levels in the fair-value hierarchy.

24.1. Derivatives on Repsol shares

The Group, in order to finance its interest in Repsol, arranged the following derivatives, via specialised, single purpose companies, which served to repay the bank loans associated with the interest:

1) Derivatives on 20 million shares:

In September 2016, a derivative was arranged consisting of a Prepaid Forward, via which 239,306 thousand euros were obtained, with a coupon payment of 0.9%. This derivative will be settled in cash, except in the case of early redemption, by either party, in which case it may also be settled via shares as chosen by Sacyr.

A Call Spread was arranged jointly, via which the company reduces its exposure to changes in the share price until 2021, removing exposure to price decreases, making it possible to benefit from revaluation up to a certain value. This derivative is settled by means of cash for the difference. With this derivative there is a premium which is settled periodically by means of the cash flow arising from Repsol dividends. Both the number of initial options and the benchmark securities are adjusted over time depending on the actual Repsol dividend over the expected dividend.

2) Derivatives on 30 million shares:

In December 2016, a derivative was arranged consisting of a Prepaid Forward, via which 378,450 thousand euros were obtained, with a coupon payment of 1.2%. This derivative will be settled in cash, except in the case of early redemption, by either party, in which case it may also be settled via shares as chosen by Sacyr.

A Call Spread was arranged jointly, via which the company reduces its exposure to changes in the share price over a 5-year period, removing exposure to price decreases, making it possible to benefit from revaluation up to a certain value. This derivative is settled by means of cash for the difference. With this derivative there is a premium which is settled periodically by means of the cash flow arising from Repsol dividends. Both the number of initial options and the benchmark securities are adjusted over time depending on the actual Repsol dividend over the expected dividend.

3) Derivatives on 72 million shares:

In April 2017, a derivative was arranged on 72,704,410 shares, consisting of a Prepaid Put, via which 795.2 million euros were obtained as financing, with maturity between 2022 and 2024. The payment of the coupon of this derivative is 1.54% which for payment purposes is settled by means of the flow from the Repsol dividends. This derivative will be settled, as chosen by Sacyr, in cash or via shares (in the event that the value is lower than the put value). Via this derivative, the company reduces its exposure to changes in the share price during the contract period, removing exposure to price decreases, making it possible to benefit from revaluation up to a certain value.

Via these hedges, at 31 December 2017, the risk of fluctuations in the trading price of Repsol is eliminated below a threshold of approximately: 10.5, 11.8 and 12.0 euros per share for 20, 30 and 72.7 million Repsol shares.

These derivatives have been recognised as trading, i.e. at fair value, recognising the changes directly in the income statement.

The valuation of each of the derivatives and the associated liability at December 31, 2016 and 2017 is as follows:

31-Dec-2016			
<u>Euros</u>	IMPACT ON P&L	BALANCE	ASSOCIATED DEBT
20 M acc.	(25,410)	(17,095)	239,844
30 M acc.	(17,745)	(17,745)	378,450
TOTAL	(43,155)	(34,840)	618,294

31-Dec-2017			
<u>Euros</u>	IMPACT ON P&L	BALANCE SHEET	ASSOCIATED DEBT
20 M acc.	(34,256)	(20,495)	239,348
30 M acc.	(33,165)	(18,296)	378,765
72,7 M acc.	(24,926)	(14,965)	871,139
TOTAL	(92,347)	(53,756)	1,489,252

The fair value of the derivatives was recorded under the heading "Derivative financial instruments" both for Assets and Liabilities, (broken down into the corresponding notes both for Assets and Liabilities), and under the heading "Gains or losses from financial instruments" in the income statement. The balance sheet item "Derivative financial instruments" reflects the initial value of the derivative, subsequent changes in value and the payment made for premiums.

The liability recognised in the amount 618.3 million euros and 1,489.3 million euros corresponds to the amount of financing obtained via the derivative instruments. This item does not include the fair value of the forward which is recognised under the item "Derivative financial instruments".

Regarding the hierarchy thereof, the derivatives included in the arranged instruments can be divided into the following type:

- 1.- Forward sale of Repsol shares.
- 2.- Call-Spread options purchased on Repsol shares.
- 3.- Put options purchased on Repsol shares.

The main inputs required to obtain the fair value of the aforementioned derivatives are as follows:

- Spot price of the Repsol share.
- Discount interest rates (6 month Euribor curve).
- Volatilities.

Regarding dividends, the instruments have been designed in such a way that they are neutral to dividends. Reference dividends are assumed, and in the event of variances from that reference, the number of options and the exercises prices are recalculated such that their fair value is equivalent of the distribution of reference dividends. Accordingly, the amount of dividends distributed is not a critical variable for performing the fair valuation of the derivatives arranged on 20 and 30 million shares.

Regarding volatilities, Bloomberg quotes the implicit volatilities (volatility matrix) of the Repsol share for prices of between 10 and 20 euros approximately (depending on the dates and spot price of the Repsol share), and for periods of up to 10 years (the derivatives have a far lower maturity, close to 5 years). In addition, other unobservable volatilities have been used.

For this, and in line with paragraph B35, section D, of IFRS 13, the derivatives are considered level 2 in the valuation hierarchy:

"3-year option on stock market traded shares. The implicit volatility of the shares obtained from extrapolation to year three would be a variable of level 2 if the following conditions were present:

- i. The prices for 1- and 2-year options on shares are observable.
- ii. The extrapolated implicit volatility of a 3-year option is corroborated by observable market data during the majority of the term of the option.

In this case, implied volatility could be obtained by extrapolating the implied volatility of one and two year stock options, and is corroborated via the implied volatility of three year stock options of peers, provided that the correlation of the implied one year and two year volatilities has been established.

Regarding the valuation methodology, the Company has decided to contract the services of an independent expert advisor to calculate the fair value at each accounting year-end. Pursuant to paragraph B45 of IFRS 13, the Company compare the reasonableness of the estimated fair value.

24.2. Other options

Apart from the financial instruments described above, there are other options such as the following:

1. Sociedad Concesionaria Aeropuerto de la Región de Murcia, S.A.

- Put options were granted to the company's non-controlling shareholders, with the following characteristics, they were issued on 31 May 2007 and state that during the construction period and prior to the date of entry into operations once the opening licence to civil traffic has been granted by the related authority, the non-controlling interests will have the option to sell their respective shares (plus the subordinate debt, if any) of their interest in Sacyr-Itinere Infraestructuras, S.A., and the latter will be obliged to buy them, for the amount effectively paid plus the 1-year Euribor, plus 0.50 points, provided that the transfers are authorised by the relevant granting body, in line with that envisaged in this connection in the individual administrative clauses of the tender.

This share purchase arrangement will not be applied when a situation, event, circumstance or condition has arisen, not attributable to the concessionaire, which substantially affects the project's viability.

- Amount: "The transaction price will be determined by the arithmetic average of the appraisal drawn up by two investment banks appointed by mutual agreement of the parties. It will be determined from the end of the construction period."
- Exercise dates: "Six months after the end of the first financial year since the approval date of the start-up of Murcia International Airport by the competent authorities."

The Group estimates that the debt valuation of such options is zero for both 2016 and 2017.

2. Autopista de Guadalmedina, Concesionaria Española, S.A.

Put options were granted in favour of the company's non-controlling shareholders. The shareholders' agreement was drawn up on 3 February 2011 (on 1 June 2012, a novation was signed on the contracts for the put options, participating loans and subordinated debt between Sacyr Concesiones, S.L.U., Sacyr S.A., Caixa Nova Invest S.C.R. de Régimen Simplificado, S.A.U. and NCG Banco, S.A.). The conditions are summarised in the following points:

- On 3 February 2011 the framework agreement was recorded in a public deed for investments to be made between Sacyr Vallehermoso, S.A. and Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (hereinafter, UNICAJA), which owns 30% of Autopista del Guadalmedina, Sociedad Concesionaria, S.A. This agreement establishes that Sacyr Vallehermoso, S.A. will guarantee a minimum return of 5% on the paid-up capital, provided that UNICAJA continues to own at least 15% of the company. A put option was also agreed on the participating loans, to be exercised between 1 January 2015 and 30 September 2015 (finally exercised on the aforementioned date).
- On 3 February 2011, the put option was agreed on the participating and subordinated loans and shares of Autopista del Guadalmedina, Sociedad Concesionaria, S.A., between Sacyr Vallehermoso, S.A., Sacyr Concesiones, S.L. and Caixa Nova Invest de Régimen Simplificado, S.A.U. (hereinafter CAIXA NOVA INVEST). CAIXA NOVA INVEST holds a 30% stake. On 1 June 2012 the put option contract was novated, establishing a validity period for 50% of the shares and loans between 28 October 2017 and 28 October 2018, and for the other 50% between 28 October 2018 and 28 October 2019.

- Pursuant to paragraph 23 of IAS 32, the Group recognised a financial liability for the present value of the amount to be repaid in the event of exercise of the put options. The sum recognised was included under "Other non-current liabilities" in the amount of 45.5 million euros (43.9 million euros in 2016).

25. Trade and other payables and current payables to associates

The breakdown of "Trade and other payables" in 2017 and 2016 was as follows:

<i>Thousands of euros</i>	2017	2016
Advances received on orders	1,122,281	313,471
Certified work pending execution	126,727	141,914
Trade payables	1,106,362	942,521
Bills of exchange payable	105,542	152,325
SUPPLIERS	2,460,912	1,550,231
Bills of exchange payable	1,555	3,452
Other payables	394,033	161,557
Current guarantees and deposits	186	847
OTHER PAYABLES	395,774	165,856
PAYABLE TO EMPLOYEES	44,941	36,136
CURRENT TAX LIABILITIES	111,623	93,145
INCOME TAX PAYABLE	10,122	9,593
TOTAL	3,023,372	1,854,961

In 2017, there was an increase in this heading as a result mainly of the change in the accounting of Superstrada Pedemontana Veneta, S.R.L. and SIS S.C.P.A. which as mentioned above in Note 2, went from using the equity method to full consolidation.

In 2017, included in the item "Advance payments received for orders" are 799 million euros from Superstrada Pedemontana Veneta, S.R.L. corresponding to the client's contribution to the project. This amount shall be cancelled at the end of the construction period.

"Trade payables" mainly relates to balances from the Construction and Services divisions, which contributed 632,245 thousand euros and 217,999 thousand euros respectively (432,154 thousand euros and 223,282 thousand euros respectively in 2016). The increase in the construction business is due to the change in accounting method of SIS, S.C.P.A.

The increase in "Advances received on orders" is due mainly to developments in the construction business.

"Other tax liabilities" at 31 December 2017 and 2016 related mainly to VAT owed by the Group.

25.1 Average period for payments to suppliers

In accordance with the stipulations of the sole additional provision of the Resolution of 29 January 2016, issued by the Spanish Accounting and Audit Institute (ICAC), on disclosures to be included in the notes to the financial statements with regard to the average payment period to suppliers in commercial transactions.

	2017	2016
	Days	Days
Average period for payment to suppliers	47	59
Ratio of transactions paid	37	44
Ratio of transactions pending payment	107	128
	Amount (euros)	Amount (euros)
Total payments made	495,845,592	554,930,494
Total payments outstanding	82,786,833	115,655,611

These amounts do not include payments made to suppliers that are group companies and associates, suppliers of fixed assets or financial lease creditors.

26. Risk management and control policy

Due to its considerable international presence, the Sacyr Group carries out its activity in a number of sectors, social and economic environments and regulatory frameworks. Accordingly, the Company is exposed to a variety of risks related to the businesses and sectors in which it operates.

Sacyr has established a Comprehensive Risk Management System, organised by business units and support areas at corporate level, and has a sound policy in place to efficiently identify, evaluate and manage risks in order to reasonably guarantee the efficiency and effectiveness of operations, reliability of information and compliance with legislation.

The purpose of the Sacyr Group's Risk Management and Control Policy is to establish the scope, values, principles, governance model and operational bases of the Group's Comprehensive Risk Management System to manage and control risks inherent to its business.

This Policy is implemented through the Risk Analysis Regulations ("RAR"), the objectives of which are as follows:

- Identify key processes and decisions within the business where a systematic structured format is established to control and manage critical risks throughout the lifespan of projects.

Describe the risk analysis process.

- Establish how responsibilities are allocated during the analysis process.
- Define escalation for approval of the final recommendation emerging from the analysis.

The Comprehensive Risk Management System is divided into six phases:

- Planning - during this phase, system management tools are deployed and the parties responsible and risk owners are designated for the lifespan of the project.
- Identification - this phase includes activities to identify the subrisks and critical risks associated with each major decision.

- Assessment - this phase includes activities to evaluate, in accordance with the scales defined, filter and prioritise the project's subrisks and critical risks.
- Treatment - the purpose of the activities carried out during this phase is to implement Mitigation Plans to reduce or eliminate exposure to risk before and after maximum tolerances are breached.
- Monitoring - this phase identifies new risks and appraises developments in existing risks, an assessment is conducted of the Mitigation Plans deployed, tolerances and risk assessment scales are calibrated, and Contingency Plans are implemented if the tolerances defined are breached.
- Control – this phase includes activities carried out by the Risk Management and Control Department throughout project lifespans in a bid to secure the lessons learned for continuous improvement of the System and its management.

The financial risk management policy is conditioned by specific legislation and casuistries of the sectors in which the Group operates and by the situation of finance markets.

The Group's main financial liabilities include financing from banks and trade and other payables. Financial assets include trade and other receivables, and cash and cash equivalents arising directly from the transactions performed. The Group has available-for-sale investments and arranges transactions with derivatives.

The Group is exposed, to a greater or lesser extent, depending on the business area, to the risks detailed below, particularly credit, liquidity and market risks, and especially to fluctuations in interest rates and, to a lesser extent, exchange rates.

At year-end the Group performs impairment tests on all its non-financial assets. However, if any signs of impairment are detected, the recoverable value of the asset will be reassessed in order to identify the scope of the impairment loss.

Group policy does not permit speculative trading with derivatives.

There follows a summary of each of these financial risks.

26.1. Credit risk

Credit risk is the risk that one of the counterparties fails to comply with the obligations arising from a financial instrument or purchase agreement, thereby giving rise to a financial loss. The Group is exposed to credit risk in its operating activities, mainly in relation to trade payables, and in its financing activities.

Each business unit performs an assessment prior to the contract, including a solvency survey. When contracts are performed, it monitors debt on a permanent basis, reviewing recoverable amounts and making the necessary corrections.

Customer concentration risk is mitigated by the Group's diverse customer base, 57% (41% in 2016) of which is backed by public sector bodies (central government, regional and local governments, local corporations and public sector companies), as explained in Note 15.

The Group's cash department manages the credit risk of balances with banks and financial institutions. Cash surpluses are invested in low-risk liquid instruments at highly solvent entities.

- **Infrastructure concessions:** credit risk is only slight because revenues are mainly earned from national, regional and local tiers of government in Spain and other countries where the Group operates (see Notes 15 and 41). These administrative authorities have

been settling their debts on a regular basis. Average collection periods have been lengthening recently, giving rise to an increase in the working capital requirement, although these receivables are acknowledged and covered by the contractual relationship set out in the various service and concession agreements. In transport infrastructures road tolls are paid in cash, eliminating credit risk from a large portion of the division's revenue.

The Group's customer base is backed 92.7% (89.4% in 2016) by public sector bodies (central government, regional governments, local corporations and public-sector companies), as explained in Note 15.

At year-end, therefore, no financial assets were in default or impaired. Nor had any guarantees been accepted against payment.

- **Services:** Credit risk in the Services division must be analysed individually for the Group's different businesses. The different types of service customer are described in Note 15. Valoriza (Services division) has four main areas of activity.

Environment

Credit risk can be considered to be minimal since the breakdown of customer receivables is as follows:

- Public sector customers: 88.6% (82.5% in 2016).
- Private customers: 11.4% (17.5% in 2016).

Almost 89.7% of public sector customers are town halls (81.6% in 2016), with central or regional governments making up the remainder. Credit risk is practically non-existent since, even though public-sector companies are not particularly scrupulous in complying with the contract payment conditions and on occasions default or generate delays, public authorities are not insolvent by nature, and any delays or defaults are compensated with late-payment interest under the law governing public procurement contracts and Royal Legislative Decree 8/2013, and therefore most of the default problems to date at certain companies have been resolved.

Private customers with payables dating back over six months do not present major problems of insolvency, as credit reports are required before most contracts are signed. At the end of each year, provision for doubtful debts is posted for private customer balances aged over six months. Balances in recent years have not been particularly significant.

Water

The drinking water distribution business is exposed to specific credit risk, as supply is associated with collection of the rate. Experience in this business indicates a payment default rate of less than 2% in 2016 and 2017.

Multiservices

Valoriza Facilities' credit risk can be considered minimal, as 57% of average balances receivable by the Company are from public-sector customers (64% in 2016), 20% from Group customers and associates (15% in 2016) and 23% from private customers (21% in 2016). We feel the Company's structure will continue to feature a larger percentage of public-sector customers in its client base. In

the private sector, tougher contracting conditions and proactive collection management produce a minimum level of risk.

The credit risk in Valoriza Servicios a la Dependencia, S.L.U. can be considered minimal, since in relation to the average balance the Company has receivable, 95% of its customers are from the public sector (99% in 2016). At 31 December 2016 and 2017, the balance of receivables from public sector customers, past-due between 180 and 360 days, amounted to 0.29% and 0.77% of the total, respectively. The balance of receivables from public sector customers, past-due by over 360 days, represented 0% in 2016 and 0.42% in 2017.

At Valoriza Conservación de Infraestructuras, S.A.U., the distribution of receivables is largely guaranteed due to the nature of the debtor: public institutions, central and local government represent 13% of the total, private companies 18%, with Group companies and associates making up the remaining 69% (16%, 24% and 60% respectively in 2016).

At Cafestore, the credit risk is low, since most of the transactions are collected in cash; collections are made in cash on the date of the sale or provision of a service.

- **Industrial:** The potential credit risk is practically nil, since the Company acts as a holding of other power companies and most of its revenue is earned with the other group companies and as the successful bidder on EPC projects where the customers are usually public bodies.
- **Construction:** credit risk in the Construction division is analysed for each type of customer (see Note 15):
 - Public sector, public institutions, regional governments and local councils, i.e. public sector with good credit ratings.

The whole of the public sector represented 56% of the receivable balance at 31 December 2017 (33% at 31 December 2016).

- Private customers. To mitigate risks of default, the Group implements control mechanisms before awarding contracts based on studies of customer solvency. The financial and legal departments continuously monitor this risk throughout project execution in order to control collections; the average collection period is 114 days (175 days in 2016).

At year-end, no significant financial assets were in default or impaired. Nor was it considered necessary to provide any guarantees against payment.

26.2. Liquidity risk

The factors causing liquidity risk are investment based on business plans, which require additional funding, and the excessive concentration of short-term loan repayments which require immediate financing. These circumstances could impair the ability to meet payment obligations, albeit temporarily.

Liquidity risk in each of the Sacyr Group's business areas is as follows:

- **Infrastructure concessions:** Liquidity risk is low at the concession operators forming part of Sacyr Concesiones, due to the nature and characteristics of the businesses'

collections and payments structure, EBITDA, project financing, toll systems and clearly defined, systematic investment upgrade programmes. Consequently, concession operators do not require credit facilities. Nevertheless, the Parent company of the Sacyr Concessions Group has assigned working capital credit facilities to cover possible timing differences causing gaps in cash flow at its subsidiaries and to meet any unexpected demands for capital for on-going projects or in newly awarded concessions.

The financing structure, financing products, hedging arrangements, guarantees and the most appropriate financing instruments are selected on the basis of the nature and extent of the risks inherent to each project, with a view to eliminating or mitigating the risks as far as possible, without losing sight of the risk/reward trade-off. Financing tends to take the form of structured project financing where the lender undertakes substantially all the transaction risks in exchange for guarantees, with limited recourse to developers or shareholders.

Note 21 provides a detailed breakdown of the maturities of liabilities with banks.

Notes 12 and 24 contain information on the various financial options with non-controlling shareholders and banks.

- **Services:** liquidity risk in services must be analysed individually for the Group's different businesses.

Environment

The Company's business requires hefty investment at the beginning of the concessions, including in machinery, containers, treatment plants, purifiers and other items of property, plant and equipment. These investments are recovered over the concession period in accordance with repayments and financing, at interest rates that are considerably above the Company's cost of capital.

To finance these investments, the Group structures debt in such a way as to allow the project to finance the initial requirements, through project financing for the contracts entailing the largest investment (the urban solid waste processing plant in Los Hornillos, the thermal sludge drying plant in Butarque and the incinerator in Maresme) or by lease lines to finance the acquisition of machinery and equipment, which are paid with the cash generated by the project.

EBITDA of the businesses ensures that liquidity risk is low, as the various projects are financed with the cash flow they generate.

Regarding working capital, public sector clients are legally solvent, even though they may on occasion be slow to pay generating short-term cash requirements. To meet these needs, the Company has its own credit facilities, currently 69.93% drawn down (62.65% in 2016). Credit terms offered to customers can be traded via factoring lines or by discounting construction certificates. In the event that a risk were to arise because the Company were unable to secure sufficient credit facilities, it could trade the certificates and use the factoring lines currently contracted.

Water

The Group estimates that there is no liquidity risk in this business as investments are financed with the cash flow generated by projects.

Multiservices

Valoriza Facilities has sufficient credit facilities to cover its payment obligations. In addition, it has arranged factoring contracts that enable it to undertake invoice discounting in order to finance working capital. Therefore, liquidity risk is minimal.

Valoriza Conservación de Infraestructuras has not had any problems in raising finance, 43.1% of its debt matures long term (97% in 2016). The composition of its financial liabilities is as follows:

- Credit facilities and loans: 18.48% (2% in 2016).
- Finance leases: 81.52% (16% in 2016).
- Government-subsidised loans: 0% (82% in 2016).

Cafestore has no liquidity risk, as it has sufficient bank loans to meet its working capital needs.

- **Industrial:** The financing structure, financing products, hedging arrangements, guarantees and the most appropriate financing instruments are selected on the basis of the nature and extent of the risks inherent to each project, with a view to eliminating or mitigating the risks as far as possible, without losing sight of the risk/reward trade-off. Financing tends to take the form of structured project financing where the lender undertakes substantially all the transaction risks in exchange for guarantees, with limited recourse to developers or shareholders.
- **Construction:** the Construction business has adequate liquidity to cover its projected current obligations with the credit and loan facilities it has arranged with banks, cash and short-term financial investments. Activity remains stagnant in Spain and Portugal and as a result the generation of cash flow is being affected; to address this transitory situation, the construction division, in 2017 continued to adapt them to the current cash flow forecast across all geographic markets where it operates.

Short-term cash surpluses are occasionally invested in highly liquid short-term risk-free deposits, provided this is in line with best financial management practice. The Group is not considering the option of acquiring equity options or futures or any other high-risk deposit as a means of investing its short-term cash surpluses.

26.3. Market risk

Interest rate risk: To ensure a balanced financing structure and reduce the exposure of its businesses to the risk of interest rate fluctuations, the Group needs to have a reasonable balance between floating-rate and fixed-rate loans, either because they are inherently fixed-rate loans or because they are guaranteed with derivative financial instruments.

Underlying debts requiring greater coverage vis-à-vis interest rate fluctuations are project financing loans and those associated with specific assets since they are exposed during longer periods, in view of the repayment deadlines, and due to their strong correlation with project cash flows.

The schedule and conditions of these derivatives are tied to the characteristics of the underlying debt they cover, and thus their repayment dates are the same as or slightly ahead of debt, and the notional amount is the same as or less than the loan's outstanding principal. Virtually all these derivatives relate to interest rate swaps (IRS).

These financial instruments guarantee payment of a fixed rate on loans required to finance projects in which the Group participates.

The structure of Group borrowings at 31 December 2017 and 31 December 2016, distinguishing between fixed-rate and hedged borrowings - after taking into consideration hedging arrangements - and floating-rate borrowings, is as follows:

Thousands of euros	2017		2016	
	Amount	%	Amount	%
Fixed-rate or hedged borrowings	2,224,554	39.37%	1,524,540	34.38%
Floating-rate debt	3,425,818	60.63%	2,910,200	65.62%
TOTAL	5,650,372	100.00%	4,434,740	100.00%

The proportion of loans with a fixed interest rate, due to their nature or because they were hedged, increased 5 points against 2016 levels, remaining above 39%.

Interest rate risk has been mitigated by the use of fixed-rate financing and the derivative instrument of interest rate swaps. Financial derivatives represent 52% of fixed-rate borrowings.

To gauge the impact of a 100bp increase in the benchmark interest rate, pre-tax finance expenditure is recalculated, taking into account the tax rate in force, to show the amount of interest that the outstanding balances of borrowings would accrue. The same procedure is used with derivatives: taking into account the outstanding notionals, a simulation is performed of the impact of such a change on their variable portion. The aggregate of the two financial settlements indicates the impact on income and therefore on equity.

In 2017 and 2016 a sensitivity analysis was not performed with regard to the rate reduction, since the 3M and 6M Euribor benchmark rates used in most borrowings and derivatives stood at less than 1% and therefore it did not make sense to perform a simulation.

The market valuations of the derivatives recognised at year-end would undergo a change as a result of the fluctuations in the expected Euribor curve. The new present value of the derivatives portfolio, considering that the remaining contractual conditions and the tax rate in force are maintained each year, would have an impact on the Group's earnings and equity.

The sensitivity of profit and equity to interest rates, when the analysis is conducted with outstanding balances on borrowings at 31 December, is as follows:

Thousands of euros	2017		2016	
Borrowing cost at current average rate (Co) *	212,124		184,329	
	(Co)+1%	(Co)-1%	(Co)+1%	(Co)-1%
Borrowing cost at average cost +100 bp / -100 bp	247,160	-	214,269	-
Changes in profit:	(26,277)	-	(21,898)	-
Changes in equity:	199	-	(131)	-

* Estimate based on the debt at the average interest rate at 31 December.

