Corporación Acciona Energías Renovables, S.L. and Subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Auditor's Report Thereon)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Sole Shareholder of Corporación Acciona Energías Renovables, S.L.

Opinion

We have audited the consolidated annual accounts of Corporación Acciona Energías Renovables, S.L. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of total changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the consolidated annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

Most Relevant Aspects of the Audit

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

Recoverable amount of property, plant and equipment (see notes 3.3 and 4)

The Group has property, plant and equipment amounting to Euros 6,422,174 thousand that is located in various geographical areas and subject to different regulatory environments. Property, plant and equipment has been impaired by a total of Euros 783,107 thousand. These impairments were recognised in prior years.

In accordance with the applicable financial reporting framework, at each reporting date the Group assesses whether there are any indications of impairment or any evidence of changes in the events or circumstances that gave rise to the impairment already recognised, and also determines whether there are any regulatory or other changes that could alter the expected future cash flows. Determining such indications of impairment, and valuation thereof, requires management and the Directors to make significant estimates and judgements, which increases the risk. As a result, this area has been considered a key audit matter.

Our audit procedures include gaining an understanding of the evaluation process used by the Group to identify indications of impairment when measuring its property, plant and equipment or indications that previously recognised impairment should be reassessed, as well as the design and implementation of that process. We assessed management's analysis of the indicators of possible impairment and the conclusions drawn. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

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 annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards 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 non-financial information statement, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated 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 annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. 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 agreed that the consolidated directors' report states that the information mentioned in section a) above is presented in the consolidated directors' report of the Acciona, S.A. Group, of which the Group forms part; that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018; and that the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 use by the Parent's Directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the significant risks communicated to the Directors of Corporación Acciona Energías Renovables, S.L., we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Ana Fernández Poderós
On the Spanish Official Register of Auditors ("ROAC") with No. 15547

19 June 2019

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.

AND

SUBSIDIARIES
(Consolidated Group)

CONSOLIDATED ANNUAL ACCOUNTS AND

DIRECTORS' REPORT

FOR 2018

Prepared according to International Financial Reporting Standards adopted by the European Union (IFRS-EU)

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

TABLE OF CONTENTS

ANNEXES

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR 2018 AND 2017
(Thousands of euros)

ASSETS	NOTE	2018	2017
Property, plant and equipment	4	6,422,174	6,277,282
Other intangible assets	5	157,742	161,173
Non-current financial assets	8	43,582	28,108
Equity-accounted investees	6	296,149	284,601
Deferred tax assets	20	277,806	347,873
Non-current receivables and other non-current assets	9	153,780	99,889
NON-CURRENT ASSETS		**7,351,233**	**7,198,926**
Inventories	10	112,405	119,922
Trade and other accounts receivables	11	559,252	550,256
Other current financial assets	8	248,987	182,120
Current tax assets	20	22,927	23,613
Other current assets	20	69,265	52,550
Cash and cash equivalents	12	209,061	152,149
Assets held for sale and discontinued operations	21	--	1,131,596
CURRENT ASSETS		**1,221,897**	**2,212,206**
TOTAL ASSETS		**8,573,130**	**9,411,132**

EQUITY & LIABILITIES	NOTE	2018	2017
Share Capital		329,251	329,251
Retained earnings		2,221,008	2,098,095
Consolidated net profit attributable to equity holders of the parent		134,094	76,754
Gains (losses) on foreign exchange		(28,550)	(17,861)
Interim dividend		(76,258)	--
Total Equity attributable to equity holders of parent		**2,579,545**	**2,486,239**
Non-controlling interests		193,723	167,824
EQUITY	13	**2,773,268**	**2,654,063**
Debentures and other negotiable securities	15	215,600	213,835
Loans and borrowings	15	715,839	1,027,180
Payable to group companies, associates and related parties	18	1,439,115	1,080,179
Deferred tax liabilities	20	424,073	430,385
Provisions	14	151,203	133,943
Other non-current liabilities	19	275,595	275,169
NON-CURRENT LIABILITIES		**3,221,425**	**3,160,691**
Debentures and other negotiable securities	15	8,801	6,885
Loans and borrowings	15	245,899	138,331
Payable to group companies, associates and related parties	18	1,524,439	2,511,095
Trade and other accounts payable	33	466,628	270,599
Provisions	14	1,222	110
Current tax liabilities	20	16,323	6,231
Other current liabilities	19	315,125	368,271
Liabilities held for sale and discontinued operations	21	--	294,856
CURRENT LIABILITIES		**2,578,437**	**3,596,378**
TOTAL EQUITY AND LIABILITIES		**8,573,130**	**9,411,132**

Attached notes 1 through 33 and the appendices are an inseparable part of the consolidated balance sheet at 31 December 2018.

