

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1.1 and 7.1). In the event of a discrepancy, the Spanish-language version prevails.

A. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND 2016

ASSETS (Millions of euros)	NOTE	2017	2016 (*)
Non-current assets		14,927	15,679
Goodwill arising on consolidation	3.1	2,062	2,155
Intangible assets	3.2	431	544
Investments in infrastructure projects	3.3	6,917	7,145
Intangible asset model		5,883	6,168
Financial asset model		1,035	977
Investment property		6	6
Property, plant and equipment	3.4	694	731
Investments in associates	3.5	2,687	2,874
Non-current financial assets	3.6	769	735
Loans granted to associates		312	374
Restricted cash relating to infrastructure projects and other financial assets	5.2	285	249
Other receivables		172	112
Deferred tax assets	2.8	1,035	1,057
Non-current derivative financial instruments at fair value	5.5	326	432
Current assets		8,063	7,745
Assets classified as held for sale	1.2	0	624
Inventories	4.1	629	516
Current income tax assets		143	186
Current trade and other receivables	4.2	2,635	2,822
Trade receivables for sales and services		2,032	2,193
Other current receivables		603	629
Cash and cash equivalents	5.2	4,601	3,578
Infrastructure projects		463	277
Restricted cash		58	62
Other cash and cash equivalents		405	215
Excluding infrastructure projects		4,137	3,301
Current derivative financial instruments at fair value	5.5	55	18
TOTAL ASSETS		22,990	23,423
EQUITY AND LIABILITIES (Millions of euros)			
Equity	5.1	6,234	6,314
Equity attributable to the shareholders		5,503	5,597
Equity attributable to non-controlling interests		731	717
Deferred income	6.1	1,037	1,118
Non-current liabilities		9,871	10,421
Pension plan deficit	6.2	66	174
Long-term provisions	6.3	808	757
Borrowings	5.2	7,511	7,874
Debt securities and bank borrowings of infrastructure projects		5,363	5,310
Debt securities and borrowings excluding infrastructure projects		2,149	2,564
Other payables	6.4	198	200
Deferred tax liabilities	2.8	900	979
Derivative financial instruments at fair value	5.5	387	436
Current liabilities		5,848	5,570
Liabilities classified as held for sale	1.2	0	440
Borrowings	5.2	839	302
Debt securities and bank borrowings of infrastructure projects		207	200
Debt securities and bank borrowings excluding infrastructure projects		631	102
Derivative financial instruments at fair value	5.5	65	69
Current income tax liabilities		94	150
Current trade and other payables	4.3	4,221	3,895
Trade payables		2,283	2,299
Customer advances and amounts billed in advance for construction		1,271	991
Other current payables		667	605
Operating provisions	6.3	629	715
TOTAL EQUITY AND LIABILITIES		22,990	23,423

(*) Adjusted amounts (Note 1.1.4)

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of financial position as at 31 December 2017.

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B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR 2017 AND 2016

