Financial Statements and Directors' Report 2018

Financial Statements and Directors´ Report 2018

Contents

Auditing

KPMG

KPMG Auditores, S.L.
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Auditor's Report on the Consolidated Financial Statements issued by an Independent Auditor

To the Shareholders of Elecnor, S.A.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Elecnor, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the balance sheet at 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in total equity, the statement of cash flows, and the notes, all of them consolidated, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group at 31 December 2018 and of its financial performance and cash flows, all of them consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

KPMG Auditores S.L., a Spanish limited liability company and a member firm of the KPMG network of independent firms affiliated to KPMG International Cooperative ("KPMG International"), a Swiss Company.
Paseo de la Castellana 259C 28046 Madrid

Entered on the Official Register of Auditors under no. S0702 and on the Register of Companies of the Institute of Chartered Auditors under no. 10. Madrid Companies House, Vol. 11961, Sheet 90, Section 8, Page M-188007, Entry 9, Tax ID number B-78510153.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
Nº 1081

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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 opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from construction contracts **See note 3.v to the consolidated financial statements**	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
A large portion of the revenue of the Elecnor Group is generated by construction and service provision contracts in which the revenue is recognised over time using the resources method based on the costs incurred in relation to the total costs expected, in other words, on the basis of the degree of fulfilment of the contract at the end of each accounting period, requiring the Group to make estimates of the costs and results foreseen in each of the contracts in order to determine the revenue to be recognised. The application of this method therefore requires a high degree of judgment on the part of the Directors and comprehensive checks on the estimates made and any deviations that may arise in the course of the contract duration. These estimates must take into account all of the costs and revenues associated with the contracts, including any cost over and above those initially budgeted, the risks for disputed claims. In this sense, revenue is only recognised when it can be reliably estimated, the company is likely to receive a financial benefit from the transaction and the costs incurred and pending, as well as the degree of execution of the contract, as of the date of the close of the period, can be reliably estimated. Owing to the uncertainty associated with the said estimates and the fact that changes in the same might give rise to material differences in the revenue recorded, it has been considered a key issue in the audit.	Our audit procedures have included the following measures, among others: - Evaluation of the design and implementation of checks and balances related to the revenue valuation and recognition process using the resources method and to the process for budget control and testing of the key controls identified; - Verification that the methodology used by the Group to determine revenue, calculated on the basis of the proportion of the services performed with respect to the total of the services to be rendered, is one of the methodologies accepted by the applicable financial reporting regulatory framework; - Evaluation of the hypotheses used for the preparation of contract estimates; - Starting from certain quantitative and qualitative selection criteria, we selected a sample of the construction contracts to evaluate the estimates made in the drafting of the forecasts of the results of the contract and in the recognition of revenue. In this sense, we have obtained the contracts and the additional supporting documentation on which these estimates and judgment applied by the Group were based in each case; - Comparative analysis of the outcome of completed contracts with the budgeted result, analysing their historical trends, the budget controls applied by the Group and judgements applied, and evaluating whether the budgets represent, in general, the best estimates considering the risks that exist from time to time; - Evaluation of whether the allowances recognised regarding each of the contracts at the close of the financial year reasonably reflect present obligations that are likely to generate a future outflow of economic benefits, in accordance with the provisions contained in the contracts and obtaining supporting documentation to justify their

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

	recognition and evaluating the judgement applied by the Group in its estimates; and - Evaluation of whether the information disclosed in the consolidated annual accounts comply with the requirements of the financial reporting regulatory framework applicable lo the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated directors' report. Our responsibility regarding the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated statement of non-financial information and to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated financial statements for 2018 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Financial statements

The Parent's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

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

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.

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 legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

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 a true and fair view.

- 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 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 Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding 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 to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and which 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 of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 26 February 2019.

Contract Period

The Annual General Meeting of Shareholders held on 1st June 2018, appointed our firm as the Auditors of the Group for the term of one year, starting from 1st January 2018.

We were previously designated by means of a resolution adopted by the Annual General Meeting of Shareholders for the period of 3 years with annual renewals, so we have been performing audit work without interruption since the financial year closed on 31st December 2013.

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N.º 1081

KPMG Auditores, S.L.
Entered on the R.O.A.C. no. S0702
[signature]
Bernardo Rücker-Embden
Entered on the R.O.A.C. no. 18836

26th February 2019

[Seal:]

AUDITORS
INSTITUTE OF CHARTERED AUDITORS IN SPAIN

KPMG AUDITORES, S.L.

2019 number 03/19/00050
EUR 96.00

CORPORATE SEAL:
Audit Report subject to Spanish or international auditing regulations.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
Nº 1081

Doña Silvina María GARRIDO GARDÉ, Traductora-Intérprete Jurada de INGLÉS, nombrada por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al INGLÉS de un documento redactado en ESPAÑOL.

En Galicia, a 18 MAR. 2019

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Ms Silvina María GARRIDO GARDÉ, Sworn Translator-Interpreter of ENGLISH, appointed by the Ministry of Foreign Affairs and Cooperation, does hereby certify that this is a true translation into ENGLISH of a document in SPANISH.

In Galicia, on this 18 MAR. 2019

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Economic Profile of the Elecnor Group

Elecnor, S.A. and Subsidiaries
Consolidated Statement of Financial Position

at 31 December 2018 (thousands of euros)

ASSETS	2018	2017
Non-current assets:		
Intangible assets-		
Goodwill (Note 7)	28,840	28,826
Other intangible assets (Note 8)	117,776	114,698
	146,616	143,524
Property, plant and equipment (Note 9)	1,123,276	1,149,941
Equity-accounted investees (Note 10)	164,078	155,997
Non-current financial assets (Note 11)		
Investments	4,400	2,687
Other financial assets	766,235	782,620
Derivative financial instruments (Note 15)	109	1,036
	770,744	786,343
Deferred tax assets (Note 18)	102,198	106,200
Total non-current assets	2,306,912	2,342,005
Current assets:		
Inventories (Note 3.q)	8,241	8,703
Customer contract assets (Note 12.a)	258,756	-
Trade and other receivables (Note 12.a)	675,106	931,514
Trade receivables from related companies (Note 26)	6,349	12,645
Public entities, receivable	41,115	61,067
Current income tax assets	14,230	13,626
Other receivables	19,799	19,826
Current investments in related companies	1,804	1
Derivative financial instruments (Note 15)	871	4,031
Other current assets	6,545	10,909
Cash and cash equivalents (Note 12.b)	426,837	398,161
Non-current assets held for sale (Note 10)	24,114	423
Total current assets	1,483,767	1,460,906
Total assets	3,790,679	3,802,911

The accompanying notes form an integral part of the consolidated annual accounts.

EQUITY AND LIABILITIES	2018	Restated 2017
Equity (Note 13)		
Equity attributable to equity holders of the Parent Company-		
Capital	8,700	8,700
Own shares	(21,884)	(21,232)
Other reserves	736,498	714,947
Translation differences (Note 13)	(228,906)	(183,763)
Valuation adjustments to equity (Note 13)	(55,580)	(61,244)
Profit for the year attributable to the Parent	74,262	71,227
Interim dividend paid in the year (Note 5)	(4,795)	(4,611)
	508,295	524,024
Non-controlling interests (Note 13)	332,412	380,037
Total equity	840,707	904,061
Non-current liabilities:		
Official grants (Note 3.s)	6,979	7,829
Provisions for other liabilities and charges (Note 16)	29,994	30,718
Financial liabilities for the issuance of bonds and other marketable securities (Note 14)	669,228	538,796
Finance liabilities on loans and borrowings (Note 14)	730,470	910,709
Derivative financial instruments (Notes 14 & 15)	11,413	9,077
Other non-current liabilities	26,920	27,052
Deferred tax liabilities (Note 18)	81,403	87,750
Total non-current liabilities	1,556,407	1,611,931
Current liabilities:		
Provisions for other liabilities and charges (Note 16)	68,029	48,992
Financial liabilities for the issuance of bonds and other marketable securities (Note 14)	180,577	113,350
Finance liabilities on loans and borrowings (Note 14)	104,939	90,059
Derivative financial instruments (Notes 14 & 15)	6,569	1,140
Trade payables to associates and related companies (Note 26)	34	2,474
Trade and other payables-		
Purchases and services received	508,534	483,447
Customer advances and advance billings (Note 17)	67,543	371,442
	576,077	854,889
Customer contract liabilities (Note 17)	320,310	-
Current income tax liabilities	26,533	26,573
Other payables-		
Public entities, payable	51,859	55,912
Current liabilities (Note 13 and 21)	58,638	93,530
	110,497	149,442
Total current liabilities	1,393,565	1,286,919
Total liabilities and equity	3,790,679	3,802,911

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries
Consolidated Income Statement

for the year ended 31 December 2018 (thousands of euros)

	2018	2017
Continuing operations:		
Net sales (Note 21)	2,273,057	2,316,786
Changes in inventories of finished goods and work in progress (Note 3.q)	(1,055)	(4,064)
Materials consumed (Note 21)	(1,092,220)	(1,148,654)
Other operating income (Note 2.f, 3.i and 3.s)	62,383	88,197
Personnel expenses (Note 21)	(609,556)	(620,054)
Other operating expenses (Note 21)	(368,737)	(356,588)
Expense for amortisation, depreciation, impairment and charges to provisions (Note 21)	(112,012)	(93,875)
Results from operating activities	151,860	181,748
Finance income (Notes 11 and 21)	108,683	80,592
Finance costs (Note 21)	(98,946)	(91,431)
Exchange gains/(losses)	11,381	(39,694)
Impairment and gains/(losses) on disposal of financial instruments	274	64
Changes in the fair value of financial instruments	(385)	(517)
Share in profit or loss of		
equity-accounted investees (Note 10)	(3,831)	587
Profit before income tax	169,036	131,349
Income tax (Note 19)	(57,086)	(35,504)
Profit from continuing operations	111,950	95,845
Profit for the year	111,950	95,845
Attributable to:		
Shareholders of the Parent	74,262	71,227
Non-controlling interests (Note 13)	37,688	24,618
Earnings per share (in euros) (Note 28)		
Basic	0.88	0.84
Diluted	0.88	0.84

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries
Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018 (thousands of euros)

	Notes	Year 2018	Restated Year 2017
CONSOLIDATED PROFIT		111,950	95,845
Other comprehensive income:			
Items to not be reclassified to profit or loss		-	-
Items to be reclassified to profit or loss			
- Cash flow hedge		7,999	(6,641)
- Exchange differences of financial statements for businesses abroad		(83,758)	(112,981)
- Share of other comprehensive income of equity-accounted investees	Note 10	(1,163)	(1,714)
- Tax effect		3,131	(2,490)
Other comprehensive income for the year, net of tax		(73,791)	(123,826)
Total comprehensive income attributable to:		38,159	(27,981)
a) Equity holders of the Parent Company		28,979	7,686
b) Non-controlling interests		9,180	(35,667)

The accompanying notes form an integral part of the consolidated annual accounts.

Elecnor, S.A. and Subsidiaries
Consolidated Statement of Changes in Equity

for the year ended 31 December 2018 (thousands of euros)

	Share capital	Other reserves	Own Shares	Interim dividend paid	Valuation adjustments	Translation differences	Net Profit for the year	Non-controlling interests	Total Equity
Balances at 31 December 2016	8,700	721,155	(21,989)	(4,481)	(71,796)	(150,368)	68,465	430,354	980,040
Adjustments for changes in accounting policies (Note 2.h)	-	(40,698)	-	-	-	40,698	-	-	-
Adjusted balances at 1 January 2017	8,700	680,457	(21,989)	(4,481)	(71,796)	(109,670)	68,465	430,354	980,040
Total recognised income and expense for 2017	-	-	-	-	10,552	(74,093)	71,227	(35,667)	(27,981)
Distribution of profit:									
Reserves	-	44,467	-	-	-	-	(44,467)	-	-
Supplementary dividend (Notes 5 and 13)	-	-	-	-	-	-	(19,517)	(2,758)	(22,275)
2016 interim dividend	-	-	-	4,481	-	-	(4,481)	-	-
Acquisition of own shares	-	-	(3,124)	-	-	-	-	-	(3,124)
Sale of own shares	-	1,027	3,881	-	-	-	-	-	4,908
Interim dividend paid in 2017	-	-	-	(4,611)	-	-	-	-	(4,611)
Changes in interests in subsidiaries (Note 13.e)	-	(9,162)	-	-	-	-	-	(19,911)	(29,073)
Other corporate transactions	-	-	-	-	-	-	-	5,006	5,006
Adjustments for hyperinflation	-	974	-	-	-	-	-	-	974
Other	-	(2,816)	-	-	-	-	-	3,013	197
Balances at 31 December 2017 (restated)	8,700	714,947	(21,232)	(4,611)	(61,244)	(183,763)	71,227	380,037	904,061
Adjustment for initial application of IFRS 15	-	(19,364)	-	-	-	2,311	-	-	(17,053)
Adjustment for initial application of IFRS 9	-	(323)	-	-	-	-	-	-	(323)
Adjustments for changes in accounting policies (Nota 2.h)	-	(3,493)	-	-	-	3,493	-	-	-
Total recognised income and expense for 2018	-	-	-	-	5,664	(50,947)	74,262	9,180	38,159
Distribution of profit:									
Reserves	-	46,270	-	-	-	-	(46,270)	-	-
Supplementary dividend (Notes 5)	-	-	-	-	-	-	(20,346)	(5,698)	(26,044)
2017 interim dividend	-	-	-	4,611	-	-	(4,611)		-
Acquisition of own shares	-	-	(1,563)	-	-	-	-	-	(1.563)
Sale of own shares	-	334	911	-	-	-	-	-	1,245
Interim dividend paid in 2018	-	-	-	(4,795)	-	-	-	-	(4,795)
Changes in interests in subsidiaries (Note 13.e)	-	-	-	-	-	-	-	158	158
Capital reductions	-	-	-	-	-	-	-	(51,261)	(51,261)
Adjustments for hyperinflation	-	390	-	-	-	-	-	-	390
Other	-	(2,263)	-	-	-	-	-	(4)	(2,267)
Balances at 31 December 2018	8,700	736,498	(21,884)	(4,795)	(55,580)	(228,906)	74,262	332,412	840,707

Elecnor, S.A. and Subsidiaries Consolidated Statements of Cash Flow

for the years ended 31 december 2018 (thousands of euros)

	Year 2018	Year 2017
Cash flows from operating activities:		
Consolidated profit for the year	111,950	95,845
Adjustments for:		
Depreciation and amortisation	68,942	67,115
Impairment and net profit from disposals of property, plant and equipment and intangible assets	(145)	1,827
Changes in provisions for liabilities, risk and charges (Note 21)	43,070	23,115
Capital grants taken to income	(478)	(492)
Share of profit of equity-accounted investees (Note 10)	3,831	(587)
Impairment and net gains on disposal of financial instruments (Notes 2.f)	-	(16,348)
Finance costs (Note 21)	(9,737)	10,839
Exchange gains/(losses)	(11,381)	39,694
Other income and expenses	2,325	1,415
Income tax	57,086	35,504
Funds generated from operations	265,463	257,927
Changes to working capital:		
Trade and other receivables	(62,589)	66,116
Inventories	462	6,244
Trade and other payables	31,575	(216,788)
Changes in other current assets and liabilities	6,535	(15,143)
Income tax paid	(52,865)	(55,637)
Net cash flows from operating activities (I)	188,581	42,719
Cash flows from investing activities:		
Payments for acquisition of intangible assets (Note 8)	(6,866)	(11,120)
Payments for acquisition of equity-accounted investees (Note 10)	(24,777)	-
Payments for acquisition of non-current assets held for sale (Note 10)	(23,691)	-
Payments for acquisition of financial assets (Note 11)	(45,167)	(138,752)
Payments for acquisition of property, plant and equipment (Note 9)	(61,110)	(98,226)
Dividends received from associates (Note 10)	11,186	8,399
Interest received	87,713	60,046
Proceeds from disposal of Group companies, associates and jointly-controlled entities (Notes 2.f)	9,234	24,011
Proceeds from the sale of intangible assets and property, plant and equipment (Notes 8 and 9)	3,759	5,006
Proceeds from disposal of financial assets, net (Note 11)	23,617	31,908
Net cash flows used in investing activities (II)	(26,102)	(118,728)
Cash flows from financing activities:		
Cash inflows from financial debt and other non-current borrowings (Note 14)	924,404	1,414,091
Interest paid	(97,392)	(108,236)
Repayment of financial debt and other non-current borrowings (Note 14)	(845,044)	(1,129,070)
Dividends paid (Note 13)	(35,450)	(26,755)
Payments for acquisition of non-controlling interests (Note 13)	(28,900)	-
Proceeds from contribution/return of funds by/to non-controlling shareholders, net (Note 13)	(51,103)	5,006
Cash inflows due to disposal of own shares (Note 13)	1,245	4,908
Cash outflows due to purchase of own shares (Note 13)	(1,563)	(3,124)
Net cash flows used in financing activities (III)	(133,803)	156,820
Effect of changes in the consolidated group (IV)	-	-
Net increase/decrease in cash and cash equivalents (I+II+III+IV)	28,676	80,811
Cash and cash equivalents at beginning of year	398,161	317,350
Cash and cash equivalents at year end	426,837	398,161

The accompanying notes form an integral part of the consolidated annual accounts.

Consolidated Annual Report

Prepared under International Financial Reporting Standards as adopted by the European Union

Elecnor, S.A. and Subsidiaries Consolidated Annual Report

for the year ended 31 December 2018

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Elecnor, S.A., the Parent, was incorporated in Spain on 6 June 1958 and its registered office is located at Calle Marqués de Mondéjar 33, Madrid.
The Parent's statutory activity, according to its bylaws, is:

- Wide-ranging commercial activity in connection with the engineering, design, construction, erection, repair, maintenance and upkeep of all manner of construction projects and installation work in the broadest sense, i.e. the entire execution thereof with or without the supply of materials, on its own account or through third parties, on an exclusive basis or through associations of any kind.
- The provision of public and private services in relation to the collection of all types of waste; sweeping and cleaning of streets; transfer and transport of waste to the place of end disposal; the end disposal of such waste, recycling, treatment and deposit of public, private, industrial, hospital and pathological waste; cleaning, maintenance and upkeep of sewers; and, in general, urban water treatment services and all other ancillary services related directly or indirectly to the aforementioned services in their broadest sense.
- The design, research, development, construction, operation, maintenance and marketing of waste treatment, recovery and elimination facilities, and the purchase and sale of the by-products originating from these treatments.
- The design, research, development, construction, operation, maintenance and marketing of plants and facilities for the treatment of water, wastewater and waste, the recovery and elimination of waste, and the purchase and sale of the by-products originating from these treatments.
- The use, transformation and marketing of water of all types.

The aforementioned business activities can also be fully or partially carried out indirectly by the Parent through investments in other companies with a similar statutory activity, both in Spain and abroad. The Elecnor Group may not carry out any business activity for which specific conditions or limitations are imposed by law, unless it fully meets such conditions.

The subsidiaries basically engage in business activities comprising the aforementioned statutory activity, and in the operation of wind energy generation, thermosolar and solar PV facilities, the provision of aeronautical and aerospace software research, advisory and development services and the manufacture and distribution of solar panels and solar PV plants.

The Parent's bylaws and other related public information may be viewed on the website www.elecnor.com and at its registered office.

In addition to the operations it carries out directly, Elecnor, S.A. is the head of a group of subsidiaries that engage in various business activities and which comprise, together with Elecnor, S.A., the Elecnor Group (hereinafter "the Group" or the "Elecnor Group"). Therefore, in addition to its own separate annual accounts, the Parent is obliged to prepare the Group's consolidated annual accounts, which also include interests in joint ventures and investments in associates.

Annex I includes information on equity-accounted subsidiaries and associates included in the Elecnor Group's consolidated scope.

2. BASIS OF PRESENTATION

a) Basis of presentation and regulatory financial reporting framework applicable to the Group-

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Elecnor, S.A. and of the consolidated companies. The consolidated annual accounts for 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Elecnor, S.A. and subsidiaries at 31 December 2018 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, "First-time adoption of International Financial Reporting Standards".

The directors of the Parent consider that the consolidated annual accounts for 2018, authorised for issue on 20 February 2019, will be approved with no changes by the shareholders at their annual general meeting.

The Elecnor Group's consolidated annual accounts for 2017 were authorised for issue by the shareholders of Elecnor, S.A. at their annual general meeting held on 01 June 2018.

These consolidated annual accounts have been prepared on a going concern basis using the historical cost principle, with the exception of derivative financial instruments, which have been recognised at fair value.

Note that the balances from the Group's Argentine and Venezuelan companies were expressed at current cost before inclusion in the consolidated annual accounts of the Elecnor Group, as per IAS 29 "Financial Reporting in Hyperinflationary Economies", as these countries' economies are considered to be hyperinflationary (see sections g and h).

b) Adoption of International Financial Reporting Standards (IFRS)-

Standards applied for the first time

The Group has applied the following interpretations for the first time to the consolidated annual accounts commencing on 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

This Standard replaces the following standards: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue, and the related interpretations: IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising.

According to IFRS 15, revenue should be recognised as a function of the amount expected to be received from the customer when control of the good or service is transferred to the customer. The transfer of control may take place at a specific time or over a period of time. When a single contract includes more than one obligation for compliance in respect of the customer, the revenue shall be recognised based on the independent sale prices relating to the various compliance obligations.

The main change in the accounting policies of the Elecnor Group relates to the change in the criterion for recognising revenue from modifications to contracts and transactions subject to variable consideration as, in the case of revenue from contract modifications, IFRS 15 requires customer approval, a more stringent criterion than the requirements on probability and reliability in estimates than in the previous standard and, likewise, in transactions subject to variable consideration more stringent requirements are established for recognition of revenue, including high probability requirements.

The Elecnor Group opted for the transition option provided in the standard, which involves applying IFRS 15 recognising the cumulative effect as an adjustment at the date of initial application, without restating the information presented in 2017 under the aforementioned standards. Application of this standard had an impact on reserves of euros 19 million, net of the tax effect, and a positive impact on the consolidated income statement for the year 2018 of euros 6.5 million (See note 12.a).

IFRS 9 Financial instruments

(i) Recognition and classification of financial instruments

The Group recognises financial instruments when it becomes a party to the contract or legal transaction, in accordance with the terms set out therein.

The criterion for classifying financial assets will depend on both the manner in which a company manages its financial instruments (its business model) and the existence and characteristics of the financial assets' contractual cash flows. On that basis, the asset will be measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss in the period, as follows:

- If the aim of the business model is to maintain a financial asset so as to collect contractual cash flows and, according to the terms of the contract, cash flows are received on specific dates that constitute solely principal payments plus interest on said principal, the financial asset will be measured at amortised cost.
- If the aim of the business model is both to obtain contractual cash flows and their sale and, according to the terms of the contract, cash flows are received on specific dates that constitute solely principal payments plus interest on said principal, the financial assets will be measured at fair value through other comprehensive income (equity).

Other than in those scenarios, the rest of assets will be measured at fair value through profit or loss. All equity instruments (for example, shares) are measured in this category by default. This is the case because their contractual cash flows do not comply with the condition of being solely payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedge instruments.

For measurement purposes, financial assets must be classified in one of the following categories, the accounting policies of each of which are detailed below:

a) Financial assets at amortised cost: These assets are booked subsequent to their initial recognition at amortised cost in accordance with the effective interest rate method. Said amortised cost will be reduced by any impairment losses. Profit or loss will be recognised in the period when the financial asset is derecognised or has been impaired, or due to exchange differences. Interest calculated using the effective interest rate method is recognised in the income statement under "finance income".

b) Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are recognised initially and subsequently at fair value, excluding transaction costs, which are charged to income. Profit or loss from changes in fair value are presented in the income statement under "other finance income/(expense)" in the period in which they were originated. Any dividend or interest is also take to finance income/expense.

c) Debt instruments at fair value through other comprehensive income: They are accounted for subsequently at fair value, recognising the changes in fair value in "Other comprehensive income". Interest income, impairment losses and exchange differences are recognised in the income statement. When sold or derecognised, adjustments in the cumulative fair value recognised under "Other comprehensive income" are included in the income statement as "Other finance income/expense".

d) Equity instruments at fair value through other comprehensive income: They are subsequently measured at fair value. Only dividends are taken to income, unless said dividends clearly represent a recovery of the cost of the investment. Other profit or loss is taken to "Other comprehensive income" and never reclassified to income.

Given the nature of the Group's financial assets, the change in the presentation criteria provided in IFRS 9 has not been significant.

(ii) Impairment of financial assets

The impairment model is applicable to financial assets measured at amortised cost.

The impairment model rests on a dual measurement approach in which there is an impairment provision based either on estimated losses for the next 12 months or estimated losses throughout the asset's life time. A move from the first approach to the second approach is determined by a significant worsening of credit quality.

This standard, which partially replaces IAS 39, simplifies the classification and measurement criteria for financial instruments, maintaining a mixed measurement model and establishing only two main financial asset categories: amortised cost and fair value. The classification criteria are based on the entity's business model and the characteristics of the financial asset's contractual cash flows. They also simplify hedge accounting and render it more flexible.

For trade accounts receivable, the Group applies the expected credit loss accounting policy based on the percentage of insolvency provisions in the last few years over historical sales.

To determine whether a financial asset's credit risk has significantly worsened since initial recognition, or to estimate credit losses to be expected over the asset's lifetime, the Group considers all the relevant reasonable and sustainable information that is available without disproportionate effort or cost. This includes both quantitative and qualitative information, based on the Group's experience or that of other entities on historical credit losses, and observable market information on the credit risk of the specific financial instrument or similar financial instruments.

The Group applies the simplified approach permitted under IFRS 9, whereby full lifetime expected credit losses are recognised at the time of initial recognition of the accounts receivable.

With regard to the new model of calculating the value impairment of financial assets based on the expected credit loss model over the lifetime of the asset, the Group implemented this new method on 1 January 2018 and the impact has implied an adjustment of euros 4.5 million in reserves, net of the tax effect.

(iii) Hedge accounting

IFRS 9 eases the requirements for the hedge's effectiveness. Under the previous IAS 39, a hedge had to be highly effective, both prospectively and retrospectively. IFRS 9 replaces this consideration, requiring an economic relationship between the hedged item and the hedging instrument and that the ratio covered must be the same as the one the company uses for its risk management. The standard seeks to bring hedge accounting closer to risk management, with a target-based approach and attempting to iron out the inconsistencies and weaknesses of the previous model.

The Group uses interest rate contracts mainly to hedge against the variability in indebtedness rates contracted at floating interest rates. Hedge accounting is aligned with the Group's risk management model, so there has been no change in the way hedges are accounted for.

(iv) Refinancings of financial liabilities

In application of the interpretation by the IASB in 2017 on the treatment of the refinancings of financial liabilities under IFRS 9, contractual flows of refinanced debt must be discounted at the original effective interest rate, reviewed with the associated commissions, instead of at the new rate resulting from the refinancing operation.

The difference obtained will impact on the consolidated income statement as an expense or income on the refinancing date, although, given that this interpretation is retroactive, for those operations performed before 1 January 2018, the existing difference is booked against reserves.

In this connection, annual refinancings performed by the Parent Company since 2014, when the syndicated financing began, at 1 January 2018 had the impact of a euros 1.2 million increase in reserves, net of the tax effect.

Moreover, the impact of refinancings performed by the associates Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. on 1 January 2018 amounts to a euros 3 million increase in reserves, net of the tax effect.

The table below summarises the impact of adopting IFRS 15 and IFRS 9 on the Consolidated Statement of Financial Position at 31 December 2018 for each of the affected headings. The effect on the Consolidated Income Statement and on the Consolidated Statement of Cash Flows at 31 December 2018 was immaterial.

Impact on the Consolidated Statement of Financial Position

31 December 2018 thousands of euros	Amounts	Adjustments IFRS 15	Adjustments IFRS 9	Amount without adoption IFRS 15 and 9
Assets				
Non-current assets				
Equity-accounted investees	164,078	-	2,693	161,385
Deferred tax assets	102,198	4,821	1,500	95,877
Total non-current assets	2,306,912	4,821	4,193	2,297,898
Current assets				
Customer contract assets	258,756	258,756	-	-
Trade and other receivable	675,106	(274,112)	(6,000)	955,218
Total current assets	1,483,767	(15,356)	(6,000)	1,505,123
Total assets	3,790,679	(10,535)	(1,807)	3,803,021
Equity and Liabilities				
Equity				
Other reserves	736,498	(19,364)	(323)	756,185
Translation differences	(228,906)	2,311	-	(231,217)
Profit for the year attributable to the Parent	74,262	6,518	779	66,965
Total equity	840,707	(10,535)	456	850,786
Non-current liabilities				
Finance liabilities on loans and borrowings	730,470	-	(3,018)	733,488
Deferred tax liabilities	81,403	-	755	80,648
Total non-current liabilities	1,556,407	-	(2,263)	1,558,670
Current liabilities				
Finance liabilities on loans and borrowings	730,470	-	(3,018)	733,488
Deferred tax liabilities	81,403	-	755	80,648
Total current liabilities	1,393,565	-	-	1,393,565
Total liabilities and equity	3,790,679	(10,535)	(1,807)	3,803,021

Standards and interpretations issued and not yet in force that allow for early adoption

At the date on which these consolidated annual accounts were authorised for issue, the standards issued but not yet in force and which the Group expects to adopt from 1 January 2019 or subsequently, are:

IFRS 16 Leases

IFRS 16 eliminates the double-entry accounting model for lessees that distinguishes between finance leases, which are recognised in the balance sheet, and operating leases, for which future lease payments do not have to be recognised. A single model has been developed in its place for the balance sheet, which is similar to the current finance lease model. In the case of lessors, the same model is maintained, i.e. the classification of leases as finance and operating leases.

IFRS 16 replaces the existing guidelines on leases, including 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 Involving the Legal Form of a Lease.

The adoption of IFRS 16 is compulsory for annual periods starting from 1 January 2019. Early adoption is permitted for companies using IFRS 15 Revenue from contracts with customers, prior to the initial application date of IFRS 16. The Group will apply IFRS 16 for the first time on 1 January 2019. The following are the main policies, estimates and criteria relating to the application of IFRS 16:

- Manner of transition: The Group has opted to implement IFRS 16 using the modified retroactive method, recognising the right-of-use asset at an amount equal to its carrying amount, as though the standard had been applied since the start date, but discounted by applying the incremental interest rate of the lessee's indebtedness on the initial application date. By taking this approach, the Group does not restate comparative information.
- Discount rates: for the initial measurement of the lease liability the incremental interest rate was used, representing the interest rate that a lessee would have to pay for borrowing over a similar period, with a similar guarantee, the necessary funds to obtain an asset of a value similar to that of the right-of-use asset in a similar economic context.
- Contractual term for each lease agreement: the term considered for leases depends mainly on whether or not the lease agreement has a compulsory term, as well as any unilateral termination and/or renewal clauses that entitle the Group to terminate the contracts early or extend their terms. The Group has not applied this standard to machinery leases for use in construction projects as it estimates that their duration is less than or close to one year since they are lease for the duration of the project in which they are needed.
- Accounting policies applicable during transition: The Group has decided to use the following practical solutions on applying the simplified method for leases previously classified as operating leases under IAS 17 Leases:

  – To not apply IFRS 16 to contracts not previously identified as containing a lease in application of IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".
  – Use of different discount rates for each country and depending on the remaining lease terms.
  – Exclusion of initial direct costs of measuring the right-of-use asset on the initial application date.
  – Exclusion of leases ending within 12 months of the initial application date.
  – Exclusion of leases in which the underlying asset is of low value.
  – Instead of reviewing the impairment on the initial application date, the company has used its assessment of onerousness in lease contracts, applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the initial application date, so that the right-to-use asset is adjusted on the initial application date by the amount of the provisions for onerous contracts recognised, where applicable, in the Statement of Financial Position immediately prior to the initial application date.

The Elecnor Group estimates that the impact of this new regulation will imply a higher value of right-to-use assets of some euros 20-30 million, and will not have a material impact on net equity.

Note that, under present standards, most land usage assignment contracts for sites where wind power facilities are located are considered to be operating leases. In application of IFRS 16, the Elecnor Group interprets that most of said contracts do not contain a lease since they permit the owner of the land to access it and continue performing economic activities provided they do not interfere with the proper functioning of the business conducted by the Elecnor Group. Consequently, the Elecnor Group interprets that these contracts granting shared use of land between the owner and the Elecnor Group do not contain a lease in accordance with IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The IFRS Interpretations Committee (IFRIC) issued IFRIC 23, establishing how to recognise and measure taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments. An uncertain income tax treatment is any treatment applied by an entity where there is uncertainty as to whether said approach will be accepted by the tax authority. The interpretation takes into account:

- how to determine the appropriate accounting unit, and whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, depending on which approach better predicts the resolution of the uncertainty.
- that the entity must assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations; in other words, risk of detection must be ignored.
- that the entity must reflect the effect of uncertainty on its accounting for income tax when the taxation authority is unlikely to accept the treatment.
- that the impact of uncertainty must be measured using the most likely amount method or the expected value method, depending on which method better predicts the resolution of the uncertainty, and that the judgements and estimates used must be reassessed if the facts and circumstances change or new information becomes available.

The interpretation is effective for annual periods commencing from 1 January 2019. Early adoption is permitted. Upon initial application, an entity may opt to apply this interpretation: 1) retrospectively using IAS 8, only if the application is possible without the use of hindsight; or 2) retrospectively with the cumulative effect of the initial application recognised as an adjustment to retained earnings (or another component of equity, as applicable) on the date of initial application.

The Group is currently assessing the potential impact of adopting this interpretation in its consolidated annual accounts for 2019.

Existing standards, amendments and interpretations that may not be adopted early or have not been adopted by the European Union

At the date on which these consolidated annual accounts were authorised for issue, the IASB and IFRS Interpretations Committee had published standards, amendments and interpretations listed below, that are pending adoption by the European Union:

- IAS 19 (Amendment) – "Amendment, curtailment or settlement of a plan".
- IAS 28 (Amendment) – "Long-term Interests in Associates and Joint Ventures".
- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (the effective date of this amendment has been deferred since the IASB plans a broader review that may result in a simplification of the accounting of these transactions and other aspects of accounting for associates and joint ventures).
- IAS 1(Amendment) and IAS 8 (Amendment) "Definition of Material"
- IFRS 3 (Amendment) "Definition of a Business"
- Annual Improvements to IFRSs – 2015-2017 cycle

In view of the Group's activities, the effect of applying new standards, amendments or interpretations on the consolidated annual accounts of the entity when applied for the first time is not considered to be material for the Group.

c) Functional currency and presentation currency-

The figures disclosed in the consolidated annual financial statements are expressed in thousands of euros, the Parent's functional and presentation currency.

d) Material accounting estimates and significant assumptions and judgements in applying accounting policies-

The information in these consolidated annual accounts is the responsibility of the Board of Directors of Elecnor.

The preparation of consolidated annual financial statements in accordance with EU-IFRS requires the application of material accounting estimates and significant judgements, estimates and assumptions in the process of applying the Group's accounting policies. In this connection, there follows a detailed summary of the aspects that have involved the greatest degree of judgement, complexity or in which the assumptions and estimates are not material for preparing the consolidated annual financial statements.

- The Group tests goodwill for impairment annually. Determining the recoverable value of a division to which goodwill has been assigned implies using estimates. The recoverable value is higher than the fair value less costs to sell or otherwise dispose of the item and value in use. Generally, the Group uses discounted cash flow methods to determine these values. Discounted cash flow calculations are based on 5-year projections of the budgets approved by the Group for infrastructure segment assets and projections over the entire regulatory useful life for concession assets. The flows take into account past experience and represent the best estimate on future market performance. Cash flows from the fifth year for infrastructure segment assets are extrapolated using individual growth rates. The key assumption to measure fair value less costs to sell or otherwise dispose of the item and value in use include growth rates, the discount rate and tax rates. The estimates, including the methodology used, may have a material impact on the values and on impairment losses (Note 7).
- Impairment adjustments due to customer insolvencies, the revision of individual balances based on the credit quality of customers, current market trends and a historical analysis of insolvencies on an aggregate basis involve significant judgements.
- The Group performs a significant portion of its activities in construction contracts with customers. The Group recognises construction contracts considering the degree of completion. This method implies the need to estimate the total cost and total income from each project, including any claims and incentives and to allocate provisions in the event that losses are estimated in the contract (Note 16). The Group continually reviews all the contract estimates and adjusts them accordingly.
- The calculation of provisions for customer claims, guarantees, litigation and contingencies is subject to considerable uncertainty.

Moreover, although the estimates performed by the Company's Directors were calculated based on the best information available at 31 December 2018, it is possible that future events might oblige their modification in the next few years. The effect on the consolidated annual financial statements of modifications that, in the event, may derive from adjustments over the next few years would be recognised prospectively.

e) Comparative information-

In the consolidated annual accounts for 2018, we present, for comparative purposes, along with each item of the consolidated statements of financial position, income, comprehensive income, changes in equity, cash flows and notes to the consolidated annual accounts, in addition to the figures for 2018, those corresponding to the previous year, which differ from those approved by the Ordinary Annual General Shareholders' Meeting of the Parent Company on 1 June 2018 due to the changes listed in section h) and the reclassification of the following amounts:

Reclassification of comparative amounts from the previous year

Certain amounts for 2017 have been reclassified in the accompanying consolidated annual accounts to make them comparable with those for the current year and facilitate comparison. The main reclassification was as follows:

	thousands of euros	
	Dr	Cr
Current tax liabilities		(7,497)
Public entities, payable	7,497	
Provisions for non-current liabilities and charges		(15,482)
Purchases and services received	15,482	
Other current liabilities	4,120	
Provisions for current liabilities and charges		(4,120)

f) Changes to the consolidated Group-

In 2018 there were no material changes in the consolidation scope except as explained in Note 10.

The most significant changes in the scope of consolidation in 2017 were as follows:

- The Group sold its investment in Bulgana Wind Farm PTY LTD for an amount of approximately euros 15 million, recognising the resulting gain as other operating income in the consolidated income statement of 2017.
- The Group sold its investment in Barcaldine Remote Community Solar Farm PTY LTD for an amount of approximately AUD 33.4 million, recognising the resulting gain as other operating income in the consolidated statement of profit and loss of 2017. At 31 December 2016, all the assets and liabilities associated with this company as non-current assets held for sale and liabilities associated with non-current assets held for sale based on the agreements adopted as per the minutes of the Board of Directors' meeting of 19 October 2016.

g) Classification of Argentina as a hyperinflationary economy-

During 2018, a number of factors have surfaced in the Argentine economy that have led the Elecnor Group to reconsider its procedure in connection with the conversion of the financial statements of its investee in that country.

In accordance with IFRS-EU, Argentina is considered to be a hyperinflationary economy for accounting purposes for the periods ending from 1 July 2018. IAS 29 was applied for the first time in Argentina in the Group's consolidated annual accounts of 2018, in accordance with the following criteria:

- The comparative figures for 2017 were not modified.
- Hyperinflationary accounting was applied to all assets and liabilities of the investee Elecnor Argentina prior to translation.
- The historical cost of non-monetary assets and liabilities and the various items of equity of that company from the date of its acquisition or inclusion in the consolidated statement of financial position until the end of the reporting period was adjusted to reflect changes in the purchasing power of the currency as a result of inflation.
- Opening equity reported in the stable currency will be affected by the cumulative effect of restating non-monetary items from the date they were first recognised and the effect of translating those balances to the closing rate. The Group opted to recognise the difference between the closing equity of the previous year and the opening equity of the current year in reserves, together with the exchange differences accumulated through that date, 1 January 2018.

The Group has adjusted the 2018 income statement to reflect the relevant impact of inflation on net monetary assets.

h) Changes in accounting policies-

Continuing with the application of the provisions of section g) above, and in order to improve the true and fair view of the consolidated annual financial statements, in 2018 the Group changed its accounting policy to recognise, under Reserves, the exchange differences generated in the translation into euros of the restated financial statements of Venezuelan subsidiaries, previously booked under "Exchange differences".

The Group changed this accounting policy as it understands that, pursuant to IAS 8, it offers more reliable and relevant information on its operations in Venezuela. Moreover, in accordance with the provisions of the regulations, the information shown in the consolidated annual accounts of the previous year has been restated, with euros 39,724 thousand and euros 40,698 thousand being reclassified from "Exchange differences" to "Reserves" at 31 December and 1 January 2017, respectively. The reclassification corresponding to 1 January 2017 is recognised as "Adjustments for changes in accounting policies" in the consolidated statement of changes to equity. Said statement includes under "Adjustments for hyperinflation" in reserves both the exchange differences and the effects of restatements for inflation in the years 2018 and 2017. (See note 3 e).

3. ACCOUNTING PRINCIPLES

a) Subsidiaries-

Subsidiaries are entities over which the Company exercises control, either directly or indirectly through subsidiaries. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Transactions and balances with Group companies and unrealised profit or loss were eliminated in the consolidation process. However, unrealised losses were considered to be an indicator of the impairment of the assets transferred.

The accounting policies of subsidiaries were adapted to the Group's accounting policies, for transactions and other events that are similar and took place in comparable circumstances.

The annual financial statements of subsidiaries used in the consolidation process refer to the same presentation date and the same period as those of the Parent Company.

Non-controlling interests in the net assets of subsidiaries are recognised in equity separately from the Parent's equity. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, i.e. any difference is recognised directly in equity.

b) Business combinations-

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applied IFRS 3 "Business combinations" revised in 2008 to transactions conducted from 1 January 2010 onwards.

In business combinations, the Group applies the acquisition method.

The acquisition date is the date on which the Group obtains the control of the acquired business.

The consideration paid for the business combination is determined on the acquisition date based on the sum of the fair values of the assets delivered, liabilities incurred or assumed, equity instruments issued and any contingent liabilities that depend on future events or compliance with certain conditions in exchange for the control of the acquired business.

Cost relating to the acquisition are recognised as an expense as they are incurred.

The identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair value and any non-controlling interest is measured at fair value or at the proportional part of the interest in the net assets acquired. Liabilities assumed include contingent liabilities insofar as they represent present obligations arising from past events and their fair value may be reliably measured.

The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

Loss of control

When the Group loses its control over a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the interest retained in the company are recognised at fair value at the date on which control is lost, and any difference is recognised. Other comprehensive income relating to the subsidiary is reclassified to profit or loss or reserves depending on its nature.

Non-controlling interests

Non-controlling interests in subsidiaries acquired from 1 January 2004 onwards are recognised on acquisition date by their percentage share of the fair value of identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Non-controlling interests are presented in consolidated net equity separately from equity attributed to the shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement (Consolidated Statements of Comprehensive Income).

The Group's interest and non-controlling interests in consolidated profit and loss in the year (the global total consolidated profit and loss in the year) and in changes in the net equity of subsidiaries, having considered adjustments and eliminations deriving from consolidation, are determined on the basis of the ownership interest at year-end, not taking into account the possible exercise or conversion of potential voting rights and after discounting the dividend effect, agreed or not, of preferred shares with cumulative rights that have been classified in net equity. Nevertheless, the Group's interest and non-controlling interests are determined considering the eventual exercise of potential voting rights and other derivative financial instruments which substantially provide current access to the economic benefits associated with the ownership interests, in other words, the right to participate in future dividends and changes in the value of subsidiaries.

From 1 January 2010, profit and loss and each component of other comprehensive income are allocated to net equity attributed to the shareholders of the Parent Company in proportion to its interest, although this implies a payable from non-controlling interests. The agreements between the Group and non-controlling interests are recognised as a separate transaction.

c) Associates-

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Under this method, the investment is initially recognised at cost, including any additional cost directly attributable to the acquisition.

The excess between the cost of the investment and the percentage corresponding to the Group in fair values of identifiable net assets is registered as goodwill and included in the accounting value of the investment. The defect, having measured the amounts of the cost of the investment and the identification and measurement of the net assets of the associate, is recognised as income when determining the investors interest in the associate's profit and loss in the year in which it is acquired.

If the investment is the result of a loss of control of a subsidiary that did not constitute a business, the cost of the investment is the fair value, net of the derecognitions deriving from the loss of control.

The accounting policies of associates were harmonised in time and valuation terms in line with those used at subsidiaries.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share in profit or loss of equity-accounted investees in the consolidated income statement. The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the value of the investments in associates with a balancing entry, based on the nature of the investment, in other comprehensive income in the consolidated statement of comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

The Group's share in the profit and loss of associates and in changes to net equity is determined based on the ownership interest at the end of each year, not taking into account the potential exercise of conversion of potential voting rights. Nevertheless, the Group's interest is determined considering the eventual exercise of potential voting rights and other derivative financial instruments which substantially provide current access to the economic benefits associated with the ownership interests, in other words, the right to participate in future dividends and changes in the value of associates.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate. For the purpose of recognising impairment losses in associates, net investments are considered as the carrying amount of the investment after applying the equity method plus any other item which in substance forms part of the investment in the associate. The excess of the losses over the equity instrument investment is applied to the remaining items in reverse order of settlement. Subsequent profits obtained by associates for which impairment losses are limited to the value of the investment are recognised to the extent that they exceed previously unrecognised losses.

If the Group's share of losses in an associate is equals or exceeds its investment in the associate, it does not recognise its share of any further losses. The investment in the associate is the carrying amount of the investment determined using the equity method, plus any other non-current portion that, in substance, forms part of the Group's net investment in the associate.

Profit and loss not realised in transactions between the Group and associates are only recognised insofar as they correspond to the holdings of other unrelated investors. The exception in the application of this criterion is the recognition of unrealised losses that constitute evidence of the impairment of the transferred asset. Nevertheless, profit and loss deriving from transactions between the Group and associates involving net assets that constitute a business are recognised in their entirety.

Impairment

Once the equity method has been applied, the Group assesses whether or not there is objective evidence of an impairment in the net investment in the associate.

Calculation of impairment is determined as a result of the comparison between the carrying value linked to the net investment in the associate and its recoverable value, understood as the higher between value in use and fair value less the costs to sell or otherwise dispose of the item. In this connection, value in use is calculated as a function of the Group's interest in the current value of estimated cash flows in ordinary activities and the amounts potentially resulting from the final disposal of the associate.

d) Joint arrangements-

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

- Joint ventures: investments in joint ventures are accounted for using the equity method described in the letter above.
- Joint operations: for joint operations, the Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and the expenses, including its share of any expenses incurred jointly, in the consolidated annual accounts. The Group includes in this category UTEs (Unión Temporal de Empresas – a form of temporary business association) and certain foreign entities considered to be a similar vehicle to a UTE, through which it carries out part of its business activities.

e) Foreign currency transactions and balances-

Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into euros at the exchange rate at the date that the fair value was determined.

Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

These criteria are also applicable to the translation of the financial statements of equity-accounted companies, with translation differences attributable to the Group recognised in other comprehensive income.

The translation differences recognised in other comprehensive income are recognised as an adjustment in the profit/loss on the sale, based on the criteria set forth in the sections on subsidiaries and associates.

Foreign operations in hyperinflationary economies

The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are restated in terms of the measuring unit at the reporting date.

The results and financial position of the Group's foreign operations whose functional currency is the currency of a hyperinflationary economy are translated into euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, assets and liabilities, income and expenses, and cash flows are translated at the closing rate at the most recent reporting date.

- Comparative amounts are those that were included in the prior year consolidated annual accounts and are not adjusted for subsequent changes in the price level or in exchange rates. The effect of the adjustment on the prior year's balances is recognised as a revaluation reserve in other comprehensive income.