Does not represent actual income statement figures.

No analysis of sensitivity to a fall in interest rates was carried out as the 3-month and 6-month Euribor used mainly in the Group were below 1%, making a simulation ineffective.

Note 24 on derivative financial instruments addresses their composition and breakdown.

Exchange rate risk: as the Group operates abroad, it is exposed to exchange rate risks on currency transactions, but this had had no major impact at year-end 2017 and 2016. The bulk of foreign investment outside the Eurozone was in Chile, Panama and Peru, countries that enjoy considerable economic, political and social stability.

Within this risk category, some attention should be drawn to the impact of currency fluctuations on the translation of the financial statements of foreign entities the functional currency of which is not the euro: corporate policy is to mitigate this risk by means of natural hedging, by purchasing materials and contracting services in the currency in which the cash flows are generated.

That said, the Group's rapid geographic expansion in recent years means that in the future it may encounter situations that give rise to exchange rate risk. In these circumstances, it will consider how this risk can best be minimised through the use of hedging instruments under the umbrella of conservative corporate policy.

Risk to demand for concession projects: the main source of revenue in the motorway concessions business is tolls paid by travellers, which depends on the number of vehicles using the toll roads and the capacity of the motorways to absorb traffic. Daily traffic volumes and toll revenue depend, in turn, on a number of factors, including the quality, convenience and duration of travel by alternative toll-free roads or on other toll roads not run by the Group, the quality and upkeep of the Group's concession motorways, the economic scenario and the price of fuel. Volumes can also be affected by natural disasters such as earthquakes and forest fires, weather conditions in the countries where the Group operates, environmental laws (including pollution control measures restricting the use of motor vehicles), and the viability and existence of alternative means of transport, such as planes, trains, buses or other public transport services. The Group has measured the recoverability of the investment by continuously reviewing its valuation models in due consideration of traffic flow and the economic growth outlook for the market where each concession operates.

The Group's other concessions mainly focus on water, where the predominant drinking water distribution business is not exposed to specific credit risk, as supply is associated with the collection of the tariff.

Risks associated with international expansion: the Group plans to continue expanding its business in other countries, seeing this as a way to boost growth and profitability. However, prior to making any foreign investment, the Group conducts an exhaustive on-site suitability analysis, which can take several years. Nonetheless, any expansion into new geographic regions carries some risk as it involves working in markets in which the Group does not have the same degree of experience as it has in its current markets.

Other risks to which the Group is exposed are:

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

The Group has implemented control systems to adequately identify, quantify, evaluate and remedy all these risks, in order to minimise or eliminate the consequences. The Group also takes out and renews insurance policies to cover these risks, among others.

Regulatory risk: The Group seeks to serve society in all its business areas by applying a sustainable and profitable business model that adds value for all stakeholders through innovation, technological progress and excellence in delivery.

To this end, the Group has drawn up the Corporate Responsibility Master Plan, approved by the Board of Directors, which lays down guidelines on each unit's commitments to employees and the environment.

The Group invests appropriate resources to ensure that the Plan guidelines are met, and is constantly extending the scope of certifications, the number of audits, environmental quality management systems and initiatives to improve energy efficiency and manage emissions, waste and spillages.

26.4. Capital management policy

The principal aim of the Group's capital management policy is to ensure that the financial structure complies with prevailing standards in countries in which the Group operates.

The Group's policies are aimed at meeting all its financial obligations, and in particular the credit ratios established in financing agreements. Exceptionally and very occasionally, it is possible that a ratio may not be met in one of the companies as a result of its asset management. The potential non-compliance in this regard is described in the notes on financial debt.

The Group's gearing ratio at the reporting date 2017 and 2016 is as follows:

<i>Thousands of euros</i>	2017	2016
Gross debt	5,650,372	4,434,740
Cash	(2,115,992)	(621,308)
Current financial investments	(113,361)	(87,551)
Net debt	3,421,019	3,725,881
Equity	2,004,419	2,080,398
Total equity + net debt	5,425,438	5,806,279
Gearing ratio	63.06%	64.17%
Net debt / equity	1.7	1.8

Gross debt does not include the hedged financial debt described in Note 22.

27. Revenue

The breakdown of revenue from the Group's ordinary activities in 2016 and 2017, by division and geographic market, is as follows:

2016	Holding	Construction	Concessions	Valoriza	Industrial	Vallehermoso	TOTAL
<i>Thousands of euros</i>							
Spain	33,774	329,529	152,919	815,510	139,698	0	1,471,430
Portugal	0	99,739	4,030	28,400	382	0	132,551
Ireland	0	2,253	1,252	0	0	0	3,505
Angola	0	91,597	0	0	0	0	91,597
Italy	0	131,477	0	0	273	0	131,750
Algeria	0	0	0	6,853	0	0	6,853
Cape Verde	0	13,371	0	0	0	0	13,371
Australia	0	0	0	14,645	147	0	14,792
US	0	0	0	0	1,127	0	1,127
Brazil	0	25,357	0	0	75	0	25,432
Panama	0	6,667	0	0	5,847	0	12,514
Mexico	0	67,400	0	0	12,435	0	79,835
Bolivia	0	0	0	0	27,781	0	27,781
Israel	0	0	0	17,645	0	0	17,645
Mozambique	0	21,640	0	0	0	0	21,640
Colombia	0	75,089	40,708	0	82,561	0	198,358
Qatar	0	33,195	0	0	0	0	33,195
Togo	0	660	0	0	0	0	660
UK	0	37,968	0	0	3,201	0	41,169
Peru	0	28,478	30,261	1,366	104,021	0	164,126
Uruguay	0	342	99	0	0	0	441
Oman	0	0	0	9,638	0	0	9,638
Argentina	0	0	0	0	5,024	0	5,024
Belgium	0	0	0	0	3,290	0	3,290
Netherlands	0	0	0	0	5,361	0	5,361
Morocco	0	4,807	0	0	0	0	4,807
Norway	0	0	0	0	714	0	714
Ecuador	0	0	0	0	7,797	0	7,797
Chile	0	280,354	323,169	14,192	845	0	618,560
TOTAL	33,774	1,249,923	552,438	908,249	400,579	0	3,144,963
Consolidation adjustments	(33,774)	(18,494)	(187,708)	(44,196)	(316)	0	(284,488)
CONTINUING OPERATIONS	0	1,231,429	364,730	864,053	400,263	0	2,860,475
DISCONTINUED OPERATIONS	0	0	0	0	0	2,320	2,320
2017							
<i>Thousands of euros</i>							
Spain	31,184	222,294	166,268	813,186	165,824	0	1,398,756
Portugal	0	64,225	882	29,827	714	0	95,648
Ireland	0	1,624	1,262	0	0	0	2,886
Angola	0	60,397	0	0	0	0	60,397
Italy	0	326,411	56	0	100	0	326,567
Cape Verde	0	6,389	0	0	0	0	6,389
Australia	0	0	0	11,393	2,379	0	13,772
US	0	0	0	0	162	0	162
Brazil	0	12,934	0	0	0	0	12,934
Panama	0	155	0	7	6,966	0	7,128
Mexico	0	108,298	5,612	14	256	0	114,180
Bolivia	0	0	0	1,592	24,465	0	26,057
Israel	0	0	0	0	492	0	492
Mozambique	0	1,786	0	0	0	0	1,786
Colombia	0	82,730	74,780	162	2,089	0	159,761
Qatar	0	58,296	0	0	0	0	58,296
Togo	0	2,152	0	0	0	0	2,152
UK	0	29,504	0	32	352	0	29,888
Peru	0	53,086	74,351	58,079	158,124	0	343,640
Uruguay	0	1,128	4,782	116	0	0	6,026
Oman	0	0	0	9,394	70,309	0	79,703
Belgium	0	0	0	0	2,257	0	2,257
Netherlands	0	0	0	0	1,418	0	1,418
Ecuador	0	0	0	51	45,776	0	45,827
Chile	0	193,575	284,771	28,042	37,266	0	543,654
Paraguay	0	0	0	0	0	0	0
Germany	0	0	0	0	2,148	0	2,148
Iceland	0	0	0	0	573	0	573
Malaysia	0	0	0	0	1,041	0	1,041
Norway	0	0	0	0	140	0	140
TOTAL	31,184	1,224,984	612,764	951,895	522,851	0	3,343,678
Consolidation adjustments	(31,184)	(12,735)	(170,426)	(35,736)	(991)	0	(251,072)
CONTINUING OPERATIONS	0	1,212,249	442,338	916,159	521,860	0	3,092,606
DISCONTINUED OPERATIONS	0	0	0	0	0	5,247	5,247

Disclosures of contracts in progress at the reporting date required by IAS 11 Construction Contracts are shown in the table below, including: aggregate costs incurred and profit recognised (less losses recognised), the amount of advances received and the amount of payments withheld:

<u>Thousands of euros</u>	2017	2016
Cumulative revenue on contracts in progress at year end	7,816,547	8,841,719
Contracts in progress at year end		
Cumulative costs incurred	(7,193,995)	(8,662,788)
Cumulative income recognised	622,553	178,931
Advances received	1,122,281	313,471
Withholdings	49,341	51,610
Completed work pending approval, net	748,358	664,652
Advanced certification	126,727	141,914

28. Supplies

The breakdown of "Supplies" in 2017 and 2016, by item and business area, is as follows:

<u>Thousands of euros</u>	2017	2016
Sacyr Construcción	710,274	713,915
Valoriza	168,632	215,160
Industrial	319,112	173,095
Concessions,	65	147
Other and adjustments	(21,178)	(8,322)
TOTAL	1,176,905	1,093,995

<u>Thousands of euros</u>	2017	2016
Consumption of commercial inventories	150,401	100,055
Consumption of raw material and other consumables	373,276	328,953
Other external expenses	653,226	664,986
TOTAL	1,176,903	1,093,994

29. Other operating expenses

The detail of this heading in 2017 and 2016, by item and business area, is as follows:

<u>Thousands of euros</u>	2017	2016
External services	637,152	597,312
Taxes other than income tax	36,179	30,504
Other operating costs	65,730	42,605
TOTAL	739,061	670,421

The Group has no significant payments to make under operating leases in the next five years.

30. Gains and losses on acquisition/disposal of assets

In 2016, the gains and losses on the sale of assets were mainly due to the following:

- A gain of 19,740 thousand euros from the sale of 97.84% of the stake in Hospitais Concessionados, SGPS. S.A., the holding company to which the Group's ownership interests in various Portuguese concessionaires and operators had previously been transferred. The companies and their respective percentage ownership interests prior to this sale transaction, were as follows:
 - Escala Braga – Sociedade Gestora do Edifício, S.A.: 51%.
 - Escala Parque – Gestão de Estacionamento, S.A.: 51%.
 - Escala Vila Franca – Sociedade Gestora do Edifício, S.A.: 50.99%.
 - PNH – Parque do Novo Hospital, S.A.: 50.99%.
 - Haçor – Concessionária do Edifício do Hospital da Ilha Terceira, S.A.: 39%.
- On 29 November 2016, Valoriza Minería S.L.U. acquired 100% of Río Narcea Recursos, S.A. from Lundin Mining AB. The acquisition cost amounted to 100 euros.

At the time of purchase, the carrying amount of the net assets of Río Narcea Recursos, S.A. was equal to their fair value: 3,499.9 thousand euros. Therefore, no adjustment to the fair value of the assets was required.

In 2017, no significant changes took place in the profit/loss from purchase/sale of assets.

31. Finance income and costs

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

Thousands of euros	2017	2016
Income from other marketable securities	14,971	11,891
Other interest and income	33,434	25,666
Exchange differences	0	10,986
TOTAL INCOME	48,405	48,543
Finance costs	(136,448)	(242,545)
From bank loans, credits and obligations	(222,658)	(238,221)
Change in provisions for financial investments	86,210	(4,324)
Gain/(loss) on financial instruments	(144,754)	(67,556)
Financial costs comparable to and financial trading instruments	(71,371)	0
Gain/(loss) on financial trading instruments	(49,193)	(43,155)
Gain/(loss) on financial hedging instruments	(24,190)	(24,401)
Exchange differences	(71,236)	0
TOTAL COSTS	(352,438)	(310,101)
FINANCIAL LOSS	(304,033)	(261,558)

The Sacyr Group uses derivative financial instruments to eliminate or significantly reduce its interest rate, foreign currency and market risk in monetary transactions, asset positions and other transactions. In general, these instruments are treated as hedges when they qualify for hedge accounting. Those that do not are classified as held for trading, with gains or losses recognised directly in the separate consolidated income statement.

The balance under the heading "Change in financial investments" was lower in 2016, as no new provisions were made during the year.

In 2017, there was an increase in the costs from exchange rate differences as a consequence of the change in exchange rates versus the euro.

32. Earnings per share

Basic earnings per share are calculated by dividing the Group's allocated profit for the year by the average weighted number of shares outstanding during the year, excluding the average number of treasury shares held.

	2017	2016
Net profit/(loss) attributable to equity holders of the parent (thousands of euros)	130,644	120,242
Weighted average number of shares outstanding (thousands of shares)	524,347	517,431
Less: average number of treasury shares held ('000)	(1,884)	(6,965)
Average number of shares used to calculate basic earnings per share	522,463	510,466
Basic earnings per share (euros)	0.25	0.24

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Parent (after adjustment of the interest of potentially dilutive shares) by the weighted average number of additional ordinary shares that would have been outstanding if all the potential ordinary shares with dilutive effect had been converted to ordinary shares. Dilution is assumed to occur either at the start of the period or at the issue date of the potential ordinary shares if these were issued during the year.

	2017	2016
Net profit/(loss) attributable to equity holders of the parent (thousands of euros)	130,644	120,242
Plus: Convertible bond interest (thousands of euros)	16,658	18,615
Adjusted net profit/(loss) attributable to equity holders of the parent (thousands of euros)	147,302	138,857
Weighted average number of shares outstanding (thousands of shares)	524,347	517,431
Less: average number of treasury shares held ('000)	(1,884)	(6,965)
Plus: average number of convertible bond shares held (thousands of shares)	45,957	52,912
Average number of shares used to calculate basic earnings per share	568,420	563,378
Diluted earnings per share (euros)	0.26	0.25

Earnings per share in discontinued operations are as follows:

	2017	2016
Net profit/(loss) on discontinued operations att. to equity holders of the parent (thousands of euros)	0	0
Weighted average number of shares outstanding (thousands of shares)	524,347	517,431
Less: average number of treasury shares held ('000)	(1,884)	(6,965)
Average number of shares used to calculate basic earnings per share	522,463	510,466
Basic and diluted earnings per share for discontinued operations (euros)	0.00	0.00

33. Backlog by activity

The breakdown of the order backlog by activity and nature of business at 31 December 2017 and changes since 2016 are as follows:

<i>Thousands of euros</i>	2017	2016	Chg. Abs.	Chg. %
Sacyr Construcción - Somague (construction backlog)	5,868,452	4,131,455	1,736,996	42.04%
Civil work backlog	4,975,663	3,217,779	1,757,884	54.63%
Construction backlog	892,789	913,677	(20,888)	(2.29%)
Residential construction	48,328	45,109	3,219	7.14%
Non-residential construction	844,461	868,567	(24,107)	(2.78%)
Sacyr Concesiones (revenue backlog)	27,162,672	12,925,643	14,237,028	110.15%
Valoriza (revenue backlog)	5,660,637	6,447,180	(786,543)	(12.20%)
Sacyr Industrial (services backlog)	2,309,709	2,452,036	(142,327)	(5.80%)
TOTAL	41,001,470	25,956,315	15,045,155	57.96%

The Sacyr Construcción-Somague increased due to the inclusion of very significant contracts during 2017, such as, among others: the construction of the "Pedemontana-Veneto" motorway (Italy), in the amount of 1,594 million euros, having become fully integrated; the construction contract for the new Fourth Generation Motorway "Cúcuta-Pamplona" (Colombia), in the amount of 479 million euros; the construction of the new motorways "Routes 2 and 7" (Paraguay), in the amount of 172 million euros, the construction of the new "Quillota-Petorca" Hospital (Chile), in the amount of 128 million euros; the new General Hospital for the Southern Regional District, Mexico D.F., in the amount of 54 million euros; the construction of the new "Pirámides-Tulacingo-Pachuca" motorway (Mexico), in the amount of 41 million euros; the construction of an industrial plant for the manufacture of iberian products, in Jabugo (Huelva), in the amount of 39 million euros; the renovation of the sports centre "Andrés Avelino Cáceres", in Lima (Peru), in the amount of 31 million euros; the construction of the new Local General Hospital in Acuña City (Mexico), in the amount of 21 million euros; the construction works for the waste collection, water treatment and sewage, for plots A and B of the development area QEZ-1, Ras Bufontas (Qatar), in the amount of 20 million euros, and the construction of the new General Hospital in the city of Pachuca (Mexico), in the amount of 18 million euros.

The Sacyr Concessions order book more than doubled during the year thanks to the inclusion of the following important projects: operation, over 39 years, of the "Pedemontana-Veneta" motorway, in the amount of 9,525 million euros; operation of the "Cúcuta-Pamplona" motorway, in Colombia, in the amount of 2,441 million euros; operation of Highway Routes "2 and 7" in Paraguay, in the amount of 1,282 million euros, over the 30-year concession; operation of the new General Hospital for the Southern Regional District, Mexico D.F., in the amount of 1,045 million euros, over the 23-year concession, and operation of the "Pirámides-Tulacingo-Pachuca" motorway, also in Mexico, in the amount of 235 million euros, over the 10-year concession.

The drop in the Valoriza order book was a result of the turnover in the year, and the transfer of the desalination, purification and treatment plants construction business (EPC) to Sacyr Industrial. Nevertheless, in the year, several significant contracts were signed, including: operation, over a 15-year period, of a waste treatment and composting plant in Melbourne (Australia), in the amount of 113 million euros; the operation and maintenance services of the "Ruta del Litoral" motorway (Uruguay), in the amount of 41 million euros and a term of 25 years; conservation and maintenance services for various sections of motorway (mixed overall) in various regions in Chile, in the amount of 40 million euros, and a 4-year term; conservation and maintenance services of Galician motorways: Autopistas del Atlántico (AP-9) and Autoestradas de Galicia (AG-55), in the joint amount of 40 million euros and a 6-year term; development of a new "Facility Management" model at the Madrid and regional offices, for Repsol, in the amount of 31 million euros over 5 years; the cleaning, maintenance of Madrid City Council green spaces, plots 2 and 3, in the amount of 24 million euros and a 4-year term; the extension of a desalination plant contract for

Comunidad de Regantes de Cuevas de Almanzora (Almería), in the amount of 19 million euros and 20-year term and the operation and maintenance of a thermal sludge drying plant of Madrid City Council, in the amount of 16 million euros.

Finally, the Sacyr Industrial backlog was also reduced due to annual turnover, although several major contracts were included throughout the year, such as: the design, construction, assembly and start-up of a new production line at a cement plant in Potosí (Bolivia), for 78 million euros; contracts to extend several electrical lines and substations in Chile, for 60 million euros; the design, construction, assembly and start-up of a new waste treatment plant in Melbourne (Australia), for 30 million euros; the management consultancy contract for two liquefaction plants for Sonatrach (Algeria), for 22 million euros, and a two-year term, and the complementary works at a Cement Plant in Chimborazo (Ecuador), for 12 million euros.

<u>Thousands of euros</u>	2017	%	2016	%
International backlog	29,756,866	72.58%	13,469,809	51.89%
Backlog in Spain	11,244,604	27.42%	12,486,506	48.11%
TOTAL	41,001,470	100.00%	25,956,315	100.00%

International business made up 51.89% of the Group's backlog at 31 December 2017, and Spanish business the remaining 48.11%.

34. Directors' and Senior Management remuneration and other benefits

34.1. 2016

There were no changes to the Board of Directors in 2016.

For 2016, the remuneration agreed by the Board was as follows:

- For Board members: 72,000 euros gross per year.
- For members of the Executive Committee: 45,000 euros gross per year.
- Members of the Audit Committee: 22,000 euros gross per year.
- For members of the Appointments and Remuneration Committee: 20,000 euros gross per year.

Following is an itemised breakdown of the remuneration earned at year-end 2016:

REMUNERATION 2016					
Bylaw-stipulated emoluments	Board of Directors	Audit Committee	Executive Committee	App. and Remun. Comm.	Total 2016 allowances
Manuel Manrique Cecilia	93,600.00	0.00	58,500.00	0.00	152,100.00
Demétrio Carceller Arce	82,800.00	0.00	45,000.00	20,000.00	147,800.00
Matias Cortés Domínguez	72,000.00	0.00	0.00	0.00	72,000.00
Francisco Javier Adroher Biosca	72,000.00	0.00	0.00	0.00	72,000.00
Juan M ^o Aguirre Gonzalo	72,000.00	28,600.00	0.00	0.00	100,600.00
Augusto Delkader Teig	72,000.00	22,000.00	0.00	26,000.00	120,000.00
Raimundo Baroja Rieu	72,000.00	22,000.00	0.00	0.00	94,000.00
Isabel Martín Castella	72,000.00	22,000.00	0.00	20,000.00	114,000.00
Prilou, S.L. (J.M. Loureda Mantinián)	72,000.00	0.00	45,000.00	20,000.00	137,000.00
For Prilomi, S.L. J M Loureda López	72,000.00	0.00	0.00	0.00	72,000.00
Grupo Satocán Desarrollos, S.L. (Juan Miguel Sanjuan Jover)	72,000.00	22,000.00	0.00	0.00	94,000.00
Beta Asociados, S.L. (José del Pilar Moreno Carretero)	72,000.00	0.00	0.00	0.00	72,000.00
Grupo Corporativo Fuertes, S.L. (Tomás Fuertes Fernández)	72,000.00	0.00	0.00	20,000.00	92,000.00
Cymofag, S.L. (Gonzalo Manrique Sabatel)	72,000.00	0.00	0.00	0.00	72,000.00
TOTAL	1,040,400.00	116,600.00	148,500.00	106,000.00	1,411,500.00

The remuneration accruing in 2016 to members of the Board and Senior Management at the Company, by items, was as follows:

Euros	Fixed	Floating rate	Other	Life insurance	Pension savings plan	Total
Manuel Manrique Cecilia	1,500,000.00	1,485,000.00	1,000,000.00	382.01	378,851.00	4,364,233.01
Senior management	2,260,523.00	864,822.00	0.00	53,492.00	136,733.00	3,315,570.00
TOTAL	3,760,523.00	2,349,822.00	1,000,000.00	53,874.01	515,584.00	7,679,803.01

The item "Other" relates to the extraordinary variable remuneration approved by the Board of Directors at its meeting on 31 March 2016, for the outstanding achievement in contributing to the improvement and strengthening of the Group's balance sheet and financial ratios through the sale of the subsidiary Testa Inmuebles en Renta, S.A.

In 2016 there were changes to the number of members and persons forming part of the Senior Management team, which is considered to include executives reporting directly to the Company's Executive Chairman, incorporating the CEOs of the Parent's direct subsidiaries and the Group's Managing Directors, including the internal auditor.

In 2016, the amount of pension rights accumulated by the Chairman of the Board of Directors amounted to 1,857 thousand of euros.

The Chairman of the Board of Directors is entitled to receive termination benefits in the event of dismissal on grounds other than breach of duty by the director or resignation for reasons beyond the control of the director, consisting of a total gross amount equal to 2.5 times the sum of the fixed remuneration and the variable remuneration received during the year immediately prior to that in which the scenario that gave rise to the termination occurred. Similarly, a non-competition obligation is established for a period of two years following the date on which the employment contract is terminated for reasons other than retirement, death or disability, or dismissal for reasons attributable to the director. As economic compensation for this obligation, the director will receive 1.5 times the fixed remuneration received over the twelve months prior to the date on which the employment contract is terminated, distributed pro rata on a monthly basis over the two years of the term of the agreement.

At 31 December 2016, one member of the Senior Management team had indemnity or golden parachute clauses.

In 2016 no loans were granted to senior management. There were no outstanding balances or amounts repaid by the Company's Directors and Senior Management in 2016.

34.2. 2017

There were no changes on the Board of Directors in 2017.

For 2017, the remuneration agreed by the Board was as follows:

- For Board members: 72,000 euros gross per year.
- For members of the Executive Committee: 45,000 euros gross per year.
- Members of the Audit Committee: 22,000 euros gross per year.
- For members of the Appointments and Remuneration Committee: 20,000 euros gross per year.