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 2018 AND 2017
(Thousands of euros)

	NOTE	2018	2017
Turnover	23	2,205,246	1,735,902
Other income	23	255,488	419,907
Supplies	24	(1,045,672)	(799,687)
Staff expenses	24	(115,758)	(114,613)
Amortization, depreciation and provisions	4, 5 & 24	(385,731)	(430,720)
Other operating expenses	24	(513,763)	(471,711)
Results of asset impairment	24	(215)	547
Net profit/(loss) on disposal of non-current assets	24	31,350	(1,517)
Other profit or (loss)		494	479
OPERATING RESULTS		**431,439**	**338,587**
Financial income	25	8,459	5,523
Financial expenses	25	(252,584)	(273,202)
Gains (losses) on foreign exchange		8,468	105
Changes in provisions for investment		(95)	390
Income from changes in the value of financial instruments at fair value	17	(222)	37,646
Results from equity method entities	6	45,880	47,573
PRE-TAX PROFIT FROM CONTINUING OPERATIONS		**241,345**	**156,622**
Income tax expense	20	(87,599)	(56,977)
PROFIT FOR YEAR FROM CONTINUING OPERATIONS		**153,746**	**99,645**
PROFTI FOR THE PERIOD		**153,746**	**99,645**
Non-controlling interests	13	(19,652)	(22,891)
PROFIT ATTRIBUTED TO PARENT COMPANY		**134,094**	**76,754**
BASIC PROFIT PER SHARE (euro/share)	28	**0.4**	**0.2**
DILUTED PROFIT PER SHARE (euro/share)	28	**0.4**	**0.2**

Attached notes 1 through 33 and the appendices are an inseparable part of the consolidated income statement for financial year 2018.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR 2018 AND 2017
(Thousands of euros)

	Note	2018	2017
A) CONSOLIDATED PROFIT(LOSS) FOR THE YEAR		**153,746**	**99,645**
1. Profit (loss) attributed to parent company		134,094	76,754
2. Non-controlling interests		19,652	22,891
B) ITEMS NOT RESTATED ON THE INCOME STATEMENT:		**(168)**	**116**
1. Actuarial gains and losses and other adjustments		(224)	155
2. Tax effect		56	(39)
C) ITEMS THAT MAY BE RESTATED ON THE INCOME STATEMENT		**55,590**	**(65,601)**
Income and expense recognised directly in equity:		**43,263**	**(85,076)**
1. Due to valuation of financial instruments		--	--
a) Other income/expenses	17	--	--
2. From cash flow hedges	17	64,234	18,736
3. Gains (losses) on foreign exchange		(9,171)	(102,646)
4. Other income and expense recognised directly in equity		--	--
5. Tax effect		(11,800)	(1,166)
Transfers to the income statement:		**12,327**	**19,475**
1. Due to valuation of financial instruments		--	--
a) Other income/expenses	17	--	--
2. From cash flow hedges	17 & 25	16,436	25,967
3. Gains (losses) on foreign exchange		--	--
4. Other income and expense recognised directly in equity		--	--
5. Tax effect		(4,109)	(6,492)
TOTAL RECOGNISED INCOME / (EXPENSE) (A+B+C)		**209,168**	**34,160**
a) Total comprehensive income for the period attributable to the parent company		**169,677**	**48,958**
b) Attributed to non-controlling interests		**39,491**	**(14,798)**

Attached notes 1 through 33 and the appendices are an inseparable part of the consolidated statement of recognised expenses for financial 2018.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR 2018 AND 2017
(Thousands of euros)

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT 31 DECEMBER 2018

	Share capital	Share premium	Other reserves and interim dividends	Gains(losses) on exchange	Profit for the year	Cash flow hedges	Non-controlling interests	Total
Balance at 31.12.2017	**329,251**	**2,599,689**	**(433,479)**	**(17,861)**	**76,754**	**(68,115)**	**167,824**	**2,654,063**
Total comprehensive income for the period								
Adjustments for cash flow hedges	--	--	--	--	--	46,440	18,321	**64,761**
Variations due to gains(losses) on exchange	--	--	--	(10,689)	--	--	1,518	**(9,171)**
Actuarial changes in pensions	--	--	(168)	--	--	--	--	**(168)**
Consolidated net profit attributable to equity holders of the parent	--	--	--	--	134,094	--	19,652	**153,746**
	--	**--**	**(168)**	**(10,689)**	**134,094**	**46,440**	**39,491**	**209,168**
Other changes in equity								
Share capital increases (decreases) (Note 13.a)	--	--	--	--	--	--	--	**--**
Application of results	--	--	76,754	--	(76,754)	--	--	**--**
Other transactions with shareholders or owners	--	--	(76,258)	--	--	--	(7,049)	**(83,307)**
Other changes	--	--	(113)	--	--	--	(6,544)	**(6,657)**
	--	**--**	**383**	**--**	**(76,754)**	**--**	**(13,593)**	**(89,964)**
Balance at 31.12.2018	**329,251**	**2,599,689**	**(433,264)**	**(28,550)**	**134,094**	**(21,675)**	**193,722**	**2,773,267**