None of the functional currencies of the consolidated companies and associates located abroad are those of a hyperinflationary economy as defined by IFRS, except in the cases of Venezuela and, from 1 January 2018, Argentina.

The adoption of this accounting criterion in the Group's operations in Argentina through a subsidiary had an impact on reserves of euros 335 thousand, recognised under "Adjustments for hyperinflation" in the accompanying consolidated annual statement of changes to equity (see section g).

At the 2018 and 2017 reporting dates the aforementioned financial statements were restated using the measuring unit current at 31 December 2018 and 2017. The financial statements of Venezuela were prepared using the historical cost method and were restated applying a general price index of 334,402% (2,873.96% in 2017). At 31 December 2018, the cumulative impact of this restatement on equity amounts to approximately euros 1,656 thousand (approximately euros 6,483 thousand at 31 December 2017).

f) Borrowing costs-

The Group recognises interest expenses directly attributable to the acquisition, construction or production of qualifying assets as higher value thereof. Qualifying assets are those that require a substantial period before being used or disposed of. To the extent that the financing was obtained specifically for the qualifying asset, the amount of interest to capitalise is determined as a function of the actual costs incurred during the year less the returns obtained on temporary investments with said funds.

Capitalisation of interest starts when expenses related with the assets are incurred, interest is accrued and the necessary activities to prepare the assets or a portion thereof for their intended use or sale are being performed and ends when all or practically all of the activities necessary to prepare the assets or portions thereof for their intended use or sale have been completed. Nevertheless, the capitalisation of interest is suspended during periods in which active development is interrupted over a significant period of time, unless the delay is necessary to place the asset in operating condition or prepare it for sale.

g) Non-current assets held for sale-

Non-current assets or disposal groups whose carrying value will be recovered primarily through a sale transaction, rather than through continuing use, are classified as non-current assets held for sale. To be classified as non-current assets or disposable groups as held for sale, they must available in their current state for disposal, subject only to the usual and widely accepted terms of sale transactions, and the transaction must also be considered to be highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

h) Intangible assets-

Goodwill

Goodwill is measured using the criteria outlined in the section on business combinations.

Goodwill is not amortised, but is impairment tested annually or sooner if there are signs of a potential impairment in the asset's value. In this connection, the goodwill resulting from a business combination is allocated to each cash generating unit (CGU) or group of CGUs in the Group that are expected to benefit from the synergies of the combination and the criteria to which section j) impairment refers. After initial recognition, goodwill is measured at cost less cumulative impairment losses.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

Internally generated goodwill is not recognised as an asset.

Other intangible assets

Intangible assets are presented in the consolidated statement of financial position at cost less amortisation and cumulative impairment losses.

Intangible assets are amortised on a straight-line basis over their useful lives.

Impairment

The Group measures and determines the intangible asset's impairment losses and reversals in accordance with the criteria set forth in section j).

i) Property, plant and equipment-

Initial recognition

Property, plant and equipment is measured at cost, less cumulative depreciation and, in the event, cumulative impairment losses. However, prior to 1 January 2004, the Elecnor Group revalued certain items of property, plant and equipment as permitted by applicable legislation. In accordance with IFRS, the Elecnor Group treated the amount of these revaluations as part of the cost of these assets because it considered that the revaluations reflected the effect of inflation.

The cost of property, plant and equipment includes the estimated decommissioning or removal costs, as well as the cost of restoring the location, provided these are obligations incurred as a consequence of its use and for purposes other than the production of inventories. In this regard, since the Elecnor Group does not have to incur significant costs in relation to the closure of its facilities, the accompanying consolidated statement of financial position does not include any related provision, except for a euros 5 million provision for dismantling relating to the wind farm in Canada (Note 16).

Capitalised costs include borrowing costs on external financing accrued during the construction period on construction work exceeding one year.

Self-constructed assets are recognised at accumulated cost; i.e. external costs plus in-house costs, determined on the basis of warehouse materials consumed, and manufacturing costs calculated using hourly absorption rates similar to those used for the measurement of inventories. In 2018, euros 39,173 thousand was recognised for this item under other operating income in the consolidated income statement, mainly in respect of solar PV farm and electricity transmission line construction (euros 57,528 thousand in 2017).

Subsequent costs

Subsequent to the initial recognition of the asset, only those costs that will generate future economic benefits that may reasonably be described as probable, and whose amount can be measured reliably, are capitalised. In this connection, the costs deriving from the daily upkeep of property, plant and equipment are recognised as they are incurred.

The replacement of items of property, plant and equipment that may potentially be capitalised implies reducing the carrying value of the items replaced. In those cases in which the cost of the replaced items has not been independently depreciated and it is not feasible to determine their carrying value, the replacement cost is used to indicate the cost of the items at the time of their acquisition or construction.

Depreciation and amortisation

Property, plant and equipment is depreciated by distributing the depreciable amount using the straight-line method over its useful life.

Depreciation of property, plant and equipment is determined by applying the following criteria:

	Years of useful life	
	2018	2017
Buildings	33-50	33-50
Technical installations and machinery (*)	10-25	10-25
Hand and machine tools	3-10	3-10
Furniture and fixtures	3-10	3-10
Information technology equipment	3-5	3-5
Motor vehicles	2-10	2-10
Other property, plant and equipment	3-10	3-10

(*) Includes machinery and facilities used in wind projects, basically wind turbines.

The Group reviews the residual value, useful life and depreciation method of the property, plant and equipment at the end of each financial year. Any changes to the initially established criteria are recognised as a change in estimate.

Impairment

The Group measures and determines the property, plant and equipment's impairment losses and reversals in accordance with the criteria set forth in section j).

The Parent's directors consider that the carrying amount of the assets does not exceed their recoverable amount, which is calculated on the basis of the future cash flows that the assets will generate (See note 3.j).

j) Impairment of non-financial assets carried at amortised or depreciated cost-

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

Likewise, regardless of the existence of any indication of impairment, the Group reviews, at least once yearly, the potential impairment that might affect goodwill and intangible assets with an indefinite useful life.

The recoverable amount of the assets is the higher amount between fair value less costs to sell and value in use.

The asset's value in use is calculated as a function of the estimated future cash flows deriving from the use of the asset, the expectation about possible changes in timing of those cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows expected to derive from the asset.

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the difference with a charge to depreciation, amortisation, impairment and provisions in the accompanying consolidated income statement.

At each closing date, the Group tests for any signs that the impairment recognised in previous years no longer exists or may have diminished. Impairment losses corresponding to goodwill are not reversible. Impairment losses from the rest of assets are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

k) Leases-

The Group classifies as financial leases those contracts whose terms transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

The Group has been assigned the right to use certain assets under lease agreements.

Finance leases

At the start of the lease period, the Group recognises an asset and liability as the lower of the fair value of the leased asset or the current value of the minimum lease payments. Initial direct costs are included as the higher asset value. Minimum payments are divided between the financial charge and the reduction of the outstanding debt. Finance expenses are imputed to consolidated income, by applying the effective interest rate method.

The accounting principles applied to the assets used by the Group pursuant to lease agreements classified as finance leases are those outlined in section i). Nevertheless, if there is no reasonable certainty that the Group will obtain ownership at the end of the asset lease period, they are amortised over the lower of the useful life or the term thereof.

Operating leases

The instalments of operating leases are recognised as an expense under the heading "Other operating expenses" of the consolidated income statement using the straight-line method over the lease period unless another basis of distribution is more representative to better reflect the timing of the rewards of the lease.

At the end of 2018 and 2017 the Elecnor Group's most significant operating leases were for machinery and motor vehicles, and buildings used to carry out its business activities.

At the 2018 and 2017 closes, the Group has contractually agreed the following minimum lease payments with lessors, based on the leases currently in force, without taking into account any shared expenses passed on, future CPI increases or future contractual lease payment reviews (in thousands of euros):

Minimum operating lease payments	Nominal amount	
	2018	2017
Less than one year	17,623	16,270
Between 1 and 5 years	28,982	30,259
More than 5 years	37,329	37,308
Total	83,934	83,837

The minimum operating lease payments do not include machinery and motor vehicles, which are leased over the term of the construction work performed by the Group, since the Parent's directors consider that there are no long-term commitments in relation to these leases.

l) Administrative concessions-

The Group operates various assets under service concession contracts awarded by different public entities.

Based on the characteristics of the contracts, the Group analyses whether they fall within the scope of IFRIC 12, Service Concession Arrangements.

For concession arrangements subject to IFRIC 12, construction and other services rendered are recognised using the revenue recognition criteria. Contracts for construction or infrastructure upgrades are accounted for in accordance with the applicable accounting policy, while maintenance and operating services are recognised using the accounting policy applicable to services rendered.

Given that the Group provides various services (construction, maintenance and operation) under these contracts, revenue is recognised based on the fair value of each service rendered.

The Group accounts for the consideration received for construction contracts as a financial asset to the extent that there is an unconditional contractual right to receive cash or another financial asset either directly from the transferor or from a third party.

Consequently:

- The transmission concessions in Brazil in which the Elecnor Group has interests are regulated in the related concession arrangement entered into between Concessionária de Transmissão (the Concession Holder) and the Brazilian Electricity Regulatory Agency (ANEEL).
- The concession arrangement obliges the Concession Holder to build infrastructures and operate them for 30 years. In return, it establishes the Concession Holder's unconditional right to receive a quantified remuneration (Reçeita Anual Permitida (Permitted Annual Revenue) (RAP)) throughout the period it operates the infrastructures.
- The RAP is updated regularly in order to take into account the effect of certain economic variables, mainly inflation.
- The Concession Holder's responsibility is limited to maintaining the infrastructure available for use; whether or not the infrastructure is used does not affect the Concession Holder's remuneration.
- There is a procedure in place whereby penalties are imposed by ANEEL in the event of lack of availability of infrastructure for reasons attributable to the Concession Holder. However, such penalties are limited to a maximum of 2% of the RAP for the previous 12 months, i.e. 98% of the RAP will be received in any case. Such penalties have been minimal in recent years.

Construction services

The amount received or receivable for the construction of infrastructure to be operated is recognised at fair value.

A financial asset is recognised for this amount if the concession operator has an unconditional contractual right to receive these amounts from the concession grantor, i.e. irrespective of the public's use of the service concerned. However, if receipt of these amounts is contingent upon demand for the service, an intangible asset is recognised.

Subsequent to initial recognition, these assets are accounted for as described in the measurement standard applicable to each type of asset.

Maintenance and operation services

These services are accounted for as set forth in section v).

m) Financial instruments-

Recognition and classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading or that must be measured at fair value through profit or loss, financial assets and liabilities at amortised cost and financial assets at fair value through other comprehensive income, separating equity instruments designated as such from the rest of financial assets. The Group classifies financial assets designated at fair value through profit or loss and equity instruments designated at fair value through other comprehensive income in accordance with the business model and nature of the contractual flows. The Group classifies financial liabilities as measured at amortised cost, except those designated at fair value through profit or loss and those held for trading.

The Group classifies a financial asset at amortised cost if it is held within the framework of a business model aimed at holding financial assets in order to obtain contractual cash flows and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the unpaid principal.

The Group classifies a financial assets at fair value through other comprehensive income if it is held within the framework of a business model aimed at obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the unpaid principal.

The business model is determined by key staff at the Group at a level reflecting the manner in which groups of assets are managed jointly to achieve the aim of a specific business. The Group's business model represents the manner in which it manages its financial assets to generate cash flows.

The financial assets within the framework of a business model aimed at holding assets to receive contractual cash flows are managed to generate cash flows in the form of contractual receipts during the life of the instruments. The Group manages the assets held on the portfolio so as to receive these specific contractual cash flows. To determine whether the cash flows are obtained by receiving contractual cash flows from the financial assets, the Group considers the frequency, value and calendar of sales in previous years, the reasons for those sales and the expectations in relation to the future sales activity. Nevertheless, sales do not, of themselves, determine the business model and, accordingly, cannot be considered on their own. Instead, it is information on past sales and expectations of future sales that offers an indication of the way to achieve the Group's stated goal with regard to the management of financial assets and, more specifically, how the cash flows are obtained. The Group considers information on past sales in the context of the reasons for those sales and the conditions at that time as compared to current conditions. To this end, the Group considers that trade and other receivables that will be assigned to third parties and will not be derecognised are maintained in this business model.

Although the goal of the Group's business model is to hold financial assets in order to receive contractual cash flows, this does not mean that the Group holds all the instruments to maturity. Consequently, the Group's business model is to hold financial assets to receive contractual cash flows even when there have been or there are expected to be sales of these assets. The Group understands that this requirement is fulfilled provided the sales take place due to an increase in the credit risk of the financial assets. In the rest of cases, in individual and aggregate terms, sales may not be significant even if they are frequent or must be infrequent where they are significant.

The contractual cash flows that are solely payments of principal and interest on the unpaid principal are consistent with a basic loan agreement. In a basic loan agreement, the main items of interest are generally the consideration for the time value of money (TVM) and credit risk. Nevertheless, in an agreement of this kind, interest also includes consideration for other risks, such as liquidity and costs, like the administrative risks of a basic loan associated with maintaining the financial asset for a certain period. Moreover, interest may include a profit margin consistent with a basic loan agreement.

The Group designates a financial liability initially at fair value through profit or loss, if by doing so it eliminates or significantly reduces any inconsistency in the measurement or recognition that would otherwise emerge, if the measurement of the assets or liabilities or recognition of the profit/loss thereof were performed on different bases or a group of financial liabilities or of financial assets and financial liabilities is managed, and its performance assessed, on a fair value basis, in accordance with a documented investment strategy or risk management strategy, and information is provided internally concerning said group on the same basis to key staff from the Group's management.

The Group classifies the rest of financial liabilities, except financial guarantee contracts, commitments to grant a loan at a lower-than-market rate and financial liabilities resulting from a transfer of assets not fulfilling the requirements for derecognition from accounts or accounted for using the ongoing involvement approach, as financial liabilities at amortised cost.

Financial assets at fair value

An analysis of financial instruments measured at fair value at 31 December 2018 and 2017 subsequent to their initial recognition, classified into levels 1 to 3 based on the fair value measurement method, is as follows:

- Level 1: their fair value is obtained from directly observable quoted prices in active markets for an identical asset or liability.
- Level 2: their fair value is determined using market inputs, other than the quoted prices included in level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

	Fair value at 31 December 2018 thousands of euros			
	Level 1	Level 2	Level 3	Total
Non-current financial assets				
Derivative financial instruments (Note 15)	-	109	-	109
Current financial assets				
Derivative financial instruments (Note 15)	-	871	-	871
Non-current liabilities				
Derivative financial instruments (Note 15)	-	(11,413)	-	(11,413)
Current liabilities				
Derivative financial instruments (Note 15)	-	(6,569)	-	(6,569)
	-	(17,002)	-	(17,002)

	Fair value at 31 December 2017 thousands of euros			
	Level 1	Level 2	Level 3	Total
Non-current financial assets				
Derivative financial instruments (Note 15)	-	1,036	-	1,036
Current financial assets				
Derivative financial instruments (Note 15)	-	4,031	-	4,031
Non-current liabilities				
Derivative financial instruments (Note 15)	-	(9,077)	-	(9,077)
Current liabilities				
Derivative financial instruments (Note 15)	-	(1,140)	-	(1,140)
	-	(5,150)	-	(5,150)

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

Financial assets measured at cost

Investments in equity instruments for which there is insufficient information for their measurement or those in which there is a broad range of measurements and derivative instruments linked thereto that must be settled on delivery of said investments, are measured at cost. However, if at any time the Group may obtain a reliable measurement of the asset or the contract, they will be recognised at that time at fair value, booking profit or loss in income or other comprehensive income, if the instrument is designated at fair value through comprehensive income.

Impairment

The Group recognises in income an impairment for expected credit losses in financial assets measured at amortised cost, fair value through other comprehensive income, accounts receivable from finance leases, contract assets, loan commitments and financial guarantees.

For financial assets at fair value through other comprehensive income, the expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

At each balance sheet date, the Group measures the impairment in an amount equal to the expected credit losses in the following twelve months, for financial assets for which credit risk has not significantly increased since initial recognition or when it considers that the credit risk of a financial asset has no longer significantly increased.

Nevertheless, the Group recognises the expected credit loss throughout the life of the instrument for trade receivables or contract assets.

When assessing whether there is a significant increase in credit risk, the Group considers all the reasonable and supportable prospective information, specifically:

- Internal and external credit risk ratings;
- Current or expected adverse changes in the business, financial or economic conditions that might trigger a significant change in the borrower's ability to meet its obligations;
- Current or expected significant changes in the borrower's operating income;
- Significant increases in credit risk in other financial instruments of the same borrower;
- Significant changes in the value of the guarantee securing the obligation or as third-party guarantees or credit enhancements;

Nevertheless, the Group recognises the expected credit loss throughout the life of the instrument for trade receivables or contract assets.

Interest and dividends

Interest is recognised by the Group using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering expected credit losses, except for financial assets acquired or originated with losses incurred.

Dividends from investments in equity instruments are recognised in profit or loss when the Group is entitled to receive them, it is likely to receive the economic benefits and the amount can be reliably estimated.

Derecognitions and modifications of financial liabilities

The Group derecognises a financial liability or a portion thereof when it has fulfilled the obligation contained in the liability or when it is legally released from the principal responsibility contained in the liability either pursuant to judicial proceedings or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications to initially recognised liabilities are recognised as an extinguishment of the original financial liability and recognition of a new financial liability, provided the instruments have substantially different terms.

The Group considers that the terms are substantially different if the current value of the cash flow discounted under the new terms, including any fees paid net of any fees received, and using for the purpose of the discount the original effective interest rate, differs by at least 10 per cent from the current discounted value of the remaining cash flows of the original financial liability.

If the exchange is recognised as the extinguishment of the original financial liability, the costs or fees are recognised in profit and loss. Otherwise, the modified flows are discounted at the original effective interest rate, recognising any difference with the previous carrying amount in profit and loss. Moreover, the costs or fees adjust the finance liability's carrying value and are amortised using the amortised cost method during the remaining life of the modified liability.

The Group recognises the carrying amount of the financial liability or a part thereof cancelled or assigned to a third party and the consideration paid, including any assigned asset other than the cash or liability assumed in profit and loss.

The Group has arranged confirming lines with various financial institutions to manage supplier payments. The Group applies the aforementioned criteria to assess whether the original liability should be extinguished with trade creditors and a new liability should be recognised with the financial institutions. Trade payables the settlement of which is managed by the financial institutions are shown under trade and other accounts payable, insofar as the Group has only assigned the management of payment to the financial institutions, but remains the primary party obliged to pay the debts to trade creditors.

Moreover, bank borrowings as a result of the sale of trade accounts payable are recognised under trade payables due to confirming operations, in trade and other accounts payable in the consolidated statement of financial position.

Hedge accounting

Derivative financial instruments are initially recognised based on the criteria set forth above for financial assets and liabilities. Derivative financial instruments that do not meet the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair value through changes in profit and loss. Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value, plus, in the event, the transaction costs that are directly attributable to their contracting, or less, in the event, the transaction costs that are directly attributable to their issuance. Notwithstanding transaction costs, they are subsequently recognised in income, to the extent that they do not form a part of the effective change in hedging.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. The documentation includes the identification of the hedge instrument, the item hedged, the nature of the hedged risk and the manner in which the Group measures the effectiveness of the hedge.

Accounting for hedge operations is only applicable when there is an economic relationship between the hedged item and the hedging instrument, credit risk does not exert a dominant effect on the value adjustments resulting from this economic relationship and the coverage ratio of the hedge relation is the same as the one resulting from the amount of the hedged item the Group actually uses to cover said amount of the hedged item. Nevertheless, that designation must not reflect an imbalance between the weightings of the hedged item and the hedging instrument such that a hedging ineffectiveness is generated, regardless of whether or not it is recognised, that might give rise to an accounting result contrary to the purpose of hedge accounting.

For cash flow hedges of forecast transactions or a component thereof, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

At the start of the hedge relation and continuously the Group assesses whether the relationship prospectively fulfils the effectiveness requirements. The Group assesses effectiveness at each balance sheet date or when there are significant changes that affect effectiveness requirements.

The Group performs a qualitative assessment of effectiveness, provided the fundamental conditions of the instrument and the hedged item coincide. When the fundamental conditions do not coincide fully, the Group uses a hypothetical derivative with fundamental conditions equivalent to the hedged item to assess and measure ineffectiveness.

The Group only designates as hedged items assets, liabilities, firm commitments and highly probable planned transactions. The hedged item may be an individual item or a group of items.

The Group only designates as hedged items those that involve a party external to the Group.

The Group designates derivative financial instruments, essentially foreign currency forward contracts and options and interest rate swaps to hedge against the various risks.

Cash flow hedges

The Group recognises in other comprehensive income the gains or losses from fair value measurement of the hedge instrument corresponding to the part identified as effective hedge. The part of the hedge considered to be ineffective, and the part of the gain or loss or cash flow relating to the hedge instrument excluded from the assessment of hedge effectiveness are recognised as a charge or credit to finance expense or income.

In hedges of planned transactions that give rise to the recognition of a financial asset or liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit and loss in the same year or years during which the asset acquired or liability assumed affects profit and loss and under the same heading of the consolidated income statement.

Discontinuation of hedge accounting

If the hedge relation ceases to fulfil the effectiveness requirements linked to the coverage ratio, but the risk management goal remains the same for said relationship, the Group adjusts the coverage ratio so as to continue to fulfil the hedge relation criteria (rebalancing). Rebalancing refers to the adjustments made to the amounts designated of the hedged item or the hedging instrument of an existing relationship in order to maintain the coverage ratio that fulfils the hedge effectiveness requirements. The Group accounts for rebalancing as a continuation of the hedge relation. On the rebalancing date, the Group determines the ineffectiveness of the relation and recognises any ineffectiveness in profit and loss.

The Group discontinues the hedge relation prospectively only when all or part of the hedge relation ceases to fulfil the eligibility requirements. This includes situations in which the hedge instrument expires or is sold, finalised or exercised. In this connection, the replacement or renewal of a hedge instrument is not an expiry or finalisation, provided that the operation is consistent with the Group's documented risk management goal.

In cash flow hedges, the cumulative amount in other comprehensive income is not taken to income until the planned transaction takes place. Notwithstanding the foregoing, the cumulative amounts in other comprehensive income are classified as finance income or expense as soon as the Group no longer expects the planned transaction to take place.

n) Own shares-

The acquisition by the Group of equity instruments of the Parent Company is presented at acquisition cost separately as a reduction in equity in the consolidated statement of financial position, regardless of the reason for the acquisition. No profit or loss was recognised in transactions with own equity instruments.

The subsequent amortisation of the Parent's instruments leads to a capital reduction in the nominal amount of said shares and the positive or negative difference between the acquisition price and the nominal share price is charged or credited to reserves.

o) Distributions to Shareholders-

Dividends, whether in cash or in kind, are recognised as a reduction in net equity when they are approved by the Shareholders in a General Meeting.

p) Earnings per share-

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Elecnor Group by the weighted average number of ordinary shares outstanding in the year, excluding the average number of Elecnor shares held.

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all of the potential ordinary shares into ordinary shares of the Parent.

At 31 December 2018 and 2017, basic earnings per share are the same as diluted earnings per share, since there were no potential shares outstanding during the years then ended.

q) Inventories-

This item reflects the assets that the Elecnor Group:

- Has under production, construction or development for this purpose, except for construction in progress for which revenue is recognised as indicated in section v.1); or
- Expects to consume in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of items that are not ordinarily interchangeable is assigned by using specific identification of their individual costs; the weighted average cost is used for the remainder.

Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Details of the Elecnor Group's inventories for 2018 and 2017 are as follows:

	thousands of euros	
	31/12/2018	31/12/2017
Raw materials and other supplies	5,016	6,318
Goods for resale	488	291
Semi-finished and finished goods	2,737	2,094
	8,241	8,703

r) Cash and cash equivalents-

Cash and cash equivalents include cash on hand and sight bank deposits placed with credit institutions. This heading also includes other highly liquid short-term investments which can be readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Accordingly, this heading includes investments that are redeemable within less than three months from their acquisition date.

The Group classifies cash flows corresponding to interest received and paid and dividends received and paid as financing and investment activities.

s) Official grants from Public Administrations-

Official grants from Public Administrations are recognised when there is reasonable certainty of compliance with the conditions associated with their being awarded and received.

Capital grants

Capital grants awarded in the form of monetary assets are recognised as a credit entry under "Non-current liabilities – Official grants", in the consolidated statement of financial position and are imputed to other income as the related financed assets are amortised.

At 31 December 2018, the Elecnor Group had received capital grants amounting to euros 6,979 thousand (euros 7,829 thousand in 2017), which had not yet been recognised as income. Government capital grants recognised in 2018 amount to approximately euros 478 thousand (euros 492 thousand in 2017) and are recognised as other operating income in the accompanying consolidated income statement.

Operating grants

Operating grants are allocated to income in the year in which the related expenses are incurred. Other operating income in the consolidated income statements for 2018 and 2017 includes approximately euros 3,377 thousand and euros 3,361 thousand, respectively. Most operating grants received by the Elecnor Group in 2018 and 2017 related to the costs borne by Deimos Space, S.L.U. and its subsidiaries in carrying out their activities.

t) Provisions-

The Group recognises provisions for the estimated amount required to settle its liabilities, whether legal or constructive, probable or certain, associated with contingencies, ongoing litigation or obligations, when such liabilities arise as a result of past events, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are recognised when the liability or obligation arises (see Note 16), with a charge to the relevant income statement heading based on the nature of the obligation, and for the present value thereof, when the effect of discounting the obligation is material.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at year-end of the disbursements necessary to extinguish the present obligation, having taken into account the risks and uncertainties linked to the provision.

Provisions do not include the tax effect.

Provisions are reversed against profit and loss when there is not likely to be an outflow of resources to extinguish the obligation. The reversal is performed against the item of profit and loss in which the relevant expense was recognised, and the excess, where applicable, is recognised under other income.

Contingent liabilities relating to possible obligations (dependent on the occurrence or non-occurrence of uncertain future events) or to present obligations that do not qualify for the recognition of a provision (because they are not probable or they cannot be measured reliably) are not recognised (see notes 16 and 20).

Decommissioning provisions

The provisions to which this section refers are recognised based on the general criteria for recognising provisions and are booked as higher cost value of the items of property, plant and equipment to which they relate (see section i).

u) Termination benefits-

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

v) Revenue from contracts with customers-

v.1 Revenue from the sale of construction contracts

The Group carries out various construction projects for customers. The projects are considered to be a single execution obligation satisfied over time. This is because projects are tailored specifically for customers and they tend to be highly integrated. Income from projects is recognised over time because the Group's execution produces an asset controlled by customers and with no alternative use for the Group, which is entitled to payment for execution completed until year end.

The Group recognises the income from contracts using the percentage of completion method based on costs incurred over total estimated costs. The Group makes adjustments in accordance with the progress for inefficiencies not initially envisaged in the contract. Moreover, the Group only recognises revenue for cost incurred to the extent that the Group delivers a good that is not different, the customer expects to obtain control of the good prior to obtaining service therefrom, the cost of the good delivered is significant in relation to the total estimated costs and the Group acquires the good from a supplier and is not significantly involved in designing and manufacturing the good.

The Group adjusts progress towards completion as the circumstances change and books the impact prospectively as a change in estimate.

Income recognised by the percentage completion method, a liability is recognised by contract, to the extent that the amount is not due and as a receivable if there is an unconditional right to payment. If the payment received by the customer exceeds the recognised income, a contractual liability is recognised. If the time elapsed between accrual of the income and the estimated payment date exceeds twelve months, the Group recognises the income at the current estimated value of the amount receivable discounted at an interest rate that reflects the customer's credit risk. The Group subsequently recognises finance income. If the time elapsed between receiving the payment from the customer and booking the income as a percentage of completion exceeds twelve months, the Group recognises a finance expense charged to liabilities from the date on which the advance is received to the date on which the income is booked. The interest rate used to recognise the finance expense is determined by the Group's incremental interest rate.

v.2 Rendering of services

Ordinary income from rendering services is recognised considering the degree of completion of the rendering at the balance sheet date, providing that the result of the transaction may be reliably estimated. This is the case when the amount of revenues, degree of completion, costs already incurred and those pending can be reliably measured and it is likely that the economic rewards deriving from rendering the service will be received.

v.3 Contractual modifications

The Group recognises contractual modifications when they have been approved by the parties.

The Group recognises a contractual modification as a separate contract when:

a) The scope of the contract is increased due to the addition of different goods or services, and

b) The contract price increases by an amount reflecting the individual price of the additional goods or services, plus any adjustment to reflect the specific circumstances of the contract.

If there is no separate contract, then the original contract is completed to the extent that the residual goods or services are different from those previously delivered. In this case, the Group recognises the residual consideration and the new consideration, prospectively with the different obligations or goods or services within an obligation, pending delivery.

Otherwise, the amount of the modification is assigned to all obligations, including those that may already have been delivered, recognising an adjustment in the income accrued to date.

The Group assigns changes in the transaction price to the contractual obligations in the same way as at the start of the contract, so the Group does not reassign the transaction price to reflect changes in independent sale prices after the contract has commenced. The amounts assigned to fulfilled obligations are recognised as income or a reduction in income when the modification takes place. The Group recognises a change in the transaction price, applying the aforementioned criteria concerning contractual modifications.

However, in the event of a change in the transaction price subsequent to a contractual modification, the Group assigns the effect of the change to the obligations identified prior to the modification, to the extent that the price change is attributable to a variable consideration pledged prior to the modification and the modification is not accounted for as a separate contract, but as a completion of the original contract. On other occasions when modifications are not recognised as a separate contract, the Group assigns the change in the transaction price to the obligations of the modified contract, in other words, the obligations pending execution or partially pending execution following the modification.

In contractual modifications accepted by the parties, but in which approval of the transaction price is pending, the Group recognises the modification in the amount it is considered highly probable will not produce a significant reversal of the income. The Group adjusts estimated transaction prices at each balance sheet date.

w) Income tax-

Income tax revenue or expenses include both current and deferred taxes.

Current tax is the amount payable or recoverable for taxes on consolidated fiscal profit or loss in the year. Current tax assets or liabilities are measured by the amounts expected to be paid to or recovered from the tax authorities, based on the tax rules and rates that have been approved or are about to be approved as of year-end.

Deferred tax liabilities are corporate income tax amounts payable in the future relating to temporary differences, while deferred tax assets are corporate income tax amounts recoverable due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application. In this connection, a temporary difference is understood to mean the difference between carrying the value of assets and liabilities and their taxable base.

Current or deferred income tax is recognised in profit and loss unless there is a transaction or economic event that has been recognised in the same financial year or another year, against net equity or from a business combination.

If there is uncertainty as to whether a tax treatment will be accepted by the tax authority, the Group recognises the potential asset or liabilities in accordance with rules on contingent assets and provisions.

Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases.

Recognition of deferred tax assets

The Group recognises deferred tax assets provided that:

- it is likely that sufficient taxable profits will be obtained in the future to offset those items, or when tax legislation allows for the future conversion of deferred tax assets into an enforceable credit in respect of the Public Administration. However, assets arising from the initial recognition 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 income are not recognised;

- they correspond to temporary differences relating to investments in subsidiaries, associates and joint arrangements insofar as the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

It is considered likely that the Group will obtain sufficient taxable profits in the future to offset deferred tax assets, provided there are sufficient deductible temporary differences, relating to the same tax authority and referring to the same taxpayer, the reversal of which is expected in the same tax year as the deductible temporary differences are expected to be reversed or in years in which a tax loss emanating from a deductible temporary difference may be offset against prior or subsequent profit.

In determining future taxable profit, the Group takes into account tax planning opportunities, provided it intends to adopt them or is likely to adopt them.

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by the applicable tax rates in the years in which the assets are expected to be realised or the liabilities paid, based on rules and rates that are approved or about to be approved and having considered the fiscal consequences deriving from the manner in which the Group expects to recover the assets or settle the liabilities. In this connection, the Group has considered the deduction due to the reversal of temporary measures pursuant to transitory provision thirty-seven of Corporate Income Tax Law 27/2014, dated 27 November, as an adjustment in the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisations performed in 2013 and 2014 and the updating of balances under Law 16/2012, of 27 December.

At the end of each year, the Group reviews the carrying value of deferred tax assets with a view to reducing that value to the extent that it is not likely that there will be sufficient future tax credit carryforwards to offset them.

Deferred tax assets that do not meet the aforementioned criteria are not recognised in the consolidated statement of financial position. At the end of each year, the Group reviews whether or not the conditions have been fulfilled to recognise deferred tax assets that have not previously been recognised.

Classification

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

x) Statement of cash flows-

The Group presents the cash flow statement using the direct method, using the following expressions with the following meanings:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities. The principal revenue-producing activities of the Elecnor Group companies and other activities that are not investing or financing activities.

- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities. Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities

The cash flows from operating activities of 2018 and 2017 relate to the Group's routine operations. In this regard, in 2018 there was a notable improvement in the changes in working capital with respect to 2017, which enhanced the conversion into cash flow of a significant portion of funds generated from operations. With an impact on this same heading, in 2018 the Parent Company cancelled all discounts on customer invoices maintained in its factoring lines at the end of 2017.

In this connection, in 2017 projects were executed for which advances had received in 2016, with their related impact on changes to working capital. With an impact on this same heading, the Parent Company had a substantially lower amount of discounted customer invoices in its factoring lines at 2017 year-end than at the end of the previous year.

Moreover, net cash flows from investing activities in 2018 and 2017 were mainly from new investments in property, plant and equipment and concessions, as described in Notes 9, 10 and 11.

Likewise, net cash flows from financing activities in 2018 correspond primarily to the amount of promissory notes issued and cancelled in the Alternative Fixed Income Market in 2018, the issuance of financing secured with wind power projects in Spain and with electricity transmission concessions in Brazil, as well as the prepayment of euros 100 million in the context of the renewal of corporate syndicated financing (Note 14).

The net cash flows from financing activities in 2017 related mainly to the amount of promissory notes issued and cancelled on the Alternative Fixed-Income Market in 2017, and the issuance of project bonds for financing transmission lines in Chile.

y) Segment reporting-

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

z) Environment-

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

Items of property, plant and equipment acquired by the Group for consistent use in its activity and whose main purpose is to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in section i).

4. FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring and supervising risks and limiting the concentration thereof. Financial risk management and containment is performed on a coordinated basis by corporate management and the various business units and subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

Currency risk-

Exchange risk to be mitigated arises from the transactions that the Group performs on the international markets in the course of its business, namely market risk due primarily to foreign currency risk. Certain income and procurement costs are denominated in currencies other than the Euro. For this reason, the risk of fluctuating exchange rates of these currencies against the functional currency could have an impact on the Group's profits.

In order to manage and minimise this risk, Elecnor uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor and the bank exchange the cash flows arising from a loan denominated in euros for the flows of another loan denominated in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.

At 31 December 2018, if the euro had depreciated/appreciated by 10% against the US dollar, with all other variables remaining constant, consolidated profit after tax would have been euros 2,666 thousand higher or euros 1,749 thousand lower, respectively (euros 14,885 thousand and euros 12,179 thousand, respectively in 2017), due mainly to the translation of trade receivables and accounts payable.

The Group is exposed primarily to foreign exchange risk from operations involving US dollars.

The Group's main exposures to foreign exchange risk at 31 December 2018 and 2017 are detailed below. The attached tables reflect the carrying values of the Group's financial instruments or classes of financial instruments denominated in foreign currencies:

2018

	thousands of euros					
	Long-term credits to Group companies	Trade and other receivables	Other current investments	Short-term investments in Group companies	Cash and cash equivalents	Trade and payables
MXN	-	316	-	-	15	(48)
EUR	-	4,347	17	-	1,509	(1,217)
USD	26,628	41,953	19,995	15,689	57,428	(17,337)
DZD	-	22,788	-	-	364	(22,914)
GBP	-	208	-	-	1	(8)
HTG	-	9,402	-	-	-	(1,120)
JOD	-	5,451	-	-	761	(3,752)
OMR	-	2,120	-	21	98	(1,051)
AOA	-	867	-	-	896	(7,225)
AUD	-	64	-	430	-	-
NOK	-	7,005	-	-	1,518	(4,221)
RB	-	1,792	-	-	-	-
CLP	-	21,843	19,939	-	63,369	(11,606)
PESOS	-	1,599	-	-	4,286	(41)
DOP	-	25,222	-	-	2,795	(6,211)
PAB	-	14,859	-	899	1,388	(5,819)
XAF	-	2,381	-	-	390	-
MAD	-	1,099	-	-	3,403	-
MRO	-	5,533	-	-	1,698	(4,031)
OTHER	-	7,479	-	109	3,168	(2,601)
VES	-	-	-	-	-	(2,372)
Total	26,628	176,328	39,951	17,148	143,087	(91,574)

2017

	thousands of euros				
	Long-term credits to Group companies	Trade and other receivables	Short-term investments in Group companies	Cash and cash equivalents	Trade and payables
MXN	-	2,034	-	-	-
USD	29,655	107,967	42,285	3,226	(4,510)
DZD	-	21,184	-	-	(12,255)
GBP	5,099	-	-	-	-
HTG	-	10,050	-	-	(9,255)
JOD	-	5,950	-	-	(6,747)
OMR	-	7,347	-	2,792	-
AOA	-	1,125	-	1,069	-
HNL	-	-	-	-	(5,320)
Total	34,754	155,657	42,725	7,087	(38,087)

Interest rate risk-

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. Elecnor has arranged borrowings to enable it to carry on its operations, mainly in connection with the development, construction and operation of wind farms, thermosolar projects and electricity infrastructure concessions, which it does under project financing arrangements. This kind of arrangement requires under contract that interest rate risk be covered using hedging instruments.

In the case of both project and corporate financing, borrowings are arranged mainly at floating rates and, where appropriate, hedging instruments are used to minimise the related interest rate risk. The hedging instruments, which are specifically assigned to financial debt and are limited to the same nominal value as the latter and the same maturity dates as the hedged items, are essentially IRSs, the aim of which is to convert loans originally arranged at variable rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.

If interest rates at 31 December 2018 had been 5 basis points higher or lower and the rest of variables unchanged, consolidated profit before tax would have amounted to euros 1,684 thousand and euros 2,075 thousand higher/lower, respectively, mainly due to a higher/lower finance expense on borrowings at floating rates (euros 1,431 thousand and euros 1,730 thousand higher/lower, respectively, in 2017).

Other price risks-

The Group is also exposed to its risk that cash flows and profits may be affected by changes in energy prices, among other issues. In order to manage and minimise this risk the Group occasionally uses hedging strategies.

Liquidity risk-

Liquidity risk is mitigated through Elecnor's policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US dollar deposits, through leading banks in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

Note 14 provides details of the maturities of financial liabilities.

Credit risk-

The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor has customers with very high credit ratings. However, in the case of non-recurrent international sales to customers, mechanisms such as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

In the case of the wind farms, the power produced - in accordance with the legislative framework in force for the electricity industry - is sold in the Iberian Electricity Market (MIBEL) and income is collected from the operator of the Spanish Electricity Market (OMIE) through a payment-guarantee system and from the Spanish National Markets and Competition Commission (CNMC), which regulates energy markets in Spain and reports to the Ministry of Industry. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, Ltda., Ventos da Lagoa, S.A., Ventos do Litoral Energia, S.A. and Ventos dos Índios Energia, S.A. (Brazil) entered into long-term agreements with the corresponding Brazilian electricity distribution companies to sell the electric power that they will generate for a period of 20 years. Furthermore, Eóliennes de L'Érable has signed a 20-year contract to sell the electricity it generates to Canadian electric utility Hydro-Québec.

With regard to transmission lines, specifically those operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made: generators, major consumers and transmission entities. Prior to connecting to the system these companies deposit a guarantee. In the event of non-payment this guarantee will be executed, they will be immediately disconnected from the system and the payment obligation will be shared among the remaining users of the system. Accordingly, the concessionaire has the guaranteed payment from the national power grid system. In this connection, in the years in which the Group has been operating these lines, there has been no non-payment by users thereof.

The transmission lines Chile belong to that country's national grid (previously known as the backbone system), in which Coordinador Eléctrico Nacional (CEN) coordinates the flow of payments to transmission companies. The current system remains until December 2018, whereby those responsible for paying the transmission companies are the generating companies. From 2019 onwards, distributors will also be liable for payments, so the portfolio of payers will be more diversified from that date on. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Elecnor seeks always to implement the strictest measures to mitigate this risk and conducts periodic analyses of its exposure to credit risk, making the relevant impairment corrections where necessary. Note 12.a) includes a breakdown of the amount of trade and other receivables past due and the amount impaired at 31 December 2018 and 2017.

Regulatory risk-

Elecnor closely monitors regulatory risk, particularly that affecting renewable energy, to adequately reflect its impact on the consolidated income statement.

5. DISTRIBUTION OF PROFIT

As in prior years, at its meeting in March the board of directors of Elecnor, S.A. (Parent of the Elecnor Group) will propose the distribution of profit for 2018, stipulating the portion that will be paid as a supplementary dividend and the amount that will be appropriated to voluntary reserves.

At the general meeting held on 01 June 2018 a supplementary dividend of euros 20,346 thousand (euros 0.29 per share) was approved, taking into account the interim dividend of euros 4,611 thousand out of 2017 profit paid in January 2018.

At the meeting held on 17 October 2018, the Board of Directors of the Parent agreed to distribute an interim dividend for 2018 of euros 4,795 thousand, which was recognised as a reduction in equity under "Interim dividend paid in the year" on the liability side of the accompanying consolidated statement of financial position, and paid on 12 December 2018.

These distribution amounts did not exceed the profit obtained in the last year by the Parent Company, having deducted the estimated corporate income tax payable on said profit, in accordance with the provisions of article 277 of the Revised Spanish Companies Act.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividend was as follows:

Working Capital Position AT 30 September 2018
(Excluding inventories and prepayments)

	thousands of euros
Realisable values-	
Customers	633,344
Other accounts	98,170
	731,514
Current payables-	
Suppliers	272,380
Current loans	203,026
Other accounts	194,208
	669,614
Total working capital	61,900
Liquidity available-	
Cash on hand and at banks (including foreign currency)	76,796
Total liquidity available	76,796
Gross interim dividend proposed-	
(euros 0.055 for 87,000,000 shares)	4,795
% of net profit at 31/10/2016 and 30/10/2015	37.31%
% of working capital + liquidity available	3.46%

6. SEGMENT REPORTING

IFRS 8 requires operating segments to be identified based on the information that the entity's management uses to make decisions about operating matters. The Parent's directors consider that the segments that must be reported, since they form the basis on which the Group makes its decisions for allocating resources and whose operating profits are reviewed regularly at the highest executive level to assess their performance, are Infrastructure and Concessions (previously Investments). In each of these markets, the Group obtains revenue from the various business activities carried on by it.

The Concessions segment includes the concession and operating activities for wind farms, as the performance and monitoring of the results generated by both activities is measured and managed together; this is also the case for corporate decision-making.

a) Information on operating segments-

Assets and liabilities for general use and the income and expenses arising therefrom were not allocated to the other segments. Similarly, the reconciling items arising from the comparison of the result of integrating the financial statements of the various operating segments (prepared on the basis of management criteria) with the consolidated financial statements of the Elecnor Group, were not allocated. These items are included under the heading "Corporate" in the information shown below.

Information on these operating segments is presented below:

a) Details of the consolidated income statement items by segment at 31 December 2018 and 2017 are as follows:

2018

	thousands of euros				
	Infrastructure	Concessions	Corporate	Intersegment	Total at 31/12/2018
Income statement					
Net sales	2,096,049	222,102	-	(45,094)	2,273,057
Results from operating activities	106,473	79,959	(29,787)	(4,785)	151,860
Finance income	6,826	100,434	1,423	-	108,683
Finance costs	(20,476)	(78,915)	-	445	(98,946)
Changes in fair value of financial instruments	(3)	(382)	-	-	(385)
Exchange gains/(losses)	14,222	(2,758)	-	(83)	11,381
Impairment and gains/(losses) on disposal of financial instruments	169	105	-	-	274
Share in net profit of associates	1,619	(5,450)	-	-	(3,831)
Income tax	(43,648)	(29,944)	15,326	1,180	(57,086)
Attributable to non-controlling interests	(78)	(37,610)	-	-	(37,688)
Consolidated profit/(loss) attributable to the Parent	65,104	25,439	(13,038)	(3,243)	74,262

2017

	thousands of euros				
	Infrastructure	Concessions	Corporate	Intersegment	Total at 31/12/2017
Income statement					
Net sales	2,119,434	232,018	-	(34,666)	2,316,786
Results from operating activities	117,612	86,529	(22,351)	(42)	181,748
Finance income	17,212	63,380	-	-	80,592
Finance costs	(15,738)	(75,770)	-	77	(91,431)
Changes in fair value of financial instruments	(97)	(420)	-	-	(517)
Exchange gains/(losses)	(41,588)	2,536	(607)	(35)	(39,694)
Impairment and gains/(losses) on disposal of financial instruments	75	(11)	-	-	64
Share in net profit of associates	653	(66)	-	-	587
Income tax	(15,925)	(26,865)	7,861	(575)	(35,504)
Attributable to non-controlling interests	70	(25,345)	-	657	(24,618)
Consolidated profit/(loss) attributable to the Parent	62,274	23,968	(15,097)	82	71,227

b) Details of assets and liabilities by segment at 31 December 2018 and 2017 are as follows:

2018

	thousands of euros				
	Infrastructure	Concessions	Corporate	Intersegment	Total at 31/12/2018
Assets-					
Property, plant and equipment	176,861	966,955	-	(20,540)	1,123,276
Intangible assets	33,749	112,867	-	-	146,616
Deferred tax assets	68,345	27,233	1,648	4,972	102,198
Inventories	7,262	979	-	-	8,241
Receivables and contract assets	962,853	53,252	6,349	(554)	1,021,900
Equity-accounted investees	7,978	137,217	18,883	-	164,078
Non-current financial assets	51,539	713,643	5,562	-	770,744
Non-current assets held for sale	423	23,691	-	-	24,114
Other assets (*)	235,169	192,566	1,803	(26)	429,512
Total assets	1,544,179	2,228,403	34,245	(16,148)	3,790,679
Liabilities and equity-					
Non-current financial liabilities	15,182	1,141,932	253,997	-	1,411,111
Provisions for liabilities and charges	16,778	13,216	-	-	29,994
Deferred income and grants	5,169	1,810	-	-	6,979
Other non-current liabilities	7,256	19,664	-	-	26,920
Deferred tax liabilities	21,992	58,756	755	(100)	81,403
Current provisions	62,667	5,362	-	-	68,029
Current financial debt	203,252	87,086	1,747	-	292,085
Current non-financial debt	960,590	70,895	2,411	(445)	1,033,451
Equity	89,182	857,889	532,877	(639,241)	840,707
Total liabilities	1,382,068	2,256,610	791,787	(639,786)	3,790,679

(*) Includes mainly cash and cash equivalents.