Following is an itemised breakdown of the remuneration earned at year-end 2017:

Euros	REMUNERATION 2017					
	Bylaw-stipulated emoluments	Board of Directors	Audit Committee	Executive Committee	App. and Remun. Comm.	Total 2017 allowances
Manuel Manrique Cecilia		93,600.00		58,500.00		152,100.00
Demetrio Carceller Arce		82,800.00		45,000.00	20,000.00	147,800.00
Matias Cortés Domínguez		72,000.00				72,000.00
Francisco Javier Adroher Biosca		72,000.00				72,000.00
Isabel Martín Castella		72,000.00	28,600.00		20,000.00	120,600.00
Juan M ^o Aguirre Gonzalo		72,000.00	22,000.00	45,000.00		139,000.00
Augusto Delkader Teig		72,000.00	22,000.00	45,000.00	26,000.00	165,000.00
Raimundo Baroja Rieu		72,000.00	22,000.00			94,000.00
Prilou, S.L. (J.M. Loureda Mantiñán)		72,000.00		45,000.00	20,000.00	137,000.00
For Prilomi, S.L. J M Loureda López		72,000.00				72,000.00
Grupo Satocán Desarrollos, S.L. (Juan Miguel Sanjuan Jover)		72,000.00	22,000.00			94,000.00
Beta Asociados, S.L. (José del Pilar Moreno Carretero)		72,000.00				72,000.00
Grupo Corporativo Fuertes, S.L. (Tomás Fuertes Fernández)		72,000.00			20,000.00	92,000.00
Cymofag, S.L. (Gonzalo Manrique Sabatel)		72,000.00				72,000.00
TOTAL		1,040,400.00	116,600.00	238,500.00	106,000.00	1,501,500.00

The remuneration, by type, received by the Company's directors and senior management in 2017 is as follows:

Euros	Fixed	Floating rate	Life insurance	Pension savings plan	Total
Manuel Manrique Cecilia	1,530,000.00	1,836,000.00	700.00	1,357,248.00	4,723,948.00
Senior management	2,139,926.00	912,784.00	30,471.00	145,153.00	3,228,334.00
TOTAL	3,669,926.00	2,748,784.00	31,171.00	1,502,401.00	7,952,282.00

In 2017 there were changes to the number of members and persons forming part of the senior management team, which is considered to include managers and executives directly accountable to the Board or the Company's CEO, considering the CEOs of the Parent's direct subsidiaries and the Group's Managing Directors, including the internal auditor.

In 2017, the amount of pension rights accumulated by the Chairman of the Board of Directors amounted to 3,245 thousand of euros.

The Chairman of the Board of Directors is entitled to receive termination benefits in the event of dismissal on grounds other than breach of duty by the director or resignation for reasons beyond the control of the director, consisting of a total gross amount equal to 2.5 times the sum of the fixed remuneration and the variable remuneration received during the year immediately prior to that in which the scenario that gave rise to the termination occurred. Similarly, a non-competition obligation is established for a period of two years following the date on which the employment contract is terminated for reasons other than retirement, death or disability, or dismissal for reasons attributable to the director. As economic

compensation for this obligation, the director will receive 1.5 times the fixed remuneration received over the twelve months prior to the date on which the employment contract is terminated, distributed pro rata on a monthly basis over the two years of the term of the agreement.

At 31 December 2017, one member of the senior management team had indemnity or golden parachute clauses.

No loans were granted to Senior Management in 2017. There were no outstanding balances or amounts repaid by the Company's Directors and Senior Management in 2017.

There follows information concerning Article 229 of Spain's Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, in the terms of Law 31/2014 of 3 December, amending the Corporate Enterprises Act to enhance corporate governance, for those serving as directors of the Company in 2017 and persons associated with them in the same year, in companies engaging in an identical, similar or complementary activity to that of the Company or its Group.

- The Directors Mr. Manuel Manrique Cecilia, Mr. Demetrio Carceller Arce, Mr. Augusto Delkader Teig, Mr. Raimundo Baroja Rieu, Mr. Juan María Aguirre Gonzalo, Mr. Matías Cortés Domínguez, Prilou S.L. -via Mr. José Manuel Loureda Mantiñan-, Prilomi S.L. -via Mr. José Manuel Loureda López-, Cymofag S.L. -via Gonzalo Manrique Sabatel-, Mr. Francisco Javier Adroher Biosca and Ms. Isabel Marín Castellá reported that in 2017 and to date they - and any persons associated with them - have not been affected directly or indirectly by any of the conflict of interests scenarios stipulated in Article 229 of the Corporate Enterprises Act.
- Beta Asociados, S.L. -via Mr. José del Pilar Moreno Carretero- reported that in 2017 and to date that it is and has been, directly or indirectly - including any persons associated with it - in the following situation of "Possible Competition" with the Company, in the construction industry only and only in certain parts of Spain: Beta Asociados, S.L. forms part of the Corporate Group "Altec Empresa de Construcción y Servicios, S.A.", at which the person representing Sacyr, S.A. as a Director, Mr. José del Pilar Moreno Carretero, acts as Joint Director and Controlling Shareholder. This corporate group is in a situation of "Possible Competition", in Spain only, and only in the "Sacyr, S.A." construction business, as it undertakes part of its activities in the construction sector.

"Balpia, S.A." and "C.L.M Infraestructuras y Servicios, S.L." also belong to this group of companies. "Altyum Proyectos y Obras, S.A." does not form part of this group. A minority interest is held in this company, which also operates in the construction sector.

- Grupo Corporativo Fuertes, S.L. -via Mr. Tomás Fuertes Fernandez- reported that in 2017 and to date, that it and its natural person representative: (i) have only carried out transactions with the company of an ordinary nature, which were conducted under market conditions in the terms stipulated in the Corporate Enterprises Act, (ii) they have not used the name of the Company or declared its status as a member of the Board of Directors to exert unwarranted influence on private operations, (iii) they have not made use of corporate assets, including confidential information of the Company, for private purposes, (iv) they have not taken personal advantage of the Company's business opportunities and (v) they have not obtained any benefits or remuneration from third parties other than the Company and its group in association with the exercise of its post.

In this regard, it reports that as far as it is aware, no party associated with Grupo Corporativo Fuertes, S.L., or its natural person representative, could be understood to be affected by any of the situations referred to in sections a) to e), both inclusive, of Article 229 of the Corporate Enterprises Act, with respect to the Company.

In connection with the scenario described in Article 229.1.f) of the Corporate Enterprises Act, Grupo Corporativo Fuertes, S.L. carries out its own business and projects for third parties the business purpose of which may be understood to constitute effective competition (real or potential) with the Company at the following entities: Gerocentros del Mediterráneo, S.L., with a 42.50% stake (Director), Ausur Servicios de la Autopista, S.A., with a 25% stake (Director), Autopista del Sureste CEA, S.A., with a 25% stake (Director) and Autopista de la Costa Cálida CEA, S.A., with a 8.90% stake. In the same regard, it reports there are parties related to Grupo Corporativo Fuertes, S.L. (in the terms of Article 231 of the Corporate Enterprises Act) that could be carrying out their own business and projects for third parties the business purpose of which may be understood to constitute effective competition (real or potential) with the Company at these entities.

- Grupo Satocan Desarrollos, S.L. -via Mr. Juan Miguel Sanjuán Jover- reported that in 2017 and to date it - and any persons associated with it - has not been affected by any of the scenarios of a conflict of interests stipulated in Article 229 of the Corporate Enterprises Act. It does, however, report a possible hypothetical situation of competition vis-à-vis the Sacyr Group considering its status as director and partner of Grupo Satocan, S.A. with a holding of 49.88%, and its status as Managing Director and partner at Satocan, S.A. -both directly, and indirectly through Grupo Satocán, S.A.- a company operating in the construction sector in the Autonomous Community of the Canary Islands.

35. Related party transactions

Transactions with related parties are carried out and recognised at fair value.

The prices of transactions with related parties are determined on an appropriate basis, and the Company's directors consider that there is no risk they could generate material tax liabilities.

The detail of the most significant transactions with related parties in 2016 were as follows, in addition to the income indicated in Note 27 and the remuneration indicated in Note 34:

December 2016 Thousands of euros	RELATED PARTY TRANSACTIONS				
	Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
INCOME AND EXPENSE FROM CONTINUING OPERATIONS					
1) Finance costs	0	0	0	0	0
2) Management or collaboration contracts	0	0	0	0	0
3) Transfers of R&D and license agreements	0	0	0	0	0
4) Leases	0	0	0	737	737
REPSOL	0	0	0	737	737
5) Services received	2,731	0	0	102	2,833
LUIS JAVIER CORTES DOMINGUEZ	2,493	0	0	0	2,493
TESCOR PROFESIONALES ASOCIADOS, S.L.	238	0	0	0	238
REPSOL BUTANO	0	0	0	102	102
6) Purchase of goods	843	0	0	4,149	4,992
REPSOL	0	0	0	4,149	4,149
DAMM	438	0	0	0	438
DISA	57	0	0	0	57
GRUPO CACAOLAT	348	0	0	0	348
7) Valuation adjustments for bad debts and doubtful receivables	0	0	0	0	0
8) Losses on disposal of assets	0	0	0	0	0
9) Other expenses	5	0	0	0	5
EYCOVA, S.L.	5	0	0	0	5
TOTAL COSTS	3,579	0	0	4,988	8,567
1) Finance income	0	0	0	0	0
2) Management or collaboration contracts	0	0	0	0	0
3) Leases	0	0	0	0	0
4) Services rendered	1,183	0	0	0	1,183
EL POZO ALIMENTACION, S.A.	1,056	0	0	0	1,056
PROFU, S.A.	127	0	0	0	127
5) Sale of goods (finished goods and work in progress)	10,792	0	0	127,928	138,720
EL POZO ALIMENTACION, S.A.	9,934	0	0	0	9,934
DAMM	565	0	0	0	565
PROFU, S.A.	293	0	0	0	293
REFINERIA LA PAMPILLA, S.A. (RELAPASA)	0	0	0	80,416	80,416
REPSOL EXPLORACION PERU SUCURSAL DEL PERU (REPEXSA)	0	0	0	28,279	28,279
REPSOL PETROLEO, S.A.	0	0	0	12,850	12,850
REPSOL QUIMICA, S.A.	0	0	0	4,692	4,692
PETROLEOS DEL NORTE, S.A.	0	0	0	1,691	1,691
6) Gains on disposal of assets	0	0	0	0	0
7) Other income	314	0	0	0	314
DAMM	189	0	0	0	189
GRUPO CACAOLAT	125	0	0	0	125
TOTAL INCOME	12,289	0	0	127,928	140,217

December 2016 Thousands of euros	RELATED PARTY TRANSACTIONS				
	Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
OTHER TRANSACTIONS FROM CONTINUING OPERATIONS					
1.a. Financing agreements: Loans and capital contributions	0	0	0	0	0
1.b. Finance leases (lessor)	0	0	0	0	0
1.c. Repayment or cancellation of loans and finance lease contracts (lessor)	0	0	0	0	0
2.a. Purchase of items of PPE, intangible assets or other assets	0	0	0	0	0
2.b. Financing agreements: loans and capital contributions (borrower)	0	0	0	0	0
2.c. Finance leases (lessee)	0	0	0	0	0
3. Repayment or cancellation of loans and finance lease contracts (lessee)	0	0	0	0	0
3.a. Guarantees provided	0	0	0	0	0
4. Guarantees received	0	0	0	0	0
5. Other transactions	18,045	0	0	0	18,045
DAMM, S.A. (RECEIVABLE)	790	0	0	0	790
PROFU, S.A.	660	0	0	0	660
EL POZO ALIMENTACION, S.A.	12,024	0	0	0	12,024
LUIS JAVIER CORTES DOMINGUEZ	2,643	0	0	0	2,643
TESCOR PROFESIONALES ASOCIADOS, S.L.	889	0	0	0	889
EYCOVA, S.L.	5	0	0	0	5
DAMM, S.A. (PAYABLE)	510	0	0	0	510
GRUPO CACAOLAT (PAYABLE)	373	0	0	0	373
GRUPO CACAOLAT (RECEIVABLE)	151	0	0	0	151

December 2016 Thousands of euros	BALANCES WITH RELATED PARTIES				
	Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
OTHER BALANCES FROM CONTINUING OPERATIONS					
1.a. Purchase of items of property, plant and equipment, intangible assets and other assets	0	0	0	0	0
1.b. Financing agreements: Loans and capital contributions	0	0	0	0	0
1.c. Finance leases (lessor)	0	0	0	0	0
1.d. Repayment or cancellation of loans and finance lease contracts (lessor)	0	0	0	0	0
2.a. Sale of items of property, plant and equipment, intangible assets and other assets	0	0	0	0	0
2.b. Financing agreements: loans and capital contributions (borrower)	0	0	0	0	0
2.c. Finance leases (lessee)	0	0	0	0	0
2.d. Repayment or cancellation of loans and finance lease contracts (lessee)	0	0	0	0	0
3.a. Guarantees provided	0	0	0	0	0
3.b. Guarantees received	0	0	0	0	0
4. Dividends and other benefits distributed	0	0	0	0	0
5. Other transactions	2,201	0	0	0	2,201
EYCOVA, S.L.	2	0	0	0	2
EL POZO ALIMENTACION, S.A.	765	0	0	0	765
DAMM, S.A. (BALANCES RECEIVABLE)	828	0	0	0	828
PROFU, S.A.	501	0	0	0	501
DAMM, S.A. (BALANCE PAYABLE)	39	0	0	0	39
GRUPO CACAOLAT (PAYABLE)	28	0	0	0	28
GRUPO CACAOLAT (RECEIVABLE)	38	0	0	0	38

December 2016 Thousands of euros		RELATED PARTY TRANSACTIONS				
INCOME AND EXPENSE FROM DISCONTINUED OPERATIONS		Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
1) Services received		0	0	0	3	3
ITINERE INFRAESTRUCTURAS, S.A.		0	0		3	3
TOTAL COSTS		0	0	0	3	3
1) Finance income		0	0	0	0	0
2) Services rendered		0	0	10,154	0	10,154
AP-1 Europistas Concesionaria del Estado, S.A.U.		0	0	1,085	0	1,085
AUTOPISTA ASTUR LEONESA (AUCALSA)		0	0	1,863	0	1,863
AUTOPISTAS DE GALICIA (AUTOESTRADAS)		0	0	1,521	0	1,521
AUTOPISTAS DEL ATLANTICO (AUDASA)		0	0	5,685	0	5,685
3) Gains on disposal of assets		0	0	0	0	0
4) Other income		0	0	0	0	0
TOTAL REVENUES		0	0	10,154	0	10,154

December 2016 Thousands of euros		RELATED PARTY TRANSACTIONS				
OTHER BALANCES FROM DISCONTINUED OPERATIONS		Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
1.a. Purchase of items of property, plant and equipment, intangible assets and other assets		0	0	0	0	0
1.b. Financing agreements: Loans and capital contributions		790	0	0	0	790
1.c. Finance leases (lessor)		0	0	0	0	0

The transactions with related parties in 2017 are reported in greater detail below:

DECEMBER 2017 Thousands of euros		RELATED PARTY TRANSACTIONS				
INCOME AND EXPENSE FROM CONTINUING OPERATIONS		Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
1) Finance costs		0	0	0	0	0
2) Management or collaboration contracts		0	0	0	0	0
3) Transfers of R&D and license agreements		0	0	0	0	0
4) Leases		0	0	0	0	0
5) Services received		2,677	0	0	0	2,677
TESCOR PROFESIONALES ASOCIADOS, S.L.		828	0	0	0	828
LUIS JAVIER CORTES DOMINGUEZ		1,849	0	0	0	1,849
6) Purchase of goods		0	0	0	0	0
7) Valuation adjustments for bad debts and doubtful receivables		0	0	0	0	0
8) Losses on disposal of assets		0	0	0	0	0
9) Other expenses		0	0	0	0	0
TOTAL COSTS		2,677	0	0	0	2,677
1) Finance income		0	0	0	0	0
2) Management or collaboration contracts		0	0	0	0	0
3) Leases		0	0	0	0	0
4) Services rendered		0	0	0	0	0
5) Sale of goods (finished goods and work in progress)		39,792	0	0	157,290	197,082
REFINERIA LA PAMPILLA, S.A. (RELAPASA)		0	0	82,937	82,937	82,937
REPSOL EXPLORACION PERU SUCURSAL DEL PERU (REPEXSA)		0	0	0	44,058	44,058
PETROLEOS DEL NORTE, S.A.		0	0	0	4,953	4,953
REPSOL INVESTIGACIONES PETROLIFERAS		0	0	0	530	530
REPSOL PETROLEO, S.A.		0	0	0	19,222	19,222
REPSOL QUIMICA, S.A.		0	0	0	5,590	5,590
EL POZO DE ALIMENTACION		12,300	0	0	0	12,300
PROFU, S.A.		15,296	0	0	0	15,296
SEDIASA		12,196	0	0	0	12,196
6) Gains on disposal of assets		0	0	0	0	0
7) Other income		0	0	0	0	0
TOTAL REVENUES		39,792	0	0	157,290	197,082

DECEMBER 2017 Thousands of euros		RELATED PARTY TRANSACTIONS				
OTHER TRANSACTIONS FROM CONTINUING OPERATIONS		Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
1.a. Financing agreements: Loans and capital contributions		0	0	0	0	0
1.b. Finance leases (lessor)		0	0	0	0	0
1.c. Repayment or cancellation of loans and finance lease contracts (lessor)		0	0	0	0	0
2.a. Purchase of items of PPE, intangible assets or other assets		0	0	0	0	0
2.b. Financing agreements: loans and capital contributions (borrower)		0	0	0	0	0
2.c. Finance leases (lessee)		0	0	0	0	0
3. Repayment or cancellation of loans and finance lease contracts (lessee)		0	0	0	0	0
3.a. Guarantees provided		0	0	0	0	0
4. Guarantees received		0	0	0	0	0
5. Other transactions		43,958	0	0	0	43,958
EL POZO ALIMENTACION		14,000	0	0	0	14,000
PROFU, S.A.		13,177	0	0	0	13,177
SEDIASA		14,091	0	0	0	14,091
TESCOR PROFESIONALES ASOCIADOS, S.L.		730	0	0	0	730
LUIS JAVIER CORTES DOMINGUEZ		1,960	0	0	0	1,960

DECEMBER 2017
Thousands of euros

OTHER BALANCES FROM CONTINUING OPERATIONS	BALANCES WITH RELATED PARTIES				
	Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
1.a. Purchase of items of property, plant and equipment, intangible assets and other assets	0	0	0	0	0
1.b. Financing agreements: Loans and capital contributions	0	0	0	0	0
1.c. Finance leases (lessor)	0	0	0	0	0
1.d. Repayment or cancellation of loans and finance lease contracts (lessor)	0	0	0	0	0
2.a. Sale of items of property, plant and equipment, intangible assets and other assets	0	0	0	0	0
2.b. Financing agreements: loans and capital contributions (borrower)	0	0	0	0	0
2.c. Finance leases (lessee)	0	0	0	0	0
2.d. Repayment or cancellation of loans and finance lease contracts (lessee)	0	0	0	0	0
3.a. Guarantees provided	0	0	0	0	0
3.b. Guarantees received	0	0	0	0	0
4. Dividends and other benefits distributed	2,651	0	0	0	2,651
MARGUERITE SILVER BV	2,651	0	0	0	2,651
5. Other transactions	(2,165)	0	0	19,655	17,490
REFINERIA LA PAMPILLA, S.A. (RELAPASA)	0	0	0	8,789	8,789
PETROLEOS DEL NORTE, S.A.	0	0	0	1,240	1,240
REPSOL INVESTIGACIONES PETROLIFERAS	0	0	0	176	176
REPSOL PETROLEO, S.A.	0	0	0	6,957	6,957
REPSOL QUIMICA, S.A.	0	0	0	2,493	2,493
EL POZO ALIMENTACION	583	0	0	0	583
PROFU, S.A.	(2,536)	0	0	0	(2,536)
SEDIASA	(327)	0	0	0	(327)
TESCOR PROFESIONALES ASOCIADOS, S.L.	20	0	0	0	20
LUIS JAVIER CORTES DOMINGUEZ	95	0	0	0	95

DECEMBER 2017
Thousands of euros

INCOME AND EXPENSE FROM DISCONTINUED OPERATIONS	RELATED PARTY TRANSACTIONS				
	Significant shareholders	Directors and executives	Related individuals, companies or Group entities	Other related parties	Total
	0	0	0	3	3
1) Services received	0	0	0	3	3
ITINERE INFRAESTRUCTURAS, S.A.	0	0	0	3	3
TOTAL COSTS	0	0	0	3	3
1) Finance income	0	0	0	0	0
2) Services rendered	0	0	9,299	0	9,299
AP-1 EUROPISTAS CONCESIONARIA DEL ESTADO, S.A.U.	0	0	1,268	0	1,268
AUTOPISTA ASTUR LEONESA (AUCALSA)	0	0	1,692	0	1,692
AUTOPISTAS DE GALICIA (AUTOESTRADAS)	0	0	1,270	0	1,270
AUTOPISTAS DEL ATLANTICO (AUDASA)	0	0	5,069	0	5,069
3) Gains on disposal of assets	0	0	0	0	0
4) Other income	0	0	0	0	0
TOTAL REVENUES	0	0	9,299	0	9,299

35.1. Contracts with related parties

The main contracts with related parties are as follows:

- Sacyr, S.A. has signed consultancy contracts with two law firms - Luis Javier Cortés and Tescor, Profesionales Asociados, S.L., which are both related parties of Matías Cortés (Director of Sacyr), for variable amounts which in 2017 totalled 1,849 and 828 thousand euros, respectively (2,493 thousand euros and 238 thousand euros, respectively in 2016).
- In 2017, Sacyr Construcción, S.A.U. performed and rendered services and carried out work on warehouses for El Pozo Alimentación y Sediasa, related to Grupo Corporativo Fuertes, S.L. (Director of Sacyr) in the amount of 12,300 thousand euros (10,990 thousand euros in 2016) and 12,196 thousand euros, respectively, and urban development and housing works for Profu, S.A., also related with Corporativo Fuertes, S.L. in the amount of 15,296 thousand euros.

35.2. Other information

In 2017, no valuation adjustments were made on uncollectible debts relating to amounts included in the outstanding balances and in expenditure recognised in the year regarding related-party borrowings.

36. Events after the reporting date

The most significant events occurring subsequent to 31 December 2017, in chronological order, were as follows:

- As a result of the Repsol, S.A. "Flexible Dividend" programme, Sacyr Group, via its investees: On 9 January 2018, Sacyr Securities, S.A., Sacyr Investments, S.A.U. and Sacyr Investments II, S.A.U. received a gross dividend of 0.388 euros per share, generating total net income of 47.61 million euros.
- On 17 January 2018, it decided to perform the "Scrip Dividend" in accordance with the General Shareholders' Meeting, issuing up to 11,106,473 shares, with a commitment to purchase preferential subscription rights at a gross fixed price of 0.052 euros. With the definitive number of shares issued being 10,647,265. That capital increase was registered on 19 February 2018.
- On 22 February 2018, Repsol S.A. announced an agreement with Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC, for the sale of 20.072% of its stake in the share capital of Gas Natural. The contract is worth 3,816.3 million euros, representing a price of 19 euros per share. The capital gains generated, for the oil company, amounted to 400 million euros.

For the operation to be finalised, a series of conditions precedent must be met.

In the Group's Construction division headed up by Sacyr, the following significant events occurred after the reporting date:

- The awarding of three new construction, renovation and update projects of different urban areas in Bogotá, amount to an overall sum of 39.6 million euros. The first project, awarded by the Urban Development Institute (IDU in Spanish), consists of renovating the Zona Rosa in Bogotá, in the amount of 10.85 million euros, across an area of 71,555 square metres. The second project, in the urban area of "La Sabana", consists of designing and developing a pedestrian network to reorganise mobility in the area and has a budget of 18.3 million euros. The third urban project consists of renovating and improving Avenida Boyacá, introducing dual carriageway each with three lanes. The budget is 10.44 million euros.
- Construction, via a consortium, of the new San Sebastián Metro (Guipúzcoa), "Miraconcha – Easo" section, in the amount of 27.17 million euros. The main actions contemplated are as follows: construction of the entire platform and track superstructure; construction of new "Concha" and "Easo" stations and connection with the Eusko Tren "San Sebastián – Hendaya" line.

In the Concessions division, headed by Sacyr Concesiones, the following significant events took place after the reporting date:

- A consortium led by Sacyr Concesiones has been awarded the expansion, improvement and concession project, for a period of 6 years, for the El Tepual Airport in the city of Puerto Montt, Los Lagos, Chile. With an investment of 34 million euros, the works include improvement of the passenger terminal, construction of 152 car parks, extension of the accesses to the complex and improvements to the aircraft parking hub. "El Tepual" is the fourth largest airport in Chile, by passenger volume, with more than 700,000 per year, also providing international connections to Argentina.

In the Services division, headed by Valoriza Gestión, major events after the reporting date were as follows:

Environment:

- Valoriza Servicios Medioambientales, in association with Manhattan Construction Group, was selected as “*preferential bidder*” in the contract for the design, financing, construction and operation a Solid Urban Waste treatment plant in Hartford, Connecticut state (U.S.A.), and in modernising the existing incinerator, adapting it to the latest efficiency standards. The planned investment is approximately 188 million euros generating a global order book of future revenues of 2,923 million euros over the concession's 30-year lifespan.
- A consortium made up of, among others, Valoriza Servicios Medioambientales, was awarded the contract for waste collection, road cleaning, maintenance of green spaces and waste transport for special services area number 5 in Bogotá (Colombia). In the amount of 170 million euros, with a concession term of 8 years. Valoriza will serve over 1.5 million residents.

Multi-services:

- Valoriza Facilities was awarded the contract for the cleaning and minor maintenance of lines 2 and 6 of the Santiago Metro, Chile, for 30 million euros over 42 months which may be extended for a further 12 months. The service includes the cleaning of 32 stations, inter-modal terminals, workshops and tracks, and the cleaning of a total of 38 trains.
- Valoriza Conservación de Infraestructuras was awarded the management and maintenance contract of 380km Road Corridor in Peru, for 9 million euros over 3 years. Located in the regions of Tumbes and Piura, the highway covers “Sullana – Puente La Paz”, “Óvalo – Aguas Verdes”, “Sullana – El Alamor” and “Sullana – Tamogrande”.

Water:

- Valoriza Agua was awarded the operation of a Water Treatment Plant, for agriculture, in the north of Adelaide (Australia), for a period of 15 years. The production capacity will be 12 cubic hectometres of water per year.