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT 31 DECEMBER 2017

	Share capital	Share premium	Other reserves	Gains(losses) on exchange	Profit for the year	Cash flow hedges	Non-controlling interests	Total
Balance at 31.12.2016	**329,251**	**2,599,689**	**(209,692)**	**32,373**	**(222,119)**	**(90,437)**	**217,989**	**2,657,054**
Total comprehensive income for the period								
Adjustments for cash flow hedges	--	--	--	--	--	22,322	3,952	**26,274**
Variations due to gains(losses) on exchange	--	--	--	(50,234)	--	--	(41,641)	**(91,875)**
Actuarial changes in pensions	--	--	116	--	--	--	--	**116**
Consolidated net profit attributable to equity holders of the parent	--	--	--	--	76,754	--	22,891	**99,645**
	--	**--**	**116**	**(50,234)**	**76,754**	**22,322**	**(14,798)**	**34,160**
Other changes in equity								
Share capital increases (decreases) (Note 13.a)	--	--	--	--	--	--	--	**--**
Application of results	--	--	(222,119)	--	222,119	--	--	**--**
Other transactions with shareholders or owners	--	--	(1,893)	--	--	--	(6,382)	**(8,275)**
Other changes	--	--	109	--	--	--	(28,985)	**(28,985)**
	--	**--**	**(223,903)**	**--**	**222,119**	**--**	**(35,367)**	**(37,151)**
Balance at 31.12.2017	**329,251**	**2,599,689**	**(433,479)**	**(17,861)**	**76,754**	**(68,115)**	**167,824**	**2,654,063**

Attached notes 1 through 33 and the appendices are an inseparable part of the consolidated statement of total changes in equity for financial year 2018.

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR 2018 AND 2017
(Thousands of euros)

	2018	2017
Pre-tax profit from continued operations	**241,345**	**156,622**
Amortization, depreciation and impairment	385,946	430,173
Results from equity method entities, net of tax	(45,880)	(47,573)
Net loss on disposal of non-current assets	(31,350)	1,517
Financial income and expenses	244,125	267,679
Other results not involving the movement of funds	(26,696)	(68,460)
Adjusted pre-tax profit from continued operations	**767,490**	**739,958**
Changes in inventories	(4,997)	6,892
Current financial income and expense	(242,416)	(252,048)
Income tax received(paid)	(56,505)	(58,723)
Changes in current assets/liabilities	113,566	(46,526)
Changes in non-current assets/liabilities	4,924	27,582
Net cash flows from operations	**582,062**	**417,135**
Acquisitions of PPE, intangible assets and non-current financial assets	(490,627)	(380,204)
Disposals of PPE, intangible assets and non-current financial assets	2,689	1,973
Investments in group companies and associates	(44,943)	(14,280)
Disposals of group companies and associates	896,453	420
Dividends received from associates and other non-current financial investments	51,066	17,537
Other cash flows from investments	--	10,751
Net cash flows from investments	**414,638**	**(363,803)**
Dividends payments	(35,708)	(45,750)
From equity instrument issues	--	--
From financial liability instrument issues	49,751	15,012
Payments on financial liability instruments issued	(231,507)	(107,391)
Net flows from financial instrument issues with the Group	(759,184)	9,850
Net flows from other current financial assets	37,234	17,826
Other financial flows	--	--
Net cash flows from / (used in) financing	**(939,414)**	**(110,453)**
Effect of exchange rate fluctuations	**(374)**	**(692)**
Variation in cash and cash equivalents	**56,912**	**(57,813)**
Opening balance of cash and cash equivalents	**152,149**	**209,962**
Closing balance of cash and cash equivalents	**209,061**	**152,149**

Attached notes 1 through 33 and the appendices are an inseparable part of the consolidated cash flow statement for financial year 2018.

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED ENDED 31 DECEMBER 2018
CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES (Consolidated Group)

1.- About the Group

Corporación Acciona Energías Renovables, S.L.U. (hereinafter the "Parent Company" or the "Company") was founded as a limited liability company in Madrid on 12 June 2008. Its registered offices and headquarters are located in Alcobendas (Madrid), Avda. de Europa, 18.

The only shareholder of the Parent Company is ACCIONA, S.A. (see note 13 a), a company whose stock trades on the Madrid Stock Exchange.

According to Chapter III.1 TRLSC, approved by Legislative Royal Decree 1/2010 of 2 July, Corporación Acciona Energías Renovables, S.L.U, the Parent Company of the Group, is registered in the Business Register as a Sole Shareholder Company.