2017

	thousands of euros				
	Infrastructure	Concessions	Corporate	Intersegment	Total at 31/12/2017
Assets-					
Property, plant and equipment	116,072	1,033,946	-	(77)	1,149,941
Intangible assets	34,881	108,643	-	-	143,524
Deferred tax assets	63,642	36,312	2,147	4,099	106,200
Inventories	7,371	1,332	-	-	8,703
Trade receivables	973,900	63,241	12,645	(198)	1,049,588
Equity-accounted investees	68,637	84,491	18,969	(16,100)	155,997
Non-current financial assets	38,914	743,693	3,736		786,343
Non-current assets held for sale	423	-	-	-	423
Other assets (*)	137,596	226,131	45,203	(6,738)	402,192
Total assets	1,441,436	2,297,789	82,700	(19,014)	3,802,911
Liabilities and equity-					
Non-current financial debt	19,875	1,069,095	369,612	-	1,458,582
Provisions for liabilities and charges	6,479	5,104	-	3,653	15,236
Deferred income and grants	5,896	1,933	-	-	7,829
Other non-current liabilities	14,072	12,980	-	-	27,052
Deferred tax liabilities	22,193	65,373	-	184	87,750
Current financial debt	129,347	72,847	2,356	-	204,550
Current non-financial debt	989,155	102,010	6,829	(142)	1,097,852
Equity	121,530	950,186	506,073	(673,729)	904,060
Total liabilities	1,308,547	2,279,528	884,870	(670,034)	3,802,911

(*) Includes mainly cash and cash equivalents.

b) Information on products and services-

The Elecnor Group's business activities are as follows:
- Electricity
- Power generation
- Telecommunications and space
- Construction, environment and water
- Maintenance
- Facilities
- Gas
- Railways

The generation of electricity (included in energy generation) using mainly wind farms and thermosolar power plants is one of the lines of business of the Elecnor Group that is carried out through the Enerfín subgroup in the case of wind farms, and by Celeo Termosolar, S.L. Both activities belong to the Concessions segment.

Both activities are included in the Concessions and Investments segment. The electricity generation business of the Elecnor Group's Spanish subsidiaries is regulated by Electricity Industry Law 24/2013 of 26 December 2013, which repeals Law 54/1997 of 27 November 1997, and by the subsequent implementing regulations.

On 28 December 2012, Law 15/2012 of 27 December 2012 on Tax Measures for Energy Sustainability was published, introducing a new tax on the value of electricity output applicable to activities involving the production and feeding of electricity into the Spanish electricity system. The tax base consists of the total amount receivable by the taxpayer for the power output produced and the electricity fed into the system during the tax period, which coincides with the calendar year, and this amount is subject to a 7% tax charge.

Additionally, Final Provision One of this Law amended Law 54/1997, whereby the electricity attributable to the use of fuels at a generation facility that uses any non-consumable renewable energy as a primary energy source will not qualify for the feed-in tariff system, which could affect the Group's thermosolar power plants under operation.

On 2 February 2013, Royal Decree-Law 2/2013 of 1 February 2013 on Urgent Measures in the Electricity System and in the Financial Sector was published, addressing, inter alia, the following:

- Effective from 1 January 2013, all remuneration, tariffs and feed-in tariffs received by the parties to the electricity system, which were tied to the CPI prior to the entry into force of this Royal Decree-Law, will be updated using as a reference the CPI at a constant tax rate, excluding unprocessed foods and energy products.
- Additionally, this Royal Decree-Law amends Royal Decree 661/2007 of 25 May 2007, which governs electricity production under the special regime, establishing a single remuneration option for facilities falling under the special regime, i.e. this remuneration will be treated as a regulated tariff except when the facilities decide to receive only the market price (no feed-in tariff). The pool plus feed-in tariff option normally used by these facilities was therefore eliminated.

Royal Decree-Law 9/2013 of 12 July 2013, adopting urgent measures to ensure the financial stability of the electricity system, was approved on 13 July 2013 and addresses, inter alia, the following:

- The government will be responsible for approving a new legal and economic regime for existing facilities that generate electricity using renewable energy sources, cogeneration and waste. To this end, article 30.4 of Electricity Industry Law 54/1997 of 27 November 1997 was amended to include the specific principles for drawing up this regime, in order to limit the government's scope of activities to the development of remuneration models for these facilities. This regime will be based on facilities receiving revenues for their participation in the market, plus additional remuneration, where necessary, to cover the investment costs that cannot be recovered by an efficient, well-managed company in the market. To this end, in accordance with EU legislation, an efficient, well-managed company is understood to be a company provided with the means necessary to carry out its activity, with costs that correspond to an efficient company engaging in this activity, taking into account the corresponding revenue and a reasonable profit for carrying out its activities.
- Calculation of the specific remuneration for a 'standard' facility will consider the revenues from energy sales at production market prices, the average operating expenses necessary to carry out the activity and the value of the initial investment for a 'standard' facility operated by an efficient, well-managed company. As such, the remuneration model will be based on fixed parameters on the basis of the different 'standard' facilities listed.
- In order to define this new model, the following pieces of legislation were repealed: article 4 of Royal Decree-Law 6/2009 of 30 April 2009, adopting certain measures in the energy sector and approving the social tariff; Royal Decree 661/2007 of 25 May 2007, which regulates the production of electricity under the special regime; and Royal Decree 1578/2008 of 26 September 2008, regulating the revenues from photovoltaic solar electricity production activities for facilities entering into service after the end date for remuneration, under Royal Decree 661/2007 of 25 May 2007, for this technology. However, with a view to maintaining the flow of remuneration to facilities as well as other procedures, rights and obligations, the repealed legislation above will continue to apply temporarily until the regulation developing this Royal Decree-Law has been enacted, except in certain extreme cases.
- To this end, where appropriate, facilities will be entitled to a settlement on account under this temporary system and, once the legislative provisions necessary to apply the new economic regime have been enacted, the pertinent adjustments will be made to the rights to receivables or payment obligations arising as a result of application of the new methodology, effective from the entry into force of this Royal Decree-Law.
- Consequently, although the effectiveness of the legislative provisions governing remuneration that will be enacted has been determined, effective from the entry into force of this Royal Decree-Law, the legislation provides agents with the necessary information as regards the amount of the remuneration mechanism established, considering participation in the market and a return on the investment, and also determines the reasonable rate of return for the 'standard' facility.
- Moreover, for those facilities with the right to the premium financial regime upon the entry into force of the royal decree-law, a reasonable pre-tax profitability shall be determined, which may be revised after six years.

Royal Decree 403/2014 of 6 June 2014, regulating electricity generated from renewable energy sources, cogeneration and waste, was published on 10 June 2014. Subsequently, on 21 June 2014, Ministry of Industry, Energy and Tourism Order IET/1045/2014 of 16 June 2014 was published, approving the remuneration parameters for standard facilities, applicable to certain facilities that produce electricity through renewable sources, cogeneration and waste.

In line with the above, and considering that the government's aim is to reduce feed-in tariffs for the renewables sector, the Elecnor Group has re-estimated the future cash flows of all assets subject to this legislation, as it considers that there could be indications of impairment thereon.

In this connection, sector regulations changed over the course of 2014, building on the reforms commenced in 2013. As a result, the main standards governing the sector are:

- Electricity Sector Law 24/2013, of 26 December. This Law repeals Electricity Sector Law 54/1997, of 27 November, except for additional provisions six, seven, twenty-one and twenty-three, and articles 3 and 4 of Royal Decree Law 2/2013.
- Royal Decree 413/2014 in June and the associated Order of Parameters IET/1045/2014, updated for the 2017-2019 period by Order ETU/130/2017, of 17 February, enforcing the provisions of Royal Decree Law 9/2013, and facilities start operating in the Market, some of them being subject to a specific fixed annual remuneration framework depending on their nature, age and profitability (remuneration on investment and remuneration on operation). The reform of the electricity sector regulation in 2013 and 2014 did not alter Law 15/2012, of 27 December, whereby the Spanish government passed a general tax of 7% on electric power generation, and new taxes on nuclear and large-scale hydroelectric power, as well as a new levy on coal. The tax has been applied since January 2013.

Electricity sale and purchase contracts have been arranged for wind farms in Brazil and Canada with a number of buyers (Eletrobras, the Chamber for the Commercialisation of Electricity and Hydroquebec). These contracts cover a period of 20 years and have been arranged as part of the programme implemented by the Federal Government of Brazil.

The directors do not consider that any other renewable energy-related regulation has been enacted that could significantly affect the consolidated annual accounts at 31 December 2018.

c) Geographical information-

Following are details of revenues from external customers and non-current assets that are not financial instruments for the most significant countries at 31 December 2018 and 2017:

Revenue

Country	thousands of euros	
	2018	2017
Spain	985,681	938,520
Brazil	263,693	303,668
Angola	63,830	83,780
USA	181,030	161,378
Australia	159,874	52,395
Chile	74,770	133,930
Mexico	55,355	94,927
Other	488,824	548,188
	2,273,057	2,316,786

Non-current assets 2018

	thousands of euros		
Country	Intangible assets	Goodwill	Property, plant and equipment
Canada	-	-	180,243
Brazil	-	-	258,255
Chile	71,861	-	433,550
Portugal	-	4,385	-
UK	-	5,690	-
USA	1,004	310	10,554
Spain	44,649	18,455	222,841
Other	262	-	17,833
	117,776	28,840	1,123,276

Non-current assets 2017

	thousands of euros		
Country	Intangible assets	Goodwill	Property, plant and equipment
Canada	-	-	192,282
Brazil	204	-	305,251
Chile	64,843	-	394,468
Portugal	-	4,385	-
UK	-	5,690	89
USA	1,206	296	-
Spain	48,358	17,861	240,979
Other	87	594	16,872
	114,698	28,826	1,149,941

7. GOODWILL

Details, by company, of intangible assets - goodwill in the consolidated statements of financial position at 31 December 2018 and 2017 and of the changes therein in those years are as follows:

2018

	thousands of euros				
	Balance at 31/12/17	Impairment (note 21)	Disposals	Other	Balance at 31/12/18
Fully consolidated companies					
Wind farms:					
- Galicia Vento, S.L.	8,702	-	-	-	8,702
- Aerogeneradores del Sur, S.A.	3,630	-	-	-	3,630
Other businesses:					
- Deimos Space, S.L.U.	158	-	-	-	158
- Deimos Engenharia, S.A.	4,227	-	-	-	4,227
- Ehisa Construcciones y Obras, S.A.	1,932	-	-	-	1,932
- Hidroambiente, S.A.U.	388	-	-	-	388
- Instalaciones y Proyectos de Gas,					
S.A.U. – merged with Elecnor, S.A.	1,031	-	-	-	1,031
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	-	-	1,125
- Jomar Seguridad, S.L.U.	1,647	-	-	-	1,647
- Belco Elecnor Electric, Inc.	296	-	-	14	310
- IQA Operations Group Limited	5,690	-	-	-	5,690
	28,826	-	-	14	28,840

2017

	thousands of euros				
	Balance at 31/12/16	Impairment (note 21)	Disposals	Other	Balance at 31/12/17
Fully consolidated companies					
Wind farms:					
- Eólicas Páramo de Poza, S.A.	513	(513)	-	-	-
- Galicia Vento, S.L.	8,702	-	-	-	8,702
- Aerogeneradores del Sur, S.A.	3,630	-	-	-	3,630
- Bulgana Wind Farm Pty, LTD	349	-	(349)	-	-
Other businesses:					
- Deimos Space, S.L.U.	158	-	-	-	158
- Deimos Engenharia, S.A.	4,227	-	-	-	4,227
- Ehisa Construcciones y Obras, S.A.	1,932	-	-	-	1,932
- Hidroambiente, S.A.U.	388	-	-	-	388
- Instalaciones y Proyectos de Gas,					
S.A.U. – merged with Elecnor, S.A.	1,031	-	-	-	1,031
- Helios Inversión y Promoción Solar, S.L.U.	1,125	-	-	-	1,125
- Zaragua 2005, S.L.U	290	(290)	-	-	-
- Ditra Cantabria, S.A.U	2,096	(2,096)	-	-	-
- Jomar Seguridad, S.L.U.	1,647	-	-	-	1,647
- Belco Elecnor Electric, Inc.	329	-	-	(33)	296
- IQA Operations Group Limited	5,690	-	-	-	5,690
	32,107	(2,899)	(349)	(33)	28,826

As indicated in Note 3.j), at each reporting date the Group reviews goodwill for impairment.

The cash-generating units considered for the purpose of the impairment tests on goodwill, included in the table above, are the companies to which the goodwill was allocated, since these companies are generally set up as single-project entities.

Recoverable amount is the higher of fair value less costs to sell and value in use, which is deemed to be the present value of the estimated future cash flows approved by management and considered reasonable. In assessing value in use, the assumptions used include discount rates, growth rates and expected changes in selling prices and costs. The directors of the Parent estimate discount rates that reflect the time value of money and the risks specific to the cash-generating unit.

In particular, with respect to the impairment tests on the goodwill allocated to wind farms and wind power projects in Spain, performed taking into account the value of the farms and projects together with the value of the related property, plant and equipment, which amounts to euros 60 million (euros 94 million in 2017, considering Eólicas Páramo de Poza, S.A.), revenue is estimated in accordance with sector forecasts relating to the pool price and applicable legislation (see note 6.b), which considers annual increases based on a prudent estimate of the changes in the price index and the average production levels obtained in prior years or those estimated as a result of studies. The main assumptions used by the Parent's directors when testing for impairment in 2018 are as follows:

- Revenues: based on internal estimates and, where applicable, external sources. The pool price applied for 2019 has been estimated at € 50.30/MWh.

- Discount rate: 5.32% (*)

- Projection period; depending on the remaining useful life of the asset (Note 3.i.).

(*) The rate after the tax effect, as in this type of projects the tax component is very high and a fundamental variable when deciding whether to invest. These tests used net tax flows.

No impairment has emerged from the results obtained in these tests, or from the sensitivity analyses conducted by Management.

The sensitivity analyses performed by management using variations in accordance with the deviations in the main estimates from the previous year did not evidence any indications of impairment.

Additionally, with respect to the impairment tests on the remaining goodwill, the discount rates applied were between 5% and 9%. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts, and past experience and future expectations, respectively, and generally do not exceed 8%. When these calculations include the estimated perpetual return, growth rates of 2% are considered.

Neither have these analyses revealed any additional impairment, although the sensitivity analysis on goodwill at Deimos Engenharia, S.A., implying an estimated reduction of 13% in the margin, reflects an impairment of some euros 1 million.

The analysis also reveals that, although Group company IQA Operations Group Ltd is loss-making and has logged negative equity, the estimated flows do not reveal any impairment. Note that these flows are based on an improvement in the short term due to new contract arrangements commencing in 2018.

In relation to the derecognition of goodwill in 2017 from the company Ditra Cantabria, S.A., this corresponded to the liquidation of that company, implying a loss of euros 2 million recognised under "Amortisation and depreciation, impairment and charges to provisions" in the consolidated income statement.

8. OTHER INTANGIBLE ASSETS

Movement in 2018 and 2017 is as follows:

	thousands of euros					
	Development expenses	Industrial property	Computer software	Administrative concessions	Other intangible assets	Total
Balance at 01/01/2017	1,219	3,207	10,134	51,480	87,888	153,928
Additions	190	-	3,188	-	7,742	11,120
Disposals	-	-	(30)	-	-	(30)
Transfers	-	-	(23)	-	-	(23)
Translation differences	-	(97)	(71)	-	(3,030)	(3,198)
Balance at 31/12/2017	1,409	3,110	13,198	51,480	92,600	161,797
Changes in the consolidated Group	38	-	-	-	-	38
Additions	312	-	2,539	150	3,865	6,866
Disposals	(102)	-	(93)	-	(342)	(537)
Transfers	-	-	-	-	(36)	(36)
Translation differences	(1)	39	49	-	3,171	3,258
Balance at 31/12/2018	1,656	3,149	15,693	51,630	99,258	171,386
Accumulated amortisation -						
Balance at 01/01/2017	952	2,516	7,934	18,989	10,749	41,140
Change to the consolidated Group						
Charge (Note 21)	147	136	1,199	2,578	1,972	6,032
Disposals	-	-	(23)	-	.	(23)
Transfers	-	-	(19)	-	-	(19)
Translation differences	-	(34)	3	-	-	(31)
Balance at 31/12/2017	1,099	2,618	9,094	21,567	12,721	47,099
Charge (Note 21)	30	85	1,767	2,610	1,972	6,464
Disposals	67	-	(94)	-	-	(27)
Transfers	-	(15)	15	-	-	-
Translation differences	-	20	54	-	-	74
Balance at 31/12/2018	1,196	2,708	10,836	24,177	14,693	53,610
Total other intangible assets, net	460	441	4,857	27,453	84,565	117,776

Other intangible assets in the above table include a gross amount of euros 27,507 thousand reflecting the estimated fair value of the contracts with public entities for road maintenance and upkeep relating to the subsidiary Audeca, S.L.U. at the date on which this company was acquired by the Elecnor Group in 2010. The Group amortises this asset over a period of 15 years which, based on past experience, is the estimated average term of the aforementioned contracts including the related renewals. The amortisation of this item in 2018 and 2017 amounted to approximately euros 1,972 thousand, respectively.

Furthermore, "Other intangible assets" in the above table includes at 31 December 2018 a gross amount of euros 71,751 thousand (euros 64,718 thousand in 2017) relating to easements in the transmission lines in Chile whose useful life is indefinite, so that they are not subject to amortisation, but are impairment tested annually. These tests allow the Group to conclude that there is no impairment risk since, when subjected to very far-reaching sensitivity analyses, no impairment was revealed.

Administrative concessions include approximately euros 27,160 thousand (euros 29,721 thousand in 2017) reflecting the estimated fair value (based on the fair value of the consideration given, i.e. the construction), less amortisation, of the investments made in various water treatment plants, which were constructed and are operated under a concession arrangement pursuant to the administrative concessions granted by the Aragón Water Institute. Under these concessions, the Elecnor Group operates the aforementioned water treatment plants obtaining revenue on the basis of the volume of cubic metres of water treated. At 31 December 2018, all the water treatment plants are in operation, with a concession term of 20 years.

During the operation phase, the obligations arising from the arrangement with the Aragón Water Institute for the related years will be paid following the approval of monthly appraisal reports and the presentation of invoices based on the tariffs set, which may be reviewed over the term of the concession.

The concession will involve management of the water treatment plants to ensure that they are working properly at all times. In the event of a suspension of water treatment plant services, the concession operator is obliged to find a solution with utmost diligence and is not entitled to charge any amounts relating to the facilities in question during the period the services are suspended.

The concession arrangement will be deemed terminated when the initially specified term or any agreed-upon extensions or reductions thereof expire. The concession operator will be obliged to return the concession assets – as well as any assets and fixtures required for the operation thereof – to the grantor in good working order.

In 2018, the income generated by these concessions amounted to approximately euros 6,589 thousand (euros 6,373 thousand in 2017), and was recognised under revenues in the accompanying consolidated income statement.

The cost of intangible assets in operation, fully amortised at 31 December 2018 and 2017 is as follows:

	thousands of euros	
	2018	2017
Development expenses	910	792
Industrial property	2,265	2,320
Computer software	6,807	6,277
	9,982	9,389

9. PROPERTY, PLANT AND EQUIPMENT

Movement in 2018 and 2017 is as follows:

	thousands of euros								
	Land	Buildings, technical installations and machinery	Hand and machine tools	Furniture and fixtures	Information technology equipment	Motor vehicles	Other items of property, plant and equipment	Property, plant and equipment under construction	Total
COST:									
Balance at 1 January 2017	27,031	1,613,185	15,539	9,628	14,227	26,723	6,989	63,923	1,777,245
Changes in the consolidated Group (Note 2.f)	-	(756)	-	-	-	-	-	-	(756)
Additions	-	14,715	4,414	530	1,678	4,308	1,721	87,530	114,896
Disposals	-	(26,291)	(2,768)	(1,323)	(630)	(2,638)	(384)	(2,118)	(36,152)
Transfers	1,274	93,193	59	191	(941)	139	(123)	(93,792)	-
Translation differences	931	(110,311)	(651)	28	4	5,925	(157)	(9,724)	(113,955)
Balance at 31 December 2017	29,236	1,583,735	16,593	9,054	14,338	34,457	8,046	45,819	1,741,278
Changes in the consolidated Group (Note 2.f)	-	-	-	-	-	-	-	-	-
Additions	-	20,765	4,611	780	1,679	4,556	5,662	23,057	61,110
Disposals	-	(6,885)	(2,781)	(85)	(574)	(3,007)	(607)	(278)	(14,217)
Transfers	-	6,016	19	(20)	391	(161)	(239)	(18,759)	(12,753)
Translation differences	706	(30,143)	344	186	227	3,770	5	2,097	(22,808)
Balance at 31 December 2018	29,942	1,573,488	18,786	9,915	16,061	39,615	12,867	51,936	1,752,610
ACCUMULATED DEPRECIATION:									
Balance at 1 January 2017	-	523,369	3,371	6,101	9,545	16,647	4,597	-	563,630
Changes in the consolidated Group (Note 2.f)	-	(24)	-	-	-	-	--	-	(24)
Charge (Note 21)	-	53,895	1,239	678	1,500	2,920	851	-	61,083
Disposals	-	(19,863)	(259)	(373)	(337)	(2,055)	(212)	-	(23,099)
Transfers	-	(916)	224	(96)	(932)	267	105	-	(1,348)
Translation differences	-	(18,638)	(319)	164	111	6,733	(101)	-	(12,050)
Balance at 31 December 2017	-	537,823	4,256	6,474	9,887	24,512	5,240	-	588,192
Changes in the consolidated Group (Note 2.f)	-	-	-	-	-	-	-	-	-
Charge (Note 21)	-	54,552	1,196	864	1,552	2,627	1,687	-	62,478
Disposals	-	(3,385)	(134)	(214)	(549)	(1,348)	(523)	-	(6,153)
Transfers	-	(13,026)	(7)	(5)	400	(74)	-	-	(12,712)
Translation differences	-	(10,212)	217	259	252	3,845	23	-	(5,616))
Balance at 31 December 2018	-	565,752	5,528	7,378	11,542	29,562	6,427	-	626,189
IMPAIRMENT									
Balance at 1 January 2017	1,278	4,731	-	-	-	-	-	-	6,009
Disposals	-	(3,476)	-	-	-	-	-	-	(3,476)
Transfers	155	457	-	-	-	-	-	-	612
Balance at 31 December 2017	1,433	1,712	-	-	-	-	-	-	3,145
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018	1,433	1,712	-	-	-	-	-	-	3,145
Net cost at 31 December 2018	28,509	1,006,024	13,258	2,537	4,519	10,053	6,440	51,936	1,123,276

Buildings, technical installations and machinery mainly include the gross carrying amount and accumulated depreciation of wind farms in operation built in prior years, as well as the transmission lines in Chile which commenced operations in 2015 and 2018.

At 31 December 2018, "Assets under construction" in the above table corresponds mainly to the investments in 2018 and 2017 in transmission lines in Chile amounting to euros 50.7 million, which are expected to enter into service in 2019 (investment in transmission lines in Chile amounting to approximately euros 27 million and additions to a Spanish wind farm amounting to euros 17 million at 31 December 2017).

The main additions to property, plant and equipment in 2018 comprised the aforementioned investments in transmission lines in Chile (investments in transmission lines in Chile and in a wind farm in Spain in 2017).

At 31 December 2018, the carrying amount, before depreciation, of the property, plant and equipment pledged to secure certain bank loans, mainly to finance the wind power projects undertaken by Group companies, amounted to approximately euros 44,413 thousand (euros 17,445 thousand in 2017) (Note 14).

The offices used by the Group to carry on its business activities, except for those leased in 2007 under the finance lease, are mostly rented.

The cost of the Group's property, plant and equipment which, at 31 December 2018 and 2017, is fully depreciated and in use as follows:

	thousands of euros	
	2018	2017
Buildings, technical installations and machinery	59,894	58,662
Furniture and fixtures	2,703	2,459
Information technology equipment	5,138	5,241
Motor vehicles	2,940	2,244
	70,675	68,606

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

10. EQUITY-ACCOUNTED INVESTEES

Details of the Elecnor Group's investments in associates and joint ventures at 31 December 2018 and 2017, which are accounted for using the equity method (see note 3.c), are as follows:

	thousands of euros	
Company	2018	2017
Cachoeira Paulista Transmissora de Energia, S.A.	17,647	-
Woolsthorpe Holding TRUST	548	-
Cosemel Ingeniería, A.I.E	56	78
Parque Eólico Gaviota, S.A.	-	36
Jaurú Transmissora de Energía, S.A.	26,357	22,305
Brilhante Transmissora de Energia, S.A.	30,761	32,045
Sociedad Aguas Residuales Pirineos, S.A.	4,248	3,851
Gasoducto de Morelos, S.A.P.I. de C.V.	17,913	14,089
Dioxipe Solar, S.L.	24,025	27,310
Aries Solar Termoeléctrica, S.L.	34,360	40,112
Brillhante Transmissora de Energia, S.A. II	3,781	3,873
Morelos O&M, SAPI de C.V.	275	209
Morelos EPC, SAPI de C.V.	4,107	12,089
	164,078	155,997

On 26 December 2018, the Elecnor Group, via its subsidiary Celeo Redes Brasil, S.A., completed the purchase of shares in two companies (33% of shares in Jaurú Transmissora de Energia, S.A. (JTE) and 100% of shares in Cachoeira Paulista Transmissora de Energia, S.A. (CPTE)) from Isolux Energía de Participaçoes, S.A., for a total of euros 46.7 million. These acquisitions are part of an agreement with an investment fund whereby said investments will be included in a company in which Celeo Redes Brasil, S.A. and said investor group each hold a 50% interest. At 31 December 2018, incorporation of the investment fund has not yet been completed, although there is an agreement between the parties to take significant decisions on the aforementioned investments together, such as decisions on financial policy and/or operating matters, until such time as the incorporation is complete.

Considering the content of these agreements and the final purpose of the investments, at 31 December 2018, the Elecnor Group does not control those companies. Likewise, considering that the Elecnor Group plans to hold only 50% of investment in said companies, they are presented as associates in the amount of euros 23.7 million.

The remaining stakes, of 16.5% in JTE and 50% in CPTE, which in 2019 are scheduled to be transferred to the investor group for an amount equivalent to 50% of the acquisition price, are presented as non-current assets held for sale.

From acquisition date, the Elecnor Group only recognises results solely on the basis of its holding in the equity of these companies using the equity method.

At the date on which these consolidated annual accounts were authorised for issue, the Elecnor Group is in the process of assigning the relevant sale purchase to the shareholding in associates pursuant to IFRS 3, so the amount of said investment must be considered to be provisional and, if necessary, may be restated in 2019 based on the criteria set forth in said accounting standard.

Movement in equity-accounted investees in 2018 and 2017 is as follows:

	thousands of euros	
	2018	2017
Opening balance	155,997	165,615
Acquisitions	24,777	-
Share in profits/(loss)	(3,831)	587
Impairment losses	(161)	-
Translation differences	(5,353)	(12,107)
Dividends received	(11,186)	(8,399)
Share in other comprehensive income	4,190	10,393
Other movements	(355)	(92)
Closing balance	164,078	155,997

Details of the key indicators of equity-accounted investees are provided in Appendix III.

In 2018 and 2017, the depreciation of the Brazilian Real against the Euro led to a decrease in the equity of the equity-accounted Brazilian companies during the translation of their financial statements to the Group's functional currency.

In 2010 the Group acquired 55% of the subsidiaries Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., whose statutory activities comprise the construction and operation of three parabolic trough technology thermosolar power plants in Extremadura and Castilla La Mancha. In 2010 various agreements were entered into between the shareholders of these companies, governing their relationships as shareholders, their relationships with the companies, the management and administration thereof and various aspects relating to the development and subsequent phases of projects. Specifically, certain matters for which unanimous approval is required in order to adopt decisions were defined.

Matters requiring the unanimous approval of the shareholders at the general meeting are as follows:

a) Reimbursement of share premiums, capital increases or reductions, amendments to the bylaws and, in particular, approval of any clauses relating to restrictions on the transfer of shares;
b) Mergers, spin-offs, transformations, dissolutions or transfers en bloc of assets and liabilities and disposals of a substantial portion of assets;
c) Investments in any joint venture, company or association or acquisitions of any shares, assets or businesses of any other company;
d) Arrangement, amendment and/or termination of any agreements with shareholders or companies forming part of their group or approval of any transactions with companies related thereto;
e) Approval of loans, pledges or guarantees of any kind extended to shareholders or related companies;
f) Changes in the number of directors;
g) Appointment or removal of auditors;
h) Changes in the policy of maximising dividends to shareholders;
i) Agreements relating to key project decisions on any changes in activity, arrangement of any transactions, agreements or operations that alter the nature of the business or significantly modify the scope of the project, discontinuation of the project and arrangement of any agreements that are unrelated to the Company's ordinary business activity or outside its ordinary course of business;
j) Changes in the tax regime;
k) Agreements relating to the arrangement of project financing and any possible refinancing; and
l) Amendments to the terms and conditions of the project financing agreements which affect the internal rate of return on the investment at the reporting date, the financing guarantees or the termination of the agreements.

Matters requiring the unanimous approval of the board of directors are as follows:

a) Any loans, credit facilities, any other form of financing or guarantees extended to a third party;
b) Arrangement of any debt or provision of guarantees other than those required by current suppliers;
c) Approval of business plans and initial operating budgets;
d) Approval of the operating budget when it includes a total expenditure increase of more than 10% on the prior year's budget;
e) Granting of powers of attorney in regard of reserved powers;
f) Amendment of project financing agreements;
g) Incorporation of subsidiaries or acquisition of shares of other companies;
h) Capital increases;
i) Award of provisional and definitive acceptance certificates for plants in accordance with the Engineering, Procurement and Construction (EPC) contract, approval of waivers and changes in EPC, O&M and/or Owner's Engineering contracts.

In view of the nature of the above matters and the unanimity required in order to adopt decisions thereon, and in accordance with the consolidation principles indicated in note 3.c, the Elecnor Group considers that the interests in these companies should be classified as joint ventures, specifically as jointly controlled entities. Accordingly, these interests were accounted for using the equity method. At the date on which these consolidated annual accounts were authorised for issue, the three thermosolar power plants in these projects are in operation.

The Group has analysed the impact of the regulatory changes approved since 2012 on these associates and in 2013 reviewed the financial projections of these projects and tested the property, plant and equipment of these associates for impairment, taking into consideration the current regulatory situation and the numerous uncertainties surrounding the future outlook and performance of the industry.

All the assumptions and estimates applied by the directors with respect to the impairment testing of the investments in Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. use the values established in Order IET/1045/2014, which approves the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable energy sources, cogeneration and waste.

At 31 December 2018 and 2017, there were no changes in the main assumptions of the previous analyses, so additional tests were not conducted in the absence of signs of impairment.

In this regard, the thermosolar projects in which the Group holds an interest are subject to regulation that ensures a reasonable remuneration for an efficient, well-managed company, up to the initial value of the investment.

In order to maintain this reasonable remuneration over time, regulatory remuneration is based on the average return on ten-year government bonds in the secondary market, plus a spread. Consequently, changes in the cost of capital are reflected under expected revenues, and therefore do not affect the recoverable amount.

The borrowers also acquired certain obligations, which, if not met, could constitute grounds for the mandatory early repayment of the aforementioned loans. The Parent's directors consider that the obligations for the majority of the financing facilities have been met in 2018 and no breaches are expected in the future.

In this regard, the restructuring agreement entered into by Aries Solar Termoeléctrica, S.L. includes the commitment to repay in advance euros 31 million within five years, in accordance with the following schedule (accumulative amount in each year), a total amount of euros 27 million having been repaid at 31 December 2018:

Year	thousands of euros
2015	2,500
2016	8,180
2017	14,880
2018	22,320
2019	31,000

Appendices I and III include a list of the investments in associates and joint ventures together with the most significant legal and financial information thereon.

11. NON-CURRENT FINANCIAL ASSETS

Details of non-current financial assets other than equity-accounted investees are as follows:

	Financial assets at amortised cost:						
	Equity instruments at cost	Hedge derivatives (Note 15)	Non-current loans (Note 26)	Administrative concessions	Trade and other receivables	Other non-current assets	Total
Balance at 31 December 2016	4,432	523	31,576	682,170	-	64,883	783,584
Changes in the consolidated Group							
Changes in the consolidated Group (Note 2.f)	-	-	-	-	-	3,598	3,598
Additions	1,150	513	875	119,774	-	10,974	133,286
Disposals	-	-	-	(6,640)	-	(25,268)	(31,908)
Transfers	(2,895)	-	-	-	-	2,895	-
Other	-	-	(2,665)	-	-	-	(2,665)
Translation differences	-	-	-	(94,375)	-	(5,177)	(99,552)
Balance at 31 December 2017	2,687	1,036	29,786	700,929	-	51,905	786,343
Additions	1,713	-	-	36,058	-	31,107	68,878
Disposals	-	(927)	(13,472)	(577)	-	(9,562)	(24,538)
Transfers	-	-	-	-	26,455	(1,142)	25,313
Translation differences	-	-	-	(78,331)	173	(4,083)	(82,241)
Current reclassifications	-	-	-	(3,011)	-	-	(3,011)
Balance at 31 December 2018	4,400	109	16,314	655,068	26,628	68,225	770,744

a) Net equity investments-

Net equity investments include the cost of various companies excluded from consolidation due to having an immaterial effect on the true and fair view which the consolidated annual accounts must express.

The effect on the consolidated annual accounts of consolidating the subsidiaries would not be material.

b) Non-current loans-

Non-current loans in the above table at 31 December 2018 basically include various loans extended to associates of the Elecnor Group.

In 2012, the Group made various contributions to associate Gasoducto de Morelos S.A.P.I. de C.V. for future capital increases amounting to a total of approximately USD 33,483 thousand, some of which were instrumented through various loans whose balance on 31 December 2018 and 2017 amounted to euros 16,176 thousand and euros 21,674 thousand, respectively (USD 18,255 thousand and USD 25,588 thousand, respectively), and which accrue interest at an annual rate of 7.5%. In 2018 the Group received approximately euros 6 million in payments relating to these loans. It was necessary to add to the amount at 31 December 2017 the accrued unpaid interest, amounting to euros 7,981 thousand, received in its entirety in 2018 along with the interest accrued in the present year.

c) Administrative concessions-

The Elecnor Group is in the process of developing and executing a number of projects under concession arrangements to construct, operate and maintain various electricity transmission lines in Brazil through its subsidiaries incorporated for this purpose, the Brazilian Parent of which is Celeo Redes Brasil, S.A. Pursuant to the concession arrangements, as remuneration for the construction, operation and maintenance work, the Group will receive a fixed amount over the term of the concession that does not depend on the use, if any, made of the transmission lines. Concession terms are approximately 30 years. The amount receivable will be revalued periodically based on certain variables such as interest rates, the standard consumer price index and other market benchmark rates, as provided for in the various agreements, although such changes would not be material.

Under the concession arrangements the Group undertakes to have the transmission facilities fully installed within a specified period of time and also to provide operation and maintenance services, using quality materials and equipment. It also undertakes to maintain the facilities and use appropriate operating methods to ensure good standards of constant, efficient, safe, updated service, making ongoing efforts to reduce costs, ensure social integration and protect the environment. The concession operator may not assign or pledge the assets associated with the public transmission service without ANEEL's authorisation.

The concession will be terminated in the following cases: the arrangement comes to an end, reaches its expiry date, is rescinded, rendered null and void due to defects or irregularities or the transmission entity is dissolved. At the end of the concession all the assets relating to the service will revert to the concession grantor. The corresponding evaluations and analyses will be conducted and used to calculate any indemnity to which the transmission entity may be entitled. The assets must be in proper working and technical condition, maintained in accordance with the grid procedures approved by the ANEEL, so that the public energy transmission service can continue.

Upon expiry, the concession may be renewed at the sole discretion of ANEEL. The maximum renewal term is the same concession term and must be requested by the transmission entity. An agreement may also be reached to extend the concession term in the public interest and under the terms and conditions stipulated in the arrangement.

The transmission entity may request the rescission of the arrangement in the event that the grantor breaches the terms and conditions. In this case the transmission entity may not interrupt the supply of the service until the rescission is approved by means of a court decision declaring the arrangement terminated.

In accordance with the criteria described in note 4.l), the Group initially recognises a financial asset for the fair value of the amounts receivable for the construction of the infrastructure, which is subsequently measured at amortised cost using the effective interest method. Under this method, in 2018 the Group credited approximately euros 92,613 thousand to finance income in the consolidated income statement for the financial effect of applying this method (euros 48,264 thousand in 2017). Over the course of 2017, the investment was completed in the transmission line of Cantareira Transmissora de Energia, S.A., which came on stream this year, leading to the recognition of the relevant financial asset and the recognition in 2018 of approximately euros 23 million in increased finance income due to the application of the effective interest rate. These additions in 2018 and 2017 correspond mainly to the new concession in Brazil, which entered into service in early 2018, as outlined above.

The expected collection schedule for non-current balances at 31 December 2018 and 2017 is as follows:

	thousands of euros
	31/12/2018
2020	4,678
2021	2,593
2022	-
2023	-
2024 and thereafter	647,797
Total	655,068

	thousands of euros
	31/12/2017
2019	3,392
2020	5,270
2021	2,921
2022	-
2023 and thereafter	689,346
Total	700,929

d) Trade and other receivables-

At 31 December 2018, the heading "Trade and other accounts receivables" under non-current assets corresponds entirely to the balances between the subsidiary Elecnor Perú, S.A.C. and the customer Consorcio Constructor Ductos del Sur, which, in the wake of the agreement reached this year, mature primarily in 2021. At 31 December 2017, they were booked as "Trade and other receivables", under current assets.

At 31 January 2017, the Consortium notified Elecnor Perú, S.A.C. that the construction contract was terminated as a result of completion of the contract for the Southern Peruvian Gas Pipeline (Gasoducto Sur Peruano), adjudicated to it by the Peruvian government, and from that date the subsidiary commenced the necessary procedures to collect the outstanding amounts. The subsidiary filed an arbitration request against Consorcio Constructor Ductos del Sur and, in mid-2018, the two parties reached and agreement whereby Consorcio Constructor Ductos del Sur recognises the debt payable to Elecnor Perú, S.A.C. and a payment schedule is established which, at the date of authorising these consolidated annual accounts for issue, is being fulfilled. This debt accrues annual interest at a rate of 30-day Libor + 1.5%.

e) Other non-current assets-

Details of other non-current assets in the above table are as follows:

	thousands of euros	
	2018	2017
Debt service reserve account	44,050	25,173
Guarantees	4,743	3,072
Other	19,432	23,660
	68,225	51,905

The heading "Debt service reserve account" includes the amounts which Spanish and Brazilian subsidiaries focusing on wind farm operation must maintain in bank deposit accounts pursuant to the financing contracts they have entered into (Note 14), which total euros 15,511 thousand at 31 December 2018 (euros 12,729 thousand at 31 December 2017).

Moreover, this heading includes the amount of the debt service reserve account of the Brazilian concessionaires for a total of approximately euros 24,822 thousand (approximately euros 12,444 thousand at 31 December 2017) and the Spanish concessionaires and solar PV plants for a total of euros 3,717 thousand.

The deposits accrue interest at market rates.

In addition, at 31 December 2018, Elecnor, S.A. holds security and other deposits mainly relating to leases amounting to approximately euros 3,523 thousand (euros 3,025 thousand at 31 December 2017).

At 31 December 2018 and 2017, non-current assets are recognised at amortised cost, except in the case of derivative instruments, which are recognised at fair value.

12. CURRENT FINANCIAL ASSETS

a) Trade and other receivables-

Trade and other receivables in the accompanying consolidated statement of financial position include the Group's receivables arising as a result of transactions with third parties.

At 31 December 2017, this item included an amount of approximately euros 24 million comprising claims filed vis-à-vis the subsidiaries Belco (USA) and Elecnor do Brasil in relation to the following projects:

- Los Angeles Federal Court House project: the amount claimed totals euros 3.1 million. Claims totalling euros 17.8 million were documented and judicial proceedings are underway.
- Santa Mónica Community College project: this claimed amounts to euros 4.9 million due to changes in the scope of the original contract. This claim resulted in the Group collected approximately euros 4.2 million (USD 5 million).
- Integraçao Maranahense TE and Caiuá TE concession projects: the amount claimed totals euros 16 million; euros 19 million has been claimed in connection with independent surveys and arbitration is underway.

In application of the new IFRS 15, the Group adjusted against reserves at 1 January 2018 the amount of these claims under the heading "Trade and other receivables" (see Note 2.b).

At 31 December 2017, "Trade and other receivables" included approximately euros 303.6 million corresponding to uninvoiced work in progress, an amount which at 31 December 2018 was recognised under "Customer contract assets" in the current assets section of the accompanying consolidated statement of financial position.

In addition, retentions on payments made by customers in 2018 amount to euros 23,490 thousand (euros 33,369 thousand in 2017) and are recognised in "Trade and other receivables" under current assets on the accompanying consolidated statement of financial position.

At 31 December 2018 and 2017 the Group had no construction contracts with negative margins the loss of which could be deemed significant.

At 31 December 2018 and 2017, the Group holds collection rights formalised through promissory notes and received as advances for a project it has executed in Venezuela for a nominal amount of USD 166,250 thousand. These promissory notes accrue interest at a rate of 6.5% and mature in 2018 and 2019. Due to the country's current circumstances and the potential consequences of these on this specific project, the Directors of the Parent Company did not allocate these promissory notes value and the progress and definitive scope of this project are dependent on their being effectively collected. In this connection, in 2018, the Group did not receive any payment (euros 23,750 thousand in 2017), having recognised operating income amounting to euros 11,580 thousand (euros 21,740 thousand in 2017) corresponding to advance invoice payments collected in previous years for work executed in 2018. Moreover, no interest has been collected (USD 12,350 thousand in interest in 2017), so no finance income was recognised (euros 11 million in 2017) (see Note 21).

At 31 December 2018 and 2017, unimpaired past-due receivables amounted to euros 79,680 thousand and euros 150,853 thousand, respectively. The variation is due mainly to the charge in 2018 of past due balances, and the transfer of debt pending collection from the subsidiary Elecnor Perú, S.A.C. to non-current assets (see Note 11).

An ageing analysis of these balances is as follows:

		thousands of euros
Description	2018	2017
Unmatured balances	595,426	780,661
Up to six months past due	56,830	82,552
Between six and twelve months past due	15,620	20,354
Over twelve months past due	7,230	47,947
Total	675,106	931,514

The Group makes provision to cover debts classed as non-performing due to late payment, suspension of payments, insolvency or other reasons, following a case-by-case study of their collectability. Provision is made on the basis of the best estimates at year end.

Details of impairment losses on accounts receivable at 31 December 2018 and 2017 and movement in 2018 and 2017 are as follows:

	thousands of euros						
	31/12/2017	Charge	Application	Reversal	Reclassifications	Translation differences	31/12/2018
Impairment	75,098	22,619	(2,254)	(128)	3,383	(297)	98,421

	thousands of euros					
	31/12/2016	Charge	Application	Reversal	Translation differences	31/12/2017
Impairment	70,720	4,577	(506)	(6)	(313)	75,098

b) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	thousands of euros	
	2018	2017
Cash equivalents	69,456	49,181
Cash	357,381	348,980
	426,837	398,161

Cash equivalents at 31 December 2018 and 2017 mainly include fixed-income securities and fixed-term deposits that mature in under three months contracted by Elecnor Chile, S.A. and Elecnor do Brasil, S.A., which earn interest at market rates.

At 31 December 2018, this item includes approximately euros 106 million contributed by wind and PV farms and concession operators (euros 96 million at 31 December 2017).

13. EQUITY

a) Share capital-

At 31 December 2018 and 2017, the share capital of Elecnor, S.A. was represented by 87,000,000 ordinary bearer shares of euros 0.10 par value each, subscribed and fully paid.

The shares of Elecnor, S.A. are listed on the Spanish electronic stock market.

At 31 December 2018 and 2017, the Parent's shares were held as follows:

	% Stake	
	2018	2017
Cantiles XXI, S.L.	52.76%	52.76%
Bestinver Gestión, S.A., S.G.I.I.C.	4.76%	4.76%
Other (*)	42.48%	42.48%
	100.00%	100.00%

(*) All with a percentage ownership of less than 3%.

b) Valuation adjustments to equity-

Movement in 2018 and 2017 was as follows:

	thousands of euros							
	31/12/2016	Contracts	Change in market value	Settlement of derivatives	31/12/2017	Change in market value	Settlement of derivatives	31/12/2018
Fully consolidated companies -								
Cash flow hedges:								
Interest rate swaps (Note 15)	(29,653)	-	892	6,192	(22,569)	(4,548)	4,963	(22,154)
Other accounting hedges	-	(19,622)	-	-	(19,622)	18,583	-	(1,039)
Exchange rate insurance (Note 15)	(4,107)	2,313	-	4,442	2,648	(4,455)	(2,764)	(4,571)
Energy price	-	-	-	-	-	(3,729)	-	(3,729)
Other	1,636	-	-	-	1,636	-	-	1,636
	(32,124)	(17,309)	892	10,634	(37,907)	5,851	2,199	(29,857)
Deferred taxes arising on valuation adjustments (Note 19)	6,693	(694)	(223)	(2,431)	3,345	3,258	(178)	6,425
Total valuation adjustments arising from the full consolidation of companies	(25,431)	(18,003)	669	8,203	(34,562)	9,109	2,021	(23,432)
Equity-accounted investees	(52,510)	-	1,591	8,802	(42,117)	(4,013)	8,203	(37,927)
Non-controlling interests	6,145	9,615	575	(900)	15,435	(9,106)	(550)	5,779
Total valuation adjustments	(71,796)	(8,388)	2,835	16,105	(61,244)	(4,010)	9,674	(55,580)

The heading "Other accounting hedges" refers to the designation of a hedge set up by the Group to cover debt in UF of the Celeo Redes group, whose functional currency is the US dollar. The risk covered by this hedge is of fluctuation in the value in USD of future revenue inflows denominated in UF and the transaction hedged are highly probable revenue estimated in UF. The hedge instrument is the foreign currency component of the financial debt denominated in UF in respect of the total debt.

c) Other reserves-

At 31 December, the amounts of services not available for distribution are as follows:

	thousands of euros	
	2018	2017
Legal reserve	1,743	1,743
Goodwill reserve	722	825
Capitalisation reserve	3,149	1,756
Reserves from translation to euros	15	15
Reserve for own shares (Note 3.n)	21,884	21,232
Total	27,513	25,571

Legal reserve-

Under article 274 of the Revised Spanish Companies Act, an amount equivalent to 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve has reached the stipulated level.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal amount of the total share capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

At 31 December 2018 and 2017, the Parent has appropriated to this reserve the minimum amount required by law.

Goodwill reserve-

The goodwill reserve was appropriated in compliance with article 273.4 of the revised Spanish Companies Act, which requires companies to transfer profits equivalent to 5% of goodwill to a non-distributable reserve until this reserve reaches an amount equal to recognised goodwill. In the absence of profit, or if profit was insufficient, freely distributable reserves were to be used. This reserve has been freely available since 1 January 2016, for the amount exceeding the net carrying amount of the goodwill recorded in the Parent Company's balance sheet.

Capitalisation reserve-

The capitalisation reserve has been appropriated in accordance with article 25 of the Spanish Income Tax Law, which requires that an amount equal to the reduction in taxable income for the year be appropriated to the reserve. The amount by which taxable income may be reduced is equal to 10% of the increase in equity, as defined in the aforementioned article. In no case may the amount of the reduction exceed 10% of the taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards. However, if the reduction cannot be applied due to insufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the reduction entitlement was generated, together with any reduction applicable in that period, subject to the limit indicated. The reserve is restricted and the increase in equity must be maintained for a five-year period from the end of the tax period in which the reduction is generated, unless accounting losses are incurred.

d) Own shares-

According to the minutes of the general meeting of 16 May 2017, the Board of Directors is authorised to acquire own shares in the Parent Company on behalf of the latter or of subsidiaries, up to a maximum established by law and in mandatory legal provisions at each given time and which, at present, in combination with those already held by the Parent, may not exceed 10% of its share capital, with a minimum acquisition price of the nominal value of the shares and a maximum price that may not exceed 30% of its share price, over a period of five years, superseding and leaving without effect the authorisation granted in the general meeting of 23 May 2012.