In the Industrial division, headed by Sacyr Industrial, major events after the reporting date were as follows:

- A consortium, which Sacyr Industrial has an interest in, was awarded a contract for the design, construction and operation, Water Treatment Plant, for agriculture use, in Adelaide (Australia), in the amount of 85 million euros.

The project covers the possibility of adapting the plant to include the application of inverse osmosis technology.

37. Environmental issues

In line with its environmental policy, the Group has a number of on-going activities and projects to ensure compliance with environmental legislation. Regarding contingencies in the environmental area, the Group considers that these are adequately covered by the civil liability insurance policies outstanding, and it has therefore set aside no provision for this item in the consolidated statement of financial position at 31 December 2016 and 2017.

38. Audit fees

Audit fees paid to all the auditors of the parent company and its subsidiaries in the scope of consolidation in 2017 amounted to 3,056 thousand euros and 2,191 thousand euros in 2016. Of these amounts, Ernst & Young received 2,812 thousand euros and 2,011 thousand euros in the two years.

The Group's auditors also invoiced the Group 833 thousand euros in 2017 and 1,649 thousand euros in 2016 for other work unrelated to audit or audit advisory services.

Regarding the Group's auditors, the various audit services, mainly for issuing 'comfort letters' to issue debt prospectuses, reports of agreed procedures (audit of financial ratios, conversion of financial statements, verifying financial statements for bids) and fees for consultancy services in documenting transfer prices.

The amounts paid to Ernst & Young made up less than 1% of its revenue.

39. Personnel

The average number of employees by gender and professional category in 2017 and 2016 was as follows:

Average number of employees	2017		2016	
	Women	Men	Women	Men
Senior management	11	111	13	145
University graduates	536	1,208	453	1,172
Other qualified employees	571	740	492	577
Skilled technicians	287	1,289	416	1,332
Administrative staff	4,774	860	2,775	1,082
Other	9,333	10,589	8,381	9,547
TOTAL	15,512	14,797	12,530	13,855

At 31 December 2016, 25,562 employees of the total headcount were assigned to Spain (21,308 in 2016). Of these, 720 had a degree of disability equal to or greater than 33% (704 in 2016).

The number of employees by gender and professional category at 31 December 2017 and 2016 was as follows:

Employees at year-end	2017		2016	
	Women	Men	Women	Men
Senior Management	10	108	12	148
University graduates	564	1,117	855	792
Other qualified employees	602	867	537	593
Skilled technicians	251	1,119	807	861
Administrative staff	4,994	803	2,623	2,742
Other	10,449	11,573	8,924	9,207
TOTAL	16,870	15,587	13,758	14,343

The detail of employee benefits expense incurred by the Group in 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Wages, salaries and similar expenses	740,166	675,400
Employee welfare costs	208,885	190,421
TOTAL	949,051	865,821

In 2016, for production and organisational reasons, the Group found it necessary to carry out a series of measures to adjust its organisational and human resources structure, through the use of a redundancy plan ("ERE") in the Construction division.

On 16 March 2016, the Group informed the Department of Employment of its decision to begin a collective redundancy procedure in Spain, with the termination of 347 employment contracts, affecting all of its workforce and work centres.

After several meetings between Group and employee representatives, the final agreement was signed on 15 April 2016, which was subsequently ratified by the General Shareholders' Meeting. This included the redundancy terms of those employees affected, reduced the number made redundant to 327 and set the planned final date for contract terminations at 31 July 2016.

This procedure has had an impact amounting to 20.5 million euros on the financial statements, of which 17.8 million euros corresponded to termination benefits paid directly to the affected parties, in accordance with the terms agreed, and 2.7 million euros relate to projected future payments, which arise from the aforementioned redundancy plan.

In addition, Somague SGPS, for production and organisational reasons, found it necessary to carry out a series of measures to adjust its top-level organisational and human resources structure in the majority of its international subsidiaries, through contract termination agreements with employees.

In this regard, throughout 2016 mutually agreed negotiations took place with its employees (390 in all countries) to terminate their employment contracts. The impact of this on the current financial statements amounted to 4.9 million euros, which corresponds to the total payment of termination benefits to these workers.

At year-end, provisions had been made for all outstanding expenses arising from the Group's redundancy plan for the construction business in 2016, based on reliable estimates.

In 2017, Somague Group had to resort to another collective employee dismissal as a result of the drop in activity, to adapt the production resources to the reality of the markets in which it operates. This affected 400 employees, with a cost of 17 million euros.

Given that there are no plans to dismiss permanent staff in the near future, no provision has been recorded for termination benefits at 2017 year-end.

40. Segment information

The Group is managed through a structure based around the following operating segments:

- Holding: the Group's corporate structure represented by its holding company, Sacyr, S.A.
- Construction (Sacyr Group and Somague Group): civil engineering and building construction business in Spain, Portugal, Italy, Angola, Panama, Chile, Cape Verde, Costa Rica, Peru, Colombia, Mexico, Ireland, India, United Kingdom, Brazil and Qatar.
- Concessions (Sacyr Concesiones Group): motorway, transport hub, airport and hospital concessions business.
- Valoriza: multi-services business.
- Industrial: Industrial construction and engineering business.
- Residential development (Vallehermoso Group): real estate development business.
- Repsol: 7.88% of Repsol, S.A. (8.20% in 2016) and the special purpose vehicles holding its shares.

Segment reporting also includes a column for "Consolidation adjustments".

The Group identified these segments based on the following factors:

- The businesses engage in similar economic activities.
- To provide consolidated financial statements to users, with the relevant financial information on the activities of the Group's businesses and the economic environments in which it operates.

The Group's management regularly reviews the operating results of the segments individually in order to make decisions on allocating resources and assess results and performance. Operating segments are assessed based on their operating income.

The tables below show the separate consolidated income statement and the consolidated statement of financial position for each of the Group's operating segments for the years ended 31 December 2016 and 2017:

ASSETS	HOLDING COMPANY	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
A) NON-CURRENT ASSETS	3,145,720	363,686	3,200,815	716,131	191,383	60,408	2,421,058	(3,075,436)	7,023,765
I. Property, plant and equipment	4,145	118,270	3,105	135,638	102,192	1,618	0	(1,618)	363,350
II. Concession projects	0	50,406	1,091,406	260,455	0	0	0	0	1,402,267
III. Other intangible assets	1,320	633	47	9,083	1,961	0	0	0	13,044
IV. Goodwill	0	18,483	0	99,188	67,829	0	0	0	185,500
V. Investments accounted for using the equity method	0	34,182	45,974	51,793	2,111	1,295	2,061,434	(5,280)	2,191,509
VI. Receivables from concessions	0	18,738	1,591,154	102,735	0	0	0	0	1,712,627
VII. Non-current financial assets	2,782,439	18,348	34,097	23,128	1,788	214	76,741	(2,849,876)	86,879
VIII. Derivative financial instruments	0	11	0	0	0	0	0	9,958	9,969
IX. Deferred tax assets	186,698	104,615	200,969	31,354	15,502	50,065	282,883	(50,286)	821,800
X. Other non-current assets	171,118	0	234,063	2,757	0	7,216	0	(178,334)	236,820
B) CURRENT ASSETS	357,406	2,345,294	857,382	602,594	258,790	132,754	71,496	(960,535)	3,665,182
I. Non-current assets held for sale	0	0	279,928	0	0	0	0	195,478	475,406
II. Inventories	915	154,128	17,278	40,359	23,441	127,654	0	(127,654)	236,121
III. Trade and other receivables	321,531	1,524,712	104,883	337,790	170,299	269	52,346	(450,522)	2,061,309
IV. Receivables from concessions	0	0	170,040	3,837	0	0	0	0	173,877
V. Current financial investments	29,112	506,616	6,439	74,628	8,366	2	17,876	(555,488)	87,551
VI. Derivative financial instruments	0	0	(117)	0	0	0	0	5,353	5,236
VII. Cash and cash equivalents	5,848	148,295	278,931	134,437	52,322	467	1,274	(266)	621,308
VIII. Other current assets	0	11,543	0	11,543	4,362	4,362	0	(27,436)	4,374
TOTAL ASSETS	3,503,126	2,708,980	4,058,197	1,318,725	450,173	193,162	2,492,554	(4,035,971)	10,688,947

EQUITY AND LIABILITIES	HOLDING	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
A) EQUITY	1,719,485	510,108	863,066	270,670	133,573	80,789	653,595	(2,150,889)	2,080,398
EQUITY OF THE PARENT	1,719,485	514,341	633,437	260,886	84,536	80,789	653,595	(2,155,547)	1,791,523
EQUITY OF NON-CONTROLLING INTERESTS	0	(4,233)	229,629	9,784	49,037	0	0	4,658	288,875
B) NON-CURRENT LIABILITIES	536,903	659,964	2,510,324	573,884	58,947	34,619	1,823,055	(926,068)	5,271,628
I. Deferred income	0	21,971	22,109	7,424	4,516	0	0	0	56,020
II. Non-current provisions	1,429	343,042	92,128	115,759	2,808	21,871	0	(206,609)	370,428
III. Bank borrowings	442,677	203,075	1,876,519	273,310	40,689	0	769,408	0	3,605,678
IV. Other hedged financial debt	0	0	0	0	0	0	618,295	0	618,295
V. Non-current payables	92,797	45,884	290,255	152,748	9,412	12,748	400,512	(719,459)	284,897
VI. Derivative financial instruments	0	(24)	132,374	17,506	1,133	0	34,840	0	185,829
VII. Deferred tax liabilities	0	46,016	96,939	7,137	389	0	0	0	150,481
C) CURRENT LIABILITIES	1,246,738	1,538,908	684,806	474,171	257,653	77,754	15,904	(959,013)	3,336,921
I. Liabilities associated with non-current assets held for sale	102,000	0	0	0	0	0	0	101,042	203,042
II. Bank borrowings	97,522	218,572	341,528	95,486	61,375	29,824	14,577	(29,822)	829,062
III. Trade and other payables	117,618	989,577	266,395	317,149	180,301	10,782	(11,477)	(15,384)	1,854,961
IV. Current payables to associates	835,965	234,339	52,309	38,611	11,376	29,053	1,273	(995,223)	207,703
V. Derivative financial instruments	0	0	19,034	1,326	1,015	0	0	0	21,375
VI. Current provisions	93,633	96,420	5,540	21,599	3,586	8,095	0	(8,095)	220,778
VII. Other current liabilities	0	0	0	0	0	0	11,531	(11,531)	0
TOTAL LIABILITIES	3,503,126	2,708,980	4,058,196	1,318,725	450,173	193,162	2,492,554	(4,035,970)	10,688,947

2016

SEPARATE INCOME STATEMENT	HOLDING COMPANY	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
Revenue	33,774	1,249,922	552,438	908,249	400,579	2,320	0	(286,807)	2,860,475
Revenue from third parties	0	1,029,406	360,559	841,304	400,168	2,320	0	226,718	2,860,475
Revenue from group companies	33,774	220,516	191,879	66,945	411	0	0	(513,525)	0
Own work capitalised	0	480	0	351	457	0	0	0	1,288
Other operating income	22,533	70,412	12,155	25,715	2,017	560	0	(35,518)	97,874
Government grants released to the income statement	356	652	1,231	178	1,598	0	0	0	4,015
Gain on disposal of assets	0	0	0	0	0	239	0	(239)	0
TOTAL OPERATING INCOME	56,663	1,321,466	565,824	934,493	404,651	3,119	0	(322,564)	2,963,652
Change in inventories	0	(413)	(5)	618	446	1,150	0	(1,150)	646
Supplies	0	(712,490)	(147)	(215,160)	(173,095)	(6,310)	0	13,207	(1,093,995)
Staff costs	(20,868)	(224,972)	(25,642)	(525,336)	(69,003)	(1,309)	0	1,309	(865,821)
Losses on disposal of assets	0	0	0	0	0	(239)	0	239	0
Depreciation and amortisation expense	(1,813)	(21,034)	(46,193)	(34,640)	(9,393)	(98)	0	98	(113,073)
Impairment of goodwill	0	0	0	(226)	0	0	0	0	(226)
Change in operating provisions	495	(7,973)	(7,084)	614	1,248	3,421	0	(3,421)	(12,700)
Change in provisions for non-current assets	0	20	0	(1)	0	0	0	0	19
Other operating expenses	(43,536)	(350,976)	(333,199)	(118,610)	(132,903)	(8,038)	(1,662)	318,503	(670,421)
TOTAL OPERATING EXPENSES	(65,722)	(1,317,838)	(412,270)	(892,741)	(382,700)	(11,423)	(1,662)	328,785	(2,755,571)
NET OPERATING PROFIT	(9,059)	3,628	153,554	41,752	21,951	(8,304)	(1,662)	6,221	208,081
SHARE OF PROFIT/(LOSS) OF ASSOCIATES	0	2,110	2,644	5,517	29	(2,152)	197,382	1,555	207,085
GAIN/(LOSS) ON DISPOSAL OF ASSETS	0	1,955	21,320	3,530	439	(73)	0	73	27,244
Revenue from equity investments	51,783	0	0	0	0	0	0	(51,783)	0
Revenue from other marketable securities and asset-backed loans	28,521	596	2,991	1,598	1	0	168	(21,984)	11,891
Other interest and similar income	0	12,223	11,570	4,045	416	2,873	0	(5,461)	25,666
Exchange differences	248	17,934	0	0	0	0	0	(7,196)	10,986
TOTAL FINANCE INCOME	80,552	30,753	14,561	5,643	417	2,873	168	(86,424)	48,543
Finance costs and similar expenses	(36,340)	(30,677)	(105,127)	(14,702)	(2,245)	(2,149)	(69,207)	22,226	(238,221)
Change in provisions for financial investments	13,929	1,608	(4,884)	(1,048)	0	5,037	0	(18,966)	(4,324)
Gain/(loss) on financial instruments	0	0	(18,677)	(5,724)	(3,770)	0	(43,155)	3,770	(67,556)
Exchange differences	0	0	(1,993)	(950)	(4,364)	0	0	7,307	0
TOTAL FINANCE COSTS	(22,411)	(29,069)	(130,681)	(22,424)	(10,379)	2,888	(112,362)	14,337	(310,101)
FINANCIAL PROFIT/(LOSS)	58,141	1,684	(116,120)	(16,781)	(9,962)	5,761	(112,194)	(72,087)	(261,558)
CONSOLIDATED PROFIT BEFORE TAX	49,082	9,377	61,398	34,018	12,457	(4,768)	83,526	(64,238)	180,852
Corporate income tax	4,321	(17,021)	(23,032)	(11,108)	(4,386)	825	5,430	(629)	(45,600)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	53,403	(7,644)	38,366	22,910	8,071	(3,943)	88,956	(64,867)	135,252
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	278,490	0	0	0	0	0	0	(278,490)	0
CONSOLIDATED PROFIT FOR THE YEAR	331,893	(7,644)	38,366	22,910	8,071	(3,943)	88,956	(343,357)	135,252
NON-CONTROLLING INTERESTS	0	(165)	(15,616)	213	(31)	12	0	577	(15,010)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	331,893	(7,809)	22,750	23,123	8,040	(3,931)	88,956	(342,780)	120,242

SACYR GROUP

2017									
A S S E T S	HOLDING COMPANY	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
A) NON-CURRENT ASSETS	2,677,987	1,304,453	3,397,139	798,913	188,214	59,279	2,121,759	(2,449,711)	8,098,033
I. Property, plant and equipment	3,521	127,378	2,496	155,344	98,861	1,539	0	(1,539)	387,600
II. Concession projects	0	48,828	1,073,928	247,298	0	0	0	0	1,370,054
III. Investment property	0	0	0	0	0	0	0	0	0
IV. Other intangible assets	1,485	638	82	13,411	1,572	0	0	0	17,188
V. Goodwill	0	0	0	98,972	67,829	0	0	0	166,801
VI. Investments accounted for using the equity method	0	18,714	85,779	55,016	695	672	1,959,589	(4,987)	2,115,478
VII. Receivables from concessions	0	992,364	1,688,862	173,509	0	0	0	0	2,854,735
VIII. Non-current financial assets	2,232,071	22,993	87,032	22,173	4,075	146	162,170	(2,425,650)	105,010
IX. Derivative financial instruments	0	0	1,656	0	0	0	0	0	1,656
X. Deferred tax assets	199,815	93,538	218,081	30,698	15,182	49,920	0	230,563	837,797
XI. Other non-current assets	241,095	0	239,223	2,492	0	7,002	0	(248,098)	241,714
B) CURRENT ASSETS	435,574	3,969,526	1,054,859	447,921	425,445	113,041	38,305	(1,006,447)	5,478,224
I. Non-current assets held for sale	0	0	282,760	0	0	0	0	172,232	454,992
II. Inventories	3,322	159,927	288	18,292	18,108	107,352	0	(107,352)	199,937
III. Trade and other receivables	330,446	1,728,240	190,846	295,426	242,201	907	16,151	(489,230)	2,314,987
IV. Receivables from concessions	0	265	256,093	3,920	0	0	0	0	260,278
V. Current financial investments	81,611	444,445	6,572	53,966	54,104	144	21,580	(549,061)	113,361
VI. Derivative financial instruments	0	0	0	0	0	0	0	0	0
VII. Cash and cash equivalents	20,044	1,615,277	318,300	54,945	106,809	415	574	(372)	2,115,992
VIII. Other current assets	151	21,372	0	21,372	4,223	4,223	0	(32,664)	18,677
TOTAL ASSETS	3,113,561	5,273,979	4,451,998	1,246,834	613,659	172,320	2,160,064	(3,456,158)	13,576,257
EQUITY AND LIABILITIES	HOLDING	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
A) EQUITY	1,229,210	428,815	968,118	293,253	135,464	71,791	617,033	(1,739,265)	2,004,419
EQUITY OF THE PARENT	1,229,210	408,325	685,109	284,068	91,629	71,791	617,033	(1,735,027)	1,652,138
EQUITY OF NON-CONTROLLING INTERESTS	0	20,490	283,009	9,185	43,835	0	0	(4,238)	352,281
B) NON-CURRENT LIABILITIES	559,234	2,335,900	2,759,043	584,083	129,593	30,049	1,543,008	(687,656)	7,253,254
I. Deferred income	0	21,286	21,032	7,766	4,312	0	0	12	54,408
II. Non-current provisions	1,429	347,197	66,518	109,647	11,133	17,211	0	(258,253)	294,882
III. Bank borrowings	386,735	1,800,895	2,133,586	302,592	105,359	0	0	0	4,729,167
IV. Other hedged financial debt	0	0	0	0	0	0	1,489,252	0	1,489,252
V. Non-current payables	171,070	126,444	283,745	142,909	7,525	12,838	0	(429,415)	315,116
VI. Derivative financial instruments	0	0	124,815	13,670	559	0	53,756	0	192,800
VII. Deferred tax liabilities	0	40,078	129,347	7,499	705	0	0	0	177,629
C) CURRENT LIABILITIES	1,325,117	2,509,264	724,837	369,498	348,602	70,480	23	(1,029,237)	4,318,584
I. Liabilities associated with non-current assets held for sale	102,000	0	0	0	0	0	0	74,965	176,965
II. Bank borrowings	297,564	172,887	297,913	78,361	39,922	7,664	0	26,894	921,205
III. Trade and other payables	74,059	2,183,227	284,634	234,860	271,804	17,053	(7,046)	(35,219)	3,023,372
IV. Current payables to associates	851,118	72,500	102,658	34,374	29,583	37,681	0	(1,080,725)	47,189
V. Derivative financial instruments	0	0	25,347	1,351	429	0	0	0	27,127
VI. Current provisions	376	80,650	14,285	20,552	6,864	8,082	0	(8,083)	122,726
VII. Other current liabilities	0	0	0	0	0	0	7,069	(7,069)	0
TOTAL LIABILITIES	3,113,561	5,273,979	4,451,998	1,246,834	613,659	172,320	2,160,064	(3,456,158)	13,576,257

2017

SEPARATE INCOME STATEMENT	HOLDING COMPANY	CONSTRUCTION	CONCESSIONS	VALORIZA	INDUSTRIAL	PROPERTY DEVELOPMENT	REPSOL	CONSOLIDATION ADJUSTMENTS	TOTAL
Revenue	31,184	1,224,984	612,764	951,896	522,851	5,247	0	(256,320)	3,092,606
Revenue from third parties	0	1,050,455	438,082	962,168	422,164	5,247	0	214,490	3,092,606
Revenue from group companies	31,184	174,529	174,682	(10,272)	100,687	0	0	(470,810)	0
Own work capitalised	0	308	0	1,295	0	0	0	0	1,603
Other operating income	24,945	152,124	10,440	23,176	4,902	223	5	(44,106)	171,709
Government grants released to the income statement	0	651	1,077	306	1,296	0	0	0	3,330
Gain on disposal of assets	0	0	0	0	235	0	0	0	235
TOTAL OPERATING INCOME	56,129	1,378,067	624,281	976,673	529,284	5,470	5	(300,426)	3,269,483
Change in inventories	0	(433)	(2)	1,884	(153)	(31,288)	0	31,288	1,296
Supplies	0	(697,051)	(65)	(168,631)	(319,112)	(228)	0	8,182	(1,176,905)
Staff costs	(19,341)	(210,588)	(29,991)	(597,935)	(91,196)	(1,041)	0	1,041	(949,051)
Losses on disposal of assets	0	0	0	0	(170)	0	0	0	(170)
Depreciation and amortisation expense	(2,057)	(21,378)	(47,725)	(38,052)	(9,186)	(94)	0	94	(118,398)
Impairment of goodwill	0	(18,483)	0	(216)	0	0	0	0	(18,699)
Change in operating provisions	(56)	18,000	(20,022)	(2,481)	935	14,420	0	(14,420)	(3,624)
Change in provisions for non-current assets	12	(8,057)	0	0	0	0	0	0	(8,045)
Other operating expenses	(54,624)	(394,228)	(362,282)	(128,690)	(84,200)	(12,296)	(147)	297,406	(739,061)
TOTAL OPERATING EXPENSES	(76,066)	(1,332,218)	(460,087)	(934,121)	(503,082)	(30,527)	(147)	323,591	(3,012,657)
NET OPERATING PROFIT	(19,937)	45,849	164,194	42,552	26,202	(25,057)	(142)	23,165	256,826
SHARE OF PROFIT/(LOSS) OF ASSOCIATES	0	2,525	6,249	6,638	30	(600)	244,486	(214)	259,114
GAIN/(LOSS) ON DISPOSAL OF ASSETS	20	1,756	(38)	302	(1,701)	1	(658)	(44)	(362)
Revenue from equity investments	12,034	0	0	0	0	0	0	(12,034)	0
Revenue from other marketable securities and asset-backed loans	16,253	105	5,323	4,479	0	0	2,792	(13,981)	14,971
Other interest and similar income	0	34,652	7,946	2,627	2,905	20,911	0	(35,607)	33,434
Exchange differences	0	0	0	0	0	0	0	0	0
TOTAL FINANCE INCOME	28,287	34,757	13,269	7,106	2,905	20,911	2,792	(61,622)	48,405
Finance costs and similar expenses	(51,176)	(39,296)	(112,217)	(14,973)	(3,617)	(8,178)	(15,350)	22,149	(222,658)
Change in provisions for financial investments	(542,834)	77,727	8,178	(187)	496	0	0	542,830	86,210
Gain/(loss) on financial instruments	0	0	(19,856)	(4,335)	(3,687)	0	(120,564)	3,688	(144,754)
Exchange differences	(22,285)	(48,000)	(401)	(70)	(480)	0	0	0	(71,236)
TOTAL FINANCE COSTS	(616,295)	(9,569)	(124,296)	(19,471)	(7,288)	(8,178)	(135,914)	568,573	(352,438)
FINANCIAL PROFIT/(LOSS)	(588,008)	25,188	(111,027)	(12,365)	(4,383)	12,733	(133,122)	506,951	(304,033)
CONSOLIDATED PROFIT BEFORE TAX	(607,925)	75,318	59,378	37,127	20,148	(12,923)	110,564	529,858	211,545
Corporate income tax	13,141	(40,947)	(23,036)	(11,744)	(6,867)	3,952	19,877	2,657	(42,967)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	(594,784)	34,371	36,342	25,383	13,281	(8,971)	130,441	532,515	168,578
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	0	0	0	0	0	0	0	0	0
CONSOLIDATED PROFIT FOR THE YEAR	(594,784)	34,371	36,342	25,383	13,281	(8,971)	130,441	532,515	168,578
NON-CONTROLLING INTERESTS	0	(11,655)	(22,683)	66	(3,737)	0	0	75	(37,934)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(594,784)	22,716	13,659	25,449	9,544	(8,971)	130,441	532,590	130,644

SACYR GROUP

41. Disclosures by geographic location

The table below shows the external income, gross assets and acquisition of property, plant and equipment by business and geographic area in 2017 and 2016:

	2017			2016		
	Revenue	Gross assets	Acquisitions of fixed assets	Revenue	Gross assets	Acquisitions of fixed assets
Holding company - Continuing operations	31,184	45,709	1,597	33,774	44,111	2,395
Spain	31,184	45,709	1,597	33,774	44,111	2,395
Construction - Continuing operations	1,224,984	466,245	36,411	1,249,923	446,397	30,749
Spain	222,294	187,770	8,994	329,529	177,203	18,968
Chile	193,575	18,297	2,726	280,354	21,257	2,086
Italy	326,411	35,553	11,478	131,477	0	0
Portugal	64,225	128,882	1,346	99,739	157,442	364
Angola	60,397	25,532	0	91,597	26,052	147
Colombia	82,730	12,808	9,840	75,089	5,168	4,693
Mexico	108,298	18,574	170	67,400	19,809	639
UK	29,504	0	0	37,968	47	0
Qatar	58,296	0	0	33,195	0	0
Peru	53,086	2,088	193	28,478	2,097	1,894
Brazil	12,934	1,955	459	25,357	63	7
Mozambique	1,786	10,915	91	21,640	12,471	1,686
Cape Verde	6,389	8,024	61	13,371	8,805	263
Panama	155	81	0	6,667	91	0
Ireland	1,624	39	0	2,253	37	2
Togo	2,152	279	0	660	279	0
Uruguay	1,128	1,021	1,049	342	31	0
Other	0	14,427	4	4,807	15,545	0
Concessions - Continuing operations	612,764	1,439,784	31,907	552,438	1,410,464	16,487
Chile	284,771	65,844	31,338	323,169	36,498	16,184
Spain	166,268	1,369,603	388	152,919	1,369,770	186
Colombia	74,780	0	0	40,708	0	0
Peru	74,351	245	40	30,261	231	107
Portugal	882	5	0	4,030	5	0
Ireland	1,262	3,937	4	1,252	3,933	0
Uruguay	4,782	7	5	99	3	0
Mexico	5,612	50	33	0	24	10
Paraguay	0	93	99	0	0	0
Italy	56	0	0	0	0	0
Valoriza - Continuing operations	951,895	905,609	63,469	908,249	877,753	35,268
Spain	813,186	694,443	54,993	815,510	671,921	27,330
Portugal	29,827	195,466	3,056	28,400	200,565	3,183
Israel	0	0	0	17,645	0	0
Australia	11,393	10,084	5,092	14,645	0	0
Chile	28,042	4,882	0	14,192	1,495	4,695
Oman	9,394	0	10	9,638	62	59
Algeria	0	0	0	6,853	3,710	1
Peru	58,079	256	115	1,366	0	0
Uruguay	116	7	8	0	0	0
Mexico	14	0	1	0	0	0
Colombia	162	0	0	0	0	0
Bolivia	1,592	0	0	0	0	0
Ecuador	51	0	0	0	0	0
Panama	7	287	0	0	0	0
UK	32	0	0	0	0	0
Brazil	0	0	0	0	0	0
US	0	182	194	0	0	0
Industrial - Continuing operations	522,851	209,236	8,203	400,579	208,855	8,365
Spain	165,824	202,312	2,538	139,698	206,296	6,602
Peru	158,124	870	256	104,021	705	310
Oman	70,309	92	22	0	0	0
Colombia	2,089	45	25	82,561	210	152
Bolivia	24,465	1,541	1,361	27,781	386	54
Mexico	256	22	5	12,435	19	8
Ecuador	45,776	312	342	7,797	329	357
Panama	6,966	780	423	5,847	505	501
Netherlands	1,418	0	0	5,361	0	0
Argentina	0	0	0	5,024	0	0
Belgium	2,257	0	0	3,290	0	0
UK	352	0	0	3,201	0	0
US	162	0	0	1,127	0	0
Chile	37,266	3,261	3,230	845	403	381
Norway	140	0	0	714	0	0
Portugal	714	0	0	382	0	0
Italy	100	0	0	273	0	0
Australia	2,379	1	1	147	2	0
Germany	2,148	0	0	0	0	0
Malaysia	1,041	0	0	0	0	0
Israel	492	0	0	0	0	0
Iceland	573	0	0	0	0	0
Brazil	0	0	0	75	0	0
Total continuing operations	3,343,678	3,066,583	141,587	3,144,963	2,987,580	93,264
Adjustments	(251,072)	1,374	(2,500)	(284,488)	(1,562)	(983)
Total adjustments, net	3,092,606	3,067,957	139,087	2,860,475	2,986,018	92,281
Total discontinued operations	5,247	4,006	0	2,320	4,017	0

42. Additional note for English translation

These consolidated financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish language prevails. These consolidated financial statements are presented on the basis of International Reporting Standards adopted by the European Union. Consequently, certain accounting practices applied by the Group do not conform with generally accepted accounting in other countries.