(Millions of euros)	NOTE	2017			2016		
		BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS ^(*)	TOTAL 2017	BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS ^(*)	TOTAL 2016
Revenue		12,208	0	12,208	10,759	0	10,759
Other operating income		10	0	10	7	0	7
TOTAL OPERATING INCOME	2.1	12,218	0	12,218	10,765	0	10,765
Materials consumed	2.2	1,345	0	1,345	1,267	0	1,267
Other operating expenses	2.2	5,288	0	5,288	4,736	0	4,736
Staff costs	2.3	4,653	0	4,653	3,819	0	3,819
TOTAL OPERATING EXPENSES		11,285	0	11,285	9,821	0	9,821
Gross profit from operations	2.4	932	0	932	944	0	944
Depreciation and amortisation charge		375	0	375	342	0	342
Profit from operations before impairment and disposals of non-current assets	2.4	557	0	557	602	0	602
Impairment and disposals of non-current assets ^(**)	2.5	51	30	81	330	-6	324
Profit from operations		608	30	638	932	-6	926
Financial result on financing		-254	0	-254	-305	0	-305
Result on derivatives and other financial results		-6	0	-6	-7	-12	-20
Financial result of infrastructure projects		-261	0	-261	-313	-12	-325
Financial result on financing		-29	0	-29	-49	0	-49
Result on derivatives and other financial results		-56	35	-21	-4	-13	-18
Financial result excluding infrastructure projects		-85	35	-50	-53	-13	-66
Financial result	2.6	-346	35	-311	-365	-26	-391
Share of profits of companies accounted for using the equity method	3.5	201	49	251	214	-132	82
Consolidated profit before tax		464	114	578	780	-164	617
Income tax	2.8	-63	-8	-71	-245	11	-233
Consolidated profit from continuing operations		401	106	507	536	-153	383
Net profit from discontinued operations		0	0	0	0	0	0
Consolidated profit for the year		401	106	507	536	-153	383
Profit or loss for the year attributable to non-controlling interests	2.9	-51	-1	-53	-11	4	-7
Profit for the year attributable to the Parent		350	104	454	525	-149	376
Net earnings per share attributable to the Parent (Basic / Diluted)	2.10			0.62/0.62			0.51/0.51

(*) Relating to gains and losses arising from changes in the fair value of derivatives and other financial assets and liabilities (see Note 5.5), asset impairment (see Note 2.5) and the impact of the two items on "Share of Profits of Companies Accounted for Using the Equity Method" (see Note 2.7).

(**) "Impairment and Disposals of Non-Current Assets" includes mainly the gains and losses arising from asset impairment and from the sale and disposal of investments in Group companies and associates. When control is lost as a result of these disposals, the gain relating to the recognition at fair value of the investment retained is presented in the "Fair Value Adjustments" column.

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2017.

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C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR 2017 AND 2016

(Millions of euros)	NOTE	2017	2016
a) Consolidated profit for the year		507	383
Attributable to the Parent		454	376
Attributable to non-controlling interests		53	7
b) Income and expense recognised directly in equity	5.1	-251	-435
<u>Fully consolidated companies</u>		-122	-202
Impact on reserves of hedging instruments	5.5	69	-38
Impact on reserves of defined benefit plans (*)	6.2	76	-153
Translation differences		-236	-83
Tax effect		-32	72
<u>Companies classified as held for sale</u>		0	-99
Impact on reserves of hedging instruments		0	-148
Impact on reserves of defined benefit plans (*)		0	0
Translation differences		0	49
Tax effect		0	0
<u>Companies accounted for using the equity method</u>		-129	-134
Impact on reserves of hedging instruments		32	-17
Impact on reserves of defined benefit plans (*)		-14	-90
Translation differences		-143	-45
Tax effect		-4	17
c) Transfers to profit or loss	5.1	6	141
<u>Fully consolidated companies</u>		0	-48
Transfers to profit or loss		0	15
Tax effect		0	-63
<u>Companies accounted for using the equity method</u>		6	189
Transfers to profit or loss		9	192
Tax effect		-3	-3
(a+b+c) Total comprehensive income		262	88
Attributable to the Parent		269	89
Attributable to non-controlling interests		-7	-1

(*) The impact on reserves of defined benefit plans is the only item of income and expense recognised directly in equity that cannot be reclassified subsequently to profit or loss (see Note 5.1).

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017.

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D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2017 AND 2016