At 31 December 2018 and 2017, the Parent Company held own shares amounting to euros 21,884 thousand and euros 21,232 thousand, respectively, which are booked under "Own shares" in equity in the consolidated statement of financial position.

Details of own shares and movement in 2018 and 2017 are as follows:

	No. of shares
Own shares at 31 December 2016	**2,464,032**
Acquisition of own shares	275,341
Sale of own shares	(428,723)
Own shares at 31 December 2017	**2,310,650**
Acquisition of own shares	124,061
Sale of own shares	(98,215)
Own shares at 31 December 2018	**2,336,496**

The purchase and sale of own shares at 31 December 2018 amounted to approximately euros 1,563 thousand and euros 1,245 thousand (euros 3,124 thousand and euros 4,908 thousand, respectively, at 31 December 2017), giving rise to a capital gain of euros 334 thousand, recognised directly in reserves (capital gain of euros 1,027 thousand in 2017).

All the own shares held by the Parent at 31 December 2018 represented 2.69 % of the total share capital of Elecnor, S.A. at that date (2.66 % at 31 December 2017).

At 31 December 2018 and 2017, a non-distributable reserve for own shares was recognised for the amount of the Elecnor, S.A. own shares held at those dates.

e) Non-controlling interests-

Details of non-controlling interests in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Elecven Construcciones, S.A.	12	97
Sociedad Aragonesa de Estaciones Depuradoras, S.A.	1,333	1,282
Elecnor Argentina, S.A.	-	2
Ventos Do Sul Energía, S.A.	12,824	12,981
Parque Eólico Malpica, S.A.	498	434
Galicia Vento, S.L.	524	1,774
Páramo de Poza, S.A.	2,674	2,639
Parques Eólicos Palmares, S.A.	5,807	7,124
Ventos do Litoral Energia, S.A.	5,174	6,193
Ventos da Lagoa, S.A.	5,172	5,836
Éoliennes de L'Érable, SEC.	8,921	10,658
Ventos dos Índios Energia, S.A.	3,749	4,335
Celeo Redes subgroup	284,944	325,664
Betonor, Ltda.	338	507
Elecnor Angola Group	243	541
Other	199	(30)
	332,412	380,037

In 2017, the Group acquired 30% of the Enerfín Enervento sub-group for euros 29 million, with the maximum amount of non-controlling interests on acquisition date totalling approximately euros 20 million. This transaction had an impact of some euros 9 million on the Group's net equity. At 31 December 2017, the previous amount payable was pending payment under "Other current liabilities in the consolidated statement of financial position" and was paid in 2018.

At 31 December 2018 and 2017, the investment fund APG held 49% of the Celeo Redes sub-group.

Movement in non-controlling interests in 2018 and 2017 is as follows:

	thousands of euros
Balance at 31 December 2016	430,354
- Share in profits / (loss)	24,618
- Change in fair value of hedging instruments (*)	(9,290)
- Dividends paid	(2,758)
- Translation differences (**)	(50,995)
- Capital reduction	(4,873)
- Capital increase	9,879
- Change in equity investments	(19,911)
- Other	3,013
Balance at 31 December 2017	380,037
- Share in profits/(loss)	37,688
- Change in fair value of hedging instruments (*)	9,656
- Dividends paid	(5,698)
- Translation differences (**)	(38,164)
- Capital reduction	(51,261)
- Change in equity investments	158
- Other	(4)
Balance at 31 December 2018	332,412

(*) Reflects the changes in the value of the hedging swaps used by the Elecnor Group (Note 15).
(**) Primarily reflecting translation differences arising in the Celeo Redes Brasil sub-group as a result of its holdings in Brazil.

The information relating to significant non-controlling interests in subsidiaries at 31 December 2018 and 2017 is as follows (financial information is disclosed prior to carrying out intragroup eliminations):

	2018	
	thousands of euros	
	Celeo Redes subgroup	Éoliennes de L'Érable
Current assets	188,222	7,723
Non-current assets	1,229,880	180,225
Current liabilities	82,314	18,189
Non-current liabilities	841,076	151,521
Revenue	65,697	26,791
Profit/(loss) for the year	57,665	1,044
Total comprehensive income	16,775	1,350

	2017	
	thousands of euros	
	Celeo Redes subgroup	Éoliennes de L'Érable
Current assets	195,825	11,224
Non-current assets	1,200,613	192,253
Current liabilities	64,957	17,716
Non-current liabilities	766,298	159,004
Revenue	65,910	30,153
Profit/(loss) for the year	37,069	1,497
Total comprehensive income	(47,696)	(326)

f) Translation differences-

The cumulative translation differences recognised in equity at 31 December 2018 and 2017 for each of the main currencies are as follows:

	thousands of euros	
	2018	Restated
Translation differences		2017 (Note 2.h)
Brazil	(221,755)	(176,525)
Argentina	-	(3,493)
Canada	(7,892)	(7,833)
Chile	593	4,246
USA	1,012	(329)
Other	(864)	171
Total	(228,906)	(183,763)

14. FINANCIAL DEBT

Key to the Group's strategy is its policy of maximum financial prudence. The target capital structure is defined by this commitment to solvency and the aim of maximising shareholder returns.

However, certain projects, specifically the construction and operation of wind farms and the related electricity interconnection lines and substations, as well as the electricity distribution infrastructure and wastewater treatment plants, which the Group operates and holds on a concession basis, are mostly financed through syndicated loans under project financing arrangements. Under these loans the subsidiaries that operate these projects accept certain restrictions on the distribution of dividends, conditional upon certain requirements being met, such as the creation of a debt service reserve account. These subsidiaries must also maintain a specified debt/equity ratio and a specified equity structure.

The target capital structure, excluding the effect of the projects financed with non-recourse financing, is quantified at the following ratio of net financing to equity:

$$\frac{\text{Net financial debt}}{\text{Net financial debt + Equity}}$$

Net financial debt includes the following line items in the consolidated statement of financial position (having eliminated the effect of net financial debt relating to the projects financed with non-recourse financing):

	thousands of euros	
	2018	2017
Non-current liabilities – Financial debt	256,665	395,502
Current liabilities – Financial debt	204,764	133,220
Current financial assets – Other investments	(71,853)	(53,192)
Cash and cash equivalents	(251,188)	(252,846)
Net financial debt	138,388	222,684

At 31 December 2018 and 2017, "Current and non-current liabilities – financial debt" relates mainly to total financial debt and derivatives in the following table, excluding all loans to concessions, wind farm syndicated loans, financial liabilities due to the issuance of bonds and other marketable securities (concessions and solar photovoltaic projects), interest accrued associated with wind farms and solar PV, and derivatives associated with wind farms, solar PV projects and concessions, euros 19 million for the Parent's forfaiting contracts, and adding euros 6.2 million in loans granted by public entities that accrue interest booked under other "Current and non-current liabilities" in the accompanying consolidated statement of financial position (euros 7 million in 2017).

At 31 December 2018, Current financial assets and cash and cash equivalents" comprise all cash and cash equivalents in the accompanying consolidated statement of financial position, excluding cash for projects funded through non-recourse financing amounting to approximately euros 106 million (euros 96 million at 31 December 2017) (see note 12-b) and including the current amount of derivatives.

Changes in this ratio are analysed on an ongoing basis and prospective estimates are also made as a key restrictive factor to be taken into account in the Group's investment strategy and dividends policy.

Details of "Financial liabilities for the issuance of bonds and other marketable securities, bank borrowings and derivatives", under non-current and current liabilities in the accompanying consolidated statement of financial position at 31 December 2018 and 2017, are as follows:

	thousands of euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Syndicated loans and credit facilities	226,159	-	348,950	-
Loans to concessions	178,606	21,298	242,088	23,550
Syndicated loans – wind farms	291,847	33,836	285,787	34,381
Loans secured with personal guarantee	3,381	2,112	5,743	2,231
Mortgage loans	5,832	691	11,627	2,145
Financial liabilities from issuing bonds and other marketable securities-promissory notes	-	155,022	-	99,574
Financial liabilities from issuing bonds and other marketable securities–lines and concessions	634,043	23,752	501,874	11,969
Financial liabilities from issuing bonds and other marketable securities-photovoltaic	35,185	1,803	36,922	1,806
Other payables	17,662	1,640	8,919	281
Credit facilities secured with personal guarantee	-	40,002	-	23,547
Unmatured bills and notes	-	159	-	-
Accrued interest payable				
Wind and solar PV farms and concessions	-	1,915	-	-
Other	551	1,892	-	2,285
Finance lease payables (Note 9)	6,432	1,394	7,595	1,640
Derivative hedging instruments (Note 15):				
Wind and solar PV farms and concessions	2,254	4,459	2,424	1,140
Other	9,159	2,110	6,653	-
Total	1,411,111	292,085	1,458,582	204,549

At 31 December 2018 and 2017, all of the Group's financial liabilities correspond to financial liabilities at amortised cost, except hedge derivatives which are measured at fair value.

The main characteristics of the most significant financial liabilities for the issuance of bonds and other marketable securities and bank borrowings at 31 December 2018 and 2017 are as follows:

2018

Type	Company	Currency	Interest rate	Due date	Nominal amount	Current	Non-current
Financial liabilities due to the issuance of bonds and other marketable securities							
	Elecnor, S.A.	EUR	-	2019	300,000	154,816	-
	Celeo Redes Operación Chile, S.A.	USD	4%	22/06/2047	518,214	8,167	500,461
	Celeo Fotovoltaico, S.L.U	EUR	3.95%	31/12/2031	41,600	1,803	35,185
	Cantareira Transmissora De Energia, S.A.	BRL	HICP + 6.91%	15/08/2032	22,661	1,756	20,088
	Celeo Redes Transmissora De Energia, S.A.	BRL	CDI + 0.75%	31/12/2023	128,034	13,829	113,494
Loans and borrowings							
Syndicated loans and credit facilities						-	
	Elecnor, S.A.	EUR	Euribor + spread	19/07/2024	400,000	-	226,159
Loans to concessions							
	Sociedad Aragonesa De Estaciones Depuradoras, S.A	EUR	Euribor+ 2.8%	31/12/2026	15,500	1,000	8,314
	Sociedad Aragonesa De Aguas Residuales, S.A.U.	EUR	0.779%	05/12/2026	23,000	1,418	11,044
	Integraçao Marhense Transmisora Energia, S.A.	BRL	TJLP + 2.42%	15/02/2029	26,512	2,998	20,699
	Cantareira Transmissora de Energia, S.A.	BRL	TJLP +2.12%	15/02/2029	96,724	10,587	98,693
	Encruzo Novo Transmissora de Energia, LDTA	BRL	TJLP + 2.42%	05/10/2026	11,983	914	6,551
	Pedras Trasmissora de Energia, S.A.	BRL	TJLP +2.21%	27/12/2023	6,120	506	5,348
	CaiuáTransmissora de Energia, S.A.	BRL	TJLP + 1.97%	15/02/2028	19,171	1,726	12,923
	Coqueiros Transmissora de Energia, S.A.	BRL	TJLP + 2.58%	15/07/2024	2,972	518	1,840
	Linha de Transmissão Corumbá, LDTA	BRL	TJLP + 2.28%	15/02/2028	20,755	1,631	13,194
Syndicated loans – wind farms							
	Parque Eólico Malpica, S.A.	EUR	Euribor+ 2%	24/06/2024	11,950	1,006	9,804
	Ventos do Litoral Energia, S.A.	BRL	TJLP +2.34 %	15/07/2029	32,008	2,104	19,832
	Ventos Do Índios Energia, S.A.	BRL	TJLP + 2.45%	15/02/2032	28,787	2,441	23,484
	Parque Eólico Palmares, S.A.	BRL	TJLP + 2.34 %	31/07/2029	34,819	2,345	20,920
	Ventos Do Lagoa, S.A.	BRL	TJLP + 2.34 %	15/02/2029	34,177	2,193	20,102
	Ventos Do Sul, S.A.	EUR	TJLP + spread	15/07/2019	105,373	6,017	-
	Ventos Do Sul, S.A.	BRL	Annual Euribor + spread	30/09/2022	14,543	3,541	10,201
	Parque Éoliennes de L'Érable, SEC	CAD	5.015%	31/03/2033	165,618	7,020	121,599
	Parque Éoliennes de L'Érable, SEC	CAD	7.123%	18/04/2033	35,000	651	21,083
	Galicia Vento, S.L.	EUR	1.75% + Euribor	31/12/2024	38,500	4,563	31,376
	Aerogeneradores del Sur, S.A.	EUR	1.75% + Euribor	31/12/2024	16,500	1,955	13,446
						235,505	1,365,840

2017

Type Company	Currency	Interest rate	Due date	Limit	Current	Non-current
Financial liabilities due to the issuance of bonds and other marketable securities						
Elecnor, S.A.	EUR	-	2018	250,000	99,423	-
Celeo Redes Operación Chile, S.A.	USD	4%	22/06/2047	518,214	11,969	501,874
Celeo Fotovoltaico, S.L.U.	EUR	3.95%	31/12/2031	41,600	1,806	36,922
Loans and borrowings						
Syndicated loans and credit facilities						
Elecnor, S.A.	EUR	Euribor + spread	19/07/2022	500,000	-	348,811
Loans to concessions						
Sociedad Aragonesa De Estaciones Depuradoras, S.A.	EUR	EUR +2.8%	31/12/2026	15,500	929	9,314
Sociedad Aragonesa De Aguas Residuales, S.A.U.	EUR	0.779%	05/12/2026	23,000	1,384	12,419
Integracao Marhense Transmisora Energia, S.A.	BRL	TJLP + 2.42%	15/02/2029	36,290	3,380	26,488
Cantareira Transmissora de Energia, S.A.	BRL	TJLP + 2.12%	15/02/2029	96,724	-	114,732
Encruzco Novo Transmissora de Energia, LDTA	BRL	TJLP + 2.42%	05/10/2026	13,500	1,053	8,326
Vila Do Conde Transmissora de Energia, S.A.	BRL	TJLP +3%	15/04/2019	47,975	4,544	1,506
Pedras Transmissora de Energia, S.A.	BRL	TJLP +2.21%	27/12/2023	6,894	602	2,449
Caiuá Transmissora de Energia, S.A.	BRL	TJLP + 1.97%	15/02/2028	21,598	1,896	16,359
Coqueiros Transmissora de Energia, S.A.	BRL	TJLP +2.58%	15/07/2024	7,367	633	2,633
Linha de Transmissão Corumbá, LDTA	BRL	TJLP + 2.28%	15/02/2028	23,382	1,879	15,281
Linha de Transmissão Triângulo, LDTA	BRL	TJLP + 2.34%	04/10/2022	364,534	7,250	32,581
Syndicated loans – Wind farms						
Parque Eólico Malpica, S.A.	EUR	3.75%	24/06/2024	11,950	916	10,755
Ventos Do Litoral Energia, S.A.	BRL	TJLP +2.34 %	15/08/2029	36,060	2,355	24,554
Ventos Do Índios Energia, S.A.	BRL	TJLP +2.45%	15/02/2032	32,430	1,440	29,887
Parque Eólico Palmares, S.A.	BRL	TJLP +2.34 %	31/07/2029	39,226	2,624	26,034
Ventos Do Lagoa, S.A.	BRL	TJLP +2.34 %	15/02/2029	38,503	2,455	24,955
Ventos Do Sul, S.A.	BRL	TJLP + spread	15/07/2019	118,710	11,560	6,732
Ventos Do Sul, S.A.	EUR	Annual Euribor + spread	30/09/2022	16,386	3,103	12,484
Parque Éoliennes De L'Érable, SEC.	CAD	5.015%	31/03/2033	165,893	9,491	128,616
Parque Éoliennes De L'Érable, SEC.	CAD	5.02%	30/04/2033	23,225	437	21,770
					171,129	1,415,482

Details, by maturity, of the above debt for 2018 and 2017 are as follows:

Debts maturing in	thousands of euros
	31/12/2018
2020	72,269
2021	70,673
2022	90,786
2023 and thereafter	1,177,383
Total	1,411,111

Debts maturing in	thousands of euros
	31/12/2017
2019	101,073
2020	112,295
2021	146,493
2022 and thereafter	1,098,721
Total	1,458,582

Syndicated loans and credit facilities-

On 21 July 2014, Elecnor arranged syndicated financing of euros 600 million with a group of 19 financial institutions, which replaced the euros 401 million that had been drawn down at that date in the syndicated financing arranged in 2012. This financing was structured into two tranches: one loan tranche totalling euros 300 million, repayable in instalments, and a revolving credit facility tranche with a limit of euros 300 million, maturing in July 2019.

On 2 July 2015, Elecnor signed an initial novation of this agreement, subscribed by 18 of the 19 lenders, in order to amend the financial conditions (reducing the applicable margin) and extend the term of the financing.

On 29 June 2016, Elecnor signed a second novation of this agreement, subscribed by 17 of the 18 lenders. Bankinter assigned euros 22 million, of which euros 16 million were subscribed by Abanca and euros 6 million by Kutxabank, while Crédit Agricole assigned euros 25 million entirely to Abanca.

On 31 October 2017, Elecnor signed a third novation of this agreement, subscribed by 16 of the 17 lenders. This novation implied:

- a decrease in the available limit of the credit tranche (B) of the syndicated financing to euros 200,000 thousand,
- a new tranche in the margin scale applicable as a function of the net financial debt-EBITDA ratio,
- Extend the term of the financing. One-year deferral of the date of each loan instalment and the repayment of the credit facility, thereby pushing back its maturity to July 2022.

On 14 November 2018, Elecnor signed a fourth novation of this contract, subscribed by 14 of the lenders (two of them merged), agreeing to:

- voluntary prepayment of the loan tranche (tranche A), amounting to euros 100 million, bringing the total limit of this tranche to euros 200 million.
- the extension of the financing term, delaying final maturity until July 2024.

The Company analysed whether or not the conditions had been substantially modified. Modifications were less than 10% in all years, leading the Company to conclude that there was no extinguishment of the original liabilities.

With respect to interest rate hedging, swaps had been arranged prior to the novation to cover the loan for its entire duration. After the fourth novation, Elecnor decided to hedge 70% of the interest rate risk derived from the additional notional amount resulting from the novation and, therefore, eight new interest rate swaps were arranged with an initial notional amount of euros 3.5 million and a maximum notional amount of euros 126 million, as was a new basis swap. At 31 December 2018, there are 39 IRSs and 5 basis swaps, assigned mainly to hedging interest rate risk in syndicating financing and, to a lesser extent, to hedging interest rate risk on promissory note issuance in the Alternative Fixed Income Market (MARF). The maturities and interest settlement dates of the swaps coincide with those of the financing contracts to which they are assigned.

This syndicated financing bears interest pegged to Euribor for the interest period elected by the borrower (one, three or six months), plus a spread tied to the net financial debt/(EBITDA + dividends from projects) ratio. The Company has undertaken to comply with different ratios over the term of the bank financing agreement ((Net financial debt/EBITDA),

(EBITDA /finance costs), and (Net financial debt/equity)), which will be calculated on the basis of the Elecnor Group's consolidated figures. Non-compliance could be cause for terminating the contract, although, at 31 December 2018, all the ratios linked to this financing were compliant.

At 31 December 2018, the drawn down amount of the syndicated financing contract totals euros 235 million and corresponds to euros 200 million of the loan tranche and euros 35 million of the credit tranche (euros 355 million at 31 December 2017, euros 300 million corresponding to the loan tranche and euros 55 million to the credit tranche).

Taking into account the effect of the hedges amounting to euros 2,831 thousand, the aforementioned syndicated financing agreement (loan tranche and credit facility tranche) accrued interest at rates of 2.13% and 1.39%, respectively, totalling euros 6,319 thousand in 2018 (euros 7,462 thousand in 2017, including hedging finance costs amounting to euros 2,771 thousand), which the Company has recognised as "Other finance expenses" in the accompanying consolidated income statement for 2018.

Moreover, at 31 December 2018, the credit tranche accrued finance expenses relating to availability fees amounting to euros 736 thousand (euros 1,077 thousand in 2017).

Syndicated loans – wind farms-

For loans obtained in Brazilian reals the applicable interest rate is the result of adding a market spread to the country's long-term floating interest rate (TJLP). These loans entail an obligation to maintain coverage ratios within certain limits, and to deposit in a reserve account a sum covering at least three instalments of the principal and interest. The Parent's directors consider that there have been no problems as regards complying with the covenants.

To secure the loan of the subsidiary Parque Eólico Malpica, S.A., a real right of pledge was established on shares of the relevant subsidiary, as well as on any indemnities, compensation and/or penalty payments which may accrue in its favour, and in relation to the construction and operating management agreements, and all the cash accounts of the aforementioned company. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral, S.A. and Ventos dos Índios have signed a surety bond over property, plant and equipment with the related financial institutions.

Furthermore, the subsidiaries have certain limitations in relation to these loans consisting basically of restrictions on the disposal of their property, plant and equipment and on the payment of dividends. These restrictions are subject to compliance with certain conditions, such as the ongoing fulfilment of the debt service coverage ratio established in the financing loan agreement and the setting up of a debt servicing reserve account (see note 11).

The directors consider that all the conditions of the syndicated loans are being met and that the project financing will be serviced on a normal basis, using the revenue generated from each wind power project.

Financial liabilities from issuing bonds and other marketable securities-promissory notes-

At the beginning of 2018 Elecnor, S.A. had issued promissory notes on the Alternative Fixed-Income Market for an amount of euros 100 million. New issues in 2018 totalled euros 658 million while maturities totalled euros 603 million. The outstanding balance at 31 December 2018 was therefore euros 155 million, reflecting 1,550 securities with a nominal value of euros 100 thousand each.

At the beginning of 2017 Elecnor, S.A. had issued promissory notes on the Alternative Fixed-Income Market for an amount of euros 73 million. New issues in 2017 totalled euros 662 million while maturities totalled euros 635 million. The outstanding balance at 31 December 2017 was therefore euros 100 million, reflecting 1,000 securities with a nominal value of euros 100 thousand each.

The promissory note programmes in force in 2018 and 2017 provided for a maximum of outstanding issues at all times of euros 300 million and euros 250 million, respectively.

In 2018, these promissory notes accrued interest and fees totalling euros 1,276 thousand (euros 1,418 thousand in 2017) which the Group recognised under "Finance expenses" in the accompanying consolidated income statement.

Financial liabilities from issuing bonds and other marketable securities–lines and concessions-

On 11 May 2017, Elecnor issued project bonds aimed at financing the transmission lines in Chile, replacing the previous bank financing which had various associated hedge operations to hedge against any increases in floating interest rates. Initially, these hedges were associated to the future financing needs of these companies, and therefore the cancellation of the previous debt did not imply a breach of the hedge relationship based on its strategy as outlined in the initial documentation. The Group maintains as "Valuation adjustments to equity" the fair value of these financial instruments at the time of the refinancing, transferring it to the consolidated statement of profit and loss throughout the duration of the financing.

This bond issue, which totalled USD 593.9 million and matures in 2047 (30Y term), comprises two tranches; an international tranche in USD amounting to USD 379 million, at a fixed annual interest rate of 5.2%, and a Chilean tranche in Unidades de Fomento (UF) amounting to UF 5,410,500 (around USD 214 million) at a fixed annual interest rate of 2.99%.

The funds from this bond issue are secured by the projects and were used for refinancing (the early repayment of existing financing) of power transmission line projects in Chile and the remainder for other corporate purposes of the issuer or its shareholders.

Loans secured with personal guarantees-

Elecnor did not contract any new bilateral bank loans secured with personal guarantees in 2018 or 2017.

Other payables-

At 31 December 2017, other payables corresponded entirely to a financing agreement for euros 9,200 thousand, arranged on 18 August 2017, between Elecnor, S.A. and the European Energy Efficiency Fund, S.A., SICAV-SIF, maturing in 2031 and linked to the assignment of future credit rights of the company.

Moreover, on 13 March 2018, the Group arranged a financing contract through a policy for the assignment of credit rights with the Efficiency Solutions fund, amounting to euros 11,500 thousand, and maturing in June 2027.

In 2018 these borrowings accrued interest of euros 782 thousand.

Other financing-

In 2007 the Elecnor Group arranged a mortgage loan in order to acquire an industrial building in Valencia in which to conduct its solar panel manufacturing business (see note 9). The unmatured balance of this loan amounts to approximately euros 6,512 thousand at 31 December 2018 (euros 7,208 thousand at 31 December 2017).

Excluding tranche B of the syndicated loan, at 31 December 2017 and 2018 Elecnor, S.A. had seven open credit facilities with financial institutions, with a maximum total limit of euros 111 million (euros 38.6 million and euros 19 million drawn down, respectively). These bilateral credit facilities bear interest pegged to EURIBOR/LIBOR plus a market spread, and most of them mature at one year, or annually with automatic renewals up to a maximum of three years.

All the above financing lines have a personal guarantee attached.

This bank financing accrued interest during 2018 of approximately euros 1,280 thousand, which the Group recognised under "Finance expenses" in the accompanying consolidated statement of profit and loss (approximately euros 3,026 thousand in 2017).

At 31 December 2018 and 2017, the Elecnor Group does not have any significant bank borrowings bearing interest at fixed rates, except for the hedging instruments described in note 15.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Elecnor Group uses derivative financial instruments to cover the risks to which its business activities, operations and future cash flows are exposed as a result of exchange rate and interest rate fluctuations, which affect the Group's results. Details of the balances reflecting the measurement of derivatives at 31 December 2018 and 2017 are as follows:

	thousands of euros							
	2018				2017			
	Non-current assets (Note 11)	Current assets	Non-current liabilities (Note 14)	Current liabilities (Note 14)	Non-current assets (Note 11)	Current assets	Non-current liabilities (Note 14)	Current liabilities (Note 14)
INTEREST RATE HEDGES								
Cash flow hedges:								
Interest rate swap	109	-	7,626	2,159	1,036	-	9,077	1,140
EXCHANGE RATE HEDGES								
Cash flow hedges:								
Exchange rate insurance	-	871	3,787	681	-	4,031	-	-
ENERGY PRICE HEDGES	-	-	-	3,729	-	-	-	-
	109	871	11,413	6,569	1,036	4,031	9,077	1,140

Exchange rate-

The Elecnor Group uses exchange rate hedges basically to mitigate the possible adverse effect of exchange rate fluctuations on future cash flows relating to two types of transactions:

- Payments relating to works and supply agreements denominated in a currency other than the functional currency.
- Receipts relating to works agreements denominated in a currency other than the functional currency.

At 31 December 2018 and 2017, the total nominal amount of the items for which exchange rate hedges had been arranged was as follows:

Currencies	31/12/2018	31/12/2017
thousands of US Dollars	7,019	3,203
thousands of AUD Dollars	-	157,010
thousands of Chilean Pesos	65,187,988	12,660,875
thousands of Pounds Sterling	-	297
thousands of Euros	4,893	-

Of the nominal total hedged at 31 December 2018:

- euros 4,893 thousand corresponds to sales insurance in Australian dollars to cover future payments to suppliers in US dollars and euros (euros 87,249 thousand in 2017),
- euros 84,025 thousand corresponds to purchases of Chilean Pesos against dollars to cover the risk of payments to suppliers in Chilean pesos (euros 16,259 thousand in 2017),
- euros 6,220 thousand corresponds to sale transactions in US dollars to cover payments received in that currency (euros 18,440 thousand in 2017),

The equivalent Euro value of the nominal amount under exchange rate hedges at 31 December 2018 was approximately euros 95,138 thousand (approximately euros 127,788 thousand in 2017).

The expiration of these exchange rate hedges is expected to coincide with the forecast flow of the payments and receipts being hedged. The risk of changes in the estimated cash flows is very low.

Interest rate-

The Elecnor Group uses interest rate hedging instruments in accordance with its risk management policy. The purpose of these transactions is to mitigate the effect that changes in interest rates could have on future cash flows from certain loans and credit facilities pegged to floating interest rates, associated with the corporate financing obtained by the Parent and project financing. At 31 December 2018 the total nominal value of the liabilities hedged by interest rate hedges amounted to euros 339,265 thousand (euros 324,621 thousand in 2017).

Details of the maturities of the contractual cash flows of the derivative financial instruments at 31 December 2018 and 2017 are as follows:

	31/12/2018					
	thousands of euros					
	Maturity					
	2019	2020	2021	2022	2023 and thereafter	Total
Exchange rate hedge:						
USD sales (*)	7,019	-	-	-	-	7,019
Chilean Peso purchases (*)	7,743,919	24,537,131	32,906,939	-	-	65,187,989
Euro purchases	4,893	-	-	-	-	4,893
Interest rate hedges	1,119	593	504	229	93	2,538
Cross-currency swap:						
Flow in USD (*)	11,600	-	-	-	-	11,600

(*) Figures expressed in the pertinent currency.

	31/12/2017					
	thousands of euros					
	Maturity					
	2018	2019	2020	2021	2022 and thereafter	Total
Exchange rate hedge:						
AUD sales (*)	134,367	-	-	-	-	134,367
USD sales (*)	20,396	-	-	-	-	20,396
GBP purchases (*)	177	120	-	-	-	297
Chilean Peso purchases (*)	10,706,825	1,954,050	-	-	-	12,660,875
Interest rate hedges	850	770	690	250	1,107	3,667
Cross-currency swap:						
Flow in GBP (*)	4,500	-	-	-	-	4,500
Flow in USD (*)	42,500	-	-	-	-	42,500

(*) Figures expressed in the pertinent currency.

The nominal amounts of the various derivative financial instruments described above, excluding exchange rate hedges, mature as follows:

	31/12/2018 thousands of euros Maturity					
	2019	2020	2021	2022	2023 and thereafter	Total
Interest rate hedges	48,146	54,294	71,585	17,118	148,122	339,265

	31/12/2017 thousands of euros Maturity					
	2018	2019	2020	2021	2022 and thereafter	Total
Interest rate hedges	2,077	37,028	46,852	81,951	156,713	324,621

The nominal amount of the interest rate swaps is, at most, equal to or lower than that of the outstanding principals of the hedged loans and their maturity and settlement dates are the same as those of the loans that are being hedged.

Neither in the case of exchange rate hedges or interest rate hedges did any circumstances arise in 2018 or 2017 that required changing the hedge accounting policy initially adopted for recognising the derivatives. In 2018 and 2017 the Elecnor Group did not have any derivatives that do not qualify for hedge accounting.

Adjustments-

The market value of the different financial derivatives is calculated as follows:

- For derivatives quoted on an organised market, their quoted value at year end.
- For derivatives not traded on an organised market, the Elecnor Group uses measurements provided by financial institutions, assumptions based on year-end market conditions. Specifically, the market value of interest rate swaps is calculated by discounting the difference between the swap rates at a market interest rate, and the market value of future exchange rate contracts is determined by discounting the estimated future cash flows using the future exchange rates at year end.

This procedure is also used to determine the market value of loans and receivables arising from cross currency swaps, through which the Group and the related bank exchange the flows from a loan in euros for the flows from another loan in Dollars (Canadian/US) or pounds. Any resulting differences are settled on maturity. At year end, the Group translates the loan into US Dollars (plus the accrued interest) at the closing exchange rate and compares it with the loan in euros (plus the accrued interest), and the net value (i.e. the difference) is recognised under other current or non-current assets or financial debt, depending on whether the difference is positive or negative and on the maturity thereof, giving rise to a balancing entry under exchange gains or losses.

Details of cross-currency swaps at 31 December 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Notional amount in foreign currency (USD)	11,600	42,500
Notional amount in foreign currency (GBP)		4,500
Equivalent value in euros	10,279	41,098
Fair value at the reporting date	(510)	291

Swaps in force at 31 December 2018 came into effect on 20 and 21 December 2018, and all expired in January 2019.

Swaps in force at 31 December 2017 came into effect on 28, 29 and 30 December 2017, and all expired in January 2018.

Given that these financial instruments were not designated as hedges, at each reporting date the Group recognises the changes in their fair values directly in the consolidated income statement.

16. PROVISIONS

The breakdown of provisions for liabilities and charges, and their classification as current or non-current at 31 December 2018 and 2017, is as follows:

	thousands of euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Litigation and liabilities	14,418	26,353	13,959	24,831
Decommissioning	15,415	206	16,286	-
Other	161	41,470	473	24,161
Total	29,994	68,029	30,718	48,992

Details of Provisions for liabilities and charges" in the accompanying consolidated statement of financial position, and movement in 2018 and 2017, are as follows:

	thousands of euros			
	Litigation and liabilities	Decommissioning	Other	Total
Balance at 31 December 2016	38,079	4,966	6,476	49,521
Provisions charged to profit and loss (Note 21)	6,427	11,651	17,075	35,153
Reclassification	(59)	-	2,892	2,833
Translation differences	(1,200)	(331)	(31)	(1,562)
Application	(3,057)	-	(1,734)	(4,791)
Reversals (Note 21)	(1,400)	-	(44)	(1,444)
Balance at 31 December 2017	38,790	16,286	24,634	79,710
Provisions charged to profit and loss (Note 21)	16,255	91	25,309	41,655
Reclassification	2,079	455	2,681	5,215
Translation differences	(985)	(9)	6	(988)
Application	(10,812)	-	(9,502)	(20,314)
Reversals (Note 21)	(4,556)	(1,202)	(1,497)	(7,255)
Balance at 31 December 2018	40,771	15,621	41,631	98,023

The Group estimates the amount of the liabilities arising from litigation and similar events. With the exception of certain liabilities in which it can be estimated that the outflows will be in the short term, the Group cannot reliably estimate the precise timing of the outflows and, accordingly, does not include the updating effect.

Due to the nature of its activities, the Group is exposed to a number of claims and lawsuits. Provisions for litigation and liabilities in the foregoing table reflect the Group's best estimate of potential penalties and other contingencies that could arise from the execution of various projects mainly carried out abroad. The directors estimated that the provision recognised reasonably covers the payments that are likely to arise in the future as a result of past events.

At 31 December 2018 and 2017, decommissioning provisions include a provision for the Group's Canadian wind farm and the provision for decommissioning Elecnor Perú, S.A.C. relating to the estimated costs needed to restore the land and roadways affected by the construction of Southern Peruvian Gas Pipeline.

17. ADVANCES FROM CUSTOMERS AND ADVANCE INVOICES

At 31 December 2018, this heading of the consolidated statement of financial position corresponds entirely to customer advances (prepaid invoices of euros 332,313 thousand and customer advances of euros 39,129 thousand at 31 December 2017).

At 31 December 2018, the amount corresponding to prepaid invoices is recognised under "Customer contract liabilities" in the consolidated statement of financial position.

Advance invoices comprise invoices on account issued in accordance with the timing conditions specified in the agreements for works currently in progress.

Advances from customers basically reflect payments made in advance by customers prior to the start of the related contracts. These advances are discounted from invoices issued during the execution of the contracts.

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Details of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated statement of financial position, and movement in 2018 and 2017, are as follows:

	31/12/2016	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	31/12/2017	Transfers	Taken to the income statement	Taken to the assets and liabilities valuation reserve	Translation differences	Other (*)	31/12/2018
Deferred tax assets:												
Measurement of derivative financial instruments (Note 15)	9,403	25	(5,236)	(1,497)	(291)	2,404	105	32	2,220	(35)	-	4,726
Property, plant and equipment and intangible assets	9,719	(37)	(1,270)	-	6	8,418	253	558	-	(1)	-	9,228
Tax credits	23,118	2,726	(1,517)	-	(1,703)	22,624	19	10,737	-	(620)	(460)	32,300
Available deductions and credits	5,463	432	1,132	-	(301)	6,726	(385)	2,270	-	(290)	-	8,321
Losses in external branches	8,365	-	(8,029)	-	-	336	-	(354)	-	-	-	(18)
Non-deductible provisions (Note 16)	23,378	(450)	10,493	-	(874)	32,547	(540)	4,147	-	(480)	1,282	36,956
Other deferred tax assets	18,981	(2,803)	18,319	-	(1,352)	33,145	(8,664)	(17,881)	-	(736)	4,821	10,685
	98,427	(107)	13,892	(1,497)	(4,515)	106,200	(9,212)	(491)	2,220	(2,162)	5,643	102,198
Deferred tax liabilities:												
Property, plant and equipment	35,201	(25)	167	-	(2,253)	33,090	(2)	1,635	(145)	(497)	-	34,081
Goodwill	2,244	-	301	-	-	2,545	-	(772)	-	-	-	1,773
Measurement of derivative financial instruments (Note 15)	149	-	-	1,035	(47)	1,137	-	-	(804)	(5)	-	328
Other deferred tax liabilities	49,790	25	6,885	-	(5,722)	50,978	(5,584)	4,028	399	(4,600)	-	45,221
	87,384	-	7,353	1,035	(8,022)	87,750	(5,586)	4,891	(550)	(5,102)	-	81,403

(*) Corresponding mainly to the tax effect of equity adjustments due to the application of IFRS 15 and IFRS 9.

Deferred tax assets and liabilities that are expected to be realised or reversed in periods of less than 12 months are not significant.

Deferred tax assets and liabilities: property, plant and equipment and intangible assets, in the foregoing table mainly reflect taxable temporary differences arising from differences between the carrying amount of certain property, plant and equipment and intangible assets and their tax base, as well as the timing differences derived from the depreciation and amortisation of these non-current assets for accounting and tax purposes (see notes 8 and 9).

Deferred tax assets: tax credits and available deductions and credits, in the foregoing table, include, respectively, unused tax loss carryforwards and available deductions of various Group companies, which have been capitalised as the Parent's directors consider that they will be recovered against estimated profits in the coming years.

Deferred tax assets: non-deductible provisions, in the above table mainly include the tax impact of adjustments to accounting profit/loss as a consequence of various provisions that were not considered deductible when they were recognised (see notes 12 and 16).

Other deferred tax assets and liabilities in the above table mainly include the tax effect of various income and expense items whose tax impact does not coincide with the date of their recognition for accounting purposes, as well as taxable temporary differences arising from differences between the carrying amount of certain assets and their tax base, mainly financial assets (see note 11). Moreover, in 2017 the deferred tax asset relating to the adjustment for the effect of correcting revenue in connection with a project being executed in Venezuela was included under this heading in accordance with the criteria described in Note 12, applied in estimated corporate income tax for 2018.

At 31 December 2018 and 2017, the tax credits for capitalised tax loss carryforwards and the deferred tax assets and liabilities by entity/subgroup are as follows:

	2018		
	thousands of euros		
	Tax credits	Deferred tax assets	Deferred tax liabilities
Elecnor, S.A.	15,655	42,861	3,878
Aplicaciones Técnicas de la Energía, S.A.	3,421	4,487	61
Celeo subgroup	1,818	9,927	60,704
Enerfín subgroup	8,441	19,165	12,377
Audeca, S.L.U.	-	-	3,228
Elecnor do Brasil, Ltda	429	4,166	-
IQA Operations Group, Ltd	-	-	-
Elecnor Chile, S.A.	2,272	10,915	-
Other	264	10,677	1,155
Total	32,300	102,198	81,403

	2017		
	thousands of euros		
	Tax credits	Deferred tax assets	Deferred tax liabilities
Elecnor, S.A.	1,641	40,830	3,714
Aplicaciones Técnicas de la Energía, S.A.	3,476	4,671	-
Celeo subgroup	2,280	18,959	58,713
Enerfín subgroup	7,282	18,228	20,512
Audeca, S.L.U.	-	139	3,697
Elecnor do Brasil, Ltda	3,374	5,644	-
IQA Operations Group, Ltd	-	698	-
Elecnor Chile, S.A.	4,152	13,243	-
Other	419	3,788	1,115
Total	22,624	106,200	87,750

Details of the amounts and expiry years of uncapitalised tax loss carryforwards of the most significant entities/tax groups at 31 December 2018 and 2017 are as follows: (in thousands of euros)

2018	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes, S.L.U.	4,147	Unlimited
Celeo Concesiones e Inversiones, S.L.U.	1,442	Unlimited
Aplicaciones Técnicas de la Energía, S.A.	3,128	Unlimited
Elecnor do Brasil, Ltda	-	Unlimited
Montelecnor, S.A.	14,806	2020 - 2021
Elecnor Argentina, S.A.	-	2019 - 2021
IQA Operations Group, Ltd	6,802	Unlimited
Elecnor Inc	38,761	Unlimited
	69,086	

From this year onwards, the subsidiary Belco has been fiscally consolidated with Elecnor Inc.

2017	Unused, uncapitalised tax loss carryforwards	Expiry year
Celeo Redes, S.L.U.	3,964	Unlimited
Celeo Concesiones e Inversiones, S.L.U.	2,643	Unlimited
Aplicaciones Técnicas de la Energía, S.A.	3,381	Unlimited
Elecnor do Brasil, Ltda	-	Unlimited
Montelecnor, S.A.	15,896	2020 - 2021
Elecnor Argentina, S.A.	1,760	2019 - 2021
IQA Operations Group, Ltd	6,150	Unlimited
Elecnor Inc	40,815	Unlimited
	74,609	

19. INCOME TAX

The Elecnor Group's Spanish companies have the following years open to inspection by the tax authorities in respect of the main taxes applicable to them:

Tax	Years open to inspection
Corporate Income Tax (*)	2014 – 2017
Value Added Tax	2015 – 2018
Personal Income Tax	2015 – 2018
Social security	2015 – 2018
Capital Gains Tax	2015 – 2018
Non-residents	2015 – 2018

(*) The deadline for filing corporate tax returns is 25 calendar days after the six months subsequent to conclusion of the tax periods, so corporate tax corresponding to 2018 will not be open to inspection until 25 July 2019.

Inspections conducted by the Tax Authority's Large Taxpayers Division at the Parent Company, and commenced by notification on 1 July 2016, concluded in 2018.

Said inspections encompassed the following taxes and periods:

- Corporate Tax for the tax periods 2011 to 2013,
- Value Added Tax for the tax periods 06/2012 to 12/2014,
- Withholdings and payments on account for earnings for personal work and professional activities for the tax periods 06/2012 to 12/2014,
- Withholdings and payments on account for capital gains for the periods 06/2012 to 12/2014,
- Withholdings and payments on account for real estate earnings for the tax periods 06/2012 to 12/2014,
- Withholdings on account for non-residents tax for the tax periods 06/2012 to 12/2014,

The inspections concluded in 2018 and the Group signed statements of conformity for a total payment in euros 10,915 thousand in tax, late payment interest and, where applicable, fines, the expense of which is recognised in the accompanying consolidated income statement; it also signed statements of disconformity whose settlement implies a payment obligation totalling euros 14,208 thousand.

Against the settlement agreements deriving from the disconformity statements, the Parent Company filed economic-administrative appeals on 28 December 2018 before the Central Economic-Administrative Court which, the payment obligation having been suspended while the proceedings are completed, are pending administrative processing on the date of authorising these annual accounts for issue, the records of the proceedings not yet having been made available or the procedure for presenting arguments yet arranged by the Central Economic-Administrative Court.

In view of this situation, the directors of the Parent Company, in cooperation with their tax advisers, consider that, while there are relevant arguments underpinning the parent company's position, based on a prudential criterion, it is advisable to make provision in this year for part of the amounts claimed in the settlement agreements appealed, in connection with interpretative discrepancies concerning related-party transactions, as they consider a portion of the arguments presented by the inspection in this regard might be accepted by the administrative review bodies or by the courts.

Other than those mentioned, the Group does not have any other inspection processes currently ongoing.

However, the Administration's entitlement to verify or investigate tax loss carryforwards offset or pending offsetting, deductions for double taxation and deductions to encourage certain activities applied or pending application prescribes after 10 year from the day after the end of the established period for filing the tax return or self-assessment for the tax period in which the Company's entitlement to offsetting or application was generated. Once that period has elapsed, the Group must accredit tax losses or deductions by presenting the settlement or self-assessment and the accounts, and also evidencing that they have been filed during the aforementioned period in the Companies Register.

Details of the income tax expense accrued in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Consolidated profit before income tax	**169,036**	**131,349**
Non-deductible expenses	5,339	8,473
Non-taxable income (**)	(14,722)	(78,677)
Net profit of equity-accounted investees (Note 10)	3,831	(587)
Other	(1,208)	585
Uncapitalised tax credits applied	(7,664)	(6,364)
Uncapitalised tax loss carryforwards (***)	24,853	33,381
Adjusted accounting profit	**179,465**	**88,160**
Gross tax calculated at the tax rate in force in each country (*)	56,762	31,167
Tax deductions for incentives and other	(782)	(728)
Adjustment to prior year's income tax expense	1,643	(523)
Capitalisation of tax loss carryforwards	-	(2,204)
Effect of tax rate changes on deferred taxes	270	(1,897)
Impairment of tax credits capitalised in prior years	-	8,532
Other adjustments	(807)	1,157
Income tax expense	57,086	35,504

(*) The fully consolidated foreign subsidiaries and branches calculate the income tax expense and the amount due in respect of the various other applicable taxes in accordance with the prevailing tax rates and legislation in their respective countries.

(**) Non-taxable income in 2018 and 2017 mainly reflected adjustments to the accounting profit for income from the sale of investments which are exempt from taxation (see notes 2.f).

(***) In 2018 corresponds mainly to the companies Proyectos Eléctricos Agua Prieta, SAPI de CV (euros 5.4 million), IQA Operations Group, Ltd (euros 1.3 million), Celeo Redes Brasil, S.A. (euros 5.9 million) and the Enerfín sub-group (euros 5.4 million); in 2017, Belco Elecnor Electric, INC (euros 4.5 million), IQA Operations Group, Ltd (euros 2.8 million), Celeo Redes Brasil, S.A. (euros 5.9 million) and Elecnor Perú, S.A. (euros 10 million).

Corporate Income Tax Law 27/2014 of 27 November 2014, passed on 28 November 2014, completely reformed the previous legislation governing income tax and came into force for tax periods beginning on or after 1 January 2015. This law introduces a number of legislative changes, including the non-tax-deductibility of portfolio impairment losses, the exemption to avoid double taxation on dividends and income from the transfer of the securities making up the share capital of resident and non-resident entities in Spain, and a change in the general rate of income tax, which has gone from 28% in 2015 to 25% from 2016 onwards.

Details of the main components of the income tax expense accrued in 2018 and 2017 were as follows:

	thousands of euros	
	2018	2017
Current tax		
Present year	56,511	41,410
Prior year adjustments	1,643	(523)
Other adjustments	(807)	1,157
Deferred tax		
Amount of the deferred tax expense/income relating to the origination and reversal of temporary differences	(261)	(6,539)
Income tax expense	57,086	35,505

Details of the amounts and expiry years of deductible temporary differences, tax losses or credits for which deferred tax assets have not been recognised in the consolidated statements of financial position at 31 December 2018 and 2017, are as follows (in thousands of euros):

Unused tax loss carryforwards	31/12/2018
Expiry year:	
2019	11
2020	4,780
2021	10,134
2022	1,130
2023	645
2026	142
2027	111
Unlimited	62,386
Total	79,339

Unused tax loss carryforwards	31/12/2017
Expiry year:	
2019	1,914
2020	8,273
2021	11,153
2022	830
2023	213
2026	142
Unlimited	65,134
Total	87,659

Unused tax credits for deductions and other items	31/12/2018
Expiry year:	
2027	622
2028	890
2029	451
2030	124
2031	141
Unlimited	2,278
Total	4,506

Unused tax credits for deductions and other items	31/12/2017
Expiry year:	
2018	141
2027	622
2028	890
2029	451
2030	124
2031	141
Unlimited	2,146
Total	4,515

The unused tax loss carryforwards and tax credits for deductions and other items described above were generated by various companies in the Elecnor Group and their future recoverability is conditional upon these companies' ability to generate sufficient taxable profits.