Iniciativas Medioambientales del Sur, S.L. Complejo Medioambiental de Bataños Jerez de la Frontera - Cádiz	50.00%	Valoriza Servicios Medioambientales, S.A.	0.02	Equity method	Street cleaning, collection, transport and waste and water treatment	40	232	-	-
Inte RCD, S.L. Calle Américo Vespucio, 69 Sevilla.	33.33%	Valoriza Servicios Medioambientales, S.A.	0.03	Equity method	Property development, construction and demolition waste services	3	(220)	-	-
Inte RCD Bahía de Cádiz, S.L. Calle de los Trabajadores, 20 Chiclana de la Frontera - Cádiz.	20.00%	Inte RCD, S.L.	0.28	Equity method	Property development, construction and demolition waste services	260	(732)	-	-
Inte RCD Huelva, S.L. Calle Lepo, 12 Cartaya - Huelva	20.00%	Inte RCD, S.L.	0.45	Equity method	Property development, construction and demolition waste services	753	(860)	-	-
Eurocomercial, S.A.U. Calle de Juan Espálandi, 11-13 Madrid.	100.00%	Valoriza Servicios Medioambientales, S.A.	0.45	Full consolidation	Engineering, consultancy and import/export of products for deposit and sale	136	2,980	(50)	-
Desagüificación de Ventaderos, S.A. Calle Federico Simón, 9 Madrid	50.00%	Eurocomercial S.A.U.	0.03	Equity method	Recovery of biogas from degasification of landfill sites	60	(241)	-	-
Alcorec, S.L. Avenida Kansas City, 3 10 Sevilla.	10.00%	Valoriza Servicios Medioambientales, S.A.	0.066	Equity method	Construction and demolition waste management	174	34	(24)	-
Surge Ambiental, S.L. Calle de Juan Espálandi, 11-13 Madrid.	100.00%	Valoriza Servicios Medioambientales, S.A.	0.06	Full consolidation	Construction and demolition waste management	3	14	73	-
Reciclados y Tratamientos Andaluces, S.L. Calle Yakarta, 6 Sevilla	5.00%	Alcorec, S.L.	0.250	Equity method	Construction and demolition waste management	3	(126)	-	-
Saorec, S.L. Avenida Kansas City, 3 16 Sevilla.	5.00%	Alcorec, S.L.	0.003	Equity method	Construction and demolition waste management	6	(64)	-	-
Residuos Construcción de Cuenca, S.A. Carretera Nacional 32, Km 133 Cuenca	50.00%	Valoriza Servicios Medioambientales, S.A.	0.030	Equity method	Construction and demolition waste management	60	(108)	(13)	-
Tratamiento Residuos de La Rioja, S.L. Calle La Red de Varea, s/n Villamediana de Iregua - La Rioja	100.00%	Valoriza Servicios Medioambientales, S.A.	0.003	Full consolidation	Construction and demolition waste management	3	(5,560)	(873)	-
Secado Térmico de Castellón, S.A. Calle Fanzara, 5 Buntiana - Castellón	60.00%	Valoriza Servicios Medioambientales, S.A.	1.80	Full consolidation	Construction and demolition waste management	3,000	62	-	-
Planta de Tratamiento de Anzáiz, S.L. C/ Elicano 1, Bilbao.	70.00%	Valoriza Servicios Medioambientales, S.A.	0.002	Full consolidation	Management of processing plants and equipment	3	-	-	-
Valoriza Environment Services Pty Australia Level 9, 256 Adelaide Terrace, Perth, Western Australia.	100.00%	Valoriza Servicios Medioambientales, S.A.	0.000	Full consolidation	Development and operation of environmental projects in Australia	-	(274)	(76)	-
Plataforma por la Movilidad, A.I.E. C/ Covarrubias, 1, B) dcha- Madrid.	14.68%	Valoriza Servicios Medioambientales, S.A.	0.000	Equity method	Development and management of the full platform	3	1	-	-
Sacyr Environment USA LLC 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.	100.00%	Valoriza Servicios Medioambientales, S.A.	6.860	Full consolidation	Development and operation of environmental projects in the United States	6,865	(2,500)	(2,046)	-
Aplicaciones Gespol, S.L. C/ Santiago de Compostela, 12, 4º A, Bilbao.	100.00%	Valoriza Servicios Medioambientales, S.A.	0.250	Full consolidation	Maintenance of IT systems for the management of traffic offences	30	(218)	(446)	-
Sacyr Industrial Pty Ltd PO Box 700, West Perth, W.A. 6872- Australia	100.00%	Sacyr Industrial, S.L.U.	0.1535	Full consolidation	Civil works and industrial projects	513	(1,037)	(132)	-
Multiservices									
Valoriza Servicios a la Dependencia, S.L. Paseo de la Castellana, 83-85 Madrid.	100.00%	Val. Servicios Socio Sanitarios, S.L.	3.50	Full consolidation	Provision of social services	3,588	2,099	1,183	-
Valoriza Facilites Chile, SpA C/ Isidora Goyenechea piso 24, Ofc. 240, Santiago - Chile.	100.00%	Valoriza Facilites, S.A.U.	0.4200	Full consolidation	Provision of cleaning services	421	(315)	(173)	-
Cafestore, S.A. Paseo de la Castellana, 83-85 Madrid.	100.00%	Valoriza Gestión S.A.U.	8.00	Full consolidation	Catering services and retail outlets	2,050	725	1,013	-
Burguestore, S.L. Paseo de la Castellana, 83-85 Madrid.	100.00%	Cafestore, S.A.	0.003	Full consolidation	Operation of service stations	3	87	29	-
Valoriza Centro Especial de Empleo, S.L. Paseo de la Castellana, 83-85 Madrid.	100.00%	Valoriza Facilites, S.A.U.	0.075	Full consolidation	Provision of social services	75	(7)	80	-
Operadora Siglo XXI, S.A. (formerly Sacyr Valoriza Chile, S.A.) Avenida Vitacura Nº 2939, oficina 1102 Santiago de Chile.	51.00%	Valoriza Facilites, S.A.U.	0.0001	Full consolidation	Water treatment in Mantoverde	12,745	(13,361)	581	-
39.00%	Sacyr Concesiones, S.L.	0.039							
PROPERTY DEVELOPMENT									
Subsidiaries and holding companies									
Vallehermoso División de Promoción, S.A.U. Paseo de la Castellana, 83-85 Madrid.	100.00%	Sacyr, S.A.	0.00	Full consolidation	Property management holding company	117,343	(30,669)	(8,882)	-
Somague Inmobiliaria S.A. Rua da Tapada do Quinta de Cima, Linhô Sintra - Portugal.	100.00%	Val. Div. Promoción, S.A.U.	18.21	Full consolidation	Property management holding company in Portugal	15,000	(29,104)	(500)	-
Property developers									
Erantox, S.A.U. Paseo de la Castellana, 83-85 Madrid.	100.00%	Val. Div. Promoción, S.A.U.	1.10	Full consolidation	Property development	150	101	3	-
ProSacyr Ocio, S.L. Paseo de la Castellana, 83-85 Madrid.	100.00%	Val. Div. Promoción, S.A.U.	20.99	Full consolidation	Property development	4	1,740	(83)	-
Capaco, S.L.U. Paseo de la Castellana, 83-85 Madrid.	100.00%	Val. Div. Promoción, S.A.U.	0.20	Full consolidation	Property development	153	2,054	50	-
Ticóbal, S.A. Paseo de la Castellana, 83-85 Madrid.	60.00%	Val. Div. Promoción, S.A.U.	6.30	Full consolidation	Property development	-	-	-	-
Camarate Golf, S.A. Paseo de la Castellana, 81 Madrid.	26.00%	Val. Div. Promoción, S.A.U.	2.90	Equity method	Property development	6,615	(1,723)	(2,307)	-
Claudia Zahara 22, S.L. Avenida Eduardo Dato, 69 Sevilla.	49.59%	Val. Div. Promoción, S.A.U.	10.73	Equity method	Property development	-	-	-	-
M.Capital, S.A. Puerta del Mar, 20 Málaga.	4.97%	Val. Div. Promoción, S.A.U.	0.41	Equity method	Property development	-	-	-	-
Puerta de Ojo Toledo, S.L. Calle Príncipe de Vergara, 15 Madrid.	35.00%	Val. Div. Promoción, S.A.U.	2.10	Equity method	Property development	6,000	(12)	-	-

APPENDIX II: CONSOLIDATED TAX GROUP OF SACYR, S.A. FOR 2016

Company
SACYR , S.A.
AUTOVIA DE BARBANZA CONCESIONARIA DE LA XUNTA DE GALICIA, S.A.
AUTOVIA DEL ERESMA, S.A.
BIOELECTRICA DE LINARES, S.L.
BIOELECTRICAS VALLADOLID, S.L.
GESTION DE ENERGÍA Y MERCADOS, S.L.
BIOMASA DE TALAVERA, S.L.
BIOMASA DE PUENTE GENIL, S.L.
BIPUGE II, S.L.
BURGUERSTORE, S.L.
C.E. LAS VILLAS, S.L.
CAFESTORE, S.A.
CAPACE S.L.
CAVOSA, S.A.
CE PUENTE DEL OBISPO, S.L.
CIA ENERG LA RODA, S.L
CIA ENERG. PATA MULO, S.L.
EMMASA, S.A.
ERANTOS, S.A.
EUROCOMERCIAL, S.A.
FOTOVOLTAICA DOS RIOS, S.L.
HIDROANDALUZA, S.A.
IDEYCO, S.A.
INCHISACYR. S.A.
OBRAS Y SERVICIOS DE GALICIA Y ASTURIAS, S.A.
PRINUR, S.A.
PROSACYR OCIO, S.L.
SACYR CONCESIONES, S.L.
SACYR CONCESIONES PARTICIPADAS I
SACYR CONCESIONES PARTICIPADAS II
SACYR CONCESIONES PARTICIPADAS III
SACYR CONCESIONES PARTICIPADAS IV
SACYR CONCESIONES PARTICIPADAS V
SACYR CONCESIONES PARTICIPADAS VI
SACYR CONSTRUCCIÓN, S.A.
SACYR CONSTRUCCIÓN APARCAMIENTOS DAOIZ Y VELARDE, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS JUAN DE ESPLANDIU, S.L.
SACYR CONSTRUCCIÓN PLAZA DE LA ENCARNACIÓN, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS PLAZA DEL MILENIO, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS VIRGEN DEL ROMERO, S.L.
SACYR CONSTRUCCIÓN MERCADO DEL VAL, S.L.
SACYR CONSTRUCCION PARTICIPACIONES ACCIONARIAS, S.L.
SACYR FINANCE, S.A.
SACYR SECURITIES, S.A.
SACYR SECURITIES II, S.A.
SACYR GESTION DE ACTIVOS, S.L.
SACYR INDUSTRIAL, S.L.U.
SACYR INVESTMENTS, S.A.
SACYR INVESTMENTS II, S.A.
SACYR VALLEHERMOSO PARTICIPACIONES MOBILIARIAS, S.L.
S.A. DEPURACIÓN Y TRATAMIENTO
SANTACRUCERA DE AGUA, S.L.
SCRINSER, S.A.
SECADEROS DE BIOMASA, S.L.
SIMULADOR VIALIDAD INVERNAL, S.L.
SURGE AMBIENTAL S.L.
TECNOLOGÍA EXTREMEÑA DEL LITO, S.L.
TRATAMIENTO DE RESIDUOS DE LA RIOJA, S.L.
TUNGSTEN SAN FINX, S.L.
VALORIZA AGUA, S.A.
VALORIZA CENTRO ESPECIAL DE EMPLEO, S.L.
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURA, S.A.
SACYR INDUSTRIAL OPERACIÓN Y MANTENIMIENTO, S.L.
VALORIZA FACILITIES, S.A
VALORIZA GESTIÓN, S.A.
VALORIZA MINERIA, S.L.
VALORIZA RENOVABLES, S.L.
VALORIZA SERVICIOS SOCIO SANITARIOS, S.L.
VALORIZA SERVICIOS A LA DEPENDENCIA, S.L.
VALORIZA SERVICIOS MEDIOAMBIENTALES, S.A.
VALLEHERMOSO DIVISION PROMOCIÓN, S.A.
WASTE RESOURCES, S.L.

APPENDIX II: CONSOLIDATED TAX GROUP OF SACYR, S.A. FOR 2017

Company
SACYR , S.A.
APLICACIONES GESPOL, S.L.
AUTOVIA DE BARBANZA CONCESIONARIA DE LA XUNTA DE GALICIA, S.A.
AUTOVIA DEL ERESMA, S.A.
BIOELECTRICA DE LINARES, S.L.
BIOELECTRICAS VALLADOLID, S.L.
BIOMASA DE TALAVERA, S.L.
BIOMASA DE PUENTE GENIL, S.L.
BIPUGE II, S.L.
BURGUERSTORE, S.L.
C.E. LAS VILLAS, S.L.
CAFESTORE, S.A.
CAPACE S.L.
CAVOSA, S.A.
CE PUENTE DEL OBISPO, S.L.
CIA ENERG LA RODA, S.L.
CIA ENERG. PATA MULO, S.L.
EMMASA, S.A.
ERANTOS, S.A.
EUROCOMERCIAL, S.A.
FOTOVOLTÁICA DOS RIOS, S.L.
GESTION DE ENERGÍA Y MERCADOS, S.L.
HIDROANDALUZA, S.A.
IDEYCO, S.A.
INCHISACYR, S.A.
OBRAS Y SERVICIOS DE GALICIA Y ASTURIAS, S.A.
PROSACYR OCIO, S.L.
RIO NARCEA NICKEL, S.A.U.
RIO NARCEA RECURSOS, S.A.U.
SACYR ACTIVOS I, S.A.
SACYR ACTIVOS II, S.A.
SACYR CONCESIONES PARTICIPADAS I
SACYR CONCESIONES PARTICIPADAS II
SACYR CONCESIONES PARTICIPADAS III
SACYR CONCESIONES PARTICIPADAS IV
SACYR CONCESIONES PARTICIPADAS V
SACYR CONCESIONES PARTICIPADAS VI
SACYR CONCESIONES, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS DAOIZ Y VELARDE, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS JUAN DE ESPLANDIU, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS PLAZA DEL MILENIO, S.L.
SACYR CONSTRUCCIÓN APARCAMIENTOS VIRGEN DEL ROMERO, S.L.
SACYR CONSTRUCCIÓN MERCADO DEL VAL, S.L.
SACYR CONSTRUCCION PARTICIPACIONES ACCIONARIAS, S.L.
SACYR CONSTRUCCIÓN PLAZA DE LA ENCARNACIÓN, S.L.
SACYR CONSTRUCCIÓN, S.A.
SACYR FINANCE, S.A.
SACYR GESTION DE ACTIVOS, S.L.
SACYR INDUSTRIAL OPERACIÓN Y MANTENIMIENTO, S.L.
SACYR INDUSTRIAL, S.L.U.
SACYR INFRAESTRUCTURAS, S.A.
SACYR INVESTMENTS II, S.A.
SACYR INVESTMENTS, S.A.
SACYR SECURITIES II, S.A.
SACYR SECURITIES, S.A.
SACYR VALLEHERMOSO PARTICIPACIONES MOBILIARIAS, S.L.
SADYT, S.A.
SANTACRUCERA DE AGUA, S.L.
SCRINSER, S.A.
SECADEROS DE BIOMASA, S.L.
SIMULADOR VIALIDAD INVERSAL, S.L.
SURGE AMBIENTAL, S.L.
TECNOLOGÍA EXTREMEÑA DEL LITIO, S.L.
TRATAMIENTO DE RESIDUOS DE LA RIOJA, S.L.
TUNGSTEN SAN FINX, S.L.
VALLEHERMOSO DIVISION PROMOCIÓN, S.A.
VALORIZA AGUA, S.A.
VALORIZA CENTRO ESPECIAL DE EMPLEO, S.L.
VALORIZA CONSERVACIÓN DE INFRAESTRUCTURA, S.A.
VALORIZA FACILITIES, S.A.
VALORIZA GESTIÓN, S.A.
VALORIZA MINERIA, S.L.
VALORIZA RENOVABLES, S.L.
VALORIZA SERVICIOS A LA DEPENDENCIA, S.L.
VALORIZA SERVICIOS MEDIOAMBIENTALES, S.A.

APPENDIX III: ALTERNATIVE PERFORMANCE MEASURES

The Sacyr Group presents its earnings in accordance with International Financial Reporting Standards (IFRS). The Group also provide with certain additional financial measurements, known as Alternative Performance Measures (APMs) used by management in decision-making and evaluation of the Group's financial performance, cash flows and financial position.

In order to comply with the Guidelines on Alternative Performance Measures (2015/1415en) published by the European Securities and Markets Authority (ESMA), the disclosures required for each APM are set out below, including their definition, reconciliation, explanation of their use, comparatives and consistency.

Sacyr Group considers that this additional information will improve the comparability, reliability and comprehensibility of its financial information.

EBITDA

Definition: this indicator shows operating profit or loss prior to depreciation and amortisation and any change in provisions.

Reconciliation: EBITDA is calculated as follows:

EBITDA		
Thousands of euros	2017	2016
Operating profit/(loss)	256,826	208,081
(-) Depreciation and amortisation expense	(118,398)	(113,073)
(-) Impairment of goodwill	(18,699)	(226)
(-) Change in operating provisions	(3,624)	(12,700)
(-) Change in provisions for non-current assets	(8,045)	19
(-) Change in provision for other operating expenses	-	-
TOTAL EBITDA	405,592	334,061
(-) Non-recurring expenses (*)	(17,000)	(25,524)
Like-for-like EBITDA, TOTAL	422,592	359,585

(*) Non-recurring expenses in 2017 and 2016 relate to the effect of the redundancy plan (ERE) in Construction

Explanation of use: EBITDA provides an analysis of operating results excluding those variables that do not represent cash, such as depreciation and amortisation and any change in major provisions. It is an indicator widely used by investors when assessing companies' operating performance and its level of indebtedness by comparing it with net debt.

Comparative: Comparative figures between periods are presented.

Consistency: As shown in the reconciliation and in order to establish a comparison between the current and previous period, a like-for-like EBITDA has been calculated, excluding extraordinary/non-recurring profits and losses.

EBIT

Definition: Calculated as the difference between Operating income (Revenue, Own work capitalised, Other operating income, Government grants released to the income statement) and Operating expenses (Staff costs, Depreciation and amortisation expense, Changes in provisions and Other).

Reconciliation: EBIT does not require reconciliation and is shown in the consolidated income statement of these consolidated financial statements.

Explanation of use: Like EBITDA, EBIT is a relevant indicator used in the comparison between companies and shows the size of profit before the deduction of finance income and costs, and tax payable. It represents a measure of the Company's capacity to make profits.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate EBIT is the same as that for the previous year.

Gross debt

Definition: Comprises Non-current financial debt and Current financial debt as shown on the liabilities side of the consolidated statement of financial position, which includes bank borrowings and issues in capital markets (bonds).

Reconciliation: The reconciliation outlined for Gross debt is included in Note 21 to these consolidated financial statements.

Explanation of use: Gross debt is a financial indicator mainly used to determine the Company's solvency.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Gross debt is the same as that for the previous year.

Net debt

Definition: Calculated as Gross debt less Other current financial assets and Cash and cash equivalents, from the asset side of the consolidated statement of financial position.

Reconciliation: The reconciliation of Net debt is shown in Note 26 to these consolidated financial statements.

Explanation of use: Net debt is a financial indicator used by management to measure the Company's level of indebtedness. The gearing ratio, calculated based on Net debt and Equity, serves to determine the financial structure and level of indebtedness in relation to shareholders' capital and bank borrowings.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Net debt is the same as that for the previous year.

Project finance debt (gross or net)

Definition: The financial debt (gross or net) from project companies. In this type of debt, the guarantee received by the lender is limited to the project cash flow and its asset value, with limited recourse to shareholders.

Reconciliation: Like Gross debt, details of the reconciliation of Project finance debt is included in Note 21 of these consolidated financial statements, and a high proportion of it is provided for financing the area of concession projects for the Concessions division (see Concessionaires in Appendix I: Scope of consolidation 2017).

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Project finance debt is the same as that for the previous year.

CORPORATE DEBT (GROSS OR NET):

Definition: Debt held by the Group's Parent, comprising bank borrowings and issues in capital markets.

Reconciliation: Details of the reconciliation of Corporate debt is included in Note 21 to these consolidated financial statements.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Corporate debt is the same as that for the previous year.

Financial profit/(loss)

Definition: The difference between Total finance income and Total finance costs.

Reconciliation: Financial profit/(loss) does not require reconciliation and is shown in the separate consolidated income statement of these consolidated financial statements, and in greater detail in Note 31.

Explanation of use: It is a measure used to assess the result obtained from the use of financial assets and liabilities.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Financial profit/(loss) is the same as that for the previous year.

Backlog

Definition: Value of awarded and closed work contracts pending completion. These contracts are included in the backlog once they are formalised. The backlog is shown as the percentage attributable to the Group, as per the corresponding consolidation method. Once a contract has been included in the backlog, the value of production pending completion on the contract remains in the backlog, until it is completed or cancelled. Nevertheless, valuation adjustments are made to reflect any changes in prices and time periods agreed with the client. Due to a number of factors, all or part of the backlog linked to a contract may not actually become income. The Group's backlog is subject to adjustments and cancellation of projects, and cannot be taken as an exact indicator of future earnings.

The concessions backlog represents estimated future revenues on concessions, over the concession period, based on the financial plan for each concession, and includes projected fluctuations in the exchange rate between the euro and other currencies, as well as changes in inflation, prices, tolls and traffic volumes.

Reconciliation: Given that no comparable financial measure is foreseen under IFRS, a reconciliation with the financial statements is not possible. The reconciliation of Group Backlog by activity is shown in Note 33 to these consolidated financial statements.

Explanation of use: Management considers that the backlog is a useful indicator of the Group's future revenues and a customary indicator used by companies in the sector in which Sacyr operates.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Group Backlog is the same as that for the previous year.