Its corporate purpose consists of:

- The electricity business which encompasses different industrial and commercial activities ranging from the construction of wind farms to the generation, distribution and sales of different sources of energy.

- The provision of industrial services and those having to do with preparing for or supplementing the company's main activities, particularly those related to the supervision, operation, maintenance, repair and construction of installations.

- Drafting studies and undertaking research related to the electrical and energy business in general and renewable energies in particular.

- Providing services to investee companies and undertakings, to which end it may provide them with the necessary bonds and guarantees.

- Importing, exporting, manufacturing, transforming, marketing and distributing vegetable oil methyl esters as well as their components and derivatives.

- Managing the investments in other enterprises and companies of the business group.

Some or all of the activities enumerated above may be carried out by the company directly or indirectly through interests in other companies with identical or similar corporate purposes, in Spain or abroad.

The Company is currently the parent of a group of domestic and international companies called Group Corporación Acciona Energías Renovables, S.L. (hereinafter, the "Group"). The Group's core business is the promotion, construction, operation, maintenance and development of renewable energies; fuel imports and exports, sales and co-generation, including engineering, consulting and auditing of sites and projects and drafting plans.

The Group's installed power at 31 December 2018 is 7,584.7 MW (7,497.0 MW at 31 December 2017) in all of the technologies with which the Group operates at both the domestic and international levels.

2.- <u>Basis of presentation of the consolidated annual accounts and consolidation principles</u>

2.1 Basis of presentation and comparison of information

The consolidated annual accounts of Group Corporación Acciona Energías Renovables, S.L. and subsidiaries for the 2018 financial year were prepared by the parent company's Board of Directors held on 27th February, 2019 so as to show a true image of the consolidated equity and financial situation of the Group at 31 December 2018 and the consolidated financial performance, changes in the consolidated statement of recognised income and expenses, total changes in the consolidated equity and consolidated cash flows that have occurred within the Group during the financial year ending on that date

These annual accounts were prepared in accordance with the regulatory framework for financial reporting applicable to the company, in particular, the principles and criteria established in the International Financial Reporting Standards (IFRS), as adopted by the EU pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Council. The most significant mandatory accounting principles and measurement standards are summarised in note 3 along with alternatives allowed by law and the standards and interpretations that had not taken effect as of the date of these consolidated annual accounts.

These consolidated annual accounts were prepared from the Parent Company's accounting records and those of the other Group companies. Those records include information on joint ventures, groups and consortia in which the companies participate using the equity accounting method, that is, companies consolidated based on the percentage of ownership of the assets, liabilities and operations carried out after eliminating certain asset and liability balances and operations for the year.

Group Corporación Acciona Energías Renovables, S.L. files consolidated annual accounts voluntarily, since it is not obligated to do so under the exemption provided for in the Commercial Code for subgroups whose parent companies are subject to the laws of a member country of the European Union. Group Corporación Acciona Energías Renovables, S.L. is in turn part of the Acciona Group, whose consolidated annual accounts for the 2017 financial year were approved at the General Meeting of Shareholders of Acciona, S.A. held on 17 May 2018 and filed with the Madrid Commercial Registry. Likewise, the annual accounts of Group Acciona Energías Renovables for financial year 2018 will be consolidated with those of the Acciona, S.A. Group, prepared according to IFRS-EU, and filed, once approved, with the Madrid Commercial Registry as required by law.

For comparison purposes only and for each item on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity, and the notes to the consolidated annual accounts, the Directors have included the corresponding amounts for the previous year as well as the amounts for the 2018 financial year using identical accounting principles which are consistent with IFRS-EU.

The consolidated annual accounts of Corporación Acciona Energías Renovables, S.L. and the member companies of the Group for financial year 2018 are pending approval. However, the parent company's governing body believes that the annual accounts will be approved without material changes.

Unless otherwise indicated, these consolidated annual accounts are presented in thousands of euros which is the functional currency in the country where the member companies of Group Corporación Acciona Energías Renovables, S.L. operate. Foreign transactions are reported according to the policies established in notes 2.3.g) and 3.2.m).

2.2. Regulatory framework

Spain

Legislative Royal Decree 9/2013 passed on 12 July 2013 introduced urgent measures to guarantee the financial stability of the electricity sector.

This Legislative Royal Decree introduced significant changes to the applicable legal and economic framework and abolished, among others, Royal Decree 661/2007 of 25 May and Royal Decree 6/2009 of 30 April, with which most of the electricity production plants operated by Group Corporación Acciona Energías Renovables, S.L. in Spain were affiliated in terms of the supporting compensation scheme for renewable energies.

Under the new regulatory framework, in addition to the compensation for the sale of electricity at market rates, power plants can receive special compensation composed of a price per unit of installed power to cover the investment in standard facilities that cannot be recovered and a portion for operations that covers the differences between operating costs and revenues as a result of participating in the standard rate market.