Due to the treatment permitted by prevailing fiscal legislation, additional tax liabilities that cannot be objectively quantified could arise in the event of inspection. However, the Parent's directors consider that the possibility of such contingent liabilities arising during future tax inspections of Group companies is remote and that, in any case, the tax liability that could result therefrom would not materially affect the consolidated annual accounts of the Elecnor Group.

20. GUARANTEE COMMITMENTS WITH THIRD PARTIES AND CONTINGENCIES

Guarantee commitments with third parties-

At 31 December 2018 and 2017, details of the risk exposure relating to bank guarantees received and other bid, completion and performance bonds, extended mainly by the Parent, are as follows:

	thousands of euros	
	2018	2017
Completion bonds	570,845	596,037
Advances on contracts:		
Current	175,649	196,839
To be cancelled	69	67,304
Performance bonds	190,176	329,450
Bid bonds	52,899	60,356
Other	31,385	71,325
Total	1,021,023	1,321,311

At 31 December 2017, the Parent Company provided guarantees of euros 64 million to the customer Bungala in two different lines; these being the largest among its guarantees. At 31 December 2018 there was no individually significant guarantee.

The remaining amount of the guarantees at 31 December 2018 and 2017 consists of a number of guarantees of insignificant individual amounts, all of which relate to the Group's normal activity.

The Parent's directors consider that any liabilities that might arise from the bank guarantees provided would not give rise to significant losses in the accompanying consolidated financial statements.

Contingencies-

On 31 May 2017, Spain's competition watchdog (CNMC) notified the Parent Company that it was opening disciplinary proceedings against it and another 15 companies, for a potential infringement in the sphere of the construction and maintenance of electrification systems and electromechanical equipment in railway lines, issuing its Proposed Resolution on 31 August 2018, which included a proposed fine of euros 24.7 million. On 2 October 2018, the Parent Company presented its arguments, requesting that the fine be cancelled. These proceedings are currently pending a formal resolution from the CNMC, which must be issued by 19 March 2019. Under these circumstances, based on the information available at the time of authorising these consolidated annual accounts for issue and on the opinions of the Parent Company's legal advisers, the Parent Company's directors consider that there are solid grounds to contest the CNMC's inspection, estimating that it will not be necessary to make any payment and, accordingly, no provision was allocated in this connection.

21. INCOME AND EXPENSES

Net sales-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Construction contracts and services rendered	2,118,034	2,172,046
Sale of goods and energy	155,023	144,740
Total	2,273,057	2,316,786

The breakdown of the Group's turnover in 2018 and 2017, by both geographic areas and products, is as follows:

	thousands of euros	
By geographical area	2018	2017
Domestic	985,681	938,520
International	1,287,376	1,378,266
Total	2,273,057	2,316,786
By line of business		
Electricity	768,021	758,149
Power generation	629,956	682,961
Telecommunications and space	252,914	254,975
Construction, environment and water	169,725	189,666
Maintenance	160,396	151,757
Facilities	165,821	132,145
Gas	102,594	107,805
Railways	23,630	39,328
Total	2,273,057	2,316,786

Materials consumed-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Purchases of raw materials and other supplies	1,076,342	1,130,800
Work carried out by other companies	14,773	15,202
Change in goods for resale, raw materials and other inventories	1,105	2,652
Total	1,092,220	1,148,654

Other operating expenses-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Leases	67,155	57,412
Repairs and maintenance	20,958	27,918
Independent professional services	90,662	82,953
Transportation	6,842	16,585
Insurance premiums	11,066	10,014
Banking services	8,857	9,112
Advertising and publicity	1,891	1,815
Utilities	30,959	35,908
Taxes	41,291	39,487
Other expenses	89,056	75,384
Total	368,737	356,588

Personnel expenses-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Salaries and wages	463,309	468,040
Termination benefits	5,779	12,276
Social Security payable by the Company	98,560	92,828
Other employee benefits expenses	41,908	46,910
Total	609,556	620,054

At 31 December 2017, euros 7,831 thousand was pending payment from the previous de termination benefits, and was paid in 2018.

Furthermore, at 31 December 2018, the heading "Other non-current liabilities" includes approximately euros 20 million in remuneration pending payment (euros 21 million at 31 December 2017).

Depreciation, amortisation and provisions-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Provisions for depreciation of property, plant and equipment (Note 9)	62,478	61,083
Amortisation of intangible assets (Note 8)	6,464	6,032
Changes in provisions for liabilities and charges (Note 16)	34,400	18,288
Change in impairment of receivables (Note 12)	22,491	4,571
Impairment of goodwill (Note 7)	-	2,899
Other	(13,821)	1,002
Total	112,012	93,875

The heading "Other" at 31 December 2018 corresponds mainly to the application of provisions the Group recognises against this heading, taking expenses for provisioned payments at 31 December 2017 by their type in the accompanying consolidated income statement.

Finance income-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Income from other marketable securities and loans to third parties	3,382	14,741
Other interest and similar income (notes 11 & 12)	105,301	65,851
Total	108,683	80,592

During 2018 the Group capitalised interest of euros 2.2 million directly as higher asset value (euros 11.7 million in 2017), comprising a capitalisation rate of approximately 6% in both years.

Finance costs-

Details of this item in 2018 and 2017 are as follows:

	thousands of euros	
	2018	2017
Finance expenses from issuing bonds and other marketable securities	29,115	19,565
Finance costs on loans and borrowings (*)	60,123	68,051
Other finance costs	9,708	3,815
	98,946	91,431

(*) Arising mainly from project finance arrangements for wind farms, concession operators, Elecnor, S.A.'s syndicated loans and interest rate swaps (see notes 14 and 15).

Finance expenses derive practically entirely from the application of the effective interest rate method to financial liabilities in the category of financial liabilities at amortised cost.

22. INTERESTS IN JOINT VENTURES

In 2018 and 2017 the balance sheets and income statements of joint ventures (known in Spain as UTEs) in which Elecnor, S.A. or its subsidiaries hold interests were proportionately consolidated in the accompanying consolidated annual financial statements, in accordance with IAS 31.

Details of UTEs and the Group's percentage ownership therein at 31 December 2018 and 2017, the amount of revenues from construction work performed in 2018 and 2017 and the order book at year end are included in Appendix II to these consolidated annual accounts.

The contribution of UTEs to the various items in the accompanying consolidated statements of financial position and of profit and loss at 31 December 2018 and 2017 are as follows:

ASSETS	thousands of euros		LIABILITIES	thousands of euros	
	2018	2017		2018	2017
Intangible assets	-	35	Profit for the year	12,623	24,287
Property, plant and equipment	2,720	3,219	Loans and borrowings	937	-
Financial assets	152	28	Non-current payables	42	7,459
Inventories	10,491	7,264	Current trade payables	98,972	143,519
Trade receivables	58,320	105,111			
Current investments	(982)	3,018			
Cash	41,578	53,210			
Prepayments	295	3,380			
Total	112,574	175,265	Total	112,574	175,265

	thousands of euros	
Income statement	2018	2017
Revenues	148,524	250,397
Increase in inventories of finished goods and work in progress	(24)	-
Supplies	(100,782)	(183,999)
Non-trading income	3,005	(342)
Personnel expenses	(12,285)	(12,454)
External services	(18,095)	(18,841)
Taxes	(2,060)	(2,215)
Losses, impairment and changes in trade provisions	(962)	(1,222)
Other operating expenses	(750)	(144)
Depreciation and amortisation	(1,282)	(645)
Impairment and gains/(losses) on disposal of fixed assets	59	26
Excess provisions	2	2
Finance income	1,034	477
Finance costs	(6,405)	(4,144)
Exchange gains/(losses)	3,897	499
Foreign taxes	(1,253)	(3,108)
Total	12,623	24,287

23. ORDER BOOK

Details, by line of business, of the Parent's order backlog at 31 December 2018 and 2017, excluding UTEs (see note 22), are as follows:

	thousands of euros	
By geographical area	2018	2017
Domestic	363,388	319,310
International	922,596	1,167,944
Total	1,285,984	1,487,254

By line of business		
Electricity	488,849	313,103
Power generation	442,738	892,920
Telecommunications and space	129,509	76,905
Construction, environment and water	48,778	36,035
Maintenance	40,671	44,622
Facilities	29,457	15,502
Gas	30,701	35,168
Railways	75,281	72,999
Total	1,285,984	1,487,254

At 31 December 2018 the order backlog of subsidiaries amounts to euros 943,041 thousand (euros 673,455 thousand in 2017) and mainly comprises work for companies in the electricity sector.

24. AVERAGE SUPPLIER PAYMENT PERIOD. FINAL PROVISION TWO OF LAW 31/2014 OF 3 DECEMBER 2014

Information on deferred payments to suppliers by consolidated Spanish companies is as follows:

	2018	2017
	Days	
Average supplier payment period	64	61
Transactions paid ratio	71	66
Transactions payable ratio	43	42
	Expressed in thousands of euros	
Total payments made	802,457	811,700
Total payments outstanding	210,708	195,010

The payments to suppliers reflected in the above table are trade payables as they relate to goods and services. They therefore include "Trade and other payables - trade payables for purchases or services".

25. INFORMATION ON EMPLOYEES

The average headcount, by professional category (not including joint ventures), in 2018 and 2017 was as follows:

	Average headcount	
Professional category	2018	2017
Management	153	158
Executive	906	941
Technician	2,258	2,343
Base	10,264	10,653
Total	13,581	14,095

Of the Group's average headcount in 2018, a total of 5,866 employees had temporary employment contracts (6,219 employees in 2017).

Moreover, the breakdown by gender at the end of 2018 and 2017, specified by category, of staff and directors, not including joint ventures, is as follows:

	31/12/2018		31/12/2017	
Professional category	Male	Female	Male	Female
Directors	13	2	13	1
Management	136	20	127	20
Executive	689	238	644	244
Technician	1,409	900	1,318	922
Base	10,044	453	9,403	466
Total	12,291	1,613	11,505	1,653

The average number of employees at the Parent with a disability equal to or greater than 33%, by category, is as follows:

Professional category	2018	2017
Executive	6	4
Technician	5	7
Base	32	29
Total	43	40

At the 2018 year end Elecnor, S.A. had a headcount of 7,981 employees in Spain (7,347 in 2017), 43 of whom were disabled, representing 0.54% of the workforce in Spain. Elecnor, S.A. has been granted exemption from this requirement through the adoption of alternative measures. Certified purchases made from Special Employment Centres amounted to euros 2,539 thousand in 2018, which is equivalent to hiring an additional 1.93% of disabled employees. This would result in a total of 2.47%, thereby exceeding the mandatory quota (2%).

26. RELATED PARTY BALANCES AND TRANSACTIONS

26.1. Related party balances and transactions of the Group

Related party transactions have been carried out at arm's length. Transactions carried out by the Group with investees that are not fully or proportionately consolidated and with other non-consolidated companies during 2018 and 2017 are as follows:

2018

	thousands of euros	
	Sales and other operating income	Finance income
Equity-accounted investees:		
Dioxipe Solar, S.L.	5,416	-
Aries Solar Termoeléctrica, S.L.	9,882	-
Gasoducto de Morelos, SAPI de CV	597	2,605
Morelos EPC, SAPI de CV	6,751	-
Total	22,646	2,605

2017

	thousands of euros	
	Sales and other operating income	Finance income
Equity-accounted investees:		
Dioxipe Solar, S.L.	5,011	-
Aries Solar Termoeléctrica, S.L.	9,600	-
Gasoducto de Morelos, SAPI de CV	502	1,649
Morelos EPC, SAPI de CV	1,573	3,583
Total	16,686	5,232

At 31 December 2018 and 2017, balances receivable from and payable to investees that are not fully or proportionately consolidated and other non-consolidated companies, deriving from the above transactions, are as follows:

	thousands of euros					
	2018			2017		
	Receivables		Payables	Receivables		Payables
	Other investments (Note 11)	Trade receivables from related companies	Trade payables to associates and related companies	Other investments (Note 11)	Trade receivables from related companies	Trade payables to associates and related companies
Equity-accounted investees:						
Cosemel Ingeniería, A.I.E.	-	-	5	-	-	5
Dioxipe Solar, S.L.	-	3,923	-	-	7,573	-
Aries Solar Termoeléctrica, S.L.	138	2,210	-	131	2,227	-
Gasoducto Morelos S.A.P.I. de CV	16,176	152	20	29,655	2,173	-
Brilhante Transmisora de Energía, S.A.	-	-	-	-	-	-
Morelos EPC, SAPI de CV	-	-	-	-	361	(37)
Jaurá Transmisora de Energía, S.A.	-	-	-		212	
Morelos O&M	-	58	-	-	53	-
Other companies:						
Centro Logístico Huerta del Peñón, S.L.	-	-	-	-	-	-
Enertel, S.A.	-	-	-	-	45	1
Cantiles XXI, S.L. (Note 5)	-	-	-	-	-	2,499
Other	-	6	9	-	1	6
	16,314	6,349	34	29,786	12,645	2,474

In 2013, Elecnor, S.A. completed construction of solar-thermal plants for Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. At 31 December 2018 and 2017 no amounts remained pending payment to Elecnor, S.A. by these companies pursuant to construction contracts. All amounts pending from both companies at the end of both years relate to maintenance service contracts.

At 31 December 2018 Bestinver Gestión, S.A., S.G.I.I.C. has a significant investment in Elecnor, S.A., the Parent of the Elecnor Group. No transactions have been carried out with this company during the year and there were no balances receivable or payable at 31 December 2018.

26.2. Remuneration of the board of directors

a) Remuneration and other benefits-

In 2018 the members of the Parent's Board of Directors received remuneration amounting to euros 4,937 thousand (euros 6,971 thousand in 2017). This remuneration includes that earned in their capacity as management personnel.

The Parent has paid approximately euros 4,1 thousand for life insurance arranged for former or current members of its Board of Directors (euros 4 thousand in 2017).

At 31 December 2018 and 2017, the Parent does not have any pension obligations with former or current members of the board of directors nor has it extended any guarantees on their behalf or granted any loans thereto.

At 31 December 2018, the Board of Directors of the Parent Company comprises 15 members, two of whom are women (14 members, one of whom a woman in 2017).

At 31 December 2018 and 2017 the amount paid by the Parent Company with regard to public liability insurance for all or some of the directors in relation to damage caused due to acts or omissions in discharging their duties was not significant.

b) Conflicts of interest concerning the directors-

The members of the board of directors of Elecnor, S.A. and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

c) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors-

In 2018 and 2017 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

26.3. Remuneration of senior management

Senior management duties are performed primarily by the Parent company's Managing Director.

27. AUDIT FEES

The auditor (KPMG Auditores, S.L.) of the Group's annual financial statements invoiced the following net fees for professional services at 31 December 2018 and 2017:

	thousands of euros	
Description	2018	2017
For audit services	269	276
For other accounting verification services	115	106
Total	384	382

The above amount includes all fees relating to services provided in 2018 and 2017, regardless of when they were invoiced.

Other accounting verification services refer to the limited review of interim financial statements and procedural reports on the compliance with covenants and procedures in regard to ICSFR, provided by KPMG Auditores, S.L. to Elecnor and the companies it controls in the year ended 31 December 2018 and 2017.

Moreover, other affiliates of KPMG International invoiced the Group in the years ended on 31 December 2018 and 2017 for net fees relating to professional services, as follows:

	thousands of euros	
Description	2018	2017
For audit services	381	429
For other accounting verification services	45	126
For tax advisory services	69	35
For other services	2,436	1,080
Total	2,931	1,670

Other auditors also invoiced the Group in the years ended on 31 December 2018 and 2017 for net fees relating to professional services, as follows:

	thousands of euros	
Description	2018	2017
Audit services	579	509
For other accounting verification services	32	-
Tax advisory services	678	373
Other services	270	207
Total	1,559	1,098

28. EARNINGS PER SHARE

Details of basic earnings per share in 2018 and 2017 are as follows:

	2018	2017
Attributable net profit (thousands of euros)	74,263	71,227
Total number of shares outstanding	87,000,000	87,000,000
Less, own shares (Note 13-d)	(2,336,496)	(2,310,650)
Weighted average number of shares outstanding	84,663,504	84,689,350
Basic earnings per share (euros)	0.88	0.84

At 31 December 2018 and 2017 Elecnor, S.A., the Parent of the Elecnor Group, has not issued any financial instruments or other contracts entitling the holder to receive ordinary shares from the Company, and therefore diluted earnings per share coincide with basic earnings per share.

29. ENVIRONMENTAL INFORMATION

Respect for the environment and sustainability are an integral part of Elecnor's core values and culture. The Company is committed to protecting the environment and fostering efficiency in the consumption of energy resources. Elecnor's Environmental Management System defines a procedure to identify, assess and record the environmental aspects originating in the company's activities in order to determine which are significant and apply the most efficient corrective measures to minimise their impact.

In 2018, Elecnor adapted its Multisite Certification to the latest modifications under ISO standards 9001:2015 and 14001:2015. This is a single certificate for all of the Organisations in the Elecnor infrastructures area that contains all of the scopes of the various activities and all of the work centres which, up until now, obtained certification individually.

The Quality Management (ER-0096/1995) and Environmental Management (GA-2000/0294) certification includes the following Group areas:

- Major Networks Unit
- Major Energy Unit
- Major Facilities and Networks Unit: Central Regional Office and Northern Branches, North-Eastern Regional Office, Eastern Regional Office, Southern Regional Office, Elecnor Medio Ambiente, Elecnor Seguridad, Area 3 Equipamiento, Diseño e Interiorismo; Elecnor Infrastrutture S.R.L. (Italy); Ehisa Construcciones y Obras; Aplicaciones Técnicas de la Energía and Jomar Seguridad.

Environmental Management certificates are also held for the following affiliates:

- Audeca, (GA-1999/0134)
- Deimos, (ES 028048-2)
- Hidroambiente, (SGI 1201167/12)
- Enerfín, (GA-2003/0416)

In 2018, Elecnor renewed its environment certificate for carbon dioxide emissions, obtained from the Spanish Association for Standardisation and Certification (AENOR) and verified in accordance with ISO standard 14064-1. Through this verification the Company obtains independent and rigorous endorsement of the amount of GHG emissions caused by its activities, thereby seeking to improve its environmental and energy management.

Elecnor renewed its certification of registration in the National Register for Carbon Footprint, Offsetting and Absorption of Carbon Dioxide at Spain's Ministry for Ecological Transition's Office for Climate Change (OECC), obtaining the REDUZCO seal, having managed to reduce its carbon footprint for 4 consecutive years.

It also renewed its AENOR Energy Management System certification (GE-2013/0033), as per the UNE-EN ISO 50001:2011 standard.

In 2018, Elecnor also devised a Climate Change Strategy to reduce its impact, boost its resilience and tap into the potential opportunities provided by climate change, so as to grow as a Group in a sustainable manner.

Lastly, Elecnor joined the CDP and is rated a B, which implies international recognition of its strategy to combat climate change, since it means that in 2018 Elecnor is recognised as having the highest level of climate change management.

Appendix I: Company information

(thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Elecnor, S.A.				
Aplicaciones Técnicas de la Energía, S.L.(ATERSA)	SPAIN	Deloitte	Solar energy	100.00%
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	SPAIN	***	Interior design	100.00%
Audeca, S.L.U.	SPAIN	KPMG	Environmental restoration and reforestation and operation of roads	100.00%
Barcaldine Remote Community Solar Farm PTY, LTD (*)	AUSTRALIA	ESV	Development, construction and operation of PV farms	20.00%
Betonor,S.L.	ANGOLA	***	Dormant	51.00%
Celeo Concesiones E Inversiones, S.L.U.	SPAIN	KPMG	Management and administration of companies	100.00%
Corporacion Electrade, S.A.	VENEZUELA	***	Construction and assembly	100.00%
Deimos Space, S.L.U.	SPAIN	KPMG	Analysis, engineering and development of space missions and software	100.00%
Ehisa Construcciones y Obras, S.A.U.	SPAIN	Luis Ruiz Apilanez	Construction and assembly	100.00%
Elecdal, URL	ALGERIA	***	Construction and assembly	100.00%
Elecdor, S.A.	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
Elecen, S.A.	HONDURAS	***	Construction and assembly	100.00%
Elecfrance, SASU	FRANCE	Excelia Conseil	Study and performance of electricity activities	100.00%
Elecnor Argentina, S.A.	ARGENTINA	SMS	Construction and assembly	100.00%
Elecnor Australia PTY LTD	AUSTRALIA	ESV	Management and administration of companies	100.00%
Elecnor Chile, S.A.	CHILE	Armando Vergara Gutiérrez	Construction and assembly	100.00%
Elecnor de México, S.A.	MEXICO	KPMG	Construction and assembly	100.00%
Elecnor Do Brasil, L.T.D.A.	BRAZIL	KPMG	Construction and assembly	100.00%
Elecnor Energie und Bau, GmbH	GERMANY	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies.	100.00%
Elecnor Infrastruttre e Aerospaziale,S.R.L.	ITALY	***	Construction and assembly	100.00%
Elecnor Peru, S.A.C	PERU	KPMG	Construction and assembly	100.00%
Elecnor Seguridad, S.L.U.	SPAIN	***	Installation and maintenance of fire prevention and safety systems	100.00%
Elecnor South Africa (PTY) LTD	SOUTH AFRICA	***	Construction and assembly	100.00%
Elecnor, INC	USA	RP&B	Facilities	100.00%
Electrolineas del Ecuador, S.A.	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
Elecven Construcciones, S.A.	VENEZUELA	Deloitte	Construction and assembly	100.00%
Enertel, S.A. de C.V.	MEXICO	KPMG	Construction and assembly	99.99%
Elecnor Angola Group	ANGOLA	***	Activities in the areas of public works and civil engineering	55.00%
Hidroambiente, S.A.U.	SPAIN	KPMG	Environmental activities	100.00%
IDDE,S.A.U.	SPAIN	***	Sales	100.00%
IQA Operatios Group, LTD	SCOTLAND	KPMG	Electrical installations	100.00%

Appendix I: Company information (thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Jomar Seguridad, S.L.U.	SPAIN	***	Sales, installation and maintenance of fire prevention and safety systems	100.00%
Montelecnor, S.A.	URUGUAY	Ernst & Young	Construction and assembly	100.00%
Omninstal Electricidade, S.A.	PORTUGAL	KPMG	Construction and assembly	100.00%
PARQUE SOLAR PORTON DEL SOL, SAS (****)	COLOMBIA	***	Power generation	100.00%
Sociedad Aragonesa De Aguas Residuales, S.A.U.	SPAIN	KPMG	Construction and operation of plants under the special water treatment plan	100.00%
Stonewood Desarrollos, S.L.	SPAIN		Sales	100.00%
CELEO CONCESIONES E INVERSIONES, S.L.U.				
Celeo Energía, S.L. (*)	SPAIN	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Redes, SLU (*)	SPAIN	KPMG	Management and administration of companies	51.00%
Celeo Termosolar, S.L.	SPAIN	KPMG	Construction and subsequent operation of thermosolar plants	100.00%
Helios Inversión Y Promoción Solar, S.L.U. (*)	SPAIN	***	Development, construction and operation of PV farms	100.00%
Tramperase, S.L.(*)	SPAIN	***	Development	100.00%
CELEO ENERGIA,SLU				
Celeo Energia Brasil, LTDA (*)	BRAZIL	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Energía Chile, SPA (*)	CHILE	KPMG	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Luz de Mexicali I, S.A. de C.V. (*)(****)	MEXICO	***	Development, energy production	100.00%
Celeo Luz de Mexicali II, S.A. de C.V. (*)(****)	MEXICO	***	Development, energy production	100.00%
CELEO REDES BRASIL, S.A.				
Caiua Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Cantareira Transmissora de Energia, S.A.(*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Celeo Redes Transmissao de Energía, S.A. (*)(****)	BRAZIL	KPMG	Participaçao en outras sociedades naionais u extranjeiras e particiar de consorcios	51.00%
Coqueiros Transmissora de Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Encruzo Novo Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Integraçao Maranhense Tranmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Linha De Transmissao Corumba, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Lt Triângulo, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%

Appendix I: Company information (thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Pedras Transmissora De Energía, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Serra De Ibiapa Transmissora de Energía, S.A. - SITE (*)(****)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Vila Do Conde Transmissora De Energia, S.A.(*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
CELEO REDES CHILE LTDA				
Celeo Redes Operación Chile, S.A.	CHILE	KPMG	Operation of power plants	51.00%
CELEO REDES OPERACIÓN CHILE, S.A.				
Alto Jahuel Transmisora de Energia, S.A.	CHILE	KPMG	Development, construction and operation of electrical facilities	50.99%
Charrúa Transmisora de Energia, S.A.	CHILE	KPMG	Assembly, installation, operation of the new 2 x 500 Charrua – Ancoa line	51.00%
Diego de Almagro Transmisora de Energía, S.A. (*)	CHILE	KPMG	Development, construction and operation of electrical facilities	51.00%
CELEO REDES, S.L.				
Celeo Redes Brasil, S.A. (*)	BRAZIL	KPMG	Development, construction and operation of electrical facilities	51.00%
Celeo Redes Chile, Ltda (*)	CHILE	KPMG	Operation of power plants	51.00%
CORPORACION ELECTRADE				
Electrade Investment, Ltda (*)	BARBADOS	***	Sale of materials	100.00%
DEIMOS SPACE, S.L.U.				
Deimos Atlantic Launchers, S.A.(*)	ITALY	***	Space transport, launch of satellites and space vehicles	100.00%
Deimos Castilla la Mancha, S.L.U.(*)	SPAIN	KPMG	Software development, engineering and technical assistance in the field of remote sensing	100.00%
Deimos Engenharia, S.A.	PORTUGAL	ESAC Espirito Santo Associados	Services in the areas of telecommunications and aeronautic and space energy	100.00%
Deimos Space UK, Limited (*)	ENGLAND	James Cowper Kreston	Analysis, engineering and development of space missions and software	100.00%
S.C. Deimos Space, S.R.L. (*)	RUMANIA	***	Analysis, engineering and development of space missions and software	100.00%
Elecnor AUSTRALIA				
Green Light Contractors PTY, LTD (*)	AUSTRALIA	ESV	Construction of a PV farm	100.00%
Elecnor INC				
Belco Elecnor Electric, INC (*)	USA	RP&B	Electrical installations	100.00%
Elecnor Hawkeye, LLC (*)	USA	***	Electrical installations	100.00%

Appendix I: Company information (thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
ELECTROL, S.A.				
Zogu, S.A.(*)	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
ENERFÍN ENERGY CO OF CANADA				
Lambton Enerwind General Partner Inc (Gp)(*)	CANADA	***	Administration and advisory services	100.00%
Lambton Enerwind Limited Partnership (Sec)(*)	CANADA	***	Wind farm development	100.00%
ENERFÍN ENERGY COMPANY OF CANADA, INC				
Investissements Éoliennes de L'Érable, INC.(*)	CANADA	***	Administration and advisory services	100.00%
Investissements Éoliennes de L'Érable, SEC.(*)	CANADA	***	Administration and advisory services	100.00%
ENERFÍN ENERVENTO EXTERIOR, S.L				
Eolica La Vela (*)	COLOMBIA	***	Wind farm development	100.00%
Eolica Los Lagos (*)	CHILE	***	Wind farm development	100.00%
Eolica Musichi (*)	COLOMBIA	***	Wind farm development	100.00%
Gran Sul Geração de Energia (*)(****)	BRAZIL	***	Wind farm development	100.00%
Guajira Eólica I, S.A.S. (*)	COLOMBIA	***	Wind farm development	100.00%
Guajira Eolica II, S.A.S. (*)	COLOMBIA	***	Wind farm development	100.00%
Parques Eólicos Palmares, S.A. (*)	BRAZIL	Deloitte	Operation of electricity transmission service concessions	80.00%
Prairie Winds General Partner (*)	CANADA	***	Management and administration of companies	70.00%
Prairie Winds Limited Partner (*)	CANADA	***	Wind farm development	25.00%
Rio Norte I Energia (*)(****)	BRAZIL	***	Management and administration of companies	100.00%
Rio Sul 1 Energia, Ltda(*)	BRAZIL	Deloitte	Management and administration of companies	100.00%
Rio Sul 2 Energia, Ltda(*)	BRAZIL	***	Management and administration of companies	100.00%
Ventos da Lagoa, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Ventos do Litoral Energia, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Ventos do São Fernando I Energia (*)(****)	BRAZIL	***	Wind farm development	100.00%
Ventos do São Fernando II Energia (*)(****)	BRAZIL	***	Wind farm development	100.00%
Ventos do Sul, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Ventos Dos Índios Energia, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Vientos De Panabá, S.A. de CV (*)	MEXICO	***	Wind farm development	100.00%
Vientos de Sucilá, S.A. de CV (*)	MEXICO	***	Wind farm development	100.00%
Vientos De Yucatán, S.A. De Cv (*)	MEXICO	***	Wind farm development	100.00%
ENERFÍN ENERVENTO,S.L.U.				
Aerogeneradores del Sur, S.A. (*)	SPAIN	Deloitte	Construction, operation and use of wind farm resources	100.00%
Eólica Montes de Cierzo, S.L. (*)	SPAIN	Deloitte	Operation of power plants	100.00%
Eólica Páramo de Poza, S.A. (*)	SPAIN	Deloitte	Operation of power plants	70.00%

Appendix I: Company information (thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Galicia Vento, S.L. (*)	SPAIN	Deloitte	Operation of power plants	90.60%
Parque Eólico Malpica, S.A.(*)	SPAIN	Deloitte	Operation of power plants	95.55%
ENERFÍN SOCIEDAD DE ENERGÍA, S.L.				
Enerfera, S.R.L. (*)	ITALY	***	Construction, operation and use of wind farm resources	100.00%
Enerfín Developments British Columbia, Inc (*)	CANADA	***	Development and management of wind farm activities	100.00%
Enerfín do Brasil Sociedad de Energia, LTDA (*)	BRAZIL	***	Development and management of wind farm activities	100.00%
Enerfín Energy Company, INC (*)	USA	***	Development and management of wind farm activities	100.00%
Enerfín Energy Company of Canada, INC(*)	CANADA	***	Management and administration of companies	100.00%
Enerfín Enervento Exterior, S.L. (*)	SPAIN	Deloitte	Management and administration of companies	100.00%
Enerfín Enervento, S.L.U. (*)	SPAIN	***	Administration and advisory services	100.00%
Enerfín Québec Services, INC (*)	CANADA	***	Management and administration of companies	100.00%
Enerfín Sociedad de Energía, S.L.U.	SPAIN	Deloitte	Management and administration of companies	100.00%
Parque Eólico Cofrentes, S.L.U. (*)	SPAIN	***	Operation of power plants	100.00%
ENERFÍN SOCIEDAD DE ENERGÍA, S.L.				
Éoliennes de L´Érable, SEC. (*)	CANADA	Deloitte	Operation of power plants	51.00%
ÉOLIENNES DE L'ÉRABLE COMMANDITAIRE				
Éoliennes De L'Érable Commandite Inc(*)	CANADA	***	Administration and advisory services	100.00%
HELIOS INVERSION				
Celeo Fotovoltaico, S.L.U. (*)	SPAIN	KPMG	Development, construction and operation of PV farms	100.00%
HIDROAMBIENTE, S.A.				
Sdad Aragonesa De Estaciones Depuradoras, S.A. (*)	SPAIN	KPMG	Construction and operation of plants under the special water treatment plan	60.00%
INVESTISSEMENTS ÉOLIENNES DE L´ÉRABLE SEC				
Éoliennes L'Érable Commanditaire Inc (*)	CANADA	***	Operation of power plants	100.00%
Equity-accounted investees (Note 10)				
Elecnor, S.A.				
Cosemel Ingenieria, Aie	SPAIN	***	Development, construction and operation of installations and electrifications of high-speed railway lines	33.33%
GASODUCTO DE MORELOS, S.A.P.I.				
(Sdad Anónima Promotora de Inversión) De C.V.	MEXICO	Deloitte	Operation and maintenance of the Morelos gas pipeline	50.00%
Morelos Epc S.A.P.I. De Cv	MEXICO	Deloitte	Construction, engineering and supply of Morelos gas pipeline	50.00%
Morelos O&M, Sapi, Cv	MEXICO	***	Maintenance of the Morelos gas pipeline	50.00%
Sdad. Aguas Residuales Pirineos, S.A.	SPAIN	***	Construction and operation of plants under the special water treatment plan	50.00%
CELEO REDES BRASIL, S.A.				
Brilhante II Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25.50%

Appendix I: Company information (thousands of euros)

2018	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Brilhante Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25.50%
Jaurú Transmissora de Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	16.99%
CELEO TERMOSOLAR				
Aries Solar Termoelectrica, S.L. (*)	SPAIN	KPMG	Development, construction and operation of thermosolar plants	55.70%
Dioxipe Solar, S.L.(*)	SPAIN	KPMG	Development, construction and operation of thermosolar plants	55.00%
ENERFÍN ENERVENTO EXTERIOR, S.L.				
Woolsthorpe Holding Pty Ltd (*)(****)	AUSTRALIA	***	Management and administration of companies	50.00%
Woolsthorpe Holding Trust (*)(****)	AUSTRALIA	***	Management and administration of companies	50.00%
ENERFÍN ENERVENTO, S.L.U.				
Parque Eólico La Gaviota,S.A.(*)	SPAIN	Ernst & Young	Operation of power plants	37.33%
ENERFÍN SOCIEDAD DE ENERGÍA, S.L.				
Gestión de Evacuación La Serna, S.L. (Gelaserna)(*)(****)	SPAIN	***	Wind farm development	15.00%

(*) Companies indirectly held by Elecnor, S.A.
(***) Companies not legally required to audit their annual accounts.
(****) Companies consolidated for the first time in 2018.

Appendix I: Company information

(thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Elecnor, S.A.				
Aplicaciones Técnicas de la Energía, S.L. (ATERSA)	SPAIN	Deloitte	Solar energy	100.00%
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	SPAIN	***	Interior design	100.00%
Audeca, S.L.U.	SPAIN	KPMG	Environmental restoration and reforestation and operation of roads	100.00%
Barcaldine Remote Community Solar Farm PTY, LTD(*)	AUSTRALIA	ESV	Development, construction and operation of PV farms	20.00%
BETONOR, S.L.	ANGOLA	***	Dormant	51.00%
Celeo Concesiones E Inversiones, S.L.U.	SPAIN	KPMG	Management and administration of companies	100.00%
Celeo Termosolar, S.L.	SPAIN	KPMG	Construction and subsequent operation of thermosolar plants	100.00%
Corporacion Electrade, S.A.	VENEZUELA	***	Construction and assembly	100.00%
Deimos Engenharia, S.A.	PORTUGAL	ESAC Espirito Santo Associados	Services in the areas of telecommunications and aeronautic and space energy	100.00%
Deimos Space, S.L.U.	SPAIN	KPMG	Analysis, engineering and development of space missions and software	100.00%
Ehisa Construcciones y Obras, S.A.	SPAIN	Luis Ruiz Apilanez	Construction and assembly	100.00%
Elecdal, URL	ALGERIA	***	Construction and assembly	100.00%
Elecdor, S.A.	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
Elecen, S.A.	HONDURAS	***	Construction and assembly	100.00%
Elecfrance, SASU	FRANCE	Excelia Conseil	Study and performance of electricity activities	100.00%
Elecnor Argentina, S.A.	ARGENTINA	SMS	Construction and assembly	99.89%
Elecnor Australia PTY LTD	AUSTRALIA	ESV	Management and administration of companies	100.00%
Elecnor Chile, S.A.	CHILE	Armando Vergara Gutiérrez	Construction and assembly	100.00%
Elecnor de Mexico, S.A.	MEXICO	KPMG	Construction and assembly	100.00%
Elecnor Do Brasil, L.T.D.A.	BRAZIL	KPMG	Construction and assembly	100.00%
Elecnor Energie und Bau, GmbH	GERMANY	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies.	100.00%
Elecnor Montagens Elétricas, Ltda.	BRAZIL	***	Construction and assembly	100.00%
Elecnor Peru, S.A.	PERU	KPMG	Construction and assembly	100.00%
Elecnor Seguridad, S.L.	SPAIN	***	Installation and maintenance of fire prevention and safety systems	100.00%
Elecnor South Africa (PTY) LTD	SOUTH AFRICA	***	Construction and assembly	100.00%
Elecnor, INC	USA	RP&B	Facilities	100.00%
Electrolineas del Ecuador, S.A.	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
Elecven Construcciones, S.A.	VENEZUELA	Deloitte	Construction and assembly	100.00%
Enerfín Sociedad de Energía, S.L.	SPAIN	Deloitte	Management and administration of companies	99.99%
Enertel, S.A. de C.V.	MEXICO	KPMG	Construction and assembly	99.99%

Appendix I: Company information (thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Elecnor Angola Group	ANGOLA	***	Activities in the areas of public works and civil engineering	55.00%
Hidroambiente, S.A.U.	SPAIN	KPMG	Environmental activities	100.00%
IDDE, S.A.	SPAIN	***	Sales	100.00%
IQA Operatios Group, LTD	SCOTLAND	KPMG	Electrical installations	100.00%
Jomar Seguridad, S.L.U.	SPAIN	***	Sales, installation and maintenance of fire prevention and safety systems	100.00%
Montagens Eletricas Da Serra, Ltda	BRAZIL	***	Construction and assembly	100.00%
Montelecnor, S.A.	URUGUAY	Ernst & Young	Construction and assembly	100.00%
Omninstal Electricidade, S.A.	PORTUGAL	KPMG	Construction and assembly	100.00%
Rasacaven, S.A.	VENEZUELA	Deloitte	Construction and assembly	96.99%
Sociedad Aragonesa De Aguas Residuales, S.A.U.	SPAIN	KPMG	Construction and operation of plants under the special water treatment plan	100.00%
Vilhena Montagens Elétricas,Ltda	BRAZIL	***	Construction and assembly	100.00%
CELEO CONCESIONES E INVERSIONES, S.L.U.				
Celeo Energía, S.L. (*)	SPAIN	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Redes, SLU (*)	SPAIN	KPMG	Management and administration of companies	51.00%
Helios Inversión Y Promoción Solar, S.L.U. (*)	SPAIN	***	Development, construction and operation of PV farms	100.00%
CELEO ENERGIA, S.L.				
Celeo Energia Brasil, LTDA (*)	BRAZIL	***	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
Celeo Energía Chile, SPA (*)	CHILE	KPMG	Development, construction and operation of all types of energy and services, utilities, waste treatment, etc.	100.00%
CELEO REDES BRASIL, S.A.				
Caiua Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Cantareira Transmissora de Energia, S.A.(*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Coqueiros Transmissora de Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Encruzo Novo Transmissora De Energia, Ltda (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Integraçao Maranhense Tranmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	26.01%
Linha De Transmissao Corumba, Ltda (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Lt Triângulo, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%

Appendix I: Company information (thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Pedras Transmissora De Energía, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
Vila Do Conde Transmissora De Energia, S.A.(*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	51.00%
CELEO REDES CHILE, Ltda				
Celeo Redes Operación Chile, S.A.	CHILE	KPMG	Operation of power plants	51.00%
CELEO REDES CHILE OPERACIÓN, S.A.				
Alto Jahuel Transmisora de Energia, S.A.	CHILE	KPMG	Development, construction and operation of electrical facilities	51.00%
Charrúa Transmisora de Energia, S.A.	CHILE	KPMG	Assembly, installation, operation of the new 2 x 500 Charrua – Ancoa line	51.00%
Diego de Almagro Transmisora de Energía, S.A. (*)	CHILE	KPMG	Development, construction and operation of electrical facilities	51.00%
Celeo Redes, S.L.U.				
Celeo Redes Brasil, S.A. (*)	BRAZIL	KPMG	Development, construction and operation of electrical facilities	51.00%
Celeo Redes Chile, Ltda (*)	CHILE	KPMG	Operation of power plants	51.00%
Corporación Electrade				
Electrade Investment, Ltda (*)	BARBADOS	***	Sale of materials	100.00%
Deimos Space, S.L.U.				
Deimos Castilla la Mancha, S.L.U.(*)	SPAIN	KPMG	Software development, engineering and technical assistance in the field of remote sensing	100.00%
Deimos Space UK, Limited (*)	ENGLAND	KPMG	Analysis, engineering and development of space missions and software	100.00%
S.C. Deimos Space, S.R.L. (*)	RUMANIA	***	Analysis, engineering and development of space missions and software	100.00%
Elecnor FINANCIERA, S.L.				
Parque Eólico Malpica, S.A.(*)	SPAIN	Deloitte	Operation of power plants	95.55%
Elecnor Australia				
Green Light Contractors PTY, LTD (*)	AUSTRALIA	ESV	Construction of a PV farm	100.00%
Elecnor Inc				
Belco Elecnor Electric, INC (*)	USA	RP&B	Electrical installations	100.00%
Elecnor Hawkeye, LLC (*)	USA	***	Electrical installations	100.00%

Appendix I: Company information (thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Electrol, S.A.				
Zogu, S.A.(*)	ECUADOR	Batallas & Batallas Auditores	Construction and assembly	100.00%
ENERFÍN ENERVENTO EXTERIOR, S.L.				
Eólica la Vela (*) (****)	COLOMBIA	***	Wind farm development	100.00%
Eólica los Lagos (*) (****)	CHILE	***	Wind farm development	100.00%
Eólica Musichi (*) (****)	COLOMBIA	***	Wind farm development	100.00%
Guajira Eólica I, S.A.S. (*)	COLOMBIA	***	Wind farm development	100.00%
Guajira Eólica II, S.A.S. (*) (****)	COLOMBIA	***	Wind farm development	100.00%
Parques Eólicos Palmares, S.A. (*)	BRAZIL	Deloitte	Operation of electricity transmission service concessions	80.00%
Río Sul 1 Energía, LTDA (*)	BRAZIL	Deloitte	Management and administration of companies	100.00%
Río Sul 2 Energía, LTDA (*)	BRAZIL	***	Management and administration of companies	100.00%
Ventos da Lagoa, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Ventos de Cabo Verde I, S.A. (*)	BRAZIL	***	Operation of power plants	100.00%
Ventos de Cabo Verde II, S.A. (*)	BRAZIL	***	Operation of power plants	100.00%
Ventos de Cabo Verde III, S.A. (*)	BRAZIL	***	Operation of power plants	100.00%
Ventos de Granjas Vargas Energía, S.A. (*)	BRAZIL	***	Operation of power plants	100.00%
Ventos de Granjas Vargas II Energía, S.A. (*)	BRAZIL	***	Operation of power plants	100.00%
Ventos do Litoral Energia, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Ventos do Sul, S.A. (*)	BRAZIL	Deloitte	Operation of power plants	80.00%
Vientos de Yucatán S.A. de C.V. (*) (****)	MEXICO	***	Wind farm development	100.00%
Ventos dos Indios Energía, S.A.(*)	BRAZIL	Deloitte	Operation of power plants	80.00%
ENERFÍN ENERGY CO OF CANADA, INC				
Lambton Enerwind General Partner INC (GP)(*)	CANADA	***	Administration and advisory services	100.00%
Lambton Enerwind Limited Partnership (SEC)(*)	CANADA	***	Wind farm development	100.00%
Investissements Éoliennes de L'Érable, INC.(*)	CANADA	***	Administration and advisory services	100.00%
Investissements Éoliennes de L'Érable, SEC.(*)	CANADA	***	Administration and advisory services	100.00%
ENERFÍN SOCIEDAD DE ENERGÍA, S.L.				
Elecnor Financiera, S.L. (*)	SPAIN	***	Administration and advisory services	100.00%
Enerfera, S.R.L. (*)	ITALY	***	Construction, operation and use of wind farm resources	100.00%
Enerfín do Brasil Sociedad de Energia, LTDA (*)	BRAZIL	***	Development and management of wind farm activities	100.00%
Enerfín Energy Company, INC (*)	USA	***	Development and management of wind farm activities	100.00%
Enerfín Energy Company of Canada, INC(*)	CANADA	***	Management and administration of companies	100.00%

Appendix I: Company information (thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Fully consolidated companies				
Enerfín Enervento Exterior, S.L. (*)	SPAIN	Deloitte	Management and administration of companies	100.00%
Enerfín Enervento, S.A. (*)	SPAIN	Deloitte	Management and administration of companies	100.00%
Enerfín Québec Services, INC (*)	CANADA	***	Management and administration of companies	100.00%
EnerfínDevelopments British Columbia, Inc (*)	CANADA	***	Development and management of wind farm activities	100.00%
Parque Eólico Cofrentes, S.L.U. (*)	SPAIN	***	Operation of power plants	100.00%
Sdad Eólica Corrales de Herrera, S.L. (*) (****)	SPAIN	***	Wind farm development	100.00%
ENERFÍN, ENERVENTO, S.A.				
Aerogeneradores del Sur, S.A. (*)	SPAIN	Deloitte	Construction, operation and use of wind farm resources	100.00%
Eólica Montes de Cierzo, S.L. (*)	SPAIN	Deloitte	Operation of power plants	100.00%
Eólica Páramo de Poza, S.A. (*)	SPAIN	Deloitte	Operation of power plants	70.00%
Galicia Vento, S.L. (*)	SPAIN	Deloitte	Operation of power plants	90.60%
ÉOLIENNES DE L'ÉRABLE COMANDITAIRE, INC				
Éoliennes de l'Érable Commandité INC (*)	CANADA	***	Administration and advisory services	100.00%
Éoliennes de L´Érable, SEC. (*)	CANADA	Deloitte	Operation of power plants	51.00%
Helios Inversión Y Promoción Solar, S.L.U.				
Celeo Fotovoltaico, S.L.U. (*)	SPAIN	KPMG	Development, construction and operation of PV farms	100.00%
Hidroambiente, S.A.U.				
Everblue Private Limited (*)	INDIA	***	Environmental activities	100.00%
Sdad Aragonesa De Estaciones Depuradoras, S.A. (*)	SPAIN	KPMG	Construction and operation of plants under the special water treatment plan	60.00%
INVESTISSEMENTS ÉOLIENNES DE L'ÉRABLE SEC				
Éoliennes l'Érable Commanditaire INC (*)	CANADA	***	Operation of power plants	100.00%
Zogu, S.A.				
CLN, S.A.(*)	VENEZUELA	***	Dormant	100.00%
Consolidated investees				
Equity-accounted investees (Note 10)				
Subsidiary of:				
Elecnor, S.A.				
Cosemel Ingenieria, Aie		***	Development, construction and operation of installations and electrifications of high-speed railway lines	33.33%

Appendix I: Company information (thousands of euros)

2017	Registered office	Auditor	Activity	% of direct or indirect ownership
Consolidated investees				
Equity-accounted investees (Note 10)				
Subsidiary of:				
Gasoducto de Morelos, S.A.P.I. (Sdad Anónima Promotora de Inversión) de C.V.	MEXICO	Deloitte	Operation and maintenance of the Morelos gas pipeline	50.00%
Morelos EPC S.A.P.I. de CV	MEXICO	Deloitte	Construction, engineering and supply of Morelos gas pipeline	50.00%
Morelos O&M, SAPI,CV	MEXICO	***	Maintenance of the Morelos gas pipeline	50.00%
Sdad. Aguas Residuales Pirineos, S.A.	SPAIN	***	Construction and operation of plants under the special water treatment plan	50.00%
CELEO REDES BRASIL, S.A.				
Brilhante II Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25.50%
Brilhante Transmissora De Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	25.50%
Jaurú Transmissora de Energia, S.A. (*)	BRAZIL	KPMG	Operation of public service concessions for electricity transmission	16.99%
Celeo Termosolar, S.L.				
Aries Solar Termoelectrica, S.L. (*)	SPAIN	KPMG	Development, construction and operation of thermosolar plants	55.70%
Dioxipe Solar, S.L.(*)	SPAIN	KPMG	Development, construction and operation of thermosolar plants	55.00%
Elecnor FINANCIERA, S.L.				
Parque Eólico La Gaviota, S.A.	SPAIN	Ernst & Young	Operation of power plants	37.33%

(*) Companies indirectly held by Elecnor, S.A.
(***) Companies not legally required to audit their annual accounts.
(****) Companies consolidated for the first time in 2017.