Market cap

Definition: Number of shares at the end of the accounting period, multiplied by the share price at the end of the accounting period.

Reconciliation: The Company's Market cap. is presented in point 10 of the consolidated management report that accompanies these consolidated financial statements.

Explanation of use: Market cap. reflects the Company's stock market value.

Comparative: Comparative figures between periods are presented.

Consistency: The criterion used to calculate Market cap. is the same as that for the previous year.

Like-for-like basis

Definition: On occasions, certain figures are corrected to permit a comparison between accounting periods, for example, by eliminating non-recurring impairment, significant changes in the scope of consolidation that could distort the year-on-year comparison of indicators such as sales, the effect of exchange rates, etc. In each case, details are provided in the notes to the corresponding item.

Reconciliation: For 2016 a like-for-like EBITDA was calculated, which was explained earlier.

Explanation of use: The like-for-like EBITDA is used to provide a measure that is more standardised and comparable between accounting periods, by excluding non-recurring elements and impacts.

Average Daily Traffic (ADT)

Definition: Defined as the total number of users of a concession during a day. ADT is normally calculated as the total number of vehicles travelling on the motorway each day.

Explanation of use: This is not in itself a financial measure, but it is a key indicator for the Group of the amount of traffic using the motorways.

Sacyr Group
Sacyr, S.A. and Subsidiaries
CONSOLIDATED MANAGEMENT REPORT
At year-end 2017

This consolidated management report was prepared in line with the recommendations of the Guide for the preparation of management reports of listed companies published by the Spanish National Securities Market Commission (CNMV), in order to harmonise the contents thereof in Spain and abroad, and to provide data placing in context all the financial disclosures contained in the financial statements, to provide additional and complementary information to these financial statements and to provide greater security to the members of the Board of Directors, the persons ultimately in charge of preparing and publishing such report. Non-financial information was also included, indicated in Royal Decree Law 18/2017 transposed to the Spanish legal ordinance of EU Directive 2014/95 of the European Parliament, on environmental and social issues, and regarding personnel, with respect to Human Rights, and in the fight against corruption and bribery.

1. SITUATION OF THE ENTITY:

The Sacyr Group, active for over 30 years, is structured into four different areas of activity and operates in a total of 22 countries:

- **Construction:** performed through the head units Sacyr Construction in Spain and Chile, Somague in Portugal, and SIS in Italy, focusing mainly on the construction of all manner of civil engineering and residential and non-residential building infrastructure.
- **Concessions:** business activity developed by Sacyr Concesiones, the sixth largest operator of infrastructure concessions in the world, with a presence in: Spain, Italy, Ireland, Portugal, Chile, Colombia, Peru, Uruguay and Paraguay; this division is a leader in the management of infrastructure such as motorways, hospitals, transport hubs, etc.
- **Services:** provided by Valoriza, with a presence in Spain, Australia, Algeria, Portugal, Mexico, Brasil, Chile, Colombia, Peru, Uruguay, Paraguay and Oman, and specialising in the management of the following services:
 - Environmental: provided through the parent Valoriza Servicios Medioambientales, leading company in the operation of:
 - Municipal services: leader in management of concessions in the main Spanish towns: street cleaning, collection of municipal solid waste (including underground recycling containers), gardening and maintenance of green areas, management of parking meters and towing services.
 - Waste treatment: builds and operates plants to treat municipal solid waste, packaging, and batteries, treatment facilities for construction and demolition debris and landfill gas removal, and plants for biometanation, incineration, and waste-to-energy production, as well as facilities to treat, compost, and thermally dry the sludge from wastewater treatment plants.
 - Regeneration: this area encompasses water quality control, atmospheric control and recovery of landscapes and woodlands.
 - Water: performed via Valoriza Agua and focussed on the operation and maintenance of all types of water-related plants (drinking water and water purification plants, desalination plants, tertiary treatments and recycling, industrial waste water treatment, agricultural treatment, etc.), and the end-to-end management of the water cycle under public sector concessions or in the private sector.

- Multi-services: provided through the following companies:
 - Valoriza Facilities: Group company specialised in the full-service cleaning of buildings, *facility management services*, ancillary services (porter services, gardening, etc.), and energy services.
 - Valoriza Servicios a la Dependencia: Group company leader in management of Homes for the Elderly and Day Centres.
 - Valoriza Conservación de Infraestructuras: Group company that specialises in the maintenance and upkeep of roads and other specific infrastructure: dams, irrigation channels, etc.
 - Cafestore: Group company specialised in the operation of motorway service areas (third leading Spanish operator in this market), and in the management of restaurants and cafeterias at large facilities: hospitals, transport hubs and public and private buildings.
- **Industrial:** performed by Sacyr Industrial, which is present in Spain, Peru, Ecuador, Colombia, Chile, Bolivia, Panama, Mexico, Algeria, Oman and Australia, and is the Group division, which resulted from the integration of various companies and areas of the company, in charge of engineering and industrial construction activities. Covering the promotion, performance, start-up and operation of projects in the following business areas:
 - Engineering and energy: Sacyr Industrial is one of the leaders in the Spanish energy sector, and it is also a pioneer internationally in conventional and renewable power plants, in cogeneration plants, and in the development of biomass, solar energy and geothermal plants. It also operates and maintains power plants and industrial facilities.
 - Environment and mining: Sacyr Industrial is one of the leading international companies in the design, construction and operation of waste treatment and waste-to-power plants. It also has experience in mining and processing plant projects.
 - Oil&Gas: implementation of refinery, chemical and petrochemical, gas handling and treatment and liquefied natural gas (LNG) projects, and the transportation and storage of this type of fuel.
 - Water: business activity performed via Sadyt, global leader in engineering activity, development and operation of all types of water treatment plants: desalination, purification, drinking water plants, etc.
 - Electrical facilities: engineering development and the construction of high-voltage electricity lines, electricity substations and low-, medium- and high-voltage facilities.

The Group's organisational structure is arranged around the figure of the Executive Chairman and CEO, to which are accountable, firstly, the non-executive Chairmen and the Managing Directors of each business area, and secondly, various departments which provide support to the rest of the Group: the General Finance Department, the General Corporate Department, lastly, the General Legal Advisory Department/Secretary to the Board of Directors.

2. ECONOMIC ENVIRONMENT

2.1. THE INTERNATIONAL ECONOMIC ENVIRONMENT

For the first time since the financial crisis struck, the global economy is growing in a synchronised manner. 2017, in general terms, has been characterised by an improvement in the outlook for economic growth, thanks to the good performance of the world's major economies: United States, Japan, Canada and the majority of the euro area and EU countries. Both the U.S. Federal Reserve and the European Central Bank continued to provide monetary stimulus policies during the year, though the USA has raised interest rates for the third year running. On the other hand, emerging countries' economies continue to suffer, with commodity prices failing to recover, aside from oil, which once again spiked compared to 2016. The recovery of oil has led to prices continuing to rise, after the falls experienced in the last few years of crisis.

In 2017, the United States recorded growth of 2.3% in GDP, compared with 1.6% the year before. This acceleration was due to the stimulus driven by the fiscal reform and the greater investment contribution and household consumption. Corporation tax reduced from 35% to 11%, enabling an improvement in company profits, stimulating investment and greater shareholder remuneration. Meanwhile, personnel taxes were also cut, such that the maximum stood at 37% versus 39.6% previously. Throughout the year, and as expected, the Fed once again raised, for the third consecutive time, its policy rate by three quarters of one point, to the range of 1.00%-1.25%, on the back of the recovery in prices and employment levels during the year. At least two interest rate rises are forecast for 2018. With regard to employment, 2017 was another good year, with 2.05 million new jobs created, reducing unemployment to 4.1% (vs. 4.7% in the previous year), its lowest rate for nine years, implying full employment. In terms of inflation, government figures show that 2017 closed with an increase of 2.1%, the same percentage as the previous year, largely due to the moderate increase in energy prices.

Regarding the performance of the Chinese economy, and according to government data, in 2017 China's GDP climbed by 6.9%, two tenths more than in 2016, representing a change in the downward growth trend since 2010. This growth was made possible thanks to the good performance of exports, due to the upturn in foreign trade, the government's stimulus package and, mainly, consumer spending. In nominal terms, the wealth generated stood at 10.6 billion euros, with highlights including the strong growth in investment in fixed assets, +7.2% and real estate investment, +7%. Domestic consumption has established itself as one of the main pillars of the Chinese economy, contributing 58% to the year's growth.

The economic performance of euro area countries was also very uneven in 2017. Although Eurostat has not published its definitive GDP figures, and in many cases the data we have is provisional, we can confirm that the euro zone as a whole grew 2.3%, compared with 1.8% the previous year, nearing pre-crisis levels. The split by countries shows Spain as the economy growing fastest, of the 5 major economies in the Eurozone, at 3.1%, followed by France, at 2.5% and Germany, at 2.9%. Italy, meanwhile, which has accumulated a decade of economic stagnation, is advancing at just 0.3%. In the European Union as a whole, however, there was also growth of 2.3% in the year, compared to 1.9% in 2016. The United Kingdom, with growth of 1.4%, is progressing slowly and hesitantly, alongside the tense negotiations which are being held to implement Brexit. The British economy, which was performing at a similar rate to that of the Euro Zone in 2015 and 2016, continues to lose steam. The European Central Bank has continued to pursue its active liquidity policies, by systematically purchasing the public debt of peripheral countries, as well as through various liquidity auctions with the aim of stabilising lending in the economy. With regard to the economic forecasts for future years, the European Commission expects growth of 1.6% in the Euro Zone, and for the European Union, of 2.4% in 2018, and of 1.9% in 2019, for both areas. The recovery continued to gain ground in Europe thanks to the increase in domestic demand and improved competitiveness of its domestic markets. However, Europe's weaknesses over the next few years will be: the development of the Brexit negotiations, for the possible disruption to trade that might result, and the appreciation of the euro, which could negatively affect exports.

Year-on-year inflation in the euro area, according to data provided by Eurostat, was 1.4% in 2016, compared to 1.1% the previous year. This moderate rise was due to higher energy prices,

especially in the last semester of 2016. Brent crude prices rose sharply, from 56.82 US dollars at the end of 2016 to almost 67 US dollars by the end of December, an increase of 17.69%. Underlying inflation (i.e. excluding the price of energy and fresh food) stood at 0.9% in the euro area, the same as in the previous year. The outlook for 2017, once OPEC agreed to extend the cuts in the production of crude oil until the end of, at its meeting in November, it is likely that oil will continue its rise and reach 65-70 US dollars a barrel. As a result of this, the spectre of deflation appears to have disappeared, for which reason the ECB may decide to remove part of the monetary stimulus it has maintained over the last few years.

2.2.- THE ECONOMIC ENVIRONMENT IN SPAIN

According to data from the Bank of Spain, the Spanish economy, measured in terms of GDP, grew by 3.1% in 2017, two tenths lower than the growth recorded the previous year. This is the fourth year of positive growth, following six consecutive years of contraction. By sector, the Construction sector stood out with year-on-year growth of 4.9% as well as Industry and Agriculture, livestock and fisheries, with both experiencing a year-on-year increase of 3.7%. For the fourth year in a row, domestic demand grew (2.8%), thanks once again to the boost from household consumption, the favourable performance of the labour market and the fall in the cost of borrowing for families. In 2017, regarding the Balance of Trade, exports and imports beat historic records. The deficit increased by 31.9% compared with the previous year, standing at 24,744 million euros. Exports stood at 277,126 million euros, 8.9% more than in 2016, thanks to efforts of Spanish companies adjusting their labour costs and prices, enabling them to become more competitive and increase our global market share. Imports also grew strongly, by 10.5%, to 301,870 million euros, due to greater demand for domestic consumption and higher oil prices. The sectors which performed particularly well were Capital goods (20.3% of total exports), Vehicles (16.3%); Manufactured goods (9.7%) and Chemicals (7.8%). 65.7% of Spanish goods were exported within the EU. Additionally, according to data provided by the Ministry of Industry, Energy, Tourism and Digital Agenda, in 2017, and for the sixth year running, Spain saw a record number of overseas visitors, with 82 million tourists visiting the country, 8.9% more than in 2016. For the first time, our country overtook the United States, positioning Spain in second place for global tourism, behind France. Estimates indicate that the total expenditure by those travellers was 87,000 million euros, 12.4% more than the previous year, with average spend per tourist of 1,061 euros, 3.1% higher year-on-year.

The European Commission's forecasts for Spain in 2018 and 2019 are fairly encouraging in all key components: GDP growth, job creation and unemployment figures. In 2018, it expects an increase of 2.6% in GDP, and of 2.1% in 2019, mainly due to increased domestic demand as a result of employment growth. Exports should also continue to grow thanks to the improved competitiveness of the Spanish economy. As for unemployment, rates of around 15% and 14% are expected in 2018 and 2019, respectively.

As regards the labour market, according to data published by the Spanish National Institute of Statistics (INE), the Labour Force Survey (LFS) reflects an increase of 490,300 jobs last year, 2.65% more than in 2016, with growth in all sectors, especially Services (+289,700) and Industrial (+132,200) and Construction (+64,300). Unemployment ended the year at 16.55% of the active population, compared to 18.63% the previous year. With regard to the social security system, 2017 saw an average number of 18.46 million employees registered, an improvement of more than 611,146 compared to the previous year, according to figures provided by the Department of Social Security, the largest rise since 2005, and the second highest figure recorded since December 2008. Under the General Social Security Regime, which experienced a year-on-year increase of 4.11%, meanwhile the increase under the Self-Employed Workers Regime, with 10,468 new workers, was just 0.33% versus 2016.

Turning to prices, according to INE inflation in Spain for 2016 was 1.1% compared to 1.6% the previous year. The sectors with the biggest price rises in the general index were as follows: Transport (+1.9%), due to the moderate increase in the price of fuels and lubricants in the second half of the year; Hotels, cafes and restaurants (+1.9%); Food and non-alcoholic beverages (+1.7%) and Alcoholic beverages and tobacco (+1.7%). All sectors experienced

year-on-year increases, except for Leisure and Culture, which experienced a slight fall (-0.6%) and Household items (-0.5%). Core inflation, excluding food and energy products, remained at 0.8%, the same as in 2016.

Spain's main stock index, the IBEX-35, closed for the first time in three years with gains. The last trading session of the year closed at 10,043.9 points, a revaluation in the year of 7.40%. In 2016, it experienced a 2.01% decline.

According to data published by the Spanish Association of Construction Companies (SEOPAN) public tenders totalled 12,894.76 million euros of real investment, a sharp year-on-year increase of 38.3% versus tenders in the previous year. Of this total, local government accounted for 5,101.8 million euros (+54.66%); Autonomous Regions for 3,940.41 million euros (+36.13%) and central government for a total of 3,853.27 million euros, (+23.08%) with, within that amount, the 1,011.53 million invested by the Directorate General for Roads, the 947.06 million euros accounted for by ADIF (including High Speed), the 579.9 million euros by AENA and the 373.72 million euros by Port Authorities, being of particular note.

Regarding the future of the construction sector in our country, and despite the budget austerity measures imposed by the European authorities, the outlook is rather promising.

In July this year, the Government presented the new Extraordinary Plan for Road Investment (PIC), a new financing mechanism for road infrastructure which entails an investment of 5 billion euros, and which will enable more than 2,000 km of roads to be worked upon over the next 4 years.

This plan, which will be secured by European financing, under the best conditions, via the European Investment Bank (EIB), will be based on collaboration with the private sector the objectives of which will be to complete the outstanding sections of the Trans-European Transport Network, resolve current bottlenecks on the existing road network and improve and adapt the main motorways to the requirements of the new legislation on accident rates, noise and CO2 emissions.

It is envisaged that work will be carried out on more than 20 major corridors which will enable a large part of the Spanish road infrastructure system to be improved, renovated, operated and maintained.

The Ministry of Economic Development has also been driving forward, throughout the year, the new Infrastructure, Transport and Housing Plan ("PITVI") introduced at the end of 2012, which replaced the Strategic Infrastructure and Transport Plan ("PEIT") and the Strategic Infrastructure Plan ("PEI"). The new plan is expected to remain in place until 2024.

Depending on the macroeconomic scenario in Spain, the total sum of investment earmarked in the "PITVI" Plan ranges between 0.89% and 0.94% of GDP up to 2024.

Of the total amount planned, approximately 90% is to be allocated to transport policies and 10% to housing. Of the former, 52,403 million euros will be allocated to roads, including 18,668 million euros for the construction of 3,500 km of new high-capacity routes, with a further 1,265 million euros earmarked for the expansion of existing roads. A 25,000 million euro package is to be allocated to Spain's high-speed "AVE" rail system. The bulk of this amount will be used for the connection to Galicia (8,517 million euros) and for the Basque "Y" (4,323 million euros), which will join the three capitals of the region. The other flagship projects will be the AVE to Badajoz, with 2,651 million euros, and the connection to Asturias, with another 1,719 million euros. Other noteworthy interventions include national ports, with 2,000 million euros, and modernisation of conventional railway transport, with 1,310 million euros.

Meanwhile, the European Commission work group continued with its meetings, created for the purpose of developing a backlog of strategic projects to be carried out in the short and medium term focusing on key sectors to drive competition and potential growth in the

European Union, especially with regard to research and development, the digital economy, energy and transport infrastructure, social infrastructure and the environment.

Among other actions, the new actions outlined in the European rail transport plan are taken into consideration. Spain, with five corridors crossing the entire country, is to be one of the main beneficiaries. The network, which will criss-cross the country's territory, should be completed before 2030, and is expected to receive a total investment of 49,800 million euros, of which at least 10% will be covered with EU funds. The Central Corridor will link Algeciras to France through the centre of the peninsula; the Atlantic-Mediterranean Corridor will run from Lisbon to Valencia; a branch of the corridor will run from Portugal to France, crossing the Castille plateau and the Basque Country; the Mediterranean Corridor will link Algeciras to Murcia, Valencia, Catalonia and the French border; and another corridor will run from the Cantabrian Sea to the Mediterranean, linking Bilbao to Valencia and passing through Pamplona and Zaragoza.

3. OUR ACTIVITY IN 2017

3.1.- Activities of the Sacyr Group

Group revenue stood at 3,092.6 million euros, 8.1% higher than in 2016, as a result of the good performance of the Concession divisions, thanks to the increase in traffic, and two new concessions becoming operational; Services (Valoriza), as a result of the positive trend in revenues in all areas of business; and particularly Industrial with significant growth in business. The Group maintains its strong commitment to international growth and now has a solid foothold in countries including: Colombia, Chile, Portugal, Peru, Italy, Angola, Australia, Oman, Algeria, Uruguay, Paraguay, Qatar, Ecuador, Brazil, Bolivia, Mexico, Ireland, Cape Verde and Mozambique. Evidence of this is the fact that 58% of this revenue and 73% of the backlog, are generated outside Spain.

EBITDA, without including non-recurring expenses, produced by the ERE (collective dismissal) at Somague, stood at 422.6 million euros, 17.5% above that obtained in 2016, thanks to the result of the strategy of our company which focussed on profitability and generating cash from the projects, as well as the strict risk management system and cost control, which positioned the EBITDA ratio in relation to revenue at 13.7%, versus 12.6% the previous year. Meanwhile, allocated net profit was 130.6 million euros, 8.7% more than in 2016. In like-for-like terms, namely, when extraordinary profit is removed from the previous year, the growth of net profit would have been 32%

In terms of key balance sheet indicators, in 2017 total assets stood at 13,576 million euros, while equity was 2,004 million euros. The significant reduction in the Group's debt over the last nine years continues to be of particular note, with net financial debt having been reduced from 19,526 million euros (at year-end 2008) to 3,421 million euros (at year-end 2017), 82.5% less; furthermore, the majority of that debt, 2,517 million euros, is linked to project financing and thus without recourse to the parent company.

The Group's activity was widely secured by the backlog, which at 31 December 2017 stood at 41,001 million euros, 58% higher than the previous year thanks, mainly, to the inclusion of "Pedemontana-Veneta" (Italy) in the amount of close to 12 billion euros. Of the entire backlog, more than 72% is international. By business activity, in Construction overseas contracts represent 90% of the total, in Concessions 82%, in Services 29% and Industrial 19% of prospective revenue.

In 2016, Sacyr continued to implement the Group's new strategy, based on boosting those businesses in which we are leaders and experts, and on continuing to promote the two new growth drivers, i.e., the management of construction and concession projects, and the consolidation of the Group's newest industrial division: Sacyr Industrial.

All the foregoing, tied to management measures based on reducing costs and debt will lead to a stronger, more innovative and more competitive Group, that is more committed to the

traditional values of our Company: prudence, austerity, quality and compliance with the commitments assumed.

3.2.- Most significant events in 2017

Some of the most significant events in 2016 are set out over the next few pages, followed by an overview of each business unit.

a) Pedemontana - Veneta motorway (Italy)

The consortium SIS, in which Sacyr holds a 49% interest, successfully secured financing to complete the construction of the "Pedemontana-Veneta" toll motorway, in Italy. The operation implied a bond issue in the amount of 1,571 million euros: 1,221 millions maturing on 30 June 2047, with a 5% coupon payable each semester; and 350 million euros, maturing on 30 June 2027 and an 8% coupon also payable each semester.

This bond emission was one of the greatest carried out in Europe, in a *greenfield* project, and won the "Project Finance International 2017" award for best European operation in transport infrastructure. The bonds are traded on the Dublin Stock Exchange.

The concessionaire Superstrada Pedemontana Veneta performs the design, construction, financing, operation and maintenance of the toll motorway, from when the construction is finalised and for a period of 39 years. Initial traffic of 27,000 vehicles daily is estimated; this may reach more than 60,000 in the final years of the concession. The Veneto Region will make payment for initial availability of 165 million euros to the concessionaire, when it becomes operational; this will subsequently be increased annually, based on inflation and a growth ratio, which will provide a backlog of total prospective revenue of close to 12 billion euros.

The motorway, one of the most significant infrastructures, under development in Italy, implies the construction of 162 kilometres, crossing the Veneto Region, traversing the provinces of Vicenza and Treviso. A total of 94 kilometres will be for the main road and another 68 kilometres for secondary accesses. Two tunnels and eight viaducts will also be constructed.

b) Stake in Repsol

In 2017, Sacyr remained a core shareholder of Repsol via a 7.8835% interest in the oil company.

In April, and as a culmination of the strategy to eliminate risks associated with that interest, initiated in the second half of 2016, a new derivative was arranged on 72.7 million shares (the remaining 60% from the total interest) with the objective of limiting the risk of a drop in Repsol share price, maintaining the potential profit against increases in the traded price and with access to all dividends distributed by the company.

Having received the funds, 769 million euros, early redemption and settlement of the entire syndicated loan arranged initially to finance the position.

In 2017, and as a result of the Repsol "Flexible Dividend" programme, Sacyr Group, via its investees: Sacyr Vallehermoso Participaciones Mobiliarias, S. L., Sacyr Securities, Sacyr Investments y Sacyr Investments II received dividends from Repsol for 86.89 million euros (a dividend on account of 2016 profits, for 34.62 million euros, at the beginning of January and another, final, dividend of 52.27 million euros, at the beginning of July). Also, under this programme, in January 2017, it has received 495,977 new shares in Repsol, resulting from the swap of part of its pre-emptive subscription rights at a rate of one new share for every 38 in circulation.

C) Bonus share issue and "Scrip Dividend"

On 8 June 2017, the shareholders at the General Shareholders' Meeting approved a capital increase, with a charge to unrestricted reserves, for a nominal amount of 15,679,727 euros through the issuance and placement of 15,679,727 new shares each with a par value of one euro. The new shares issued were freely assigned to the shareholders of Sacyr in the ratio of one new share for each 33 outstanding shares.

On 28 July 2017, the new shares began trading on the Spanish stock markets:

Under the same item of the agenda, a share capital increase was also approved with a charge to profits or reserves ("Scrip Dividend"), for a maximum par value of up to 17 million euros, through the issuance of new ordinary shares each with a par value of one euro, with no share premium and of the same class and series as those currently in circulation. The acquisition of rights to receive free shares was also approved, at a guaranteed fixed price, for those shareholders who opt to sell their rights to Sacyr. The conditions of the share capital increase, where not provided for, and the deadline for implementing it, were delegated to the Board of Directors.

On 17 January 2018, the Board of Directors, exercising the powers which it had been delegated, decided to implement the "Scrip Dividend" via the issue of up to 11,106,473 shares. Regarding the fixed price, which Sacyr irrevocably undertook to purchase each free share, for those shareholders who opted for that option, was 0.052 euros gross per right, in accordance with the formula approved by the shareholders at the Annual General Meeting to that effect.

Pre-emptive subscription rights were listed on the market from 22 January 2018 until 7 February 2018, both days inclusive.

Shareholders of 95.87% of the rights of free allocation of new shares, opted to receive new Sacyr shares, leading the definitive number of ordinary shares issued through the capital share increase was 10,647,265, with the nominal value of the increase being 10,648,265 euros. That capital share increase was registered on 19 February 2018, with new shares being traded from 1 March 2018, on Spanish Stock Markets.

Accordingly, the holders of 4.13% of the rights of free allocation of new shares accepted the irrevocable undertaking to purchase rights assumed by Sacyr. The payment to those shareholders was made on 9 February 2018.

d) Promissory notes issue programme on the Fixed Income Alternative Market (MARF)

In 2017, Sacyr included a promissory notes issue programme on MARF, with an outstanding maximum value of 250 million euros, and with a maturity of 24 months, in order to diversify its channels of financing on the capital markets.

Banca March, S.A. was appointed as the registered advisor of MARF for the programme, and as partner entity and payment agent for different issues which may be performed.

3.3.- Performance of the Construction division (Sacyr-Somague).