For a standard facility, the compensation is calculated taking the following aspects into account over the regulatory useful life, assuming that the business is conducted by an efficient and well-managed company:

a) Standard revenues from electricity sales at market production prices.

b) Standard operating costs.

c) Standard value of the initial investment.

The intention behind these compensation parameters is not to exceed the minimum level required to cover costs so as to enable these types of facilities to compete under equal conditions with the rest of the technologies on the market and obtain a reasonable return. As for what is considered a reasonable return, the Royal Decree indicates that it will be about the average return on a 10-year treasury note on the secondary market, pre-tax, plus a differential to be determined. The first additional provision of Legislative Royal Decree 9/2013 sets the differential for these facilities at 300 basis points, with the possibility of an adjustment every six years.

Law 24/2013 was passed in December 2013, replacing the Electricity Sector Act 54/1997 to reflect the new situation, eliminating the concept of the special regime and introducing the concept of special compensation and the criteria for defining what is considered a reasonable return.

Royal Decree 413/2014 of 6 June which was published on 10 June 2014 regulates electricity production using renewable energy sources, co-generation and waste. Subsequent to that, Order IET 1045/2014 was issued on 20 June 2014 and published in the Official State Gazette on 29 June 2014. This Order sets the final compensation parameters applicable to all current and future renewable energy plants. The new model, which is applicable as of 14 July 2013, defines the compensation of assets following the passage of LRD 9/2013.

In addition to the regulations mentioned above, the Group is also regulated under law 15/2012 which implemented tax measures for energy sustainability. Starting in 2013, this law applies to all electrical power production companies in Spain. All of the facilities operated by Group Corporación Acciona Energías Renovables, S.L. are subject to the payment of value added tax on electricity at a rate of 7% on all revenues from the sale of electricity. In addition, the law establishes a fee for the use of continental waters for the production of electricity. This fee imposes a 22% tax on the value of the electricity produced, although there is a 90% reduction for facilities with less than 50 MW of installed powers and pumped storage stations. Finally, under Law 15/2012 thermoelectric solar plants are taxed doubly: on the one hand by excluding them from the premium for power generated from fossil fuel and on the other hand by taxing this fuel at a rate of €0.65 per gigajoule of gas consumed.

Practically all of the facilities owned by the member companies of Group Corporación Acciona Energías Renovables, S.L. operate freely on the Spanish market, selling power to the pool through Acciona Green Energy Development, S.L., a group company which acts exclusively as a middleman.

The Resolution of 18 December 2015 of the State Secretariat for Energy, published in 2015, set the guidelines for participating in the system adjustment services and approved certain testing and operating procedures for adaptation to Royal Decree 413/2014 of 6 June, which regulates the production of electricity using renewable energy sources, cogeneration and waste. The Resolution, which took effect on 10 February 2016, enables those renewable power facilities that are considered eligible and that successfully pass the tests for each one of these services to participate in the system adjustment services and to be compensated accordingly.

Since then, Corporación Acciona Energías Renovables, S.L. has participated in the technical restrictions market with all of its renewable energy assets. In addition, in 2016 it began to participate in the tertiary regulation and deviation management markets, with a total of 3,372 MW of wind power enabled by REE.

With regard to the specific compensation for renewable facilities established in Royal Decree 413/2014, the first regulatory half-term ended on 31 December 2016. According to Article 14.4 of Law 24/2013 and Article 20 of Royal Decree 413/2014, at the end of each six-year regulatory period, the compensation parameters for standard facilities may be reviewed, except for the regulatory useful life and the standard value of the initial investment, while at the end of each regulatory half-term, which will last for three years, the estimated income from electricity sales will be adjusted for the rest of the regulatory period.

In December 2016, the Minister of Energy, Tourism and the Digital Agenda sent the CNMC the proposed order updating the remuneration parameters for facilities using renewables, cogeneration and waste for the 2017-2019 regulatory half-term. The proposal revises the pool projection for the period 2017-2019 downward and includes the adjustment values for deviations in the market price of previous years, which will be offset over the rest of the useful lives of the facilities as appropriate. These adjustment values were generated in 2014 and 2016, since the average annual price of the daily and intraday market is outside the limits established in Order IET 1045/2014[1].

Order ETU/130/2017 was published on 22 February 2017. This order updated the compensation parameters for standard facilities applicable to certain electricity production plants that use renewable energy sources, co-generation and waste, applicable as of the regulatory half-term beginning on 1 January 2017.

Royal Decree-Law 10/2017 of 9 June, which was published in the BOE on 10 June 2017, introduces urgent measures to alleviate the effects of the drought in certain hydrographic basins and amends the recast text of the Water Law approved by Legislative Royal Decree 1/2001 of 20 July which, among other things, modifies the fee charged for the use of continental waters for the production of electricity established in Law 15/2012. The new fee, applicable as of 10 June, imposes a 25.5% tax on the value of the electricity produced, although there is a 92% reduction for facilities with less than 50 MW of installed power and a 90% reduction for pumped storage stations.