Appendix II: List of consolidated joint ventures (UTEs)

		(thousands of euros) *			
		2018		2017	
	Percentage ownership	Production in the year 2018	Backlog not yet settled 2018	Production in the year 2017	Backlog not yet settled 2017
UTE PUENTE MAYORGA	50.00%	--	--	--	--
UTE ELNR-CONSTUCSA E. HIDROGENO	50.00%	--	--	--	--
UTE PARQUESUR OCIO	90.00%	--	--	--	--
UTE INSTALACIONES ELECTRICAS SINCROTRON ALBA	50.00%	--	--	--	--
UTE CAMPO ARAÑUELO	50.00%	--	--	--	--
UTE MUVIM	30.00%	--	--	--	--
UTE ROTA HIGH SCHOOL	50.00%	--	--	--	--
UTE ELECNOR OSEPSA	50.00%	2	--	--	--
UTE CAN COLOMER	50.00%	--	--	--	--
UTE VILLASEQUILLA - VILLACAÑAS	21.00%	543	--	--	218
UTE AVELE	22.00%	--	--	--	--
UTE AVELE 2	22.00%	--	--	--	--
AEROPUERTO LANZAROTE SAMPOL-Elecnor UTE	50.00%	--	--	--	--
UTE NIÑO DE ORO	100.00%	--	--	--	--
UTE EXPLOTACION ZONA 07-A	60.00%	1,039	--	947	--
CONSORCIO Elecnor DYNATEC	100.00%	1,535	4,683	400	6,628
UTE ZONA P-2	50.00%	--	--	--	--
UTE SUBESTACION JUNCARIL	50.00%	(25)	--	--	--
UTE AEROPOLIS	50.00%	--	--	--	--
UTE CASA DE LAS ARTES	50.00%	--	--	--	--
UTE 2ª FASE NIÑO DE ORO	100.00%	--	--	--	--
UTE SSAA EIX DIAGONAL	50.00%	--	--	--	--
UTE MARINA BAIXA	40.00%	--	--	--	--
UTE AUDIO BARAJAS	50.00%	--	--	--	--
UTE LOS CARAMBOLOS	100.00%	--	--	--	--
UTE CENTRO DE PROSPECTIVA RURAL	100.00%	--	--	--	--
UTE CENTRO MAYORES BAENA	100.00%	--	--	--	--
UTE TARAZONA	100.00%	--	--	--	--
UTE TERMINAL DE CARGA	50.00%	--	--	--	--
UTE PCTH	100.00%	--	--	--	--
UTE LED MOLLET	70.00%	--	--	--	--
UTE VIA LA CARTUJA	20.00%	--	--	--	--
UTE GALINDO	100.00%	--	--	--	--
UTE DESVIOS LAV Sevilla	28.85%	--	--	734	--
UTE MTO. Y EMERG. Madrid	100.00%	--	--	--	--
UTE AMPLIACION MUSEO MORERIA	100.00%	--	--	--	--
UTE FIGUERES WIFI	50.00%	--	--	7	--
UTE PLANTA RSU ACAHUALINCA	70.00%	--	--	--	--
UTE CENTRO OUPACIONAL FERROL	50.00%	--	--	--	--
UTE Elecnor ONILSA	85.00%	--	--	--	--
UTE SAN CRISPIN	100.00%	122	--	305	305
UTE UBE LA ISLA	100.00%	40	--	103	103
UTE EXPLOTACION ZONA P2	50.00%	641	650	592	600
UTE AS SOMOZAS	50.00%	--	--	1	--

		(thousands of euros) *			
		2018		2017	
	Percentage ownership	Production in the year 2018	Backlog not yet settled 2018	Production in the year 2017	Backlog not yet settled 2017
UTE SAN JERONIMO	100.00%	37	--	107	107
UTE JARDINES MOGAN	100.00%	805	--	1,069	1,069
UTE URBANIZACION PEDRO III	100.00%	--	--	--	--
UTE ELECNOR-ONDOAN SERVICIOS	50.00%	899	900	789	--
UTE ELECNOR - DEIMOS SIPA	100.00%	--	--	204	--
UTE COMUNICACIONS SANT CUGAT	100.00%	--	--	--	--
UTE VENCILLON	100.00%	--	--	--	--
UTE PATRIMONIO SEGURIDAD	66.66%	480	500	395	--
UTE ESPACIOS VERDES SAN VICENTE DEL RASPEIG	100.00%	334	--	812	--
UTE PLAZAS COMERCIALES T4	100.00%	--	--	--	--
UTE BT HOSPITAL DE ZAMORA	50.00%	--	--	276	297
UTE TRANVIA OUARGLA	49.50%	6,961	2,545	33,547	24,303
UTE ENERGIA GALICIA	20.00%	18,238	28,451	4,727	46,690
UTE AEROPUERTO DE PALMA	100.00%	--	--	13	--
GROUPEMENT INTERNATIONAL SANTE POUR HAITI	100.00%	5,241	2,658	10,178	3,700
UTE MANCOMUNIDAD DE DURANGO	60.00%	4	--	19	--
UTE ENERGIA GRANADA	33.34%	62	356	32	418
UTE MOBILIARIO HUCA	100.00%	--	--	--	--
UTE ANILLO GALINDO	25.00%	1,193	--	2,213	--
UTE SICA BCN	100.00%	--	--	644	--
UTE DEINOR NOAIN	100.00%	--	--	--	--
CONSORCIO NUEVA POLICLÍNICA DE CHITRE	100.00%	3,611	821	985	2,459
CONSORCIO NUEVA POLICLÍNICA DE CHEPO	100.00%	1,203	125	1,024	1,522
UTE ADEC LOCALES CERCANIAS	100.00%	--	--	--	--
UTE CRA ENAGAS	100.00%	--	--	--	--
UTE CAMPO DE VUELO TF NORTE	100.00%	--	--	--	102
UTE MATIKO	20.00%	--	--	4,609	--
UTE VOPI4-ELNR CA L'ALIER	50.00%	1,589	440	2,222	1,638
UTE REUBIC EQUIP NAV BARAJAS	100.00%	38	--	--	38
UTE MANTENIMIENTO AVE ENERGIA	12.37%	15,933	103,002	15,720	118,935
UTE ASEGOP IBIZA	65.00%	54	38	1,437	92
UTE ELECNOR BUTEC BELLARA	60.00%	54,397	26,597	49,106	90,638
UTE AVELE3	22.00%	--	--	--	--
UTE AVELE4	22.00%	--	--	--	--
UTE EDARES SEGOVIA	70.00%	73	--	144	--
UTE VIGILANCIA BOADILLA	100.00%	--	--	--	--
UTE SICA	100.00%	71	425	1,178	496
UTE CASTELFLORITE	100.00%	--	--	--	135
UTE MANTENIMIENTO AEROPUERTO DE PALMA	50.00%	1,822	--	1,795	250
UTE CUETO DEL MORO	25.00%	--	--	--	--
UTE ELECNOR ALGHANIM	60.00%	285	3,201	2,822	3,287
UTE MANTENIMIENTO VALEBU	50.00%	366	2,087	350	2,453
UTE EMBARQUE DESEMBARQUE T4	100.00%	20	--	--	20
UTE CONTAR	100.00%	53	--	118	40
UTE INST. RECERCA SANT PAU	50.00%	999	282	3,852	532
UTE INST. MERCAT DE SANT ANTONI	60.00%	3,589	102	6,284	606
UTE TUNELES ABDALAJIS	100.00%	471	397	450	927

		(thousands of euros) *			
		2018		2017	
	Percentage ownership	Production in the year 2018	Backlog not yet settled 2018	Production in the year 2017	Backlog not yet settled 2017
UTE TORRENTE - XATIVA	50.00%	--	--	1,294	--
UTE EMPALME II	50.00%	3,942	--	14,991	43,014
UTE CENTRO LOG. IBEREBRO	41.90%	6	--	1,880	--
UTE AEROPUERTO TERUEL	50.00%	--	--	--	--
UTE NAVE SESTAO	50.00%	(246)	--	492	--
UTE ENERGIA GALICIA MANTENIMIENTO	20.00%	1,599	31,626	1,562	48,698
UTE URDULIZ BARRIA	50.00%	--	--	609	33
UTE TERMINAL DE CARGA TF NORTE	50.00%	165	1	1,483	166
UTE URBANIZADORA RIODEL	50.00%	--	--	--	--
UTE OFICINAS IBEREBRO	100.00%	760	--	5,722	--
UTE FIRA PAVELLO 2	70.00%	--	--	20	8
ELECNOR TARGET LLC, JV	60.00%	4,975	5,388	27,284	10,362
UTE LINEA 1	20.00%	--	--	1,345	--
UTE INSTALACIONES LOIOLA	50.00%	--	--	531	4
UTE CEIP SOBRADIEL	100.00%	695	--	2,167	459
UTE TERMINAL E	50.00%	1,961	80	13,631	1,805
UTE QUEVEDO	50.00%	52	3	160	55
UTE HERNANI-IRUN	50.00%	2,136	1,998	758	4,134
UTE ACTUAC ETAPS CYII LOTE2	50.00%	144	160	155	304
UTE CARPIO Y POLLOS	50.00%	130	82	125	212
UTE METRO SAN INAZIO	100.00%	--	--	--	--
UTE CAMPO DE VUELOS ASTURIAS	100.00%	421	868	346	1,302
UTE BIOMASA HUERTA DEL REY	50.00%	596	15	1,524	612
UTE MOPAEL	80.00%	4,527	1,576	2,897	6,103
UTE OFICINAS GENCAT	60.00%	16,411	11	7,488	1,584
UTE UYUNI-YUNCHARA	49.00%	21,623	--	25,339	55,521
UTE MEGAFONIA AENA	70.00%	34	--	390	33
UTE MANTENIMIENTO SIGMA AENA	100.00%	199	249	213	448
UTE LINEA 8	20.00%	--	--	1,094	--
UTE RENFE AGENTE UNICO	100.00%	889	1,498	1	2,387
UTE RENFE CCTV	100.00%	704	4,316	2	5,020
UTE UCA	100.00%	216	--	1	3,049
UTE SIPA AENA	100.00%	510	--	1	2,116
JV ELECNOR AL OWN	70.00%	13,769	913	18,857	14,682
UTE BILBOPORTUA	50.00%	407	353	314	760
UTE BIZKAIKO ARGIAK	23.00%	556	--	3,700	457
ELECNOR AND RAY, J.V.	60.00%	1,536	--	6,536	778
UTE MANTENIMIENTO LOTE 1	50.00%	1,648	587	896	2,235
UTE ILSSA ELECNOR	100.00%	--	--	1,217	--
UTE ELECNOR - EIFFAGE	50.00%	28,516	15,456	4,027	43,973
UTE LINEA 5	20.00%	3	244	6,833	247
UTE TIL TIL	100.00%	13,484	--	59,527	21,277
UTE EDAR LAGUNA DE NEGRILLOS	80.00%	338	150	242	487
UTE CIP ARCOSUR	100.00%	1,235	--	784	1,115
UTE PORTUKO ARGIAK	23.00%	1,388	501	2	1,888
UTE E&C M.I. BUSTURIA AUXILIAR	51.00%	824	721	612	642

		(thousands of euros) *			
		2018		2017	
	Percentage ownership	Production in the year 2018	Backlog not yet settled 2018	Production in the year 2017	Backlog not yet settled 2017
UTE PARQUE FOTOVOL. CARRODILLA	100.00%	281	--	148	269
UTE URBANITZACIÓ MERCAT DE SANT ANTONI	60.00%	3,094	11	165	2,656
UTE ING PUY DU FOU	50.00%	186	274	81	459
UTE SICA 2018-2021	100.00%	339	--		
UTE ELECTRIFICACIÓN VILLAFRANCA	90.00%	503	2,993		
UTE TREBALLS PREVIS 1 CAMP NOU	45.00%	7,709	3,899		
UTE CLINICA EUGIN BALMES	50.00%	373	4,377		
UTE SALAS VIP AEROP BCN	100.00%	290	7,876		
JV TAFILAH	70.00%	4,713	18,490		
UTE ACCESOS BANCO DE ESPAÑA	100.00%	0	619		
VARIANTE PAJARES UTE	20.00%	0	(0)		
CONSORCIO CHIELEC DOMINICANA	100.00%	3,005	131		
UTE CASETAS AEROPUERTO DE MÁLAGA	100.00%	263	716		
UTE AMPLIACIÓN TRANVÍA VITORIA	50.00%	0	535		
UTE ALSTOM RENOVABLES-ELECNOR II	25.64%	--	--	--	--
UTE OVERTAL - ELECNOR	24.00%	--	--	53	--
UTE ENERGÍA LÍNEA 9	20.00%	5,011	1,500	5,795	1,150
S.E.I. UTE (ELECNOR, S.A.-TERRES)	50.00%	--	--		
UTE REMOLAR	23.51%	--	--	--	--
UTE AGENTE URBANIZADOR SECTOR 13 DE LA PLAYA DE TAVERNES	50.00%	--	--	--	--
UTE SERRANO - ELECNORCANSALADES	40.00%	0	113	--	114
UTE ELECNOR GONZALEZ SOTO	50.00%	35	--	12	--
TERMINAL ALICANTE, UTE	20.00%	--	--		
UTE VILLAGONZALO, Z - 3	35.00%	--	--	--	--
UTE LLANERA ELECNOR SECTOR TULELL	50.00%	--	--	--	--
UTE TARAGUILLA	25.00%	--	--	--	--
UTE BINACED	50.00%	--	--	--	--
UTE SAICA	50.00%	--	--	--	--
UTE ROEA EBRO	34.00%	--	--	--	--
UTE CALETA OLIVIA	100.00%	--	--	1,248	--
UTE ENARSA EAR-BMSA	50.00%	--	--	38	--
CONSORCIO UTE ELECDOR ELECTROL	100.00%	--	--	--	--
CONSORCIO ELECVEN ELECDOR	100.00%	2,598	--	16,109	1,919
UTE AERONAVE TIERRA	20.00%	1,712	--	--	--
UTE MELIALABS	55.00%	56	--	--	--
UTE DEIMOS -IECISA	50.00%	339	--	--	--
UTE NAVENTO DEIMOS, File 2017-02371	27.46%	155	--	--	--
AUCOSTA CONSERVACION UTE	50.00%	1,468	629	1,360	1,215
CONSERVACIÓN MAQUEDA UTE	50.00%	1,728	1,258	1,984	1,678
CÓRDOBA NORTE II UTE	50.00%	820	873	995	1,693
PARQUE PATERNA UTE	50.00%	158	1,087	--	--
HUELVA SURESTE II UTE	50.00%	1,111	388	1,230	1,196
MADRID NOROESTE UTE	50.00%	--	--	(8)	--
MANZANARES UTE	60.00%	1,114		3,380	808
MANZANARES II UTE	50.00%	979	6,692	--	--
PONTESUR UTE	50.00%	1,509	1,621	1,750	3,131

		(thousands of euros) *			
		2018		2017	
	Percentage ownership	Production in the year 2018	Backlog not yet settled 2018	Production in the year 2017	Backlog not yet settled 2017
PONTEVEDRA SUR UTE	50.00%	--	--	(17)	--
PONTENORTE UTE	50.00%	321	3,319	--	--
TALAVERA UTE	50.00%	1,313	7,828	--	--
PUERTO GANDIA UTE	50.00%	--	--	44	--
LEÓN-3 UTE	80.00%	2,584	1,025	2,708	1,680
UTE MURCIA-SAN JAVIER	50.00%	97	--	302	102
SMA OLVEGA UTE	60.00%	711	5,283	607	5,000
GUADIX-BAZA UTE	51.00%	492	1,006	526	1,498
UTE SIERRA ESPUÑA	65.00%	(72)	--	287	--
UTE SIERRA BURETE	65.00%	76	--	167	15
UTE HOSPITAL REINA SOFÍA	20.00%	749	1,904	230	2,653
C.S. ANTONIO GARCÍA	20.00%	386	22	--	408
SEVILLA A66 UTE	50.00%	468	7,474	--	--
BURGUILLO UTE	50.00%	419	108	--	--
RIBERAS II UTE	50.00%	--	--	21	--
UTE PEDRERA	50.00%	--	--	--	--
UTE ULTZANUETA	50.00%	--	--	--	--
UTE KARRANTZA	41.50%	--	--	--	--
ACCIONA INFRAESTRUCTURAS-ELECNOR HOSPITAL DAVID, S.A.	25.00%	10,189	(3,781)	19,218	6,408
PROYECTOS ELÉCTRICOS AQUAPRIETA, SAPI DE CV	50.00%	(3,161)	--	11,014	(3,792)
DUNOR ENERGIA	50.00%	57,132	21,443	119,762	57,644

(*) 100% information provided, not taking into account removals.

Appendix III

Elecnor, S.A. and Subsidiaries

Condensed financial information of equity-accounted companies 31 December 2018
(Expressed in thousands of euros)

	Gasoducto de Morelos, S.A. Promotora de Inversión de C.V.	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.	Brilhante Transmissora de de Energía, S.A.	Jauru Transmissora de Energía, S.A.	Morelos EPC, S.A.P.I. de CV
Information from the statement of financial position						
Non-current assets	270,571	243,699	450,215	68,727	107,719	-
Non-current liabilities	167,090	214,643	402,429	15,817	46,342	-
Non-current financial liabilities	126,877	210,680	388,189	11,737	42,054	-
Total non-current net assets	103,481	29,056	47,786	52,910	61,377	-
Current assets	30,223	8,376	17,017	4,915	7,899	8,213
Cash and cash equivalents	15,705	1,852	3,648	1,864	3,012	7,307
Current liabilities	97,878	15,044	21,022	4,345	7,064	-
Current financial liabilities	9,778	10,481	18,172	2,536	4,570	-
Total current net assets	(67,655)	(6,668)	(4,005)	570	835	8,213
Net assets	35,826	22,388	43,781	53,480	62,212	8,213
Percentage ownership	50%	55%	56%	50%	66%	50%
Share of net assets	17,913	12,313	24,386	26,740	41,060	4,107
Goodwill	-	-	-	-	-	-
Carrying amount of the investment	17,913	24,025	34,360	30,761	26,357	4,107
Information from the income statement						
Revenue	34,827	28,260	58,674	13,384	15,777	5,186
Depreciation and amortisation	(12,596)	(12,081)	(24,992)	(2,578)	(3,850)	-
Interest income	-	-	-	236	364	-
Interest expense	(12,192)	(11,436)	(24,842)	(1,448)	(5,171)	-
Income tax expense/(income)	(3,996)	44	1,775	(1,220)	(754)	730
Profit/(loss) from continued operations	4,525	(7,088)	(7,615)	6,475	1,305	(1,184)
Income tax expense/(income) of discontinued operations	-	-	-	-	-	-
Profit/(loss) from discontinued operations	-	-	-	-	-	-
Profit/(loss) for the year	4,525	(7,088)	(7,615)	6,475	1,305	(1,184)
Other comprehensive income	3,750	1,973	4,018	(5,582)	(7,855)	(74)
Total comprehensive income	8,275	(5,115)	(3,597)	893	(6,550)	(1,258)
Dividends received	-	-	-	3,338		7,335

Appendix III

Elecnor, S.A. and Subsidiaries

Condensed financial information of equity-accounted companies 31 December 2017
(Expressed in thousands of euros)

	Gasoducto de Morelos, S.A. Promotora de Inversión de C.V.	Dioxipe Solar, S.L.	Aries Solar Termoeléctrica, S.L.	Brilhante Transmissora de de Energía, S.A.	Jauru Transmissora de Energía, S.A.	Morelos EPC, S.A.P.I. de CV
Information from the statement of financial position						
Non-current assets	278,851	255,529	473,085	80,185	134,849	-
Non-current liabilities	198,731	218,714	416,312	19,799	53,226	42
Non-current financial liabilities	134,198	216,087	409,016	15,929	51,541	-
Total non-current net assets	80,120	36,815	56,773	60,386	81,623	(42)
Current assets	65,574	12,611	17,110	3,493	6,414	34,612
Cash and cash equivalents	21,808	5,592	3,532	1,270	1,788	3,656
Current liabilities	120,142	19,661	22,711	4,617	12,861	10,387
Current financial liabilities	5,309	10,542	17,938	2,858	5,313	-
Total current net assets	(54,568)	(7,050)	(5,601)	(1,124)	(6,447)	24,225
Net assets	25,552	29,765	51,172	59,262	75,176	24,183
Percentage ownership	50%	55%	56%	50%	33%	50%
Share of net assets	12,776	16,371	28,503	29,631	24,808	12,092
Goodwill	-	-	-	-	-	-
Carrying amount of the investment	13,776	27,309	40,112	32,043	23,652	12,091
Information from the income statement						
Revenue	36,616	26,949	60,511	15,082	17,846	9,616
Depreciation and amortisation	(13,124)	(11,581)	(24,992)	(3,099)	(4,046)	-
Interest income	-	-	-	335	902	-
Interest expense	(11,711)	(11,581)	(25,415)	(2,104)	(6,130)	-
Income tax expense/(income)	(6,889)	(771)	(2,014)	(1,369)	(1,008)	(3,202)
Profit/(loss) from continued operations	1,079	(3,395)	(7,086)	3,282	1,957	(481)
Income tax expense/(income) of discontinued operations	-	-	-	-	-	-
Profit/(loss) from discontinued operations	-	-	-	-	-	-
Profit/(loss) for the year	1,079	(3,395)	(7,086)	3,282	1,957	(481)
Other comprehensive income	(1,050)	(5,705)	(10,966)	-	-	-
Total comprehensive income	29	(9,100)	(18,052)	3,282	1,957	(481)
Dividends received	-	-	-	3,060	-	7,165

2018 Director´s Report Elecnor Group

1. INTRODUCTION

In 2018, the Elecnor Group posted **consolidated net profit** [(1)] of **Euros 74.3 million,** a **4.3%** increase on the previous year (Euros 71.2 million).

This increase in profit reflects the favourable performance of the Group's two businesses: Infrastructure and Concessions. We highlight the sound performance by the activities conducted by the Parent in Spain and its permanent establishments abroad, and that of the Group's subsidiaries operating in foreign markets (United States, Brazil, Chile, Australia, etc.). The solid results logged by these subsidiaries in local currency offset the negative effect on consolidated net profit of the depreciation in the average exchange rates of the Brazilian Real, Australian Dollar and US Dollar compared with the previous year.

Elecnor continues its internationalisation process, maintaining its leadership in the national market as a flagship company in the sectors in which it operates. Accordingly, of the Euros 2,273.1 million in turnover in 2018, 57% was from abroad. Continuing in this trend, the **backlog of contracts pending,** which totals Euros 2,229 million, increased by 3.2% on the figure at 31 December 2017 (Euros 2,160 million). 80% of that backlog came from abroad.

Likewise, gross operating profit, or **EBITDA** [(2)], amounted to **Euros 338.6 million,** up 3.7% compared to the previous year.

Also noteworthy is the performance of the Group's corporate debt, outlined in the table below, which shows that corporate debt has decreased by 38% compared with the previous year-end figure.

	2018	2017
Net corporate debt [(3)]	138	223
EBITDA	338	327
EBITDA with recourse [(4)]	*122*	*148*
EBITDA without recourse [(5)]	*216*	*179*
Ratio of Debt/EBITDA with recourse + projects div.	0.95	1.31
Consolidated net Financial debt [(6)]	1,280	1,268
With recourse	*138*	*223*
Without recourse	*1,142*	*1,045*
EBITDA	338	327
Ratio of consolidated net financial debt/EBITDA	3.78	3.88

A series of events took place in the year in connection with **contracting** and **finance** and of **a corporate nature,** which must be taken into account to provide a complete overview of the Group.

In connection with contracting, the Infrastructure and Concession business logged a positive performance in the year.

(1) **Consolidated net profit** is the profit for the year attributable to the shareholders of the Parent Company.
(2) **EBITDA** is gross operating earnings and is calculated as operating earnings + amortisation and depreciation + harmonisation of sales in Brazil concessions due to the effect of applying IFRIC 12 (EBITDA at 31/12/18=151.9+112.0+74.7=338.6; EBITDA at 31/12/17= 181.7+93.9+50.9=326.5)
(3) **Net corporate debt is net financial debt** explained in Note 14 to the Consolidated Financial Statements for this year.
(4) **With recourse:** difference between the total figure explained and the amount considered to be without recourse.
(5) **Without recourse:** amounts contributed by subsidiaries whose financing is guaranteed by the projects channelled through said companies and not, therefore, guaranteed on a corporate level.
(6) **Consolidated net financial debt** means: Financial liabilities due to the issuance of bonds and other marketable securities + Bank borrowings + Derivative financial instruments (under non-current and current liabilities in the Consolidated Statement of Financial Situation) - Current investments in related companies - Derivative financial instruments - Cash and cash equivalents (under current assets in the Consolidated Statement of Financial Position) + Loans granted by public entities (Note 14); CNFD at 31/12/18=669+730+11+181+105+7-2-1-427+6=1,280; CNFD at 31/12/17=539+911+9+113+90+1+0-4-398+7= 1,268

In the **Infrastructure** business, Elecnor remains a leader in the national market for services to large operators, mainly electric utilities and telecommunications companies. The development of renewable energies has led to an increase in Elecnor's activity in the **electricity sector,** where it has already consolidated its position as one of the main market players. Moreover, the sound performance of the telecommunications sector drove Elecnor's activity in the **rollout and maintenance of fibre-to-the-home (FTTH) and mobile (4G)** networks for major telecommunications operators.

In the international market, Elecnor's growth has been shaped by:

- The company's healthy performance this year in the **United States,** with revenue exceeding USD 204 million and projects such as the restoration of electric power infrastructure in Puerto Rico in the wake of the hurricane destruction on the island.
- A stronger presence in **Africa,** as the company won a contract for the supply, installation and commissioning of the electro-mechanical equipment at the Nachtigal hydropower plant and a contract for the stabilisation of a high-voltage transmission system, both in Cameroon.
- Progress in renewables, with the fourth wind farm launched in **Jordan,** the third in **Chile,** the second in **Mauritania** and the first in **Panama.**
- Growth in **Italy** through electricity and telecommunications activities.
- The contract in **Australia** for the Bungala Three solar PV farm (coming on stream in 2019), which, with an installed capacity of 100 MW on top of the 274 MW of its predecessors (Bungala One and Bungala Two), comprise Bungala Solar, the largest solar PV power project ever implemented in the country and the largest built by Elecnor using this power generation technology.

The **Concessions** business was buoyed by the success of the subsidiary **Celeo Redes in Brazil and Chile.** The Brazilian arm won contracts to sell energy from six solar PV power projects located in Piauí State, with an investment of Euros 181 million, and to build and operate a transmission line and three sub-stations for Euros 254 million. Celeo Redes Chile, meanwhile, in a consortium with Celeo Redes, won tenders to build, operate and maintain two new electric power transmission projects worth USD 466 million. Elecnor will be in charge of the turnkey execution of these projects.

With regard to **Enerfín,** the Elecnor Group's wind power subsidiary, we highlight the two 20-year energy sales contracts in Brazil for two new wind farms in Rio Grande do Norte State, which will see the construction of its first two wind power projects in that area of the country, with a total installed capacity of 142 MW. This area has huge wind power potential, so Enerfín is planning to grow its business there, with the first step being the addition of another 23 MW in a project for selling power in the open market.

With regard to the Group's **financial strategy,** we note:

- Elecnor has **renewed its Syndicated Financing Contract,** arranged in 2014, previously renewed in 2015, 2016 and 2017 extending the maturity and improving the original conditions. The renewal extends the maturity by two years, through July 2024. Elecnor also decided to effect a voluntary prepayment of Euros 100 million in the loan tranche, consistent with its gradual financial deleveraging strategy, made possible by compliance with its cash flow generation goal. This prepayment will reduce finance costs, while maintaining sufficiently ample financing limits. The financing now has a cap of Euros 400 million, distributed between the Loan Tranche of Euros 200 million and a Credit Facility Tranche of Euros 200 million. The renewal was signed by fourteen entities taking part in the financing.

- Elecnor has issued a **multi-currency promissory notes programme with a ceiling of Euros 300 million in the Alternative Fixed Income Market (MARF),** enabling it to finance in both Euros and USD, over periods of up to 24 months, optimising the cost of funding working capital. This programme is an alternative to bank financing, with cost benefits in comparison to it. The aim is to continue implementing projects in the areas of engineering, development and construction of infrastructure, renewable energy and new technologies, both in Spain and the international markets.

- Elecnor, S.A. and the SUSI Energy Efficiency Fund (SEEF) agreed the **financing of an energy efficiency project portfolio worth Euros 14 million.** This particular operation is special because it comprises five public customers. This financing system will cover street lighting projects for more than 41,500 high-efficiency LED lighting in the Spanish regions of Castilla-La Mancha, Castilla y León, Madrid, Galicia and Asturias.

- Through its subsidiaries Galicia Vento, S.L. and Aerogeneradores del Sur, S.L., the Group has arranged project financing amounting to Euros 55 million, maturing in 2024, evidencing the value of these Spanish wind farms, whose original financing has been repaid.

- On 20 December, the São Fernando I financing was arranged (a wind farm 100%-owned by Enerfín) with Banco do Nordeste do Brasil (BNB), over a period of 20 years and up to a limit of BRL 266,874,000, which is expected to commence being drawn down in June 2019

- Through its Brazilian investee Celeo Redes Transmissão de Energia, S.A., Elecnor has agreed to issue project bonds aimed at funding its transmission lines in Brazil. The issue of BRL 565 million bond issue accrues interest equivalent to the return on interbank certificates of deposit (CDs), plus an annual spread of 0.75%.

  Funds from this issue are secured by the Vila do Conde Transmissora de Energia (VCTE) and LT Triângulo (LTT) projects, and will be used for refinancing (the early prepayment of existing financing of said projects) and for investment in other projects.

- With regard to the São João do Piauí solar PV projects, on 26 December financing arrangements were completed with Banco do Nordeste do Brasil (BNB). This financing, which totals BRL 404.9 million, will start to be drawn down in mid-2019 and will be fully amortised in December 2038.

The Elecnor Group tackles its investment projects by arranging project financing, as described in section 6.1.2 herein, while it finances its equity with the resources generated by the businesses of which the Group is comprised.

With regard to **corporate milestones,** note that in December Celeo Redes in Brazil completed the acquisition of the Isolux Group's holdings in two transmission line concession companies in Brazil. Isolux Energía e Participaçoes, S.A. sold its respective stakes of 33.3% and 100% in concession companies Jaurú Transmissora de Energia, S.A. (JTE) and Cachoeira Paulista Transmissora de Energia, S.A. (CPTE). Celeo Redes paid Euros 46.65 million for these acquisitions.

2. BUSINESS MODEL AND CONTEXT

2.1. Business model

Elecnor is a Spanish corporation that operates in more than 50 countries globally, with two complementary and mutually enriching major business areas:

- **Infrastructure:** execution of engineering, construction and services projects, most notably in the electricity, power generation, gas, telecommunications and systems, railways, maintenance, facilities, construction, water, environment and space sectors.
- **Concessions:** operation of services through investment in energy transportation, wind and solar thermal power and other strategic assets.

2.2. Economic context

The International Monetary Fund (IMF) estimates that the global economy will grow by 3.5% in 2019 and 3.6% in 2020, implying a decrease of 0.2 and 0.1 percentage points, respectively, as compared with 2018.

The reductions are modest, but the IMF analysts believe the risks of more significant cuts increased over the final months of 2018. For most of last year, the financial markets in advanced economies appeared to have been immune to the trade tensions, but towards the end of the year there were interactions, leading to a tightening of financial conditions and an increase in the risks for global growth. The tightening of financial conditions will be especially costly given the high levels of indebtedness in both the public and private sectors. In January 2019, the slowdown was sharper than expected in October 2018. Trade and investment have tapered, industrial production outside the United States has slowed, and stagnation in purchasing managers index (PMI) surveys suggests momentum is falling. Analysts believe this is not necessarily the start of a significant slowdown, but they insist that the various risks that are increasing must be taken into account.

Experts have slightly revised down growth in ***advanced economies,*** due mainly to the cuts in forecasts for the Eurozone. Growth in these economies is now expected to slow from 2.3% in 2018 to 2% in 2019 and 1.7% in 2020. Germany has seen the biggest cuts to growth forecasts, due to the production difficulties in the auto sector and more sluggish external demand, which combined to exert downside pressure on growth this year. In Italy, sovereign and financial risks—and their interconnections—are curbing growth even more. Europe will remain under the effects of the uncertainty over the final Brexit outcome and the financial risks in Italy.

In the **United States** growth is expected to continue, although there is every indication that it will slow due to quantitative tightening. GDP growth is expected to slow to 2.5% in 2019. It is too soon to gauge the real consequences of the lengthy government shutdown, but the impact will not be positive.

For the **Spanish economy,** the IMF maintains its GDP growth forecast of 2.2% in 2019 and 1.9% in 2020, making it the only European Union country in which experts have kept the October projections unchanged rather than revise them down. Between 2015 and 2018, the Spanish economy's openness and international presence enabled it to benefit from a clearly positive environment in regard to growth and employment. Experts expect a decline in this connection in 2019 compared to the previous four years, mainly because the world's leading economies, with which Spain has the closest ties, will post slower growth, as explained in the IMF's World Economic Outlook (WEO). Spain will be affected by the stagnation in Germany, especially in the auto industry, and by the uncertainty surrounding the Brexit outcome, since the UK generates more than one-fifth of Spain's tourism revenue and it is one of the countries with which it has a trade surplus. France and Italy are also set to post more moderate growth than in 2018.

The stagnation is not exclusive to advanced economies. The IMF forecasts that growth in ***emerging and developing markets*** will ease slightly, to 4.5% in 2019 and 4.9% in 2020. The forecast for 2019 was revised down (by 0.2 percentage point) from the October projection, due mainly to the sharp contraction estimated in Turkey and the significant cut in estimated growth in Mexico in 2019–2020, as a result of the decrease in private investment. The estimated increase in 2020 is underpinned by the expected growth in Argentina — after a contraction in 2019 —and Turkey. The IMF outlook for emerging and developing economies reflects the continuous headwinds triggered by the depletion in capital flows following the US Fed's decision to raise interest rates and the currency depreciation.

In **Latin America,** the IMF's World Economic Outlook (WEO) forecasts an increase in growth in the next two years: from 1.1% in 2018 to 2% in 2019 and 2.5% in 2020, by two ticks in both cases, less than projected in October. The outlook is for slower growth in Mexico due to less private investment, and a very severe contraction—sharper than in 2018—is expected in Venezuela. The forecasts are mitigated thanks to the improved outlook in Brazil, with a gradual recovery on the cards after the crisis in 2015-2016.

As for **Africa,** the recovery in the continent's Sub-Saharan countries is expected to continue in 2019, albeit unevenly. The World Economic Outlook (WEO) estimates that region will log 3.8% growth in 2019, compared with 3.1% in 2018. Angola, which is highly dependent upon oil prices, saw something of a reactivation in 2018 which is set to continue in 2019, but without reaching the levels prior to the commodities shock of 2014. The country's agreement with the IMF brings with it some hope of a take-off in growth in 2019, after closing 2018 with zero growth. In 2016 and 2017 it logged negative growth in excess of -2%. The IMF estimates that countries that do not depend on their natural resources will continue to grow strongly in 2019. In Cameroon, the World Bank's forecasts point to persistent strong growth (3.8% real GDP growth in 2018). For Senegal, the African Development Bank projects economic growth of between 3.8% and 4%, i.e. between 2 and 4 ticks more than in 2018.

Australia and the Asian economies ended 2018 with combined growth of 5.2% and they are expected to log 5.1% and 5.2% growth, respectively, in 2019 and 2020.

The **global outlook** suggests that the authorities should act now to neutralise the clamp on growth and gear up for deceleration. According to the IMF, cooperation between countries is vital to resolve trade disputes as soon as possible. The IMF urges the G20's request, at the Buenos Aires summit, for reform of the World Trade Organization, to be implemented as soon as possible. It also calls for growth policies to ensure that public debt follows a sustainable path, without ceasing to protect those who are most vulnerable, and calls for a prudent normalisation of monetary policies. Multilateral cooperation will be even more important if global growth falls more drastically, and it is essential that multilateral bodies like the IMF have sufficient resources to tackle the mounting risks.

3. ANALYSIS OF THE KEY FIGURES FOR THE PERIOD

3.1. Material changes in accounting policies

The accounting policies and methods used to prepare the consolidated annual accounts in 2018 are the same as those applied to the consolidated annual accounts in 2017, except as detailed below. All accounting principles with a significant effect have been applied in the drawing up of these consolidated annual accounts.

On 1 January 2018, IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers enter into force. Their initial application will have an impact on the Group's equity, as Note 2 Basis of presentation explains in its section b) Adoption of International Financial Reporting Standards (IFRS).

The main effects of applying these standards correspond to:

- Reduction in cumulative gains due to the reversal of revenue recognised from modifications in customer contracts pending approval by customers, amounting to Euros 19.4 million, net of their tax effect (IFRS 15 Revenue from Contracts with Customers).

- Increase in cumulative losses due to the recognition of estimated losses of Euros 4.5 million, net of their tax effect (IFRS 9 Financial Instruments).

- Increase in cumulative gains due to the effect of reflecting financial liabilities that have undergone non-substantial changes at the original effective interest rate in the amount of Euros 4.2 million, net of the tax effect (IFRS 9 Financial Instruments).

3.2. Consolidated figures

Elecnor Group
At 31 December each year and in millions of euros

Figures	2018	2017	Change (%)
Profit for the year attributable to the shareholders of the Parent Company	74.3	71.2	4.3%
Profit before income tax and minority interests	169.0	131.3	28.7%
EBITDA (2)	338.6	326.5	3.7%
Turnover			
Sales	2,273.1	2,316.8	-1.9%
Domestic	985.7	938,.5	5.0%
International	1,287.4	1,378.3	-6.6%

Elecnor Group – Information by Segment
At 31 December each year and in millions of euros

Figures	2018	2017	Change (%)
Infrastructure	65.1	62.3	4.5%
Concessions business	25.4	24.0	5.7%
Corporation	-13.0	-15.1	-13.9%
Operations between segments	-3.2	0.0	-
Profit attributable to the Parent	74.3	71.2	4.3%
Turnover			
Infrastructure	2,096.1	2,119.4	-1.1%
Concessions business	222.1	232.0	-4.3%
Corporation	-	-	-
Operations between segments	-45.1	-34.6	30.3%
Sales	2,273.1	2,316.8	-1.9%

3.2.1. Profit for the year attributable to the shareholders of the Parent Company

Profit after tax at the Elecnor Group in 2018 amounted to **Euros 74.3 million,** a **4.3 % increase** on the previous year (Euros 71.2 million). This increase was underpinned by the Group's two businesses: Infrastructure and Concessions.

The sound performance by the **Infrastructure Business,** primarily due to:

- The domestic infrastructure market performed well, continuing the positive trend of the last few years in electricity, power generation and telecommunications.
- The result of the transmission construction projects in **Brazil** offset the negative impact of the depreciation in the average exchange rate of the Brazilian Real compared with the previous year. The main projects include: the implementation of transmission lines and sub-stations in Brazil, as well as gas transmission pipelines.
- Construction by Elecnor of two turnkey (ECP) solar PV plants in **Australia.** The second of these is the largest ever solar PV project in the country and will be Elecnor's biggest using this power generation technology.
- The construction completion of a solar PV plant in **Chile,** including engineering, supply, assembly and launch, as well as the high-voltage power evacuation infrastructure.
- The improvement in activity and profit at the US subsidiary **Hawkeye.**

- Construction of a solar power plant in **Bolivia.**
- The expansion of the wind farm Elecnor is building for the **Jordanian Energy Ministry.**

Moreover, profit also increased in the Concessions Business. On the domestic front, the increase was due to the sound performance by energy prices in the production market, despite being a less windy year than 2017. In the international market, the entry into operation of new transmission lines (the Cantareira line in Brazil and Charrúa line in Chile), as well as the improved performance of wind production sales, helped boost results.

Lastly, in line with its strategy, the Group has implemented a constant policy of cost containment and control which is at present underpinned by the development of various digitalisation projects to enhance the efficiency of its business processes, some of which were launched in the year and which are expected to start yielding returns in the short term.

3.2.2. EBITDA

In **EBITDA** terms, calculated based on earnings plus amortisation and depreciation charges and provisions, neutralising the effect of applying IFRIC 12, Service Concession Arrangements to the Group's transmission lines in Brazil, amounted to **Euros 338.6 million, a 3.7% increase** on the EBITDA logged in the previous year (Euros 326.7 million). Based on the standard interpretation, only those revenue relating to the maintenance and operating of said transmission lines are recognised as operating revenue, so that to reflect a figure without the effect triggered by IFRIC 12 in this connection, we included this EBITDA to have been eliminated from the accounts.

This sound performance by EBIDTA was driven by the factors previously described in relation to the profit in the year.

3.2.3. Turnover

The Elecnor Group's turnover in 2018 amounted to **Euros 2,273.1 million**, compared with Euros 2,316.8 million the previous year, implying a **1.9% reduction.** The depreciation of the currencies of the countries in which the Group operates compared to last year, including Brazil, the United States and Chile, is the main reason for this decline.

In any event, the Elecnor Group remains committed to foreign markets as a growth driver for the next few years, while maintaining its leadership in the domestic market.

3.2.4. Results at the Group's Parent Company, Elecnor, S.A.

The Group's Parent Company, Elecnor, S.A. logged a lower operating profit than in 2017, due mainly to the fact that the projects executed abroad that have contributed most to consolidated profit (in Australia, the United States, Brazil, Chile) were channelled through subsidiaries rather than through permanent establishments, as was the case in previous years, in a bid to optimise the Group's resources.

On the positive side, finance income increased. A larger amount is being received in dividends from subsidiaries: Euros 47 million, compared with Euros 26 million in 2017.

This positive finance income led profit before tax to increase by 12% year-on-year (Euros 59.9 million in 2018, vs. Euros 53.3 million in 2017), although this increase does not apply to profit after tax, due to the increased tax expense accrued, as described in the Notes to the Financial Statements.

Accordingly, the Group's Parent in 2018 posted an after-tax profit of **Euros 44.1 million** (Euros 48.5 million in 2017).

3.2.5. Backlog

At 2018 year-end, the backlog of contracts pending amounted to **Euros 2,229 million.** By market, the international backlog totalled **Euros 1,775 million** (80% of the total), while the domestic backlog amounted to **Euros 454 million** (20% of the total).

The total backlog is up 3.2% compared with the end of 2017 (Euros 2,160 million).

3.2.6. Average payment period

The average payment period to suppliers of the Group's Parent Company, Elecnor, S.A., calculated as per Additional Provision Three of Law 15/ 2010, dated 15 July, is 66 days. The average payment period to suppliers of the Group, calculated in the same way, is 64 days.

3.3. Turnover by activity

At 31 December each year and in thousands of euros

Activities	2018	2017	Changes
Electricity	768.0	758.1	1.3%
Power generation	630.0	683.0	-7.8%
Telecommunications and Space	252.9	255.0	-0.8%
Construction. environment and water	169.7	189.7	-10.5%
Maintenance	160.4	151.7	5.7%
Facilities	165.8	132.2	25.4%
Gas	102.6	107.8	-4.8%
Railways	23.7	39.3	-39.7%
	2,273.1	2,316.8	-1.9%

Once again, the core business in terms of turnover was **Electricity,** with Euros 768 million, up 1.3% on 2017, due to both the domestic market and the foreign subsidiaries (especially those in the US). It is closely followed by **Power Generation,** with Euros 630 million, 7.8% lower than in 2017 due to the impact of the depreciation of the Brazilian Real and US Dollar, and the completion of large power generation plants. Note the year-on-year increase in **Facilities,** into which category part of the US production falls.

4. STOCK MARKET INFORMATION

	2018	2017
Closing share price (€)	13.20	13.29
Total volume of securities (million)	4.3	9.5
Total cash traded (€ mn)	53.9	109
Number of shares (million)	87	87
Market capitalisation (€ mn)	1,148.4	1,156.2
PER	15.5	16.2
Dividend yield	2.6%	3.1%

Shares in Elecnor closed at a price of **Euros 13.20 each,** a 0.68% decrease on the price at 2017 year-end, outperforming the Ibex-35, which saw a decline of 14.97%. The total cash amount traded was Euros 53.9 million. Market capitalisation, meanwhile, was Euros 1,148.4 million.

Dividend yield was **2.6%,** compared with 3.1% in 2017.

5. CAPITAL MANAGEMENT POLICY

Key to Elecnor's strategy is its policy of maximum financial prudence. The capital structure is defined by the commitment to solvency and the aim of maximising shareholder returns.

6. FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring and supervising risks and limiting the concentration thereof. Financial risk management and containment is performed on a coordinated basis by corporate management and the various business units and subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

6.1. Market risk (mainly foreign exchange, interest rate and other price risks)

6.1.1. Currency risks

Exchange risk to be mitigated arises from the transactions that the Group performs on the international markets in the course of its business, namely market risk due primarily to foreign currency risk. Certain income and procurement costs are denominated in currencies other than the Euro. For this reason, the risk of fluctuating exchange rates of these currencies against the functional currency could have an impact on the Group's profits.

In order to manage and minimise this risk, Elecnor uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

The instruments used to achieve this hedging are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor and the bank exchange the cash flows arising from a loan denominated in Euros for the flows of another loan denominated in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.

6.1.2. Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. Elecnor has arranged borrowings to enable it to carry on its operations, mainly in connection with the development, construction and operation of wind farms, thermosolar projects and electricity infrastructure concessions, which it does under project financing arrangements. This kind of arrangement requires under contract that interest rate risk be covered using hedging instruments.

In the case of both project and corporate financing, borrowings are arranged mainly at floating rates and, where appropriate, hedging instruments are used to minimise the related interest rate risk. The hedging instruments, which are specifically assigned to financial debt and are limited to the same nominal value as the latter and the same maturity dates as the hedged items, are essentially IRSs, the aim of which is to convert loans originally arranged at variable rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.

6.2. Other price risks

The Group is also exposed to its risk that cash flows and profits may be affected by changes in energy prices, among other issues. In order to manage and minimise this risk the Group occasionally uses hedging strategies.