Construction division revenue in 2017 amounted to 1,225 million euros, down slightly versus 2016 due to the lower level of activity in Spain and the markets where Somague operates. Nevertheless, international growth reached 29%, as a result of the buoyancy experienced in markets such as Colombia, Mexico, Qatar and Italy.

EBITDA grew by c.60%, to 93 million euros, with EBITDA margin of 7.6% versus 4.6% the previous year.

The construction backlog stood at 5,868 million euros at 31 December, 42% higher than the previous year and with 90% of this being outside Spain. It ensures more than 57 months of activity at the current rate of revenue.

The following major contracts were awarded this year:

- In Colombia, Sacyr will undertake the construction of the new Fourth Generation road corridor "Cúcuta - Pamplona", in the amount of 478.7 million euros. The project envisages, among other elements, the construction of 47 km of second carriageway and the refurbishment of the existing 67 km.
- In Paraguay, Sacyr will build the new motorways: Route 2 (Asunción to Coronel Oviedo) and Route 7 (Coronel Oviedo to Caaguazú), for a total amount of 172 million euros. With a total of 170 kilometres, the development of this project is very important, since 70% of the country's economic activity is concentrated in this corridor.
- In Chile, Sacyr has been awarded the contract worth 127.6 million euros to construct the new Quillota-Petorca hospital, in the Valparaíso Region, with the work scheduled for completion in 40 months.
The hospital, that will provide services to over 320,000 people from the Quillota and Petorca provinces, will have 282 beds, 9 operating theatres, 3 delivery rooms, 8 emergency rooms and 52 outpatient consulting rooms.
- In Mexico, Sacyr was awarded several projects including the following: the construction of the new General Hospital of the Southern Regional District, Mexico D.F. in the amount of 53.5 million euros which, with 250 beds and 36 consultation rooms, will provide services to a population of 1.2 million people; the construction of the new "Pirámides – Tulacingo – Pachuca" motorway, Mexican States and Hidalgo, 91.5 kilometres long, and in the amount of 41.3 million euros; the construction of the new Local General Hospital in Acuña city (Coahuila state), in the amount of 21 million euros and period of 16 months to complete the works, and the construction of the new General Hospital of Pachuca city, in the amount of 18.25 million euros.
- In Peru, a consortium in which Sacyr holds an interest was awarded the renovation of the sports complex "Andrés Bello Cáceres" in Lima which will host the 2019 Pan-American Games for baseball, rugby, hockey, softball, waterpolo, basque pelota and frontón. There is a budget of 31 million euros for the project and it must be completed in May of next year for the sports competitions to be held.
- In Qatar, a consortium, of which Sacyr is part, has won the contract to carry out the works for the collection and treatment of waste water running from plots A and B of the QEZ-1 development zone (Ras Bufontas) to the wastewater treatment plant at Hamad International Airport (HIA), in the amount of 19.5 million euros and a 14 month period for the completion of the project.
- In Spain, Sacyr was awarded the following projects among others: construction of an industrial plant for the production of Iberian products in Jabugo (Huelva), in the amount of 38.83 million euros; transformation project in Sector XXII in irrigation, of the sub-area of Payuelos, irrigable area of Riaño (León), in the amount of 7.84 million euros; construction of the property development "El Juncal" of 50 houses, outhouses and garages, second phase, in Alcobendas (Madrid) in the amount of 7.79 million euros; construction of the property development "Tempranales", first phase, in San Sebastián de los Reyes (Madrid) in the amount of 6.5 million euros; construction of 63 houses in an urbanisation development, outhouses, garages and common areas in San Feliu de Llobregat (Barcelona), in the amount of 6.4 million euros; renovation and transformation works, of former industrial warehouse into a residential building, Parellada street (Barcelona) in the amount of 5.7 million euros.

- In Portugal, Somague was awarded significant contracts that included the following: refurbishment of the "Alto Lido" hotel in Funchal in the amount of 6 million euros and 5 months to complete the works, refurbishment of the "Azores Atlántico" en Punta Delgada (Azores Islands) in the amount of 3 million euros and 6 months to complete the works; various civil works to maintain railway lines, in the sum of 2.62 million euros and reconditioning works for the security and operability of a loading dock at Punta Delgada port (Azores Islands) in the sum of 2 million euros.
- In Angola, Somague was awarded the contract to renovate the Head Office building of Banco Sol in Luanda. This 17 month contract is worth 7 million euros.
- In Cabo Verde, Somague was awarded the renovation of a runway at the International Airport "Aristides Pereira" in the south of Sal Rei, Isla de Boavista. The contract is worth 3.2 million euros.

3.4.- Performance of the Concessions division (Sacyr Concesiones)

Revenue in the Concession division amounted to 613 million euros, up 11% on 2016, with income from concessions reaching 356 million euros, thanks to improved traffic and the start-up of operations of the Chilean concessionaires Hospital de Antofagasta, and the "Valles del Bio-Bio" motorway.

EBITDA was 232 million euros, a 12% increase on last year, with an EBITDA margin of 65%.

The prospective income of the order backlog stood at 27,163 million euros at 31 December 2017, with 82% deriving from the international market. This significant increase is mainly due to the inclusion in the backlog of "Pedemontana-Veneta" along with the following significant contracts:

- In Paraguay, a consortium of which Sacyr Concesiones forms part, was awarded a contract for the construction and operation over a 30-year period, of the following motorways: Route 2 (Asunción to Coronel Oviedo) and Route 7 (Coronel Oviedo to Caaguazú) motorways. This new 170-km motorway will involve total investment of 172 million euros and a revenue backlog of 1,282 million euros over the term of the concession. Its development is very important, since 70% of the country's economic activity is concentrated in this corridor.
- In Colombia, the National Infrastructure Agency (ANI) awarded Sacyr Concesiones Colombia the concession for the Fourth Generation (4G) road corridor "Cúcuta - Pamplona". The project, with an approximate investment of 470.3 million euros envisages the construction of a 62 km dual carriageway, in the Norte de Santander district; a further 47.25 km of second carriageway; 4.02 km of single carriageway ("Variante Pamplona") and the refurbishment of a further 63.05 km. The mountain slope will be overcome via the construction of 6 tunnels. Once completed, the project will generate 2,441 million euros in revenue over the full term of the concession.
- In Mexico, Sacyr Concesiones was awarded its first concession projects in the country: firstly, the National Institute of Social Security and Social Services for Workers (ISSSTE) awarded the concession for the new General Hospital in the southern regional district of Mexico City to a consortium led by our company, for a period of 23 years. The project involves the design, construction, financing, operation and maintenance of the infrastructure. With a surface area of 33,480 square metres, it will serve over 1.2 million people in the southern area of the Aztec capital city, with 250 beds and 36 consultation rooms. With an initial investment of 92 million euros, a backlog of prospective revenue of 1,045 million euros is estimated over the full term of the concession; secondly, Sacyr Concesiones was also awarded the refurbishment, maintenance and preservation of 91.5 km of road between Pirámides, Tulacingo and Pachuca (states of México and

Hidalgo), for a period of 10 years. The backlog of revenue for the entire concession period is expected to reach 235 million euros.

In 2017, the following steps significant share transactions were performed:

- Sacyr Concesiones has sold its 49% stake in Sociedad Concesionaria Rutas del Algarrobo, which manages the 187 km long, La Serena-Vallena (Chile) motorway, to the Chilean company, Toesca Infraestructura Fondo de Inversión, for a total of 161 million euros, including the debt associated with the project.
- Sacyr Concesiones also sold its 4% ownership interest in the Tenerife tram-line (Tenemetro) to Cabildo Insular for 7 million euros. The service has 2 lines in operation in the metropolitan area of the island, travelling between the cities of Santa Cruz and La Laguna, 16.1 km in length and a total of 25 stops.

Lastly, Sacyr also marked the following milestones:

- The prestigious publication, Public Works Financing (PWF), placed Sacyr Concesiones in sixth place in the world ranking of transport infrastructure concessions managers; it also occupies fourth place for developers of infrastructure *greenfield* projects.
- Sacyr secured financing for the "Pedemontana-Veneta" toll motorway, in the Veneto Region, Italy, enabling it to complete its construction. The operation was performed via a bond issue to the value of 1,571 million euros (1,221 million euros in senior bonds, with maturity of 30 June 2047 and an annual coupon of 5%, and a further 350 million euros in subordinate bonds, with maturity of 30 June 2027 and an 8% coupon).
- The financing of the "Pedemontana - Veneto" motorway won the "Project Finance International 2017" award for best European operation in transport infrastructure, with the bond emission one of the greatest carried out in Europe in a *greenfield* project.
- Sacyr arranged financing with Uruguayan infrastructure debt fund (CAF I) in the amount of approximately 76 million euros for Routes 21 and 24 in Uruguay.
- In December, Sacyr Concesiones inaugurated the new Regional Hospital "Dr. Leonardo Guzmán" in Antofagasta, Chile. The healthcare complex is one of the largest and most modern in the whole country and will benefit a population of 547,000 people. It will be managed by our company for the next 15 years, bringing the value of prospective revenues to 530 million euros.

At year-end, the Group had 34 concessions distributed throughout 9 countries (Spain, Italy, Ireland, Chile, Colombia, Mexico, Uruguay, Peru and Paraguay) 21 of which were in operation and 13 of which were under development. There are 27 motorway and road concessions in the EU and America (11 in Spain, 6 in Chile, 4 in Colombia, 1 in Italy, 1 in Ireland, 1 in Peru, 1 in Uruguay, 1 in Mexico and 1 in Paraguay), in addition to concessions for 4 hospitals, 2 transport hubs and 1 motorway operator.

3.5.- Performance of the Services division (Valoriza)

In 2017, Valoriza posted revenues of 962 million euros, 5% higher than in 2016. This growth was fuelled by the Multi-services and Environment businesses (14% and 12%, respectively). The Water business line fell by 32% resulting from the transfer of the EPC division to Sacyr Industrial in the first quarter of the year.

EBITDA was 83 million euros, with a year-on-year variation of 10% and improved profitability of the business of 8.8%.

At 31 December, Valoriza's backlog stood at 5,661 million euros, of which 29% derives from the international market. Valoriza remains firmly committed to tendering activity in all its business areas both in Spain and abroad.

Environment

In 2017, Valoriza Servicios Medioambientales continued to fulfil its important role within the Valoriza Group's environmental area. In this regard, despite the difficulties posed by the current economic climate, the Valoriza Servicios Medioambientales Group has consolidated its position within the sector and continues to be a leading business group. The areas in which it conducts its business are outlined below:

- **Municipal services:** This area, which has driven growth in recent years, comprises concessions for street cleaning, collection of urban solid waste (including underground recycling containers), gardening and maintenance of green areas, parking metre management, and towing services. Contracts won in 2017 included the following:
 - Cleaning and maintenance contract for green zones lots 2 and 3 of the Madrid Municipal Council through a 4-year contract worth €23,5 million.
 - The three-year rolling stock cleaning services concession for "Adolfo Suárez – Madrid Barajas" airport, worth 10.6 million euros.
 - Street cleaning and collection of Solid Urban Waste for Cádiz City Council for a total of 10.5 million euros (1 year concession).
 - The 15-year concession of the Sports Complex in the Grua district, Gandía (Comunidad Valenciana), worth 6.8 million euros.
 - One-year extension of the contract for the collection of Solid Urban Waste, street cleaning and transport in the municipality of Toledo, for 6 million euros.
 - The 10-year concession contract to collect, transport and dispose urban waste for the community of towns of Bajo Tietar (Ávila), in the amount of 4.6 million euros.
 - Street cleaning contract, and other services, in the municipality of Coslada (Madrid), in the sum of 4.1 million, with a one-year term.
 - Management of the Transfer Plant and Eco Stations in the city of Burgos, amounting to 3.3 million euros, over a two-year period.
 - Maintenance services and conservation of green areas, gardens, trees, fountains and urban furniture, for Collado Villalba (Madrid), for 2.8 million euros over a 2-year period for the concession.
- **Waste treatment:** This business area, which has won substantial long-term concessions in recent years, builds and operates plants to treat urban solid waste, packaging, and batteries; treatment facilities for construction and demolition debris and landfill gas removal; and plants for biomethanation, incineration, and waste-to-energy production; as well as facilities to treat, compost, and thermally dry the sludge from waste-water treatment plants.

Nationally, the highlight of 2017 was the awarding of the operations and maintenance service of the Thermal Drying Plant for sludge from the Southern Residual Water

Regeneration Station (ERAR) of Madrid City Council, in the sum of 15.7 million euros and a 1-year period for the concession.

Meanwhile, internationally, Valoriza Servicios Medioambientales entered a new country, thanks to the contract awarded for the operation of a waste treatment and composting plant in Melbourne (Australia) for a 15-year period, with expected income of 113.4 million euros over the entire term of the concession.

- **Regeneration:** This area encompasses water quality control, atmospheric control and recovery of landscapes and woodlands.

Water

This activity covers the maintenance and operation of all types of water-related plants (drinking water and water purification plants, desalination plants, tertiary treatments and recycling, industrial waste water treatment, agricultural treatment, etc.) and the end-to-end management of the water cycle under public sector concessions or in the private sector.

Integrated water cycle management activities are carried out by Valoriza Agua in Spain and Somague Ambiente in Portugal, serving a total over of 1.3 million people.

The most significant activities include the end-to-end water cycle of the city of Santa Cruz de Tenerife through the investee Emmasa; management of drinking water distribution in Las Palmas de Gran Canaria through the investee Emalsa; and the water supply concession in Guadalajara.

The following major contracts were awarded in 2017:

- Extension of the contract for services to the desalination plant for Comunidad de Regantes de Cuevas de Almanzora (Almería) for a sum of €19,1 million and a period of 20 years for the concession.
- Urgent refurbishment and repair of the Recycled Water Supply Network of Canal de Isabel II, in Madrid, for 7.6 million euros and a 2-year period.
- Operation and maintenance services for the "La China" Wastewater Treatment Plant (EDAR) in Madrid for an amount of 5 million euros for 1 year.
- Operation and Maintenance Services for the Sea Water Desalination Plant (IDAM) in Carboneras (Almería), for an amount of 3.6 million euros.

Multiservices

Valoriza Multiservicios manages the Valoriza Group's businesses through four companies: Valoriza Facilities, Valoriza Servicios a la Dependencia, Valoriza Conservación de Infraestructuras and Cafestore.

Valoriza Facilities, leading company in full-service cleaning of buildings, *facility management* services and ancillary services.

The company obtained revenue of 444 million euros in 2017 from Multiservices, a year-on-year increase of 13%, with a services backlog, including contract extensions, of over 1.1 billion euros.

The main contracts awarded in 2017 were as follows:

Cleaning contracts:

- Cleaning, laundry, disinfection and rodent extermination contract for the Gerencia de Atención Integrada health service in Albacete, for a total amount of 15.2 million, with a 4-year concession period.
- Extension of the comprehensive cleaning service for the Ministry of Finance and Civil Service's buildings, plots 7 and 9, in the Nuevos Ministerios, Ventas and Sur areas of Madrid. This 18-month contract is worth 14 million euros.
- Comprehensive cleaning service for the Ministry of Finance and Civil Service's state buildings, premises and offices, in the Nuevos Ministerios, located in Madrid, for a sum of 9.5 million euros and a 15-month concession period.
- Cleaning services of the healthcare buildings, plots 1 and 3, at Hospital "Royo Villanova" and Primary Care Centre of the city of Zaragoza (Aragón Health Service) for €9.4 million and a four-year concession period.
- Cleaning services at the General Directorate offices of the Police and Civil Guard, batch 6, for 9 million euros, with a term of 1 year.
- Cleaning services on city council buildings and local offices of Valencia City Council, for 5.7 million euros, with a term of 2 years.
- Cleaning services of the public buildings of Jaén Province and council offices, for 4.1 million euros, with a term of 2 years.
- Extension of the cleaning services at the buildings and other offices of Madrid Autonomous University, for 3.8 million euros, with a term of 1 year.
- Health centres cleaning contract in Alcázar de San Juan (Ciudad Real), for 3.6 million euros and with a concession term of 2 years.
- Cleaning services of the buildings of the University of Jaén, for 3.5 million euros, with a term of 2 years.

Facility management and maintenance contracts, nationally:

- A five-year contract, for the development of a new facility management model in Repsol's headquarters in Madrid and regional offices across Spain. This 5-year contract is worth 31.2 million euros.
- Maintenance service for buildings and works of art for the Bilbao Local Council, amounting to 4.2 million euros over a four-year concession period.

Internationally:

- Operation and Maintenance Service for the new Regional Hospital "Dr. Leonardo Guzmán" in Antofagasta, Chile. This contract is worth 138.5 million euros, and the concession term is for 15 years.
- Full-service management, operation and maintenance for a period of 3 years for the "Zofri" shopping centre in Iquique, Chile. This contract is worth 4.6 million euros, and the concession term is for 3 years.

Valoriza Servicios a la Dependencia, is leader in the management of Homes for the Elderly and Day Centres. In 2017, the following noteworthy contracts were awarded:

- Personal care and home cleaning services for the Barcelona Municipal Institute of Social Services, for a sum of 13.2 million euros and a 1-year term.

- Home help service for the Burgos Municipal Council, amounting to 5.2 million euros, over a two-year concession period.

Valoriza Conservación de Infraestructuras is the Group company specialised in road maintenance and upkeep, both in Spain and abroad. Among other activities, the company maintains an equivalent of 5,013 kilometres of motorways, an extensive network of irrigation channels and the Bilbao port. Contracts awarded this year included the following:

In Spain:

- Maintenance and up-keep services of: Autopistas del Atlántico AP-9 (AUDASA) "Ferrol – Tuy", Autoestradas de Galicia AG-55 "Coruña – Carballo" and Autoestradas de Galicia AG-57 "Puxeiros – Val Miñor", for a total of 40.2 million and a concession term of 6 years, extendable by a further 2 years.

Internationally:

- Operation and maintenance service of the "Rutas de Litoral" motorway in Uruguay, worth 41 million euros and a 25-years concession term.
- Provision of services for the upkeep of the "Pirámides-Tulancingo - Pachuca" motorway in Mexico, for a total sum of 14.8 million euros and a 10-year concession term.
- Concession to provide repair and upkeep services for the Global Mixto Chañaral and Copiapó motorways, stage 2, Atacama Region (Chile), east and west sectors, for a total amount of 13 million euros and a term of 4 years.
- Upkeep services of motorways in the province of Santiago, Chile, stage II, Metropolitan region. This 4-year contract is worth 7.2 million euros.
- Upkeep services of Global Mixto motorways, provinces of Santiago, Maipo and Cordillera (Metropolitan region), Chile. This contract is worth 7.1 million euros, and the concession term is for 4 years.
- Concession to provide repair and upkeep services for the Global Mixto Ranco motorways, Región de los Ríos, sector Cordillera (Chile), for a total amount of 6.7 million euros and a term of 4 years.
- Upkeep services of Global Mixto motorways, provinces of Iquique and Tamarugal (Taracopa region), also in Chile. This 4-year contract is worth 6.1 million euros.

Cafestore, a Group company that specialises in catering services in concessions and has a presence in motorway service areas (third-leading Spanish operator in this market), social-health services and public-sector organisations, serving over 4 million customers a year. In addition it manages the operation of four petrol stations and a hotel.

At year-end, the Group had a total of 43 points of sale: 26 motorway service stations throughout Spain, restaurants at three hospitals in the Madrid region and two cafeterias in transport hubs, along with others at AVE rail stations, in 6 elderly care homes and in 4 public organisations of Madrid, and a restaurant under the new brand Deliquo, also in Madrid.

The following contracts won are noteworthy:

- Cafeteria service, dining room and Deliquo events restaurant. This 3-year contract is worth €15,6 million and has five-year extensions.

3.6.- Performance of the Industrial division (Sacyr Industrial)

Sacyr Industrial is responsible for industrial engineering and construction in the Group; leader in the Spanish energy cogeneration plants, and in the development of water treatment, purification and seawater desalination plants.

The company is currently immersed in an international expansion plan for industrial design and construction projects for Environment and Mining, "Oil&Gas", Water and engineering projects, electrical and geothermal energy.

Sacyr Concesiones recognised revenue of 523 million euros in 2017, significant year-on-year growth of 31%, as result of the conclusion of Oil&Gas contracts "La Pampilla módulo diésel" (Peru) and a regasification plant in Cartagena de Indias (Colombia), and the launch of new projects including: "Nuevo Mundo" and "La Pampilla bloque gasolineras", both in Peru; the new seawater desalination plant in Sohar (Oman); the cement plant in Chimborazo (Ecuador); the new electric facilities in Chile and thanks to the results of the strategic partnership agreements signed in previous years with companies such as Flúor, Nervión and Isotrón.

The performance of the electricity generation business activity has also been very positive, with sales growth up 25% on 2016 due to the increase in the price of the electrical pool, caused by climate conditions, and which pushed the average price of electricity up in that pool from €39.61/MWh in 2016 to €52.22/MWh in 2017.

This positive performance of revenue was accompanied by a 14% year-on-year increase in EBITDA, which amounted to 34 million euros. This gave an EBITDA margin of 7%, also as a result due of the new EPC projects and the strategic alliances referred to above.

Sacyr Industrial's backlog at 31 December 2017 stood at 2,310 million euros fully assuring its business over the next few years.

The following major contracts were awarded in the year:

In Environment and Mining:

- Design, construction, assembly and commission of a new clinker and cement line at a cement plant in the town of Potosí in the Chiutara Region of Bolivia. This contract is worth 77,72 million euros and has a 36-month completion schedule.
- Design, construction, assembly and commission of a new Solid Urban Waste (RSU) treatment plant in Melbourne (Australia). This contract is worth 30,16 million euros and has a 37-month completion schedule.
- Supplementary work at the Chimborazo Cement Plant (Ecuador). This 36-month contract is worth 12 million euros in total.

In the Oil&Gas sector:

- Management consultancy contract for the Sonatrach's liquefaction plants in Algeria GL1Z and GL2Z. This 24-month contract is worth 22,33 million euros.

Electrical engineering and power generation:

- Contracts to extend and change the configuration of the Cóndores – Parinacota (Chile) electricity lines for Transemel and Transelec. The contract is worth 23.54 million euros.
- Contracts to extend, standardise and change the configuration of the "Melipulli – Puerto Montt" (Chile) electricity line for STS and Transelec. The contract is worth 15.27 million euros.
- Standardisation and new compensation works for the Candelaria (Chile) power lines, for a total of 19.92 million euros.
- Full-service maintenance and power distribution on the medium and low tension lines in Panama in the sum of 4.5 million euros.

In Water:

- Contract to expand the desalination plant in the port of Santa Cruz de Tenerife (Canary Islands) for a sum of 8 million euros. The works will enable the flow of desalinated water to be increased from 21,000 to 28,800 cubic metres.

3.7.- Holding in Repsol, S.A.

In 2017, Sacyr remained a core shareholder of Repsol, S.A.

Repsol is the leading company in its sector in Spain and one of the world's leading energy groups, with a strong presence in geo-politically stable countries (OECD).

Repsol also held a 20.083% stake in the leading energy company, Gas Natural SDG, S.A..

During 2017, Repsol continued to implement its new Strategic Plan for 2016-2020, presented at the end of 2015, based on the following lines: the company's proven capacity to generate value even in a climate of low oil prices; management efficiency that enables self-financing; maintaining shareholder remuneration and the reduction of company debt.

The objective is to double EBITDA according to CCS by the end of the period included in the plan to 11,500 million euros. To do this, the company will actively manage its business portfolio to obtain 6,200 million euros through the divestment of non-core assets and reduce its investments by up to 38% until the desired company profile is achieved.

Following the acquisition of Talisman, a great number of synergies have been identified that will enable cost savings of 2,100 million euros a year to be made from 2018 onwards.

In the upstream (exploration and production) business, Repsol will develop three regions: North America, Latin America and South East Asia. Exploration costs are expected to be lower, with a 40% reduction in investment and production will remain within the established range of 700,000 - 750,000 barrels of oil equivalent a day, guaranteed by current reserves volumes.

In the downstream business (Refining and Marketing), thanks to the investment made in the Cartagena and Petronor refineries, which have improved refining margins, Repsol now tops the list of integrated European companies in terms of efficiency. This ensures value creation and resilience in a climate of depressed oil prices. Divestments of non-core assets will be made in

this area, in addition to a reduction in energy costs and CO2 emissions, that will enable the generation of an average of 1,700 million euros of free cash flow a year.

In 2017, Repsol YPF, S.A. had revenue of 41,668 million euros, up 20% on the previous year. Net profit was 2,121 million euros versus 1,736 million euros in 2016, 22% higher, with this figure also being the highest profit recognised by the company in the past 6 years. This was achieved thanks to the integrated business model, implemented by the company, enabling it to capitalise on the recovery of oil and gas prices in the second half of the year.

EBITDA stood at 6,723 million euros, at its highest for the past 5 years and 29% up on the previous year.

Net debt was reduced to 6,267 million euros, down 23% on 2016.

The synergies and efficiencies programme generated savings of close to 2.4 billion euros in 2017, with the oil company beating all expectations and exceeding, a year ahead of plan, the objective set in the Strategic Plan of 2.1 billion euros.

During the year, Repsol YPF, S.A. paid a final gross dividend of 0.761 euros per share (0.335 euros as an interim dividend against 2016 profit and 0.426 euros as a final dividend for that year). Our Group was due 86.89 million euros and 495,977 new shares in Repsol, resulting from the swap of part of our pre-emptive subscription rights.

In 2017, Repsol, S.A., and its partner Armstrong Energy, made the largest conventional discovery of fossil fuels on North American soil in the last 30 years. With 1.2 billion recoverable barrels of light crude oil, the "Nanushuk" formation is confirmed as one of the greatest potential in Alaska. Production is expected to commence in 2021 in "Pikka", the name given to one of the oilfields in that area, with a potential of around 120,000 barrels of oil per day.