[1] Prices subject to regulatory limits, as published by the CNMC: 42.06 €/MWh for 2014 (vs. 48.21 €/MWh estimated) and 38.33 €/MWh for 2016 (vs. 49.75 €/MWh estimated).

Order ETU/1133/2017 of 21 November, which was published in the BOE on 23 November 2017, amended Order IET/2013/2013 of 31 October which regulates the competitive mechanism for assigning demand-side interruptible load management to take effect in the year 2018. This Order also modifies the availability service, reducing the period of application to the first half of 2018 and excluding all hydraulic facilities from the scope. In 2018, the impact on Acciona Energía was a reduction of about €650 thousands in annual revenue.

In addition, Order TEC/1366/2018 of 20 December establishing electricity access tolls for 2019 partially repeals the regulations governing the availability service, eliminating this service from 2019 onward.

Royal Decree-Law 15/2018 of 5 October, on urgent measures for energy transition and consumer protection, which was published in the BOE in October 2018, calls for the temporary "suspension" of Value Added Tax on electricity production during the last quarter of 2018 and the first quarter of 2019. For Acciona Energía, this translated into a tax savings of approximately €22 million. A review by the Ministry for Ecological Transition of the compensation parameters to account for the impact of this is pending.

United States

The fight against climate change in the United States at the federal level suffered under the Trump presidency, who eliminated everything related to climate changes from his list of priorities and announced the US' withdrawal from the Paris Accord. However, it is not clear whether or not these measures will have any real impact, since the withdrawal from the Paris Accord does not take effect until four years after the announcement. In addition, there is a growing movement at the state level and among businesses who intend to step up their efforts to fill the void created at the federal level.

Renewables were also affected by a number of other factors:

- The Suniva Case: Suniva, the company that made photovoltaic solar panels, declared bankruptcy, arguing that it had been "seriously harmed" by imports of panels from China. The International Trade Commission (ITC) sided with the company and called on the President to find a solution, which consisted in tariffs of \$0.25/W and \$0.32/W on cells and modules, respectively. The US Trade Representative (USTR) made recommendations to Trump after consulting with the Interagency Trade Policy Committee and following the conclusions of the US International Trade Commission, which found in September that imports of "low-cost" solar panels were harming US manufacturers. In January 2018 Trump approved the recommendations to assist US manufacturers, imposing tariffs on solar cells and modules.
- Subsidies for coal and nuclear power plants: The Department of Energy (DOE) ordered FERC to force RTOs with competitive markets to modify their structures so pay the capital and operating costs of nuclear and coal-fired plants, alleging supply security problems. This would prevent these plants, many of which are not competitive, from closing. On 8 January 2018, FERC denied the DOE's order. At an oversight hearing in June 2018, the FERC recommended against subsidising coal and nuclear plants. Most of the hearing was focused on a draft memorandum filtered from the DOE about the Trump administration's plan to subsidise coal and nuclear plants whose useful lives are coming to an end. At the hearing, the commissioners recommended that instead of subsidising coal and nuclear plants nearing retirement, Congress should consider implementing mandatory safety standards of natural gas pipelines. On 9 August the FERC issued a statement saying that the agency is not involved in the design of a plan to rescue coal and nuclear power plants.
- Order 841: Order 841 issued by FERC requires all Regional Transmission Operators (RTOs) and Independent System Operators (ISOs) to make changes to market rules so that energy storage can participate in all services. It also requires market operators to consider the specific physical and

technical characteristics of a storage unit in market operations. It took effect in May, setting February 2019 as the deadline for ISOs / RTOs to consider the changes requested in FERC's order in their markets and February 2020 as the deadline for ISOs / RTOs to implement those changes.

RPS is a market policy freely established by some states which requires that a minimum proportion of all electricity supplied come from renewable energies. The percentages vary from state to state, although most are between 20% and 30% for the period from 2020 to 2025. The measure is usually implemented through RECs (Renewable Energy Credits), a system of negotiable certificates for verifying that a kWh of electricity was generated using renewable energy. At the end of the year, electricity producers must have enough credit to cover their annual quotas or run the risk of a fine for non-compliance. The PTCs (Production Tax Credits) offer tax deductions on electricity production for the first 10 years of operation. The deduction is calculated per MWh and is adjusted each year based on the Consumer Price Index (regulated in the "Energy Policy Act").

In 2005, Congress established a 30% Investment Tax Credit or ITC which was initially applicable to solar energy projects.

In 2009, a law was passed allowing companies that were eligible for PTCs to receive ITCs in exchange or, alternatively, a payment equal to 30% of the investment.