6.3. Liquidity risk

Liquidity risk is mitigated through Elecnor's policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US dollar deposits, through leading banks in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

6.4. Credit risk

The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor has customers with very high credit ratings. However, in the case of non-recurrent international sales to customers, mechanisms such as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

In the case of the wind farms, the power produced - in accordance with the legislative framework in force for the electricity industry - is sold in the Iberian Electricity Market (MIBEL) and income is collected from the operator of the Spanish Electricity Market (OMIE) through a payment-guarantee system and from the Spanish National Markets and Competition Commission (CNMC), which regulates energy markets in Spain and reports to the Ministry of Industry. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, Ltda., Ventos da Lagoa, S.A., Ventos do Litoral Energia, S.A. and Ventos dos Indios Energia, S.A. (Brazil) entered into long-term agreements with the corresponding Brazilian electricity distribution companies to sell the electric power that they will generate for a period of 20 years. Furthermore, Eóliennes de L'Érable has signed a 20-year contract to sell the electricity it generates to Canadian electric utility Hydro-Québec.

With regard to transmission lines, specifically those operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made: generators, major consumers and transmission entities. Prior to connecting to the system these companies deposit a guarantee. In the event of non-payment this guarantee will be executed, they will be immediately disconnected from the system and the payment obligation will be shared among the remaining users of the system. Accordingly, the concessionaire has the guaranteed payment from the national power grid system. In this connection, in the years in which the Group has been operating these lines, there has been no non-payment by users thereof.

The transmission lines Chile belong to that country's national grid (previously known as the backbone system), in which Coordinador Eléctrico Nacional (CEN) coordinates the flow of payments to transmission companies. The current system remains until December 2018, whereby those responsible for paying the transmission companies are the generating companies. From 2019 onwards, distributors will also be liable for payments, so the portfolio of payers will be more diversified from that date on. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Elecnor seeks always to implement the strictest measures to mitigate this risk and conducts periodic analyses of its exposure to credit risk, making the relevant impairment corrections where necessary.

6.5. Regulatory risk

Elecnor closely monitors regulatory risk, particularly that affecting renewable energy, to adequately reflect its impact on the consolidated income statement.

7. ENVIRONMENT

A commitment to protecting and respecting the environment and fostering efficiency in consuming energy resources are the common denominator in all Elecnor's activities, and are an integral part of the organisation's values and culture.

The environmental control mechanisms currently in place at the company are based on certified Environmental Management Systems and Energy Management Systems in accordance with ISO 14001:2004 and ISO 50001 standards.

Elecnor's Environmental Management System defines a procedure to identify, assess and record the environmental aspects originating in the Group's activities in order to determine which are significant.

In global terms, our Environmental Management strategy is governed by the following guiding principles:

- The permanent quest for a balance between financial rewards and environmental protection, nurturing approaches that enable these aspects to be mutually strengthening.
- Taking into consideration the environmental component when deciding to invest in new projects and activities.
- Involving employees through relevant training and awareness actions.
- Also involving our other stakeholders (shareholders, customers, suppliers and society at large) in the joint quest for useful solutions to the challenges of preserving the environment and energy resources.

The Non-Financial Information section of this report outlines the goals, strategies and initiatives implemented in 2018 in accordance with the Group's environmental management policy.

8. HUMAN RESOURCES

Elecnor's workforce (*)

At 31 December each year	2018	2017	Changes
Domestic	8,837	8,130	8.7%
International	5,052	5,014	0.8%
	13,889	13,144	5.7%

(*) This calculation does not include Directors who are not on the Group's workforce.

People are Elecnor's main asset, and its overall strategy is underpinned by values such as talent, transparency and team work in conditions of the utmost safety. In this connection, occupational risk prevention is a common denominator throughout all the Group's activities. The commitment to prevention is part of our culture. And it is a commitment that goes beyond legal regulations and customers' requirements, with exacting and very clear goals: zero accidents and zero tolerance to non-compliances with the preventive measures established by the company.

At 2018 year-end, the Group's workforce had increased by 745 (5.7%) to **13,889 employees**. In the domestic market, the increase was 8.7%, mainly in the infrastructure and telecommunications businesses. Abroad, there was a general increase of 0.8%. There were increases in the workforce in Brazil and Italy, and reductions in Angola, Chile and the Dominican Republic, due to project completions.

9. RDI

The initiatives implemented in 2018 focused on the ongoing improvement in corporate tools, and on increasing the number of innovative projects executed and in the pipeline. The aim is to improve Elecnor's current services, products and processes, as well as to explore new business models. Actions:

- Launch of the 2018 edition of the internal call for INNOVA project proposals for financing. Financing of 4 new projects.
- Conducting a technical workshop with Nem Solutions on Industry 4.0.
- Updating the strategic lines in RDI with a view to boosting the number of innovative projects focused on improvements in construction and plant management.
- The Group worked together with partners (battery manufacturers) to produce all the documentation required to execute a project subsidised by the CDTI.
- Using RDI to boost business competitiveness.

Improvements planned for 2019:

- Technical workshops to be held in partnership with technological companies.
- Increasing the number of projects with customers and partners.
- Creation of a working panel with representatives from all the general business divisions and sub-divisions of Elecnor. RDI panel of experts.

10. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

Between 31 December 2018 and the preparation of the Individual and Consolidated Financial Statements there were no significant events that might materially alter the true and fair view of said financial statements.

11. OUTLOOK FOR 2019

11.1. Economic context

As explained in section 2.2 herein, Economic context, the outlook for the coming year are for global growth, although experts have revised down growth forecasts for both advanced economies and emerging and developing markets. The Spanish economy is the only European Union country not to have seen its growth forecasts cut.

11.2. Elecnor Group

In 2019, assuming regulatory stability in both renewables and with regard to fiscal matters, the Elecnor Group is expected to continue achieving the solid and sustained growth of the last few years.

Elecnor remains committed to growing in the international market, based on its current backlog therein, which require a period of maturity spanning several years. On the other hand, and with the necessary caution, the recovery in the domestic market does appear to have taken root, which should help meeting the established growth targets. Accordingly, the Group continues to pursue the ongoing improvement of its general and productive structures to adapt them to the volume of activity of its various businesses in Spain and abroad, which will enhance profitability, productivity and competitiveness in these environments.

Hence, underpinned by the solid backlog (see section 3.1.4.), in 2019 the Elecnor Group looks forward to improving on the previous year's figures in terms of both turnover and profits.

11.3. Entry into force of the new regulations

IFRS 16 Leases

IFRS 16 Leases comes into force on 1 January 2019. This standard eliminates the double-entry accounting model for lessees that distinguishes between finance leases, which are recognised in the balance sheet, and operating leases, for which future lease payments do not have to be recognised. A single model has been developed in its place for the balance sheet, which is similar to the current finance lease model. The Elecnor Group estimates that the impact of this new regulation will imply a higher value of right-to-use assets of some Euros 20-30 million, and will not have a material impact on net equity.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation will be applicable to annual reporting period starting from 1 January 2019. It introduces guidelines as to how to measure and recognise uncertainty relating to income tax treatments, tax bases, unused tax losses, unused tax credits and tax rates. The Group is currently analysing the potential impacts of this interpretation on its Consolidated Financial Statements.

12. SHARE CAPITAL AND ACQUISITION OF OWN SHARES

At 31/12/2018, the share capital of Elecnor, S.A. was represented by 87,000,000 shares, each with a par value of 10 Euro cents, fully subscribed and paid in, implying a share capital of Euros 8,700,000.

Elecnor, S.A.'s shares are traded in Spain's SIBE electronic trading system, where shares in the leading Spanish companies are traded, and the market with the largest trading volume in Spain.

At 31 December 2018, Elecnor had a portfolio of 2,310,650 shares. In 2018 it acquired 124,061 securities, and sold 98,215. Accordingly, at 31 December 2018 it had a total of 2,336,496 own shares, 2.7% of all shares in the company.

13. RELATED-PARTY TRANSACTIONS

With regard to the disclosures on related party transactions, see the details in the notes of the individual and consolidated financial statements at 31 December 2018, as provided in article 15 of Royal Decree 1362/2007.

14. ANNUAL CORPORATE GOVERNANCE REPORT

In compliance with the legal stipulations and in accordance with the model circulated by the Spanish Securities Market Commission (CNMV), the Board of Directors of Elecnor, S.A. has drawn up the Annual Corporate Governance Report for the year ended 31 December 2018. Said document is available on the CNMV website.

15. NON-FINANCIAL INFORMATION

15.1. Introduction

This section of the Directors' Report is produced in compliance with the provisions of Law 11/2018, of 28 December, concerning non-financial information and diversity (preceded by Royal Decree-Law 18/2017, of 24 November).

Within this framework, information is included on the activities and the main economic, social and environmental impacts of the Elecnor Group, and any aspects considered relevant for the company's main stakeholders in 2018. It has been compiled based on the Global Reporting Initiative (GRI) guidelines.

The scope of information contained in this Report encompasses the whole Group, unless otherwise indicated (for example when reporting applies only to the national sphere). With regard to the environmental information, its scope is confined to those countries in which the organisation has a permanent presence.

In 2018, the Elecnor Group conducted an analysis of the material topics for the company and its stakeholders with the dual purpose of defining significant issues in connection with sustainability and prioritising the contents of this section of the Directors' Report.

With that in mind, the first step was to conduct an external analysis to determine the matters most significant to stakeholders (material topics). This entailed an analysis of the news and regulations concerning sustainability (especially Law 11/2018), and a benchmarking of the sustainability matrices of customers and companies in the sector, as published in their Sustainability Reports or Comprehensive Reports.

Once these material topics were identified, the next step was to prioritise those topics, a task carried out by key personnel at the organisation, in other words, persons identified by the company as being in responsible in respect of one or other of the Group's main stakeholder groups. The head of strategic planning was also involved. The list of material topics was then approved by the Group's chief executive.

As a result of this process, the following material topics were identified, listed in accordance with their criticality.

	Material topics	Criticality
1	Occupational health and safety of employees/contractors	
2	Ethics and Compliance	
3	Capturing and retaining talent and developing human capital	
4	Management of equality and diversity	
5	Work-life balance	
6	Clients. Service quality	
7	Renewable energy development	
8	Business opportunities	
9	Risk management	
10	Cybersecurity	
11	Financial management	
12	Digital transformation	
13	Communication / Transparency	
14	Sustainable investment	
15	Good governance	
16	Technology and innovation	
17	Management of intangibles	
18	Environmental management / resource efficiency	
19	Human rights (SDGs)	
20	Supply chain management	
21	Stable regulatory framework	
22	Featuring in sustainability indices	
23	Impact management and dialogue with local communities	
24	Biodiversity	
25	Inclusive businesses	
26	Climate change strategies and impacts	
27	Energy transition	
28	Water footprint	
29	Circular economy	
30	Inclusion of social and environmental criteria in public contracting	

High
Medium
Disposals

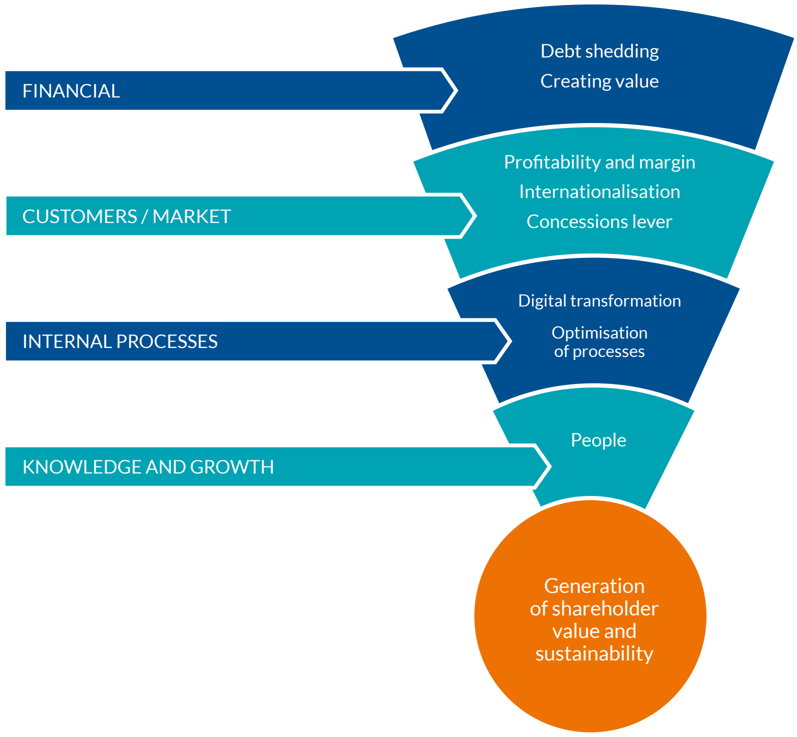
15.2. Business model

Information on the company's business model is contained in section 2 of this Directors' Report. Information concerning the outlook for 2019 can be found in section 11.

Strategic goals

At Elecnor, all our business strategies are aimed at generating sustainable value for our stakeholders.

Consistent with this, the main axes of our strategic framework are:



15.3. Management of non-financial risks

Elecnor is exposed to various non-financial risk factors linked to the sectors and countries in which it operates. Among these risks, and within the framework of its Compliance System, the Group has identified those situations in which, in accordance with the provisions of Spain's current Criminal Code and equivalent local regulations, legal persons may be criminally liable for certain offences committed by their employees or by certain related parties. Accordingly, the Group has implemented the necessary controls to ensure adequate prevention and management of the risk that such situations might arise.

Due to the very nature of these risks, inasmuch as they imply a potential criminal liability, the possible impacts of their eventual materialisation on the organisations would be both short- and long-term, so the Group, as mentioned, lays emphasis on preventive management in this regard.

The main risks associated with these offences potentially imputable to legal persons and that could potentially affect the Group are described below:

Type of risk	Impact
Foreign citizens and human trafficking	Imposition of forced labour or services, slavery or similar practices and helping persons to remain unlawfully
Bribery and corruption	Inducement to lack of impartiality or obtaining undue benefits by delivering or promising gifts, favours, etc.
Natural resources and environment	Failure to comply with laws, legal provisions or regulations
Taxation authorities and Social Security	Evading taxes or Social Security contributions (including false accounting) and improperly obtaining grants, aid or funds
Money laundering	Using, performing transactions with or concealing the unlawful origin of goods obtained through criminal activity
Financing of terrorism	Performing activities with goods or securities in the knowledge that they will be used in terrorist activities
Market and consumer fraud	Deceiving in order to make a profit, changing prices, disseminating, revealing or passing on trade secrets and using insider information
Industrial and intellectual property	Profit from goods protected by industrial and/or intellectual property rights without the rights holder's consent
Discovery and revelation of secrets	Discovering secrets or breaching privacy or using private information without permission
IT damage	Erasing or damaging computer data or hampering the operation of systems
Illegal financing of political parties	Performing donations or making contributions to political parties or similar organisations in breach of the law

For each of the risks identified, Elecnor has specific controls in place, including the Ethical Code, Compliance Policy, periodic internal and external audits of the Integrated Management System, Payment Management and Control Procedure, Recruitment Policy, Ethical Code whistleblower channel, Supplier Assessment System, etc.

15.4. Ethical management and regulatory compliance

Corporate culture

At the heart of the Elecnor Group's ethical management are the values of reliability, commitment and effort, customer-orientation, solvency and innovation, upon which rest the tools aimed not only at legal compliance, but at ensuring a corporate style of responsibility towards stakeholders, be they shareholders, employees, customers, suppliers, competitors and social representatives.

Mission: Elecnor's mission is to contribute, in the performance of all its activities, to the economic and technological progress, social welfare and sustainable development of the markets in which it operates. Accordingly, the Group aspires to lead the market as a highly competitive, ground-breaking company, in continuous growth and with an international presence.

The goal is to be known for the quality of our actions, the high standards of our team of professionals, and our social responsibility, commitment to customers, technical and financial solvency and values.

Values:

- Reliability
- Commitment and effort
- Customer focus
- Solvency
- Innovation

Compliance system

The Elecnor Group insists that all actions should always be implemented in accordance with the strictest ethical standards. The maximum exponent of this commitment is the Group's Ethical Code.

Elecnor applies a principle of zero tolerance to ethical malpractice and a lack of professional integrity and expects its employees and the persons with whom it interacts to adhere to the Code's principles, guiding rules and implementing procedures.

In this regard, through the Code, the Elecnor Group and each of its employees undertakes, as expressed in the Compliance Policy, to discharge their activities in accordance with applicable legislation in the territories and countries in which it operates, as well as to comply with and uphold human rights and respect labour rights, act in a diligent and professional manner, with integrity, quality, caring for the environment, preventing occupational risks and exercising corporate social responsibility.

The Elecnor Group's Compliance System has embodied those principles and values and strives for the ongoing improvement of its practices and management procedures with a view to strengthening its Corporate Governance.

The scope of the System covers all countries in which Elecnor and its subsidiaries and investees operate, notwithstanding the necessary adaptations in line with each country's specific characteristics.

The main elements of the System are as follows:

Ethical Code

It expressly establishes that all employees are obliged to report any irregular practices of which they may be aware or which they may witness, and provides them with a specific Whistleblower Channel for the purposes of these communications.

Compliance Policy

This is configured as a partial development of the Ethical Code and as the axis of reference of the Compliance System.

It specifies the behaviours expected of Elecnor employees and the physical or legal persons with whom the company habitually relates to ensure complete compliance with the law.

Compliance Management System Manual

Internal document regulating the functioning of the Compliance System and underpinning its design and structure.

It identifies and establishes the various responsibilities, goals and actions within the sphere of prevention, response, monitoring reporting in respect of Compliance.

Compliance Committee

This is a collegial body that is organically and functionally dependent upon the Audit Committee. It is tasked with the updating, supervision, monitoring, training and control of the Compliance System and, in sum, of ensuring that said system works properly.

List of Crimes and Risk Behaviours and Controls

A structured list of the risk behaviours identified that could potentially lead to a crime being committed and/or non-compliance with the procedures, protocols or controls established for their proper prevention and management.

It is the basis for the review and continuous updating of the Compliance System.

Annual Compliance Notes

Annual report compiled by the Compliance Committee on the System's status, actions implemented, etc.

Elecnor has set up a procedure to enable all its employees to report, confidentially, in good faith and with no fear of reprisals, any irregular conduct in connection with matters covered by the Code, the rules on which it is based, its implementing policies and procedures, or the law. For this purpose, the e-mail address codigoetico@elecnor.com and post office box 26-48080 are in use.

The organisation's employees may also resolve queries or propose improvements in the internal control systems in place.

In 2018, no complaints were received in connection with human rights, corruption, bribery or money laundering.

The four complaints received over the course of the year and managed by the Compliance Committee refer mainly to job-related issues. Said complaints had been resolved by the end of the year.

Main actions performed in 2018:

- **The Anti-Bribery / Corruption Management System has been awarded AENOR Standard UNE-ISO 37001 Anti-Bribery Management certification.** UNE-ISO 37001 is the most modern and stringent international standard on anti-bribery management systems and the adoption of compliance protocols in general. Elecnor is the first company in its sector in Spain to achieve certification under this standard and also one of the first nationwide and internationally, reflecting the Group's commitment to the ongoing improvement of its management practices and procedures, an area in which the organisation has led the way.

- Work commenced to obtain **certification of the alignment of the Group's Compliance System with the requirements of Standard UNE 19601 on Management system for criminal compliance,** a national standard published in May 2017 and inspired by the requirements of the aforementioned Standard UNE-ISO 37001. This standard establishes the requirements to implement, maintain and continuously improve the criminal compliance management system in order to prevent crimes being committed inside the organisation and to reduce criminal risk by fostering a culture of ethical behaviour and compliance. Certification under this standard is expected to be obtained in early 2019.

- In the sphere of **training,** various specific, on-site compliance training sessions were held, as well as online courses on this topic, to approximately 600 people. Accordingly, in the last two years, around 800 people within the Group have received specific compliance training, ranging from senior executives, management, middle management and personnel working in support, advisory and supervisory roles at both Elecnor, S.A. and the Group's subsidiaries, in Spain and abroad.

  Moreover, the Chair of the Compliance Committee shared with new recruits the main elements of the Compliance System and the main messages, principles and values of the Group.

- **Updating the specific clause on the Ethical Code and Anti-Corruption measures in the General Procurement Conditions in which suppliers** undertake to act, in the course of their relations with the Group, in accordance with the strictest ethical standards, as set forth in the Ethical Code of the Elecnor Group.

- **Monitoring in the process to approve suppliers** of aspects relating to the development and improvement of their respective compliance systems.

- **Procedural review encompassing from the detection and assessment of the opportunity to the negotiation and signing of a contract for singular projects** so as to improve their structure, systematisation, risk assessment, interdepartmental coordination and the review and monitoring of the process by advisory and supervisory functions.

- **Preparation of the Compliance System Rollout Plan,** in order to continue with the process of implementing the Compliance System at the Group's various subsidiaries and organisations: Elecnor do Brasil, Elecnor Chile, Enerfín do Brasil, Celeo Redes in Chile, Brazil, Angola and Italy, and the subsidiary Deimos.

- **Elecnor's Board of Directors decided** that, at all meetings of the Board of Directors, Executive Committee, Management Committee and other significant committees, **there should be a specific item on the agenda concerning compliance matters.** This practice commenced in the year.

In **2019,** work will be ongoing in relation to the following goals:

- Consolidation and development, launch and implementation of initiatives to foster the corporate principles and values and the culture of compliance, both internally and externally.
- Continuation of the deployment and consolidation of the Compliance System at the Group's various subsidiaries and organisations.
- Full implementation and consolidation of the improvements introduced in various processes during the course of 2018.

Note that, since 2017, the Group has been a **Signatory of the United Nations Global Compact,** strengthening the alignment of its business strategy with the 10 principles of the Global Compact and with the Sustainable Development Goals (SDGs), mainly in relation to safeguarding human rights and combating climate change.

Fiscal transparency

Elecnor has made its best estimate of the breakdown of results by country, as well as the payments made in income tax by country, based on the data available at the time of preparing these Annual Accounts. For this breakdown by country, the same criteria were used as applied to preparing the Consolidated Annual Accounts, likewise breaking down harmonisations and removals as required for the presentation of the Consolidated Statement of Profit or Loss.

As part of its commitment to transparency and communication, Elecnor makes the following disclosures:

Profit / loss obtained by country

Figures in thousands of Euros

Country	ATP
Germany	-82.1
Angola	19,713.8
Algeria	-1,329.7
Argentina	1,564.0
Australia	600.7
Bolivia	936.9
Brazil	38,323.5
Cameroon	6.7
Canada	-733.3
Chile	11,130.3
Colombia	-1,274.2
Ecuador	-851.8
El Salvador	-40.6
United Arab Emirates	-459.5
Spain	1,367.8
United States of America	10,145.7
France	242.5
Ghana	-890.7
Great Britain	-1,258.7
Guatemala	-6.7
Haiti	352.0

Country	ATP
Honduras	277.3
Italy	-1,073.4
Jordan	2,226.3
Kuwait	48.6
Liberia	109.1
Morocco	-121.9
Mauritania	-187.5
Mexico	-6,971.0
Norway	130.5
Oman	-296.9
Panama	36.1
Paraguay	1.0
Peru	608.1
Portugal	-273.9
Dominican Republic	-74.2
Senegal	-54.3
South Africa	-453.3
Uruguay	416.0
Venezuela	2,459.2
Total	74,262.3

Income taxes

Estimated corporate income tax payments in countries in which the Group operates, and which are detailed in the table below, correspond mainly to the final settlement of taxes accrued in 2017, and to payments on account of taxes accrued in 2018 which will be settled in 2019.

Figures in thousands of Euros

Country	Amount
Germany	0.0
Angola	136.8
Algeria	1,736.1
Argentina	-25.3
Australia	4,477.9
Bolivia	258.6
Brazil	18,067.4
Cameroon	19.7
Canada	148.6
Chile	-219.3
Colombia	4.6
Ecuador	667.1
El Salvador	0.0
Spain	16,861.9
United States of America	48.1
France	-0.8
Ghana	0.9
Great Britain	-290.6
Guatemala	0.0

Country	Amount
Honduras	125.5
Italy	0.0
Jordan	1,271.8
Kuwait	63.5
Morocco	8.6
Mauritania	186.8
Mexico	5,406.0
Norway	0.0
Oman	212.1
Panama	341.1
Paraguay	0.0
Peru	1,462.9
Portugal	389.7
Dominican Republic	1,247.0
Senegal	0.8
Uruguay	213.5
Venezuela	41.5
Total	52,862.5

Public grants received

Figures in thousands of Euros

Country	Grant
Spain	1,944.0
Canada	116.5
Great Britain	387.6
Portugal	926.6
Rumania	1.9
Total	3,376.6

15.5. Our people

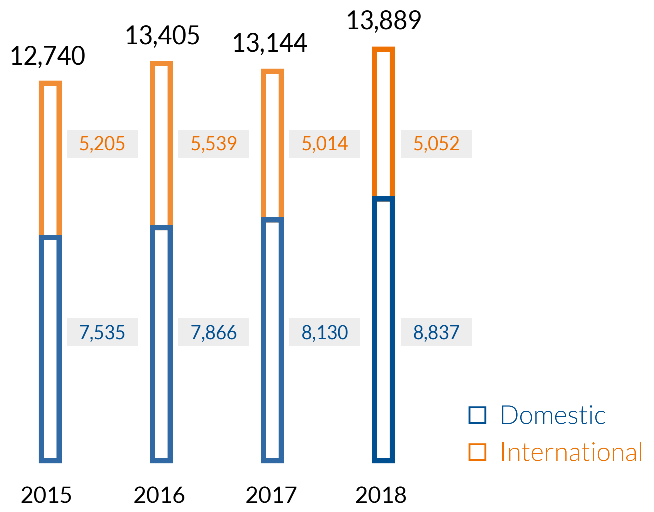
Profile of the workforce

At the end of 2018, the Elecnor Group employed 13,889 people, a 5.67% increase on the previous year (13,144 employees). The increase came mainly in the domestic market, in which 707 employees were added.

The Elecnor Group has an international, multicultural and diverse profile with a presence across five continents. The workforce comprises **Structural staff and Works staff.** As part of its effort to provide quality employment, the Group has increased the percentage of open-ended contracts, which at the end of 2018 accounted for 60% of the total, compared to 55% in 2017.

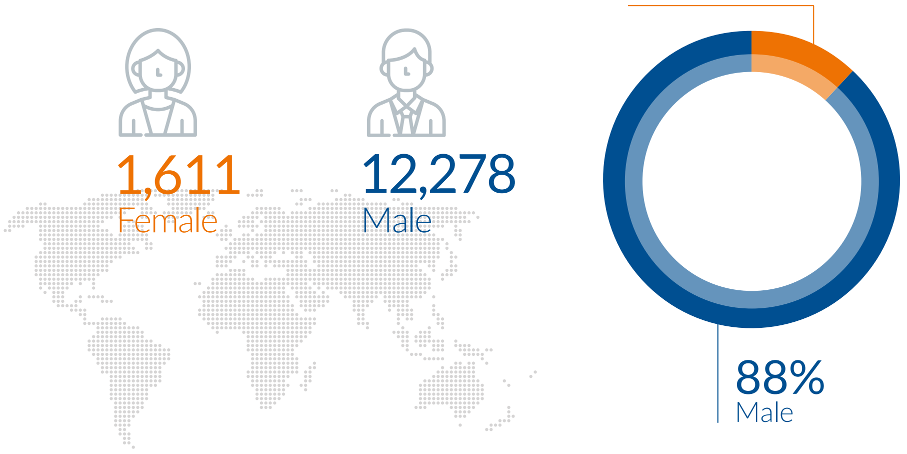
Below are the key workforce figures at close of 2018.

Changes of the workforce



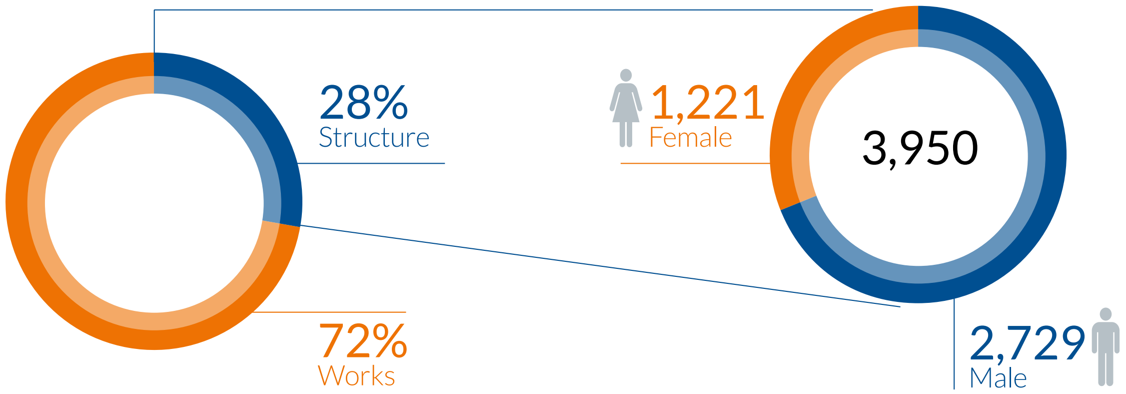
In 2018, the Elecnor Group's workforce comprised 28% Structural staff and 72% Works staff. In terms of gender, in Structure, 31% were women and 69% men. In line with the historical trend in the sector in connection with gender, Works staff are predominantly male, with women representing just 4% of this group. This being the case, it is worth showing the breakdown by gender of the workforce in Structure.

Total workforce by gender

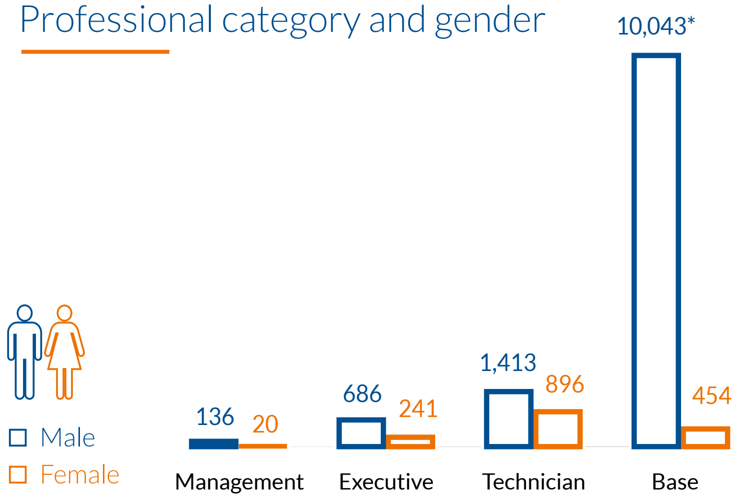


Workforce breakdown

Workforce in Structure by gender

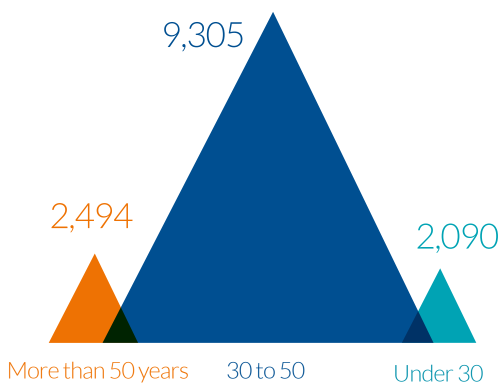


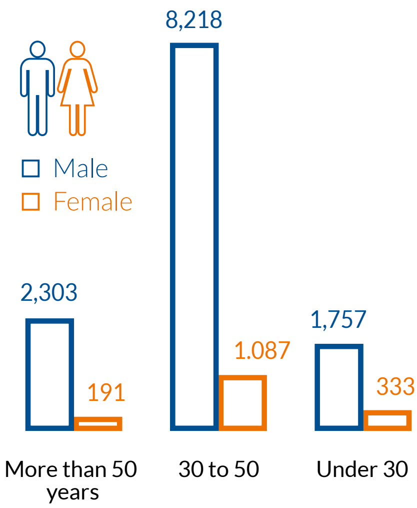
Professional category and gender



*) The "Basic" professional category comprises mainly men as it corresponds primarily to Works personnel.

Workforce by age and gender

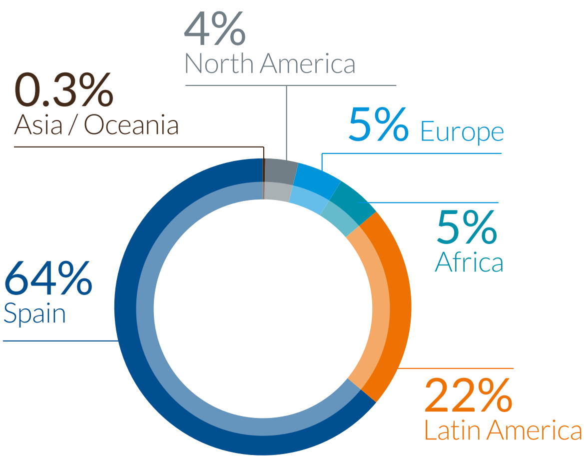


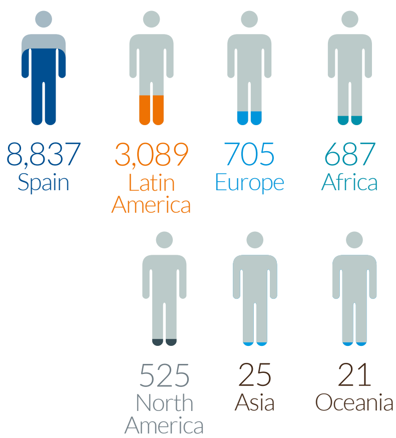


Workforce by country	2018
Spain	**8,837**
Europe	**705**
UK	265
Italy	287
Norway	1
Portugal	138
Rumania	14
North America	**525**
Canada	6
United States	519
Latin America	**3,089**
Argentina	80
Bolivia	1
Brazil	1,970
Chile	336
Ecuador	16
Honduras	47
Mexico	66

Workforce by country	2018
Panama	45
Paraguay	1
Peru	8
Dominican Republic	221
Uruguay	237
Venezuela	61
Asia	**25**
Jordan	22
Oman	3
Africa	**687**
Angola	629
Algeria	1
Cameroon	26
Ghana	15
Mauritania	16
Oceania	**21**
Australia	21
Total	13,889

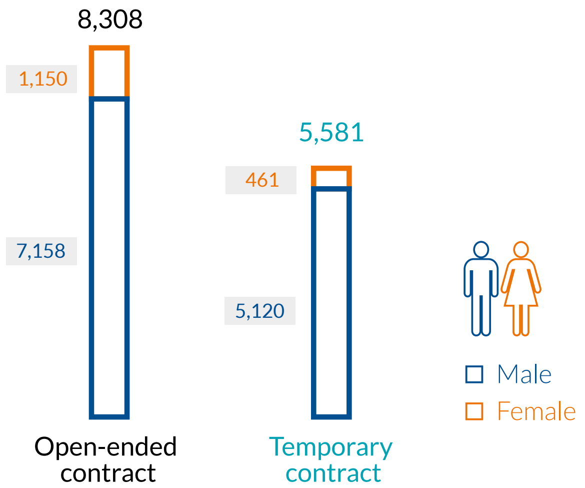
Workforce by geographical area



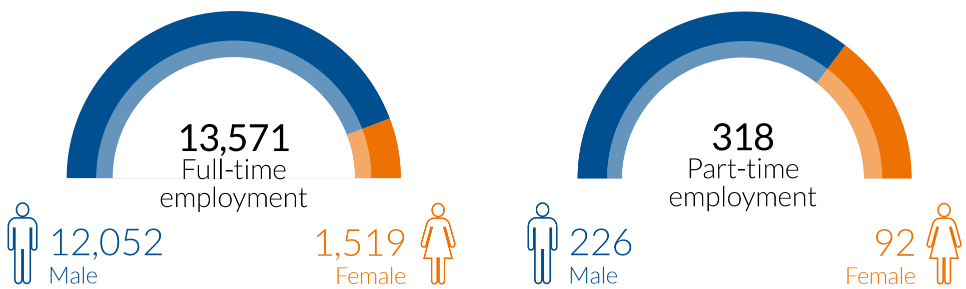


Type of contract and age pyramid	2018
Open-ended	**8,308**
More than 50 years	1,758
30 to 50	5,577
Under 30	973
Temporal	**5,581**
More than 50 years	736
30 to 50	3,728
Under 30	1,117
Total	13,889

Type of contract and gender



Type of job and gender



The Elecnor Group workforce by contract type and professional category	2018
Open-ended	**8,308**
Management	156
Executive	830
Technician	1,493
Base	5,829
Temporary	**5,581**
Management	0
Executive	97
Technician	816
Base	4,668
Total	13,889

The Elecnor Group workforce by job type and professional category	2018
Full-time	**13,571**
Management	156
Executive	917
Technician	2,250
Base	10,248
Part-time	**318**
Management	0
Executive	10
Technician	59
Base	249
Total	13,889

The Elecnor Group workforce by job type and age	2018
Full-time	**13,571**
More than 50 years	2,310
30 to 50	9,229
Under 30	2,032
Part-time	**318**
More than 50 years	184
30 to 50	76
Under 30	58
Total	13,889

The number of hours of absenteeism* in the national market totalled 646,257, implying an absenteeism ratio of 3.8%.

(*) Hours of absenteeism including all absences/actual hours worked.

(*) It was not possible to consolidate the absenteeism figures for the rest of countries, but the organisation is working on that with a view to next year.

Layoffs in Spain by gender and age*

	Male	Female
More than 50 years	50	5
30 to 50	163	29
Under 30	38	1

Layoffs in Spain by professional category and gender*

	Male	Female
Management	5	0
Executive	13	1
Technician	41	17
Base	192	17

(*) It was not possible to consolidate the figures for the rest of countries, but the organisation is working on that with a view to next year.

Training, skills and competencies management

With the clear idea of deploying, fostering and developing all the talent at the organisation, work continued in the year in the national consolidation of the Integrated Human Resources Management System, which encompasses recruitment, performance and compensation, development and training. This will be implemented in the rest of countries in subsequent years.

In managing performance, efforts were aimed at defining the model of competencies that establishes the framework for the way people behave and the way things are done at Elecnor, at providing a direct channel of communication between the person assessing and the person assessed, at nurturing a culture of excellence, oriented towards results and ongoing improvement. The idea is for the assessment system to be an objective and rigorous source of information ensuring fairness in decisions.

In 2018, 2,485 took part in Spain. The development of this process provides the organisation with relevant, objective and transparent information with a view to establishing remuneration, training and development plans.

Various training itineraries were implemented, aimed at strengthening the four core competencies:

- Prevention/Regulatory Compliance/Internal Policies
- Team work/Cooperation/Work Climate
- Transversal Relationship/Transparency/Group Vision
- Customer Relationship (external or internal)/Capacity of Influence/Acceptance

Training indicators

The Group's commitment to training has been sustained over the years. These are the main indicators in this connection for Spain:

Training hours by professional category*

Professional category	2018 Hours
Executives and technical experts	41,647
Administrative or office personnel	16,979
Works managers	17,199
Operators	157,580
Total - Spain	233,406
Training hours/employee in Spain	26.4

* It was not possible to consolidate the figures for the rest of countries, but the organisation is working on that with a view to next year.

Work-life balance

Although there is currently no formal policy to facilitate disconnection from work, the company encourages the implementation of policies, wherever possible, that facilitate a work-life balance, such as avoiding late meetings, having flexible working hours, training in equality issues, compressed work schedules in summer or, where applicable, shorter working days, with all measures provided in the various applicable regulations being implemented.

Elecnor, S.A. and its Spanish subsidiaries also have a "Flexible Compensation Plan" to which structural personnel with open-ended contracts have access. This plan includes health insurance, meal vouchers, transport passes, training, IT and daycare.

Moreover, there is a study support programme available to all staff at Elecnor and its Spanish subsidiaries with children aged 4 to 16. 1,797 people benefited in 2018.

Equality and diversity

The Group's Gender Equality Plan reflects its commitment to equal opportunities for men and women and non-discrimination in its guiding principles.

Elecnor is committed to equal opportunities, as set forth in its Code of Conduct: "Elecnor applies criteria of non-discrimination and equal opportunities in its selection processes as well as in the development of the professional careers of its employees. More precisely, race, colour, nationality, social origin, age, sex, marital status, sexual orientation, ideology, religion and kinship are excluded as factors for professional assessment. The only professional differentiation features used are merit, effort, the results of hard work, training, experience and future potential. Promoting equality entails a special part concerning gender balance, as stated in the recruiting and professional promotion procedures, training and general work conditions."

At the end of 2018, the Group employed a total of 13,889 people, 28% in Structure and 72% in Works. In Structure, 31% were women and 69% men. In Works, 4% were women and 96% men. In line with historical trends in the sector, men are more highly represented in the Group, especially because Works personnel tend to be mostly men. In the Structure category, there is a greater balance between men and women.

The commitment outlined in the Equality Plan is configured through various axes that determine the actions planned for each: training, remuneration, communication, recruitment, work-life balance, improvements in social protection and protection from harassment.

The Group also has a Compliance Policy and internal controls to ensure all forms of discrimination are banished.

In 2018, work was carried out in cooperation with the Health and Social Affairs Ministry in the project to obtain the "Equality in Business" certificate, through the following actions:

- Review of all corporate documentation concerning equality.
- Progress in the commitment by the company's Senior Management to achieving real and effective equality.
- Meetings with union representatives with experience in equality-related topics.
- Renewal of the Equality Plan.
- Study of equality at the company in terms of wages and on a functional/professional group level.
- Study of the status of work-life balance at the company.
- Study of potential equality/work-life balance measures to introduce at the company.
- Creation of guidelines in connection with communication.
- Creation of guidelines in connection with recruitment.
- Creation of a protocol to combat sexual harassment.

Equality Plan Monitoring Committee held two meetings over the course of 2018.

In addition, there is also an e-mail in-box igualdad@elecnor.com for employees to submit suggestions of any kind or to resolve conflicts, among other matters.

Diversity in Governing Bodies

On 22 November 2017, the Board of Directors approved the "Policy for the Selection of Directors and for Board Diversity", which can be accessed on the corporate website and which contains all the measures adopted in relation to the selection of directors, gender, age, experience and other diversity policies. In addition, the company has set itself the goal, in accordance with the Code of Good Governance recommendation, that by 2020 women directors should account for 30% of all Board members. In fact, in 2018 the company appointed a second woman independent director. Note that the Appointments and Remuneration Committee regularly examines the Policy for the Selection of Directors and for Board Diversity so as to make further improvements on an ongoing basis. There are currently no disabled directors.

Representation of women in executive positions	2018
% of women in executive positions	12.82%
% of women in the Board of Directors*	13.33%

*The Board in December of the reporting year.

Disability

Elecnor, S.A. in Spain has 43 disabled employees, i.e. 0.54% of the total. In parallel, and in compliance with Spain's Disabled Persons and Social Inclusion Act (LGD), Elecnor implemented alternative measures through services contracting for a total of **Euros 2.5 million.**

The Group does not currently have a formal policy on universal accessibility.

Remunerations Policy

Within the framework of the Integrated Human Resources Management System at Elecnor, compensation is based on a criterion of fairness, which rewards and acknowledges merits.

Salary surveys were conducted in 2018 to gauge internal fairness and external competitiveness.

Average remuneration by gender, age and professional category*

Below are the key figures with regard to the workforce in Spain.

	Management		Executive		Technician		Base	
Age	Male	Female	Male	Female	Male	Female	Male	Female
<30	-	-	41,436	26,872	25,418	24,210	18,534	19,016
From 30 to 50	88,987	86,142	46,668	44,856	31,828	27,061	20,502	20,255
>50	128,453	96,348	57,416	55,444	34,380	29,554	22,045	20,318

183 employees were not included in the remuneration analysis since they are partially retired and/or trade representatives with partial salary packages.
(*) It was not possible to consolidate the figures for the rest of countries, but the organisation is working on that with a view to next year.

The wage gap*

Elecnor's wage policy is for men and women performing jobs with equal responsibility to receive equal pay.

The table below details the wage gap ratio, which represents the difference in wages by professional category between men and women in Spain:

	Ratio
Management	15.06%
Executive	5.77%
Technician	15.20%
Base	3.23%

The difference in salary in these results is in line with the sector track record, caused mainly by the historical trend regarding gender in the industry, which affords men a greater average seniority than women, while also resulting in a majority of men in positions of responsibility within the company. In the Technical Expert category, the difference arises due to the greater presence of women in administrative support roles and of men in project execution.

*It was not possible to consolidate the figures for the rest of countries, but the organisation is working on that with a view to next year.

Governing Bodies

On 15 March 2017, at the proposal of the Appointments and Remuneration Committee, the Board of Directors approved the Remuneration Policy corresponding to the years 2017, 2018 and 2019, which is available on the corporate website.

Remuneration accrued in 2018 for the Board of Directors amounted to Euros 4,937 thousand*. This remuneration includes that earned in their capacity as management personnel. The average remuneration of Directors amounted to Euros 202,150.

Average remuneration by gender was as follows:

Average remuneration of male Directors: Euros 202,777.
Average remuneration of women Directors**: Euros 194,000.

* This amount includes remuneration to the Chief Executive Officer for his executive functions. Remuneration to all Directors is detailed in the company's Annual Report on Directors' Remuneration.
** One of the two women Directors did not accrue for the whole year.

Working Conditions. Occupational Health and Safety

Within the framework of the Integrated Management System, with the vectors of Environment, Quality, Prevention, Energy Management and RDI Management, a broad set of activities are conducted to eliminate or minimise risk situations potentially faced by persons implementing the Group's projects. Among these are the following:

- Control of the conditions in which projects are executed, through safety inspections and internal works audits.
- Information and training on health and safety for all workers.
- Monitoring and awareness meetings.
- Campaigns to increase awareness and change behaviours.

These and the other activities envisaged in the System were strengthened this year by the implementation of various measures as part of the "Digital Transformation" and "Safety Excellence" programmes.

Furthermore, more than 90% of workers are represented by formal health and safety committees. These committees are on a work centre basis in Spain and a work centre/project site basis in many of the rest of countries. It is these committees that agree on protective equipment, work procedures, etc.

Frequency rate*				Seriousness**			
2015	2016	2017	2018	2015	2016	2017	2018
11.3	10.5	8.5	4.6	0.44	0.24	0.26	0.16

* Frequency rate = (number of accidents involving leave, not counting those on way to or from work/hours worked) x 10^6
** Seriousness = (number of days lost/hours worked) x 10 ^3

Figures broken down by gender

	Male	Female
Frequency rate	5.3	0.0
Seriousness	0.2	0.0
Occupational illness rate*	0.2	0.0

* Occupational illness rate = (number of occupational illnesses/hours worked) x 10^6

Since most of the works personnel are men, the accident rates are negligible among women.

In 2018, the Group's frequency rate was 4.6, compared with 8.5 in 2017, and seriousness scored 0.16, compared with 0.46 in 2017. With regard to occupational illnesses, 6 cases were logged (all men), 4 of whom reported musculo-skeletal disorders and 2 were cases of malaria in expatriate workers in Africa.

This year, the Frequency Rate in Spain was 5.8, down from 12.1 in 2017 (and the lowest ever recorded by the company), and Seriousness scored 0.23, compared with 0.41 in 2017, there having been no fatal accidents in 2018. Accidents in Spain are down from 192 to 99.

In the external market, the Frequency Rate was 2.8, down from 4.5 in 2017, while Seriousness came in at 0.05, compared with 0.52 in 2017, there having been no fatal accidents in the year.