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY SHARES	OTHER EQUITY INSTRUMENTS	VALUATION ADJUSTMENTS	RETAINED EARNINGS AND OTHER RESERVES	ATTRIBUTABLE TO THE SHAREHOLDERS	ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31/12/16	147	1,202	650	-41	0	-1,092	4,731	5,597	717	6,314
Impact of transition to IFRS 15 (Note 1.3.1)	0	0	0	0	0	0	-272	-272	0	-272
Balance at 01/01/17	147	1,202	650	-41	0	-1,092	4,459	5,325	717	6,042
Consolidated profit for the year							454	454	53	507
Income and expense recognised directly in equity						-185		-185	-60	-245
Total comprehensive income	0	0	0	0	0	-185	454	269	-7	262
Scrip dividend	3						-222	-218		-218
Other dividends								0	-47	-47
Treasury share transactions	-3		-298	1			-1	-302	0	-302
Remuneration of shareholders	0	0	-301	1	0	0	-223	-520	-47	-568
Capital increases/reductions								0	33	33
Share-based payment							1	1	0	1
Other changes			-2	-2			6	1	3	4
Other transactions	0	0	-2	-2	0	0	7	2	35	38
Perpetual subordinated bond issues	0	0	0	0	500	0	-5	495	0	495
Changes in the scope of consolidation	0	0	0	0	0	0	-68	-68	33	-35
Balance at 31/12/17	146	1,202	349	-42	500	-1,277	4,624	5,503	731	6,234

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY SHARES	VALUATION ADJUSTMENTS	RETAINED EARNINGS AND OTHER RESERVES	ATTRIBUTABLE TO THE SHAREHOLDERS	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31/12/15	146	1,202	963	-16	-805	4,567	6,058	483	6,541
Consolidated profit for the year						376	376	7	383
Income and expense recognised directly in equity					-287		-287	-8	-295
Total comprehensive income	0	0	0	0	-287	376	89	-1	88
Scrip dividend	3					-230	-226		-226
Other dividends							0	-25	-25
Treasury share transactions	-3		-313	-26		25	-317		-317
Remuneration of shareholders	0	0	-313	-26	0	-205	-544	-25	-569
Capital increases/reductions							0	45	45
Share-based payment						-17	-17	0	-17
Other changes			0	1		9	10	215	225
Other transactions	0	0	0	1	0	-8	-7	260	253
Balance at 31/12/16	147	1,202	650	-41	-1,092	4,731	5,597	717	6,314

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017.

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E. CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017

(Millions of euros)	NOTE	2017	2016
Net profit attributable to the Parent	2.10	454	376
Adjustments for:		479	568
<i>Non-controlling interests</i>		53	7
<i>Tax</i>		71	233
<i>Result of companies accounted for using the equity method</i>		-251	-82
<i>Financial result</i>		311	391
<i>Impairment and disposals of non-current assets</i>		-81	-324
<i>Depreciation and amortisation charge</i>		375	342
Gross profit from operations	2.4	932	944
Income taxes paid	2.8.2	-142	-147
Change in working capital (receivables, payables and other)	5.3	-53	-52
Dividends from infrastructure project companies received	3.5	543	427
Cash flows from operating activities	5.3	1,280	1,172
Investments in property, plant and equipment and intangible assets	3.2 and 3.4	-135	-177
Investments in infrastructure projects	3.3	-371	-388
Loans granted to associates/acquisition of companies		-178	-736
Interest received	2.6	34	34
Long-term restricted cash		-66	12
Divestment of infrastructure projects		0	0
Divestment/Sale of companies	1.1.3	248	340
Cash flows from investing activities		-468	-915
Cash flows before financing activities		812	256
Capital proceeds from non-controlling interests		35	53
<i>Scrip dividend</i>		-218	-226
<i>Acquisition of treasury shares</i>		-302	-317
Remuneration of shareholders	5.1	-520	-544
Dividends paid to non-controlling shareholders of investees		-49	-24
Subordinated hybrid bond issue		500	0
Other changes in shareholders' equity	1.3.3.3 and 5.1.2	-2	0
Cash flows from shareholders and non-controlling interests		-36	-515
Interest paid	2.6	-270	-385
Increase in borrowings		1,184	1,505
Decrease in borrowings		-554	-548
Cash flows from financing activities		324	57
Effect of foreign exchange rate changes on cash and cash equivalents		-71	18
Change in cash and cash equivalents due to changes in the scope of consolidation		-43	-32
Change in cash and cash equivalents	5.2	1,023	299
Cash and cash equivalents at beginning of year		3,578	3,279
Cash and cash equivalents at end of year		4,601	3,578

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2017.