Traditionally, these tax incentives have to be renewed annually, with the uncertainty that goes along with it, but in December 2015 a long term extension of both PTC and ITC was approved for both wind and solar power, with a gradual reduction of the incentive. As for wind technology, PTC decreases by 20% each year through 2020, at which time the incentive will be 0%. ITC will likewise be reduced gradually until it is eliminated in 2020. With regard to solar technology, an ITC credit of 30% will remain in effect through 2020 (31 December 2019) at which point it will gradually be reduced to 10% after the year 2022. The milestone for calculating these time periods is the commencement of construction.

In May 2016 the Internal Revenue Service (IRS) clarified what is considered a "construction start" for wind farm projects, which can be met with either a defined "physical work start" or a "safe harbour" of a certain minimum expenditure (5%).

The Bipartisan Budget Act of 2018 extended the PTCs and ITCs that had previously applied only to wind and solar energy to other renewable energy resources: biomass, geothermal, landfill gas, garbage facilities, small-scale hydropower and marine.

The IRS issues guidelines in June 2018 that further clarifies when the construction of a solar facility begins to qualify for ITC. It provides two methods for determining the "construction start" date: i) when a significant amount of physical work has begun ii) when the "5 percent safe harbour test" is met by spending 5 percent or more of the facility's cost in the year construction begins.

There is another tax benefit linked to the wind farm owner's ability to take advantage of accelerated amortization of most capital assets (Modified Accelerated Cost Recovery - MACR's), which can result in an average amortization period of five years. There is no expiration date on this tax benefit.

Mexico

Until December 2013, the production, transmission, distribution and commercialization of electricity was controlled by the federal government through the Federal Energy Commission (CFE).

The only options for renewable energy sales were Independent Energy Production (electricity plants that sell their production to the CFE directly) or Self-Supply Contracts (electricity productions plants that sell their production to a centre that owns a portion of the production plant).

On 20 December 2013, the constitution was reformed, introducing significant changes into the Mexican energy model which opened up the sector to allow for a higher percentage of private participation. The new Electricity Industry Act (LIE) published on 11 August 2014 lays out these substantial changes for the sectors: the state's role in the sector is limited to running the system and rendering transmission and distribution services; the different activities are legally separated; a wholesale electricity market is created which is operated by the National Energy Control Centre ("CENACE"), whose offers are based on cost; and a series of obligations is established for generators to be covered by Clean Energy Certificates (CELs). In addition, there will now be electricity contract auctions to cover the supply of electricity to the users of basic services. In long term auctions, the contracts include the assignment of clean energy, power and CELs. Contracts that were in place before the new law was passed will be allowed to continue.

The first market conditions were published in 2015 and will be re-evaluated every three years (the manual for that re-evaluations is in the discussion stage). In January 2016, SENER published a resolutions authorising the different interconnected systems to start operating the short-term market and for CENACE to start performing the functions of a day-ahead market. The Day-ahead market is current operating; the Real Time Market (RTM) will not open to the public until its Market Information System (MIS) is ready. The Power Balance Marketplace was inaugurated in February 2017 which determines the price that supports the previous year's capacity, volume and total amount. This an annual, ex-post market.

2018 will be the first year in which CELs are mandatory and must be submitted by consumers until they reach 5% of the electricity sold. CEL requirements for the Obligation Periods of 2020, 2021 and 2022 were published in February 2017 (7.4%, 10.9% and 13.9%, respectively), to supplement the rate already published in 2016 for the year 2019 (5.8%).

To date there have been three long-term auctions: the first in March 2016; the second in September 2016 and the last one in October 2017. The last one included a clearinghouse to allow the participation of potential suppliers other than CFE. In 2018, the National Centre for Energy Control (CENACE) announced the fourth Long-Term Auction, SLP-1/2018, for the purchase and sale of energy, capacity and CELs. The first draft of the auction guidelines was issued in March, with prequalification and registration of potential buyers and submission of applications for prequalification for sale bids in August. It was suspended in December 2018 and cancelled in January 2019.

The latest PRODESEN (National Electricity System Development Programme) published by SENER for the period 2018-2032 estimates that 485TWh of electricity will be generated by 2032, which is higher than the 2017-2030 forecast for 2030 (443TWh) .

Chile

In Chile, Law 20.257 (ERNC Law) from 2008 was amended by Law 20.698 (Law 20/25) and a target was set for renewables to account for 20% of all electricity generated by 2025. Electricity companies must prove what percentage of the electricity withdrawn from the system comes from these types of technologies. Penalties imposed by law for not complying with this obligation are 0.4 UTM per unaccredited MWh (approximately USD 32) and for companies that are repeat offenders within three years of the first noncompliance, the penalty is 0.6 UTM per unaccredited MWh (approximately USD 48). For companies that have contributed more renewable energy than what they are obligated to do, the law allows them to transfer that excess to other companies. However, there is no green certificate market as such but rather bilateral contracts between interested parties and certification of the transfer which is accredited by an means of an authorised copy of the contract.