Also in 2017, Repsol, S.A. also made its greatest gas discovery in the past five years, upon finding a gas reservoir in Trinidad and Tobago, the equivalent of two years of gas demand in Spain.

Another significant event in the year was the rating agency "Standard&Poor's" raising the long term rating of the company from "BBB-" to "BBB", and the short term rating from "A-3" to "A-2", both with a stable outlook.

Repsol, S.A. is listed on Spain's IBEX-35 index, as well as on the leading index in the United States. At year-end 2017, the Company's share price stood at 14.745 euros (up 9.87% on 2016) and its market cap. was 22,521.45 million euros. It was one of the biggest annual gains in both the IBEX-35 and the European oil and gas sector.

4. LIQUIDITY AND CAPITAL FUNDS

The Sacyr Group's financing sources are explained in detail in the note on bank borrowings in these consolidated financial statements.

The credit and liquidity risks associated with these sources of financing are explained in detail in the "Risk management policy" note to these financial statements.

Lastly, the contractual obligations and off-balance-sheet obligations are included under "Provisions and Contingent Liabilities" in the notes to these consolidated financial statements.

5. RISKS AND UNCERTAINTIES

The Sacyr Group is exposed to a number of risks and uncertainties. The main financial risks are as follows:

- **Credit risk:** Credit risk is negligible in the Group's Construction, Services and Infrastructure Concessions divisions, as the bulk of these businesses' revenue comes directly from Spain's central, regional and local government bodies and those of other geographical markets in which the Group operates. These public authorities promptly meet the payment terms set out in contracts, and they all have excellent credit ratings. The Group, therefore, has no significant credit risks due to the considerable solvency of its customers and the short collection periods agreed.
- **Liquidity risk:** The liquidity risk to which the Group's divisions are exposed is lower due to the nature and characteristics of the various collection and payment processes. Project financing is used in the case of infrastructure concessions and energy projects, whereby investment is guaranteed and financed by the cash flow generated by the projects themselves. Except for the concession projects, the Group arranges credit facilities to guarantee sufficient liquidity.

Occasional short-term cash surpluses in all Group divisions are invested in highly liquid risk-free deposits, provided this is in line with best financial management practices.

- Market risk: the main market risks to which the Group is exposed are:
 - Interest rate risk: Interest rate risk is the main risk to which the Group is exposed, and arises from borrowings from financial institutions, as detailed in the notes to the financial statements. A significant portion of the Group's debt is fixed-rate through the use of hedging instruments such as interest rate swaps, which reduce exposure to increases in rates.
 - Foreign currency risk: The Group's policy is to contract debt in the same currency in which the cash flows of each business are denominated. This matching means that at present the Group has no significant exposure to currency risk. Within this category, some mention should be made of the impact of currency fluctuations on the conversion of the financial statements of foreign entities that do not use the euro as their functional currency. The Group's rapid expansion in recent years means that in the future it may encounter situations that expose it to currency risk. Should this occur, the Group would consider how this risk can best be minimised through the use of hedging instruments pursuant to corporate criteria.

Other market risks to which the Group is exposed include:

- Risks associated with international expansion: This risk arises from the Group's on-going expansion into new markets. Before making new investments, the Group conducts exhaustive and detailed analyses of the target markets. These surveys comprise on-site research that can span several years.
- Regulatory risk: Group companies must comply with both general and sector-specific regulations (legal, accounting, environmental, employment, tax, data protection etc.). Changes in these regulations could either benefit or adversely affect the Group's businesses.

Other risks to which the Group is exposed are:

- Environmental risks
- Risks of damages caused by construction work
- Risks associated with workplace health and safety;
- Risks of loss of assets.

The Group has implemented control systems to adequately identify, quantify, evaluate and remedy all these risks, so as to minimise or eliminate their consequences.

6. EVENTS AFTER THE BALANCE-SHEET DATE

Events after the reporting date are detailed in the notes to these consolidated financial statements.

7. OUTLOOK

The strategies and objectives of the Sacyr Group for the next few years are as follows:

1. To continue promoting and developing the business in which we are experts and leaders (core business) in Spain and abroad, in order to consolidate our position as a leading international construction, infrastructure management, services and industrial Group.
2. To maintain operating profitability and EBITDA margins of the current business units, with profitability taking precedence over scale.
3. To continue with the Group's international expansion, through a local presence in a selective number of regions and countries. Always analysing, in detail, the economic risks deriving from each project.
4. To contain costs and structural expenses in order to be more competitive.
5. To reduce corporate financial debt and diversify the Group's sources of finance.

8. R&D+i

Innovation, technology, research and development are key factors that have contributed to the business success of the Sacyr Group. This commitment is evident through the definition and disclosure of this policy and by assigning the human and technical resources necessary to implement such policy.

The ideas later developed by the Group's innovation departments germinate in this environment, thereby allowing the Group to subsequently improve its materials, systems, processes and, therefore, its results.

In 2017, the Sacyr Group consolidated its backlog of 10 new R&D projects with external recognition of this activity by obtaining grants, loans and/or tax credits from various official bodies. The total budget for this item increased by 9% versus the previous year.

Although none can be considered significant, due to their small amount as a part of total revenues, the Group's R&D+i activities involved all business areas: Construction, Concessions, Services and Industrial.

9. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report forms part of these financial statements and is available in full on the website of the Spanish National Securities Market Commission (www.cnmv.es) and the company's website (www.sacyr.com).

10. ACQUISITION AND DISPOSAL OF TREASURY SHARES

At 31 December 2017, Sacyr's share capital was fully subscribed and paid. Share capital was composed of 533,110,718 shares with a par value of 1 euro each. There is only one class and series of shares, and all shares carry the same rights.

At year-end 2017, Sacyr's market capitalisation stood at 1,257.61 million euros. Share performance on the continuous market is as follows:

SHARE PRICE IN 2017	
Nº of shares admitted for trading	533,110,718
Trading volume (thousands of euros)	1,987,529
Trading days	255
Closing price 2016 (euros)	2.220
Closing price 2017 (euros)	2.359
High (on 29/05/17) (euros)	2.795
Low (on 05/10/2017) (euros)	1.900
Average weighted share price (euros)	2.345
Average daily trading vol. (nº of shares)	3,325,145
Liquidity (shares traded/capital)	1.59

At year-end 2017, Sacyr's share price was 2.359 euros per share, compared to 2.2 euros in the previous year, representing a 6.3% increase. The share price reached its intraday high of 2.795 euros on 29 May, and its daily closing high of 2.753 euros on 30 May. The intraday day low was 1.90 euros, on 5 October, and the minimum daily close was 1.922 euros per share, on 21 November.

Sacyr's share price marked an uneven performance against the IBEX-35, the IBEX Small Cap, the General Index and the National Construction Index. Sacyr's shares were more volatile than the benchmark indices, with a weighted average fluctuation of 2.345 euros per share. The average daily trading volume was over 3.32 million shares, for a total of 1,988 million euros for the year.

STOCK MARKET INFORMATION	2017	2016
Share price (euros)		
High	2.785	2.367
Low	1.900	1.174
Method	2.345	1.707
Year-end	2.359	2.220
Average daily trading vol. (nº of shares)	3,325,145	5,097,246
Annual trading volume (thousands of euros)	1,987,529	2,235,798
Nº of shares admitted for trading at year-end	533,110,718	517,430,991
Market capitalisation (thousands of euros)	1,257,608	1,148,697

At 31 December 2017, the parent company held 422,587 treasury shares, equivalent to 0.079% of its share capital. At the average exchange rate, the price paid was 2.213 per share.

Throughout 2017, Sacyr maintained the liquidity agreement it entered into on 29 March 2012, although, on 10 July of this year it was renewed in order to comply with the new requirements provided for in Circular 1 of 26 April 2017, of the Spanish National Securities Market Commission.

Between 1 January 2017 and 31 December 2017, 49,693,234 and 55,361,090 Sacyr shares were bought and sold, respectively.

At 31 December 2017, Sacyr was custodian of 6,461 Sacyr shares, which were those that were not subscribed in the bonus issues of 2015 and 2017.

Sacyr will be the legal custodian of these securities in the three years established by law, at the end of which, and pursuant to Article 59 of the Spanish Corporate Enterprises Act, it will sell and deposit the resulting amount, together with the dividend rights received during this entire period, in the General Deposit Fund, where it will be available to its shareholders.

At the 2017 balance sheet date, the Sacyr share price was 2.359 euros, 6.26% lower than at the prior year close (2.22 euros per share).

11. QUALITY, ENVIRONMENT AND ENERGY

11.1.- Environmental value

Sacyr, through its quality, environment and energy management policy, aims to ensure its strategic objectives to meet the needs and expectations of its stakeholders, whilst at the same time encouraging environmentally-friendly strategies and more efficient energy use in the organisation.

In addition, through its environmental strategy, Sacyr promotes the transition to a circular economy, where it is aimed to keep products, materials and resources (water, energy, etc.) in the economic cycle for as long as possible, thereby reducing the generation of waste.

Sacyr has an integrated management system, in which all partial certifications of each of the companies that form the Group are gathered. Currently holds 104 certifications, within its Integrated Management System, in accordance with recognised international standards: ISO 9001, ISO 14001, ISO 50001, ISO 27001, ISO 17025, EMAS, GRI; UNE standards: UNE 158301, UNE 158101, UNE 1176-7; and other sector standards, such as, Madrid Excelente. Sacyr has also been working for years with LEED and BREEAM Certification requirements for its construction projects.

All employees, from their line of work, contribute to complying with the company's environmental strategy. To that end, Sacyr permanently provides life-long training, dedicating, in 2017, a total of 1,195 hours to environmental training with 13,738 people attending the different courses. In order to ensure this type of training reaches the entire workforce, employees and outsourced, the company circulated 22 Environmental Best Practice Handbooks for the Group's business activities.

11.2.- Recycled materials

One of the Sacyr Group's commitments, in each activity it undertakes, is to guarantee sustainable consumption and production models. The lines of action followed by the Group, in this respect, are: In order to do this, the Group follows lines of action which encourage the use of recycled materials; the choice of the most environmentally-friendly products, processes and suppliers; and the efficient use of natural resources, reducing the generation of waste through policies of prevention, reduction, recycling and reuse. These actions are in line with the UN's

Sustainable Development Goals, and with the 12 goals relating to responsible production and consumption in particular.

In 2017, Sacyr used the following to perform its activities: 5.55 million tonnes of material. 22.2% of those were recycled materials.

11.3.- Biodiversity

Sacyr includes respect for biodiversity in the development of its projects and operations. As a result, a part of its strategy is directed at conservation, the restoration and sustainable use of terrestrial ecosystems; the halting of biodiversity loss; the rehabilitation of degraded land and soil; and the mobilisation and increase in financial resources for its conservation and sustainable use in line with the Sustainable Development Goals.

In 2017, Sacyr identified a total of 10 protected areas, where it carried out some activities, located in places other than those mentioned above (inside, adjacent to or including sections of the protected area). Of these areas, 6 are Sites of Community Interest (SCI), 4 are Special Conservation Areas (SCA), 3 are Special Protection Areas for Birds (SPAB) and the remainder are under different protection schemes (protected landscape, national park, and flora and fauna sanctuary).

Sacyr has also undertaken various activities affecting habitats with species exposed to some degree of threat. In total, in 2017, activities were carried out in the habitat of 138 different species, included in both international and national, and regional, lists with the following degrees of protection: 3 in critical danger, 8 in danger, 14 vulnerable, 10 almost threatened, 114 of minor concern, 2 of community interest, 2 special protection and 2 of interest for Canary Island ecosystems.

The most significant impacts on biodiversity identified by Sacyr in 2017, result from its infrastructure construction and conservation work, and were: change of habitat, impact on flora and fauna and atmospheric and noise pollution.

The activities that cause these impacts take place over 3.08 km², in which there are over 224 different species present.

The majority have direct impact and they are all reversible. Moreover, such impact lasts for the duration of the activity itself and is in no way significant.

Sacyr promotes environmental restoration activities in all of its projects to mitigate the impact occurred. In 2017 33.88% of the areas affected by our activities was restored, all of this being in Spain. 100% of the restoration actions were verified by independent external professionals. In all cases, the results of these actions were considered satisfactory.

11.4.- Environmental Health and Safety

Waste treatment

One of the Sacyr Group's priorities in each of the business activities it carries out is the development of a circular economy, in which it seeks to optimise resource consumption and reduce waste generation. The lines of action followed by the Group, in this respect, are: Accordingly, in carrying out its activities the Group encourages the use of recycled materials – generated internally or outsourced – and the selection of more environmentally friendly products and processes.

Sacyr's environmental management system includes a waste treatment protocol, within the framework legislation existing in each country or region, through which the waste undergoes a process of identification, classification and management. In 2017, the total weight of the waste

generated was 1.31 million tonnes, distributed by type of waste as follows: 1.23 million tonnes of construction waste; 71.5 thousand tonnes of non-hazardous waste and 7.73 thousand tonnes of hazardous waste.

In 2017, Sacyr was informed of two minor incidents involving accidental oil and fuel spills, neither of which had a significant impact on the environment. These incidents were dealt with in accordance with the action protocol, thus being able to avoid and correct environmental pollution. The estimated total volume of hazardous substances spilled is 0.504 m³.

Energy and Climate Change

Energy production and consumption is responsible for a large part of global greenhouse gas emissions. Sacyr, conscious of its responsibility in the fight against climate change and, in line with the Sustainable Development Goals to increase energy efficiency, and the use of renewable energies, took the first steps in 2017 towards establishing its climate change strategy, achieving the following goals: approval of its policy against climate change, registration of the Carbon Footprint in the Carbon Footprint Register, MAPAMA compensation and carbon dioxide absorption projects, a CO₂ emissions reduction plan, member of the #PorElClima Community, inclusion in the Spanish Group for Green Growth and participation in the FORETICA Climate Change Cluster.

Water and disposal

Sacyr is also aware that the sustainable management of water resources, can lead to better energy production management, contribute to economic growth, protect water ecosystems and their biological diversity, and adopt measures to combat climate change. To that end, and in line with its Policy, and with the Sustainable Development Goals, Sacyr is continually working to both reduce its water consumption and to reuse and recycle water in its activities, with the aim of helping to guarantee the availability of this resource. In 2017, the volume of reused and recycled water consumed was 1.2 million cubic metres, which represented 16.6% of total consumption, with total consumption at year-end reaching 7.2 million cubic metres.

The majority of activities performed by Sacyr generate liquid effluents, the waste water is analysed systematically and according to an established plan in order to verify that all applicable legal requirements as well as those set forth in the related permits are met, thus ensuring the quality of the waste. The total volume of water discharged by Sacyr in 2017 was 13.1 million cubic metres. Of this volume, over 90% relates to the brine produced in the seawater desalination process.

Regulatory compliance:

Compliance with all statutory environmental provisions in carrying out its activities is a priority across all of our activities, regardless of the country in which they take place.

In 2017, a total of 6 sanction proceedings were closed, and 6 proposals for sanction proceedings were received. The total monetary value of the archived sanctions in 2017 was 1,067.81 euros. Of the 6 proceedings that were closed, four did not involve any monetary cost.

Supplier environmental assessment

Sacyr is aware of the need to establish control, and influence, over its suppliers' environmental, and social, impact. To that end, some of the criteria which the Group considers when assessing potential suppliers are: company certification, in an internationally recognised environmental standard, that the product has eco-labelling and purchases from local suppliers.

In 2017, a total of 617 suppliers were initially assessed using these environmental criteria, with 246 (40%) complying with at least one of them.

The environmental impact of a total of 1,763 suppliers was evaluated, either in the regular reassessments or at the end of the service provision period, with 27 of them presenting a significantly negative impact. As a result, 7.41% of these have agreed to make improvements to their environmental behaviour and the commercial relationship with the rest has been ended.

12. SOCIAL AND EMPLOYMENT AFFAIRS

The Sacyr headcount in 2017 was 30,309 employees (consolidated average headcount). Numbers were up by 14.86% compared to the previous year. Of total staff, 14,797 are men and 15,512 women.

84% of the total work force is employed in Spain, although the Group also has a large number of employees in Chile, Colombia, Peru, Portugal and Angola, and other countries.

12.1.- Equal opportunities and non-discrimination

Equality, social inclusion and diversity have important benefits for society, for the communities in which we operate, for companies and for the economy.

Sacyr is committed to managing its human resources strictly on the basis of professional criteria, preventing all types of discrimination due to race, religion or beliefs, political or trade union views, nationality, language, gender, marital status, age or disability.

Our employee hiring process begins with the talent selection department filling in a form with the profile requirements. In this document, gender is not allowed to be included in candidate requirements.

Before the selection process begins, salary range is assigned to the position which is defined by the role of the position. This range is maintained regardless of the gender of the final candidate who receives the offer. The guideline in all cases, from the Corporate Talent Acquisition departments, and from the different businesses and holdings, to the interviewers from the businesses, is that, on equal terms, preference should be given to hiring the gender with lowest representation in the department, level of responsibility, etc.

Sacyr participated in Proyecto Promociona, driven by the Ministry of Healthcare, Social Services and Equality, that aims to build skills, both technical and women's leadership, in their promotion to the top of the organisation.

Subsequently, and as part of the Sacyr Group Code of Conduct training programme, training has been provided to 5 pre-directors, and directors, for a total of 30 hours.

There are sections covering equality and non-discrimination in this training. Sacyr is firmly committed to ensuring that all employees receive equal treatment at all Group companies.

12.2.- Implementation of employment treaties and Human Rights

In 2014, the Sacyr Group signed a Framework Agreement with the International Federation of Building and Wood Workers and Comisiones Obreras (CC.OO.) of Construction and Services and UGT - MCA (decent wage, non-discrimination, etc.).

This agreement is based on the joint commitment, of the signatories, to respect and promote the principles defined in the Universal Declaration of Human Rights, the Tripartite Declaration of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Companies and the United Nations Global Pact.

Sacyr avails of all resources necessary to ensure compliance with the provisions of the ILO, particularly those related to under age workers, and we assume the commitment to developing our business and professional activities in accordance with the effective legislation in each of the locations where we operate, and we promote and drive this recognition and respect among contractors, sub-contractors and suppliers.

The Sacyr Group supports freedom of association, union representation and collective bargaining of all its employees, pursuant to prevailing legislation in each country. The labour conditions of the Sacyr Group's workforce in Spain in 2017 are set forth in 292 agreements from different sectors and provinces. 99.71% are covered by collective agreements. Only 0.29% of the workforce was not governed by an agreement, because there was no agreement for their sector of activity.

12.3.- Occupational Health & Safety

At Sacyr we have committed to the concept of integrated safety and, to that end, we have established an occupational health and safety policy aimed at improving working conditions and raising the level of protection, health and safety of our employees.

Maximum safety of all employees in the performance of their tasks is a priority for the Sacyr Group.

In addition to fully complying with all legal requirements, all Sacyr companies are implementing occupational health and safety management systems certified to OHSAS 18001, the principal international benchmark for occupational health and safety.

The system has been implemented in 60 subsidiaries of the Group worldwide, 28 of which also hold the OHSAS 18001 certification (3 more than in 2016), which represents over 92.93% of the Group's workers internationally and 94.78% of workers in Spain.

71.7% of all Sacyr Group employees in Spain are represented on health and safety committees.

12.4.- Social dialogue and development of local communities

Social dialogue is critical in achieving the ILO objective of promoting equal opportunities, between men and women, to offer productive and decent employment, in conditions of freedom, safety and dignity.

With the Sacyr Group Corporate Social Responsibility Strategic Plan (hereinafter, CSR Plan), a global commitment is made to the societies where the company performs its activities. This commitment is the basis of the Sacyr business culture and the source of excellence-based management.

The first objective, and commitment to related activity, within the CSR Plan, dialogue and accountability, states that "Sacyr strives to be the leader in management of the sector, via

permanent dialogue with its stakeholders and a fundamental principle of transparency with all of them".

The relationship model, with its Stakeholders, is underpinned by specific commitments with each one of them. Thus, Sacyr contributes to the communities where it has a presence to develop economically and socially, by means of a solid business model. The generated economic value has made it possible to distribute wealth among the key stakeholders of our company.

In 2007, Sacyr adhered to the Global Compact, an ethical commitment promoted by the United Nations to create corporate citizens that make it possible to reconcile corporate interests and processes with the values and demands of civil society.

In becoming a signatory of the Global Compact, the Group undertook to support and implement the ten ethical principles underpinning the initiative, which are based on universal declarations and conventions and encompass four areas: human rights, labour, the environment and anti-corruption.

This commitment is specified in the Sacyr Group Code of Conduct and forms part of its 6 Basic Ethical Principles.

13. RESPECT FOR HUMAN RIGHTS

The ten principles which underpin the Sacyr Code of Conduct, include those referring to Human Rights and Employment, which are respected where we operate. They apply to all subsidiaries, or companies in which we are a majority shareholder, over which Sacyr exercises effective control, directly or indirectly.

The Conduct Hotline is the mechanism for accessing help, or whistle-blowing channel, made available to deal with any Code of Conduct related question or issue and, in general, together with the Regulatory Compliance Model and through which any breaches or risks relating to the guidelines and behaviour regulated by the Code of Conduct or the Regulatory Compliance Model can be safely reported.

The Sacyr Group also adopted an Integral Risk Management System. Regarding the management of human rights-related risks, in the risk maps (operational and criminal) all existing risks have been identified (which are managed via the control procedures established to mitigate them), which also include those related to human rights in the company's actions.

14. ANTI-CORRUPTION & BRIBERY EFFORT

In 2015 the Sacyr Group's new Code of Conduct was approved, bringing our commitment to good governance into line with the regulatory requirements and recommendations of the control and supervisory bodies.

The Code of Conduct expressly prohibits any behaviour by the Group's employees which could be considered to entail corruption or bribery.

All of the Sacyr Group's employees and members of its governing bodies, as well as Temporary Joint Ventures (UTEs), and companies over which it has management control, have been informed of the Company's policies and procedures to fight corruption through our Code of Conduct and the circulars issued.

In terms of corruption, all business lines of all countries have been assessed. In 2017, Sacyr was not sanctioned for any corruption incident.

15. DIVERSITY OF THE GOVERNING BODIES

Sacyr is aware of the importance of balanced participation of women and men in the company's governance bodies, and to that end, the Board approved a director selection policy, in 2016 which expressly states that this policy shall strive to ensure that at least 30% of the total number of Board members are female by the year 2020.

STATEMENT CERTIFYING SIGNATURES
AND
ENVIRONMENTAL STATEMENT

STATEMENT CERTIFYING SIGNATURES:

As certification that the Board of Directors of Sacyr, S.A. (Parent of the Group), at its meeting on 22 March 2018, has authorised for issue, in accordance with the provisions of Article 253 of the Spanish Corporate Enterprises Act, the 2017 consolidated financial statements (consolidated statement of financial position, separate consolidated income statement, consolidated statement of changes in equity, consolidated statement of comprehensive income, consolidated statement of cash flows, and notes to the consolidated financial statements) and the consolidated management report for Sacyr, S.A., which will be submitted for approval at the Parent's General Shareholders' Meeting. These documents are reproduced in the preceding pages numbered consecutively from first to last, and are stamped and signed by the Secretary to the Board. Pursuant to Article 8.1.b) of Royal Decree 1362/07, of 19 October, the Board of Directors hereby states that to the best of its knowledge and belief, the above-mentioned documents were prepared in accordance with applicable accounting principles and present a true and fair view of the financial position and earnings of the Parent and of the consolidated companies taken as a whole, and that the consolidated management report provides a true and fair analysis of the performance and earnings obtained, as well as the Parent's position and of the consolidated companies taken as a whole, along with a description of the main risks and uncertainties these face.

In compliance with Article 253 of the Spanish Corporate Enterprises Act, and, as evidence of their conformity with said consolidated financial statements and consolidated management report for 2017, the directors of Sacyr, S.A. hereby lend their signatures below.

ENVIRONMENTAL STATEMENT:

Also, we the undersigned, as directors of the Company, state that the Group's accounts underlying these consolidated financial statements contain no items of environmental significance that should be included in the notes to the consolidated financial statements in accordance with the third part of the Spanish General Chart of Accounts (Royal Decree 1514/2007, of 14 November).

In Madrid, at 22 March 2018.

Mr. Manuel Manrique Cecilia
Chairman and C.E.O

Mr. Demetrio Carceller Arce
Deputy Chairman

Mr. José Manuel Loureda Mantiñán
Representing Prilou, S.L.
Board Member

Ms. Isabel Martín Castellá
Board Member

Mr. Matías Cortes Domínguez
Board Member

Mr. José Manuel Loureda López
Representing Prilorni, S.L.
Board Member

Mr. Gonzalo Manrique Sabatel
Representing Cymofag, S.L.
Board Member

Mr. Francisco Javier Adroher Biosca
Board Member

Mr. Juan Miguel Sanjuan Jover
Representing Grupo Satocán Desarrollos, S.L.
Board Member

Mr. Tomás Fuertes Fernández
Representing Grupo Corporativo Fuertes, S.L.
Board Member

Mr. José Moreno Carretero
Representing Beta Asociados, S.L.
Board Member

Mr. Raimundo Baroja Rieu
Board Member

Mr. Juan María Aguirre Gonzalo
Board Member

Mr. Augusto Delkader Teig
Board Member

In my capacity as Secretary, in Madrid, pursuant to Article 11.3 and 3 of RD. 1362/07, dated 19 October, I attest to the transparency of the information issued.

Mr. Miguel Ángel Rielves Pilas
Secretary of the Board of Directors