The main initiatives in the year

A total of 1,008 internal works audits were conducted as a control measure by an Independent Internal Audit Department that enables a far-reaching analysis to be performed of safety in works sites.

Moreover, more than 51,800 safety inspections were conducted throughout the Group, as a result of which more than 50,134 corrective measures were implemented.

There were 17 internal and external audits at Elecnor, Atersa, Audeca, Ehisa, Enerfín and Jomar Seguridad, pursuant to the requirements of OHSAS 18001, with satisfactory results. A legal external audit mandatory for all companies in the Joint Prevention Service was performed, with satisfactory results.

Mindful of the importance of training in this connection, the scheduled activities continued: Actions were held in Spain for a total of 20,933 attendees, most of whom attended more than one training action. A total of 120,484 training hours were provided in Occupational Risk Prevention in Spain, an increase of 22% on 2017. Other technological and management training, which also have a clear impact on Prevention, are not included in this total (qualifications/ electrical permits, machinery operators, etc.).

A special drive was held on Occupational Health and Safety Day to raise workers' awareness.

Lastly, work is ongoing in two broad lines of action to enable further progress towards the goal of "zero accidents":

- The **Safety Excellence,** aimed at continually evaluating the safety situation and implementing the best tools for reducing accidents. As part of this project, there is a section devoted specifically to reducing traffic accidents by as much as possible, as these are among the main causes of serious and fatal accidents at the Group.

- **The Digital Transformation Project** focused on prevention, to improve working conditions day to day, ironing out bureaucratic duties that do not contribute value, unlocking added value and enabling safety experts and management to use that time to be more present at works sites, training, etc.

As part of the "Safety Excellence" Project, there is a specific line of action for sub-contractors. In 2018, actions to supervise sub-contractors continued, with coordination and information meetings involving them.

With regard to health monitoring, in general terms, Elecnor employees do not perform activities with a high rate or risk of occupational illnesses. In those activities in which there might be a risk of developing an occupational illness (work at nuclear plants, involving asbestos, phytosanitary products, etc.) the necessary preventive measures are implemented and health monitoring performed, including checking physiological parameters that may help detect any problems in those tasks that may harm the health and safety of employees, there having been no significant cases.

Elecnor employees working in areas where there are endemic diseases (malaria, dengue, yellow fever, typhoid, AIDS, etc.) are vaccinated where possible or take preventive measures, backed by the relevant information campaigns.

Moreover, initiatives are implemented such as campaigns to combat AIDS and sexually transmitted diseases in various countries, with actions and campaigns linked to healthy habits (avoiding cardio-respiratory disease and musculo-skeletal disorders, nurturing a healthy and balanced diet, etc.), back training, etc. As a pilot initiative, a physiotherapy programme was implemented in Madrid and Logroño to prevent musculo-skeletal injuries.

Social dialogue

In Spain, 100% of the workforce is covered by collective bargaining agreements. In the rest of countries where the Group operates, there is only comparable legislation in Argentina, Brazil, the United States, Uruguay, Jordan and Italy, and it covers our professionals in those countries.

Elecnor also has Human Resources Departments to ensure compliance with and application of the current legislation throughout the Group.

Moreover, the work centres with between 10 and 49 employees have staff delegates, with Workers' Committees representing employees at centres with 50 workers or more. Both the staff delegates and the Committee members are designated through trade union elections, in which both unions and independent groups may field candidates. At present, the majority union is Comisiones Obreras (CCOO), but others are also represented (UGT, ELA, LAB, CGT, ESK, CSIF and independent groups).

Labour relations at the Group are managed on the basis of provincial collective bargaining agreements within the sector. In certain cases, specific agreements are signed with particular groups. The most notable among these signed in 2018 are a general agreement signed with the representatives of the employees in Cayés (Asturias), as well as agreements signed by the Southern Business Division to regulate aspects concerning journey times.

15.6. Towards excellence

Elecnor has an Integrated Management System encompassing the following aspects: Environment, Quality, occupational risk Prevention, Energy Management and RDI management.

This Management System is configured around the following broad criteria, on which basis specific commitments and actions lines are established by sphere: strict compliance with applicable legislation and any other requirements binding upon Elecnor in the markets in which it operates; accurate knowledge of the nature and scale of environmental impacts, customers' requirements and risks to workers of Elecnor's activities and products; and improvements in competitiveness through RDI enabling it to contribute value and differentiation with respect to competitors.

The Integrated Management System Policy is available in the corporate website www.elecnor.com.

In 2018, external audits were conducted, maintaining and extending the Multisite Certification according to ISO standards 9001:2015 and 14001:2015. This is a single certificate for all of the organisations in the Elecnor infrastructures area that contains all of the scopes of the various activities and all of the work centres.

Quality Management

Elecnor's strategy concerning quality management is governed by the following aspects:

- Managing customer satisfaction, based on understanding their expectations and achieving their full satisfaction.
- Consolidation of the ongoing improvement in all the organisation's processes.
- The involvement of the entire workforce in the challenge of quality, improving the integration of know-how in the quality system, and optimising the management of production processes.

During the year, various actions were undertaken, aimed at strengthening the management of customer satisfaction such as the process of ongoing improvement, including:

- Conducting customer satisfaction surveys and achieving a score of 8.17 (out of 10).
- Redesigning the methodology of calculating the costs of non-quality with the aim of improving production processes and minimising unwanted effects.

- Performing external audits at the Group's general sub-divisions, divisions and subsidiaries, with positive results.
- Implementing a new methodology for managing risks and opportunities in the various processes.
- Implementation of a new platform for managing procurements.
- Certification, according to ISO standards 9001 and 14001, of Elecnor do Brasil and Elecdor.
- Launch of implementation of the Quality and Environment Management System in Elecnor Chile.
- Performance of the relevant internal audits and System Monitoring Committees.

Customer satisfaction

Elecnor seeks to permanently improve customer satisfaction. Consequently, it aims to stay ahead of customers' expectations. One of the main ways to do this is to perform customer satisfaction surveys. A total of 453 surveys were conducted.

In 2018, the company consolidated the use of computer applications to send customer surveys electronically, so as to obtain a global picture of the data.

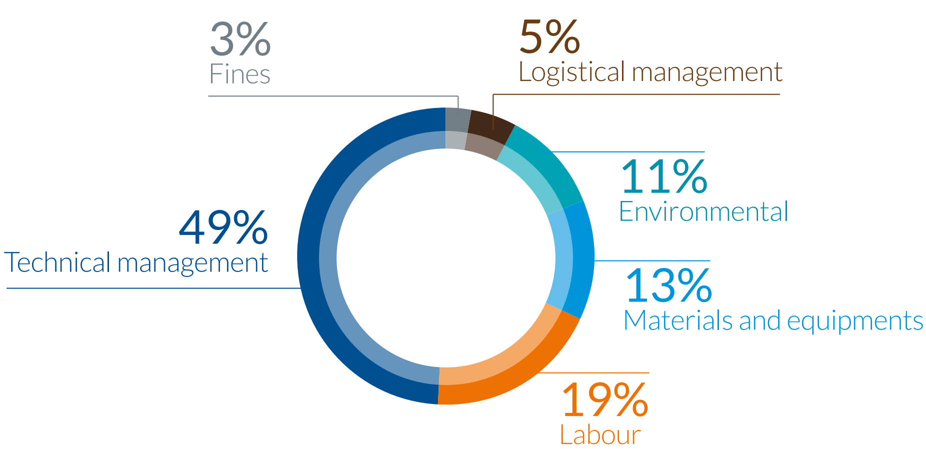
In 2018 the average score was 8.17 out of 10. The most highly valued aspects were staff's training and technical capacity, the level of communication and service maintained, and compliance with the safety requirements.

Complaints system

As part of the Integrated Management System, Elecnor has a protocol for detecting non-conformities and opportunities for improvement, managing complaints from customers and suppliers, implementing solutions, analysing the causes of the issues and defining effective remedial and preventive measures.

In 2018, 75 customer complaints were documented, of which 49% related to technical management, 19% to labour and 13% to materials and equipment. All the complaints were managed properly and closed before the end of the year.

Complait by categories



Supply chain

The main risks identified in the processes relating to the supply chain currently related to communicating requirements to suppliers, past-deadline delivery or faulty material. The risks identified are assessed and in accordance with the results actions are established to mitigate their effects.

Elecnor has Procedures and Policies that describe supply chain management, as detailed below:

- Procurement procedure. The general procurement conditions are defined, including quality, environment and compliance requirements.
- Procedure for assessing suppliers of materials/services. Describes the system for managing suppliers of important materials/services.
- Procedure for drafting agreements with sub-contractors. The subcontracting conditions are defined, including quality, environment, energy management and compliance requirements.
- Ethical code. Among the requirements expressly stated is the evidence by the supplier of commitments in relation to conduct comparable to those set forth in Elecnor's own Ethical Code. This condition is especially important in those countries considered to pose a risk by qualified international bodies. Elecnor's employees will ensure that its image, reputation and values are safeguarded by contractors and collaborating companies.

The Elecnor Group's suppliers are classified as suppliers of materials or suppliers of services. At present, Elecnor has more than 3,500 approved suppliers.

In accordance with the approval process, suppliers of materials/services classified as important are requested to provide documentation concerning Quality, Environment, Energy Management, Occupational Risk Prevention, Compliance, RDI and other documentation in regard to ethical, employment, social and environmental issues that the supplier may provide.

Depending on the requirements fulfilled, the supplier is afforded a score.

Over the course of 2018, Elecnor has approved 231 suppliers in accordance with its approval criteria.

The new platform for procurements management includes a range of options from supplier approval to invoicing. This tool improves the approval process since it implies the ongoing assessment of suppliers and involves that significant information is obtained during the negotiating period.

Moreover, work is ongoing to improve quality and environmental control at Elecnor's critical suppliers.

With regard to the supervision of suppliers, this year Elecnor re-assessed a total of 32 suppliers. This re-assessment ensures that suppliers comply with the quality requirements established in the management system. To date, there have been no assessments on the basis of social and/or environmental criteria; neither have commercial relations with any suppliers been severed as a result of irregularities in these aspects.

Environmental management

A commitment to protecting and respecting the environment and fostering efficiency in consuming energy resources are the common denominator in all Elecnor's activities, and are an integral part of the organisation's values and culture.

The environmental control mechanisms currently in place at the company are based on certified Environmental Management Systems and Energy Management Systems in accordance with ISO 14001:2004 and ISO 50001 standards.

The Environmental Management System defines a procedure to identify, assess and record the environmental aspects originating in Elecnor's activities in order to determine which are significant.

Accordingly, the Group's environmental goals in 2018 to mitigate the environmental impacts of its activity are aimed at reducing fuel consumption at projects in Spain, reducing energy consumption at offices, reducing hazardous waste, boosting environmental policy implementation at projects through SAQP (Environment, Quality and Prevention System) inspections or environmental training.

Furthermore, implementation and certification by the energy management system was consolidated under the UNE-EN ISO 50001:2011 standard, thereby reinforcing the Group's commitment to sustainability.

It is worth noting the positive impact of the Group on the environment, as a significant portion of its activities are aimed at protecting the environment, generating renewable energies, treating and recycling water and enhancing efficiency in the consumption of energy resources.

The fight against climate change

Increasing expectations of more profound changes to the climate, with higher temperatures, lower precipitation and more frequent and intense weather events have placed climate change at the forefront of the global political, social and business agenda.

Climate change is a challenge in respect of which Elecnor has worked hard in recent years, in particular by calculating the carbon footprint in accordance with internationally accepted standards and by implementing measures to reduce GHG emissions within its scope of action. Elecnor also conducted a strategic diagnosis of adaptation to climate change based on the recommendations of the Intergovernmental Panel on Climate Change, in order to identify opportunities and risks in that connection.

On that basis, the Elecnor 2030 Climate Change Strategy was devised. With two main goals and three lines of action, it creates the framework for all the Group's actions to reduce greenhouse gas emissions, adapt to climate change impacts and tap into the associated opportunities.

The Group's climate change strategy aims to achieve two main goals:

- Mitigation: reduce GHG emissions by 25% by 2030 (as compared with 2014). The idea is to reduce emissions by 1.6% every year.
- Adaptation: ensure the resilience of Elecnor's concessions business as climate change advances and become a leader in the sector thanks to the opportunities afforded by climate change.

These goals will be attained through a series of actions encompassed in three strategic actions lines (people, assets and knowledge) which envisage 22 climate change mitigation and adaptation actions, including aspects such as fostering training and awareness policies to help save and reduce energy, paper and water consumption by the workforce; a commitment to technology that enables unnecessary journeys associated with the business to be reduced; the gradual replacement of the company's energy-consuming equipment and vehicles by others with lower emissions; and improving renewable energy facilities, among others.

The Strategy will be assessed annually, and a more comprehensive review will take place every five years.

Measures to adapt to climate change currently being developed at the Group are aimed at factoring the climate change variable into the organisation's plans (emergencies, evacuation, forecasting, etc.), as well as efforts sponsored by the Elecnor Foundation to raise awareness and foster training regarding the reality of climate change.

Furthermore, the Elecnor Group plays a pivotal role in attaining a low-carbon society through renewable energies, since it undertakes projects in wind energy, solar PV and thermoelectric power and hydroelectric and biomass plants. Generating electricity using renewable sources avoid the emission of greenhouse gases, the main culprits of climate change.

Specifically, it is estimated that the Group's wind power subsidiary, Enerfín, based on wind power production figures in 2018 (for Spain, Brazil and Canada), prevented the emission of 618,197 tonnes of CO_2. The solar PV business prevented the emission of 647,860 tCO_2.

CO_2 emissions

Elecnor has a tool to calculate the carbon footprint enabling each organisation to report the data necessary to obtain greenhouse gas emissions associated with its activity. Each organisation discloses its consumption of electricity, fuels and use of cooling agents, broken down by offices, warehouses, sites and plants.

In 2018, Elecnor renewed its environment certificate for carbon dioxide emissions, obtained from the Spanish Association for Standardisation and Certification (AENOR) and verified in accordance with ISO standard.
14064-1.

Total emissions were down 2% on the previous year. These emissions take into account Scope 1 and 2, the first scope being responsible for 73% of the total. The organisation is working to include Scope 3 in its future carbon footprint.

Scope	Emissions (t CO_2e)
Scope 1 Stationary and mobile combustion*	45,357.24
Scope 2 Consumption of electricity	17,040.84
Total	62,398.08

* Fugitive emissions were counted, but not reported since they are only reported every three years due to their representing less than 1% of the total carbon footprint.

Elecnor's energy consumption is down 9% on the previous year. The various consumptions are presented below; gas oil accounts for 56% of the total.

Energy consumption (TJ)

	2017	2018	Changes
Natural gas	56.54	27.88	-51%
Diesel	134.42	54.13	-60%
Petrol	22.79	37.02	62%
Gas oil	447.37	417.97	-7%
Biodiesel	11.52	64.48	460%
Electricity	145.08	148.52	2%
Other fuels	5.10	1.96	-62%
Total	822.80	751.96	-9%

Other resources are also consumed within the organisation, such as those listed below.

Consumption of other resources

With regard to other resources, in 2018 1.7 hm^3 of water was consumed, an increase of 3% on the previous year.

Generally, consumption increased in 2018 compared with the previous year, due mainly to the increase in the Group's activity.

Consumption of raw materials

Elecnor uses the following raw materials: steel, cables, insulators, electrical panels, cells, pumps and pipelines. The company currently implements initiatives to recycle and re-use some of these, such as cables and steel.

Energy efficiency initiatives

Over the course of 2018, a number of energy-saving and energy efficiency actions were implemented, most notably:

- Acquisition of sustainable and efficient vehicles, machinery and tools. Both for the acquisition of vehicles and for vehicle renting contracts a prior study is made of the energy and environmental impact so as to select the most environmentally-friendly option.
- Conference calls encouraged to avoid journeys. 33 Chromebox devices installed in various offices worldwide to facilitate conference calls.
- Courses in efficient driving practices to drivers of vans and heavy vehicles.
- Awareness plans at project sites and offices.
- LED lighting to replace existing fixtures.
- Climate control devices are replaced.
- Fleet renewal, including the organisation of new electric vehicles.
- Inclusion of telematic control in new vehicles to improve the use of technology and driving habits. This programme results in a report that determines the energy category of each driver.
- One-off modifications to the facilities at water treatment plants to reduce electricity consumption, installing more energy-efficient machines.

Moreover, energy management is one of the Group's areas of activity. In fact, Elecnor is certified as an Energy Services Company, empowering it to develop projects to boost energy efficiency.

Waste management

Part of the Environmental Management System is the Waste Management Procedure, including the protocol for managing waste generated in order to ensure adequate protection of people's health and the environment, as well as compliance with applicable legislation.

Waste (kg)	2017	2018
Non-hazardous waste	39,218,605	27,817,757
Hazardous waste	220,360	623,073

The waste generated at Elecnor is treated in accordance with current legislation for authorised management, seeking the best available techniques for recycling, wherever possible.

Over the course of 2018 some initiatives were implemented to reduce waste and promote recycling and re-use.

We highlight the campaign launched by General Quality and Environmental Services concerning initiatives to reduce, re-use and recycle waste.

Other examples were the "Celeo Recycles" campaign or the Enerfín drive: "We think about of a better world". Thanks to the latter, the consumption of plastic was reduced by 30% by replacing disposable plastic cups with reusable plastic bottles.

Through Audeca the company also took part in awareness campaigns on waste in various municipalities.

Management of biodiversity and protection of the natural environment

Generally, Elecnor's activities do not generate significant impacts on biodiversity, except those projects implemented in protected areas in which species of flora and fauna may be affected.

In these cases, the Group complies with the legislation applicable in each country where it operates. Sometimes, providing it is required by the environmental assessment of the project, an environmental monitoring plan is executed, including periodic controls of the impacts and preventive measures taken to reduce them. There are also corrective measures or initiatives to reduce the impact linked to the project, such as plantations, biological recovery periods, nest placement, etc.

From the standpoint of preserving protected areas and conserving the natural environment, the Group operates mainly through Audeca, the organisation responsible for the environmental activity. Some actions are implemented within protected natural areas, aimed at improving those areas. Some measures undertaken in 2018 are listed below:

- Conservation of the grey partridge through the diversification of its natural habitat and by fostering traditional stockbreeding practices in the Lago de Sanabria natural park.
- Actions to restore the Trefacio and Villarino rivers in Cuenca.
- Maintenance of Lago de Sanabria and Lagunas de Villafafila.
- Conservation actions in Sierra de Guadarrama National Park.

Furthermore, the main impacts of the core activity of Celeo Redes in Brazil and Chile (operation of electricity transmission lines) are the removal or loss of vegetation. The impacts are managed through an environmental impact assessment that defines mitigation, repair and compensation measures.

With regard to the Group's wind power projects, plans to monitor birds, as well as a number of controls to preserve the ecosystem in the affected area as a function of the environmental characteristics of each wind farm and the requirements of each province, duly reporting the necessary data for said control.

For example, in the province of Cádiz, Aerogeneradores del Sur, S.A, which owns La Herrería y Pasada de Tejeda wind farms managed by Enerfín, remedial environmental measures are being implemented, including: a preventive shutdown of the wind turbines in view of the risk to birds, continuous monitoring of birds, periods of increased monitoring due to mass influx of birds during migration and ongoing annual control of the presence of carrion in the area in which the wind farms are located.

The final goals of these measures are to minimise bird mortality in the various wind farms and ascertain the degree to which this mortality affects local populations.

Technology and innovation

The challenge of digital transformation

Elecnor is in the midst of a strategic digital transformation project in order to effect cultural change, enhance processes, and boost operating efficiency and competitiveness. This project focuses on the internationalisation of an innovative management model, with organic capacity to create value in a sustainable manner over time, with technology and people as the driver of change.

The Digitalisation Office, led by the General Finance Division, is responsible for ensuring compliance with the established goals and measuring progress through a Digitalisation Index.

This process is resulting in an improvement in service quality, operating efficiency, compliance and information management.

Some achievements in 2018:

- 71% progress in digitalisation.
- Progress in the digitalisation of transversal business processes.
- Proposal of significant initiatives regarding compliance, security and cyber-risks.
- 10 working panels and 47 initiatives underway.
- Generation of synergies, reduction of technological risk and enhancement of intra-entrepreneurship within the organisation.
- Increased levels of involvement: +300 participants, +5,000 users, + 7,000 third parties, 600 working sessions, + 100 training sessions and 20 committee meetings held.

Innovation management

Elecnor sees innovation as an engine of progress and a guarantee of the future. Investment in RDI is one of the Group's strategic commitments, as the improvement in competitiveness through RDI enables it to contribute value and differentiation with respect to competitors. Technological areas of interest are related mainly to energy, environment, water, infrastructure, facilities and singular projects.

Innovation is a part of the Group's Integrated Management System. Elecnor, S.A. and Audeca are currently certified in accordance with UNE standard 166002:2014.

The initiatives implemented in 2018 focused on the ongoing improvement in corporate tools and on increasing the innovation component in the projects executed. The aim is to improve Elecnor's current services, products and processes, as well as to explore new business models. These initiatives are described below:

- Launch of the 2018 edition of the internal call for INNOVA project proposals for financing. Six proposals were presented, of which four were approved.
- A technical workshop on Industry 4.0 was attended by 32 persons from the Group.
- Updating the strategic lines in RDI with a view to boosting the number of innovative projects focused on improvements in construction and plant management.
- Collaboration continued with various universities and technological centres and institutes.

Over the course of 2018, the Group was involved in executing around 50 RDI projects through its various companies.

15.7. Commitment to society

The Elecnor Group, in conducting its business, generates a direct and indirect impact on employment, local development, progress and social welfare, especially in the territories where it operates. As a global corporation, Elecnor contributes to creating value in various regions of the world.

Moreover, because it operates in areas such as infrastructure, energy and the environment, Elecnor is a key player in the development and progress of society, helping to reduce the energy gap, achieving a lower-carbon society or ensuring access to and availability of energy and water, among other aspects. All of this fully aligned with the Sustainable Development Goals (SDGs) under the UN's 2030 Agenda.

The Group's social action is implemented primarily through the Elecnor Foundation, although a number of initiatives are also undertaken from the rest of the companies. In 2018, Elecnor donated a total of Euros 467 thousand to various associations, foundations and non-profit entities to support a range of social causes and sporting initiatives. Of that amount, Elecnor contributed Euros 300 thousand to the Elecnor Foundation.

Elecnor Foundation

The Elecnor Foundation held its 10th anniversary in 2018, and remains committed to unlocking the value of the most human side of engineering, through actions and projects in two main areas:

- The development of social infrastructure projecting what Elecnor does best—infrastructure, energy and water—to benefit those most in need and the environment.
- Fostering training and research to nurture the professional development and projection of young people.

In 2018, the Foundation had a presence in Spain, Honduras, Dominican Republic, Ghana, Chile, Uruguay, Angola, Nicaragua and Cameroon. Over these 10 years, Elecnor has contributed funds totalling Euros 4.9 million to the Foundation. Moreover, the Foundation has mobilised Euros 4.2 million in funds. Combining the two, the Elecnor Foundation has led projects worth a total of Euros 9.1 million.

Main milestones in 2018:

Launch of the project in Ebolowa, Cameroon

This is a cooperation between Elecnor and the Salesians of Don Bosco. The aim is to consolidate all the socio-educational activities of Don Bosco in the town of Ebolowa, providing stable electricity and improving the quality of the projects underway.

The electricity provided by a photovoltaic system will ensure that activities can be carried out at the technical institute, boarding school and youth centre, as well as the supply of water to the neighbourhood at no cost.

Elecnor's collaboration also implies a significant transfer of skills for trainers at the technical institute (ITDB). This skill-building among teachers will enable the inclusion in the electricity studies programme of solar PV power, paving the way for developing these energies in the region and hiring the most highly skilled students.

Continuity of the Luces para Aprender (Lights for Learning) Project, in Uruguay

The Elecnor Foundation, Administración Nacional de Usinas y Transmisiones Eléctricas (UTE) and the Organisation of Ibero-American States (OEI) signed an agreement to make another step forward in the installation of solar PV systems in rural areas of Uruguay.

This addendum allows for the relocation of renewable energy equipment previously installed in rural schools when they did not have energy or connectivity. Of the 85 rural schools originally benefiting from this project, 35 have since been hooked up to the national grid.

The solar panels from the schools that are now connected to the grid will be used, initially, to provide power to households of pupils attending the rural schools taking part in the Luces para Aprender project in the departments of Cerro Largo and Salto.

The second and third stages of the project involve the support for community initiatives and the configuration of learning spaces, respectively.

Within the framework of the 9th International Seminar on Research into Rural Education, held in Uruguay, the Luces para Aprender project was awarded a prize in recognition of its support for children in rural areas.

Corporate volunteering

In 2018, there was a new edition of H_2OMe in Gove, Angola. This project is now operational and has the capacity to purify drinking water for 10,000 people per day in the province of Huambo. The four Elecnor volunteers chosen travelled to Angola to contribute their talent, knowledge and time to benefit those most in need.

Specialist Post-Cycle Course in Medium- and Low-Voltage Electrical Installations

The Group has now been helping to train future professionals within the framework of our cooperation with Colegio Salesianos Deusto for six years. This year the fifth edition was completed and the sixth (involving 16 participants) was inaugurated.

Awards and Grants Programme with Escuela Técnica Superior de Industriales (Universidad Politécnica de Valencia UPV)

2018 was Elecnor's thirtieth year providing grants to UPV students. In the 2017-2018 edition, five students received grants for their end-of-Master's theses. The Foundation also awarded the prize (Euros 1,500) to the best project presented.

Other community initiatives

A number of initiatives are conducted in those communities where the Elecnor Group operates, most notably those implemented by its concessions subsidiary Celeo and the wind power business Enerfín, in countries such as Chile, Brazil and Canada. The communities' involvement is materialised through actions in partnership with administrations, bodies and institutions and in sponsorships in the cultural, social, sports and environmental spheres.

Especially significant are those programmes aimed at the local communities' social, environmental and economic development.

One notable example is that of Enerfín in Canada. Last November was the fifth anniversary of the commercial operation of the L'Érable wind farm. Over the course of these five years and within the framework of the agreements signed with the municipalities and groupings of municipalities where the project is located, more than CAD 100,000 have been contributed, with around 30 local associations and initiatives involved. Specifically in 2018, we highlight: the guided visits to the L'Érable wind farm, organised in partnership with the local tourism office, involving more than 400 tourists and 140 school children; the involvement in various activities and initiatives in the towns of Saint Ferdinand and Ste Sophie d'Halifax, such as their annual festivities, Family Day, the summer sports camp or funds to build a centre for the dependent elderly.

Integration and respect for the environment

In 2018, Elecnor continued to execute projects close to indigenous communities in some countries. In this context, dialogue, respect and proper impact management are essential to maintain social legitimacy and ensure the success of the projects. With regard to indigenous communities we highlight various initiatives at the wind power subsidiary:

Canada

As part of the activities to promote projects in the province of Saskatchewan, introductory meetings were held with both Native Canadian nations and the tribal councils that represent them. Those meetings enabled us to explore the interests of the various communities in potentially investing in the projects underway in the province. These initial contacts serve as the basis for consolidation of productive and fruitful relations, governed by transparency, mutual respect and loyalty.

Mexico

As part of the activities to promote projects in Yucatán State, social impact studies were conducted in the municipalities of Panabá and Sucilá, belonging to the Mayan indigenous region.

Colombia

Consultations were held with the Wayuu communities affected by the El Ahumado and Musichi projects located in the La Guajira Peninsula. Social measures were established to compensate and improve living conditions of the various communities, and to provide courses on activities such as construction, job vacancies for the construction phase, the purchasing of sheep or the building of recreational, cultural and educational spaces and the necessary installations of utilities in the area.

Meanwhile, within the framework of the environmental processing of its projects in Chile, Elecnor's concessions subsidiary, Celeo, is obliged to consult the National Corporation of Indigenous Peoples (Corporación Nacional de Indígenas), but none of the projects implemented in 2018 either affect or are located within the catchment area of any indigenous community.

In Brazil, Celeo continued negotiations to approve the Basic Indigenous Environmental Plan, specifying the mitigating actions to be implemented in indigenous communities affected by the companies of EPE Caiuá Transmissora de Energia. The competent body approved the Plan in the second half of 2018, so the next step will be to submit the documentation to communities and commence the activities.

Communication channels with stakeholders

Elecnor is in fluent and constant dialogue with its various stakeholder groups through a number of channels, through which it aims to ascertain and respond to their needs and expectations. The main communication channels are outlined below:

Stakeholder group	Communication channel
Shareholders and investors	General Shareholders' Meetings
	Consolidated annual accounts
	Comprehensive report
	Elecnor Foundation report
	Group website
	Shareholder services channel
	Shareholder forum
	Meetings with investors
Customers	Periodic visits
	Periodic communications
	Consolidated annual accounts
	Trade fairs
	Corporate websites
	Satisfaction surveys
	Comprehensive report
	Elecnor Foundation report
	Social media
Employees	Periodic meetings
	Work groups
	Comprehensive report
	Communication campaigns
	Training sessions and courses
	Corporate websites
	Intranet
	Newsletter
	Ethical channel

Stakeholder group	Communication channel
Public Administrations and regulatory bodies	Group website Official filings Consolidated annual accounts Comprehensive report Elecnor Foundation report Social media
Suppliers and partners	Meetings and work groups Conventions, fairs and congresses Audits Comprehensive report Group website Social media
Local community	Corporate websites Specific project websites Elecnor Foundation report Sponsorships and patronage Social projects Comprehensive report Social media
Media	Press releases Information briefings Group website Consolidated annual accounts Comprehensive report Elecnor Foundation report Social media
Technological centres and universities	Collaboration agreements Forums Comprehensive report Elecnor Foundation report Elecnor Foundation website

Involvement in associations

The Elecnor Group is actively involved in the flagship associations in the industries and countries where it operates. Those considered to be most significant are listed below:

Spain
AAEF, Asociación Andaluza de Empresas Forestales
ACEX, Asociación de Empresas de Conservación y Explotación de Infraestructura
AEDYR, Asociación de Desalación y Reutilización del Agua
AEE, Asociación Empresarial Eólica
AEEFOR, Asociación Extremeña de Empresas Forestales y de Medioambiente
AET, Asociación Eólica de Tarifa
APECYL, Asociación de Promotores de Energía Eólica de Castilla y Léon
APPI-Almussafes, Asociación de Propietarios del Parque Industrial de Almussafes
ASAGUA, Asociación Española de Empresas de Tecnologías del Agua
ASEJA, Asociación Española de Empresas de Jardinería
ASERPYMA, Asociación de Empresas Restauradoras del Paisaje y Medio Ambiente
ATC, Asociación Técnica de Carreteras y Asociación Mundial de Carreteras.
Comité de Energía del Círculo de Empresarios
EGA, Asociación Eólica de Galicia
Plataforma enerTIC
ESF, Energía sin Fronteras
FEMEVAL, Federación Metalúrgica Valenciana
ITE, Instituto Tecnológico de la Energía
PTA, Plataforma Tecnológica del Agua
SERFOGA, Asociación de Empresas de Servicios Forestales de Galicia
UNEF, Unión Española Fotovoltaica
Brazil
ABEEOLICA, Asociación Brasileña de Energía Eólica
ABIDIB, Associação Brasileira da Infraestrutura e Indústrias de Base
ABSOLAR, Associação Brasileira de Energía Solar Fotovoltaica
Spanish Chamber of Commerce in Brazil
CIGRE, Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica
COGEN - Associação da Indústria de Cogeração de Energía
Canada
AQPER, Association Québécoise de Producteurs d'Énergie renouvelable
Spanish Chamber of Commerce in Canada
Chambre de Commerce et D'industrie Bois-Francs y Érable
CANWEA, Canadian Wind Energy Association
Technocentre Éolien du Quebec
Mexico
APER, Agrupación Peninsular de Energías Renovables
AMDEE, Asociación Mexicana de Energía Eólica
Energy Commission — Spanish Chamber of Commerce in Mexico
USA
AWEA, American Wind Energy Association
Chile
ACERA, Asociación Chilena de Energías Renovables
CAMACOES, Spanish Chamber of Commerce in Chile
CIGRE, Comité Internacional de Grandes Redes Eléctricas
Eléctricas A.G, Asociación Gremial de Empresas Eléctricas

15.8. Index of content required by Law 11/2018, of 28 December

Contents	Section	Verification of content of the Law	Reporting criterion GRI guideline
Description of the business model	Financial disclosures. Point 2. Business model and context	✓	GRI 102-2 GRI 102-6
Markets where it operates	Financial disclosures. Point 2. Business model and context	✓	
Goals and strategies	Business model. Strategic goals	✓	
Main factors and trends affecting future performance	Financial disclosures. Point 11. Business model and context	✓	
Risk management	Management of non-financial risks	✓	GRI 102-15
Reporting framework used	Introduction	✓	GRI 102-54
Materiality analysis	Introduction	✓	GRI 102-47
Social matters and issues concerning staff			
Management approach	Our people	✓	GRI 103
Employment			
Number of employees and breakdown by country, gender, age and professional category	Our people. Profile of the workforce	✓	GRI 102-8
Breakdown of employment contract type and annual average by gender, age and professional category	Our people. Profile of the workforce	✓	GRI 102-8
Number of layoffs by gender, age and professional category	Our people. Profile of the workforce	✓	GRI 103
Average remuneration by gender, professional category and age	Our people. Remunerations Policy	✓	GRI 103
The wage gap	Our people. Remunerations Policy	✓	GRI 405-2
Average remuneration to directors and executives by gender	Our people. Remunerations Policy	✓	GRI 102-38
Policies to facilitate disconnection from work	Our people. Work-life balance	✓	GRI-103
Disabled employees	Our people. Equality and diversity	✓	GRI 405-1
Organisation of work			
Organisation of work time	Our people. Profile of the workforce	✓	GRI-103
Number of hours of absenteeism	Our people. Profile of the workforce	✓	GRI 403-2
Measures to facilitate work-life balance	Our people. Work-life balance	✓	GRI 401-3

Contents	Section	Verification of content of the Law	Reporting criterion GRI guideline
Health and Safety			
Occupational health and safety conditions	Our people. Health and Safety	✓	GRI-103
Accident indicators	Our people. Health and Safety	✓	GRI 403-2
Occupational illnesses by gender	Our people. Health and Safety	✓	GRI 403-3
Social relations			
Organisation of social dialogue	Our people. Social dialogue	✓	GRI 103
Percentage of employees covered by collective bargaining agreements by country	Our people. Social dialogue	✓	GRI 102-41
List of collective bargaining agreements	Our people. Social dialogue	✓	GRI 403-4
Training			
Training policies implemented	Our people. Training, skills management and development	✓	GRI 103
Total Training hours by professional category	Our people. Training, skills management and development	✓	GRI 404-1
Universal access to disabled people	Our people. Equality and diversity	✓	GRI 103
Equality			
Measures to promote equal treatment and equal opportunities	Our people. Equality and diversity	✓	GRI 103
Equality plans	Our people. Equality and diversity	✓	GRI 103
Anti-discrimination policy	Our people. Equality and diversity	✓	GRI 103
Environmental issues			
Management approach	Environmental management	✓	GRI 103
Environmental management	Environmental management	✓	GRI 103
Measures to prevent pollution	Environmental management. CO_2 emissions	✓	GRI 103
Circular economy, sustainable use of resources and waste prevention			
Consumption of raw materials	Environmental management. Consumption	✓	GRI 301-1
Direct and indirect energy consumption	Environmental management. Consumption	✓	GRI 302-1
Water consumption	Environmental management. Consumption	✓	GRI 303-1
Measures to boost energy efficiency	Environmental management. Consumption	✓	GRI 302-4
Renewable energy use	Environmental management. Consumption	✓	GRI 302-1

Contents	Section	Verification of content of the Law	Reporting criterion GRI guideline
Climate change			
Greenhouse gas emissions	Environmental management. The fight against climate change	✓	GRI 305-1 GRI 305-2
Measures to adapt to climate change	Environmental management. The fight against climate change	✓	GRI 201-2
Greenhouse gas emissions reduction targets	Environmental management. The fight against climate change	✓	GRI 305-5
Biodiversity			
Measures to preserve or restore biodiversity	Environmental management. Management of biodiversity and protection of the natural environment	✓	GRI 103 GRI 304-3
Impacts of the activity	Management of biodiversity and protection of the natural environment	✓	GRI 103 GRI 304-2
Information on respect for human rights			
Management approach	Ethical management and regulatory compliance. Compliance system	✓	GRI 103
Application of due diligence procedures	Ethical management and regulatory compliance. Compliance system	✓	GRI 103
Measures to prevent and manage potential abuse	Ethical management and regulatory compliance. Compliance system	✓	GRI 103
Complaints regarding human rights breaches	Ethical management and regulatory compliance. Compliance system	✓	GRI 406-1
Promotion of and compliance with ILO provisions	Ethical management and regulatory compliance. Compliance system	✓	GRI 408-1 GRI 409-1
Information concerning combating bribery and corruption			
Management approach	Ethical management and regulatory compliance. Compliance system	✓	GRI 103
Measures to prevent bribery and corruption	Ethical management and regulatory compliance. Compliance system	✓	GRI 103 GRI 102-16 GRI 102-17
Anti-money laundering measures	Ethical management and regulatory compliance. Compliance system	✓	GRI 103 GRI 102-16 GRI 102-17
Contributions to foundations and non-profit organisations	Ethical management and regulatory compliance. Compliance system	✓	GRI 103

Contents	Section	Verification of content of the Law	Reporting criterion GRI guideline
Social commitment			
Management approach	Commitment to society	✓	GRI 103
The company's commitment to sustainable development			
Impact of the business on society, with regard to jobs and local development	Commitment to society	✓	GRI 103 GRI 413-1
Impact on local communities and territory	Commitment to society	✓	GRI 103 GRI 413-1 GRI 411-1
Relations with local community agents	Commitment to society	✓	GRI 102-43
Supply chain			
Inclusion in procurements policy of social issues, equality and environmental considerations	Towards excellence. Supply chain	✓	GRI 308-1 GRI 414-1
Consideration, in relations with suppliers and sub-contractors, of their social and environmental responsibility	Towards excellence. Supply chain	✓	GRI 308-1 GRI 414-1
Supervisory system	Towards excellence. Supply chain	✓	GRI 308-1 GRI 414-1
Consumers			
Measures to ensure consumer health and safety	Towards excellence. Quality	✓	GRI 416-1
Complaints systems, complaints received and results	Towards excellence. Quality	✓	GRI 103 GRI 416-1
Tax disclosures and transparency			
Profit/loss obtained by country	Ethical management and regulatory compliance. Fiscal transparency	✓	GRI 201-1
Income tax paid	Ethical management and regulatory compliance. Fiscal transparency	✓	GRI 201-1
Public grants received	Ethical management and regulatory compliance. Fiscal transparency	✓	GRI 201-4

[Logo: KPMG]

KPMG Asesores S.L.
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28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of Elecnor, S.A. and subsidiaries for the year 2018

To the shareholders of Elecnor, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2018, of Elecnor, S.A. (hereinafter the Company) and subsidiaries (hereinafter the Group) which forms part of the accompanying Group's consolidated Directors' Report for 2018.

The Group's Directors' Report includes additional information to that required by prevailing mercantile legislation that has not been the subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the identified information contained in the table "Table of contents required by Law 11/2018, dated 28 December" included in the accompanying Group's Directors' Report.

Directors' responsibilities

The Board of Directors of the Company is responsible for the preparation and presentation of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with the prevailing mercantile legislation and following the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in the table "Table of contents required by Law 11/2018, dated 28 December" of the aforementioned Group's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The directors of the Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Asesores S.L., a Spanish limited liability company and a member firm of the KPMG network of independent firms affiliated to KPMG International Cooperative ("KPMG International"), a Swiss Company.
Paseo de la Castellana 259C Torre de Cristal 28046 Madrid

Companies House of Madrid, volume 14 972, sheet 53, section 8, page M-249 480, entry 1
Tax Identification Number (NIF) B-82498650

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that exclusively refers to the year 2018. The data for previous years were not subject to assurance according to prevailing mercantile legislation.

We conducted our review engagement in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various units and areas of the Group participating in the preparation of the NFIS, reviewing the process for gathering and validating the information included in the NFIS, and applying certain analytical procedures and sample review testing described below:

- Meetings with Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.

- Analysis of the scope, relevance and completeness of the content of the NFIS for 2018 based on the materiality analysis performed by the Group and described in the section "Introduction" of the section non-financial information of the accompanying Group's consolidated Directors' Report for 2018, considering the content required in prevailing mercantile legislation.

- Analysis of the processes for compiling and validating the data presented in the NFIS for 2018.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2018.

- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2018 and whether it has been adequately compiled based on data provided by information sources.

- Procurement of a representation letter from the Directors and management.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Elecnor, S.A. and subsidiaries for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the contents collected in prevailing mercantile legislation and following the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Table of contents required under Law 11/2018, dated 28 December", included in the aforementioned consolidated Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.
[Signature]
Patricia Reverter Guillot
26 February 2019

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Doña Silvina María GARRIDO GARDÉ, Traductora-Intérprete Jurada de INGLÉS, nombrada por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al INGLÉS de un documento redactado en ESPAÑOL.

En Galicia, a 29 MAR. 2019

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Ms Silvina María GARRIDO GARDÉ, Sworn Translator-Interpreter of ENGLISH, appointed by the Ministry of Foreign Affairs and Cooperation, does hereby certify that this is a true translation into ENGLISH of a document in SPANISH.

In Galicia, on this 29 MAR. 2019

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
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Economic Profile of Elecnor, S.A. 2018

Elecnor, S.A.
Balance Sheets

At 31 december 2018 and 2017 (Thousands of Euros)

ASSETS	2018	2017
NON CURRENT ASSETS	1,017,224	1,026,229
Intangible Assets	**4,422**	**3,593**
Administrative Concessions	40	41
Goodwill	722	825
Software	3,660	2,727
Property, Plant and Equipment	**62,132**	**55,177**
Land and buildings	18,821	18,789
Plants and other Items fo Property, Plant and Equipment	43,311	36,388
Investments in group companies and associates	**903,126**	**922,556**
Equity instruments	876,173	887,477
Loans to companies	26,953	35,079
Non current financial investments	**4,684**	**4,072**
Equity instruments	1,040	-
Loans to third parties	12	12
Financial Derivatives	109	1,036
Other financial assets	3,523	3,024
Deferred tax assets	**42,860**	**40,831**
CURRENT ASSETS	848,310	800,189
Non-current assets held for sale	**131**	**131**
Inventories	**22,955**	**23,842**
Raw materials and other supplies	2,182	3,025
Short cycle finished goods	811	1,324
Advances to suppliers	19,962	19,493
Trade and other receivables	**732,856**	**661,201**
Trade receivables	684,445	588,893
Receivable from group companies and associates	20,643	46,616
Other receivables	3,653	5,188
Personnel	31	33
Current income tax assets	8,581	5,295
Other receivables from Public Administrations	15,503	15,176
Investments in Group companies and associates	**11,113**	**45,203**
Loans to companies	9,272	42,936
Other financial assets	1,841	2,267
Current financial investments	**1,510**	**5,901**
Loans to third parties	17	-
Financial Derivatives	330	563
Other financial assets	1,163	5,338
Accruals	**538**	**674**
Cash and cash equivalents	**79,207**	**63,237**
Cash	78,878	62,549
Cash equivalents	329	688
TOTAL ASSETS	1,865,534	1,826,418

The accompanying notes form an integral part of the annual accounts.

EQUITY AND LIABILITIES	2018	2017
EQUITY	**588,743**	**570,050**
OWN FUNDS	**593,523**	**573,849**
Share Capital	**8,700**	**8,700**
Issued Capital	8,700	8,700
Reserves	**567,366**	**542,484**
Legal and statutory reserves	1,743	1,743
Other reserves	565,623	540,741
Treasury shares and equity investments	**(21,884)**	**(21,232)**
Profit / loss of the year	**44,136**	**48,508**
Interim dividend	**(4,795)**	**(4,611)**
UNREALISED ASSET AND LIABILITY REVALUATION RESERVE		
Hedging instruments	**(4,780)**	**(3,799)**
NON CURRENT LIABILITIES	**260,891**	**373,326**
Borrowings	**257,014**	**369,611**
Bank borrowings	246,839	357,726
Obligations under finance leases	4,803	5,233
Derivates	5,372	6,652
Deferred tax liabilities	**3,877**	**3,715**
CURRENT LIABILITIES	**1,015,900**	**883,042**
Provisions for other liabilities and charges	**60,939**	**44,529**
Current payables	**203,955**	**126,351**
Obligations and other securities	154,816	99,423
Bank borrowings	42,156	21,419
Obligations under finance leases	415	394
Derivates	1,428	1
Other financial liabilities	5,140	5,114
Borrowings from group companies and associates	**46,832**	**17,771**
Trade and other payables	**702,512**	**692,812**
Suppliers	312,262	298,958
Suppliers group companies and associates	5,763	6,173
Other payables	29,414	33,796
Employee benefits payable	16,439	20,497
Current tax liabilities	12,999	7,497
Other payables to Public Administrations	31,819	33,984
Customer advances	293,816	291,907
Accruals	1,662	1,579
TOTAL LIABILITIES AND EQUITY	**1,865,534**	**1,826,418**

The accompanying notes form an integral part of the annual accounts.

Elecnor, S.A.
Income Statements

For the years ended 31 december 2018 and 2017 (Thousands of Euros)

	2018	2017
CONTINUING OPERATIONS		
Net sales	**1,315,286**	**1,373,615**
Net sales	1,315,286	1,373,615
Changes in inventories of finished goods	**(513)**	**346**
Work performed by the entity and capitalised	**3,837**	**2,409**
Supplies	**(685,388)**	**(732,287)**
Consumption of raw materials and other consumables	(305,727)	(283,919)
Work performed by third parties	(379,661)	(448,368)
Other operating income	**8,917**	**5,995**
Ancillary income	8,173	5,367
Grants related to income	744	628
Personnel expenses	**(387,333)**	**(377,371)**
Wages, salaries and other	(302,200)	(300,487)
Social security costs	(85,133)	(76,884)
Other operating expenses	**(217,802)**	**(200,746)**
External services	(164,269)	(170,757)
Taxes	(10,272)	(5,691)
Losses on, impairment of and change in trade provisions	(40,685)	(21,888)
Other operating expenses	(2,576)	(2,410)
Depreciation and amortisation	**(9,388)**	**(6,790)**
Impairment losses and gains/losses on disposal of non current assets	**(225)**	**(63)**
Gains/losses on disposals and other gains and losses	(225)	(63)
OPERATING PROFIT	27,391	65,108
Finance income		
From equity investments		
- In group companies and associates	46,817	26,272
From trade securities and other equity instruments		
- In group companies and associates	3,736	2,954
- In third parties	242	11,212
Finance costs	**(17,402)**	**(13,955)**
Borrowings from group companies and associates	(444)	(231)
Third-party borrowings	(16,958)	(13,724)
Exchange differences	**7,602**	**(39,722)**
Impairment losses and gains/losses on disposal of financial instruments	**(8,536)**	**1,382**
Impairment and losses	(8,809)	(1,635)
Ganis/losses on disposal and others	273	3,017
FINANCIAL GAINS	32,459	(11,857)
PROFIT BEFORE INCOME TAX	59,850	53,251
Income tax	(15,714)	(4,743)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	44,136	48,508
PROFIT FOR THE YEAR	44,136	48,508

The accompanying notes form an integral part of the annual accounts.

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