In order to meet the target, Law 20/25 also introduced annual auctions in keeping with the government's three-year demand projections. Introducing into the auction the possibility of bidding in differentiated blocks (Block A for the night, Block B for solar hours and Block C for the remaining hours of the day) facilitates the participation of renewables.

A resolution was published in April 2016 which approved the preliminary report establishing the regulated consumption values (in GWh per year) to be put out to bid in the coming years. The volumes included a reduction in the anticipated energy demand of approximately 10% between 2021 and 2041, which implies a significant decrease in what was to be auctioned this year (from the expected 13,750 GWh to approximately 12,500 GWh). The volumes from the preliminary report were confirmed in May when the final report was published.

Tender announced	Tender awarded	Commencement of supply	Volume	Term
2016	2017	2023	2,500	20
2017	2018	2024	7,000	20
2018	2019	2025	9,000	20
2019	2020	2026	4,500	20

To date, there have been 3 auctions. La first power auction in Chile was held in 2015 for 1,200 GWh/year. All of the bids were from unconventional renewable energies, achieving an average price of 79.3 US$/MWh. At the second auction, in 2016, for 12,430 GWh/year, the average award price was 47.6 US$/MWh. The last power auction in Chile in 2017 for the award of 2,200 GWh/year for price-regulated customers brough an average price of 32.5 US$/MWh. In addition, 100% of the awarded energy was renewable. The Chilean government's objective is for electricity distribution companies to have long-term supply contracts, 20 years from 2024, to satisfy the needs of price-regulated customers.

The Transmission Law, published in July 2016, establishes a new electricity transmission system and creates a single independent coordinating body for the national electricity system. Following the approval of the Transmission Act, work began on the associated regulations.

The regulations were approved in 2017 for the implementation of the CO2 emissions tax (exempt resolution 659) which, as proposed, calls for the payment of compensation by all generating companies, including non-polluting ones. However, in its final version compensation was greatly reduced due to changes in the way of accounting for them (annual instead of monthly - Acciona's suggestion).

In 2018, the Regulations for Supplemental Services and for the Coordination and Operation of the National Electricity System are withdrawn from the comptroller's office, delaying the approval process.

In January 2018, the Chilean government announced that the country would not build any new coal-fired power plants without carbon sequestration and has begun talks to replace existing capacity with cleaner sources.

In March 2018, Chile's new Energy Minister, Susana Jiménez, promised to update the country's energy laws by preparing a plan for decarbonizing the country's economy, among other things. She also indicated that the government was studying the possibility of creating CO2 emissions and renewable energy certificates.

The “Ministry of Energy Roadmap” in 2019 will be influenced by three bills of law: The flexibility law, the improvement law and the distribution law (announcing changes in the distribution model and discussing the consumers who will be able to generate, store and sell energy to the system). Some of the issues that are setting the agenda are: a decrease in energy costs, the entry of renewable power plants, plans to decarbonize the matrix and storage.

Italy

A draft decree was published in 2014 which came into force at the beginning of the 2016 financial year, proposing a change in the remuneration structure for existing wind power plants. On the one hand, there would be a decrease in the plant’s income in the form of a reduction in the multiplier of the green certificates they received for each renewable MWh generated. In exchange, their compensation was extended by 7 years. Plants that opted not to join this scheme would only have the option of selling their energy to the market once the initial compensation period had expired and there could also be limits on the future repowering of the plants under this scheme.

The Group ultimately decided not to sign onto this arrangement and to continue under the initial scheme.

The decree titled *"Incentivazione dell'energia elettrica prodotta da fonti rinnovabili"* was published in June 2016, regulating incentives for renewable installations to be installed on or after 1 January 2017, which would be allocated through auctions.

On 7 September 2018, the Italian Ministry of the Economy published a new proposed royal decree (New RES decree) implementing a new auction system for renewable projects greater than 1MW (6MW for wind energy). The first draft of the decree was approved on 9 March 2018 and was very similar to the later September version ("FER Decree 2018-2020"). The second draft called for projects to be divided into three categories (Group A: 4.5GW onshore wind and photovoltaic; Group B: 245 MW wind, hydro and waste gas; Group C: 490 MW wind, hydro and geothermal). The draft document is still under review.

Poland

The Renewable Energy Act (RES Act) passed at 20 February 2015 replaces the green certificate incentive system with an auction premium system, although the change would not apply to existing facilities since the old and new systems would functional simultaneously. In an amendment published on 29 December, the introduction of auctions and the deadline for joining the green certificate system were delayed for 6 months until July 2016. Following the adoption of several amendments, the latest version of the RES Act was published in June 2016 and entered into force on 1 July 2016, but its application did not correct the oversupply of green certificates nor did it offer auctionable power for large wind and photovoltaic installations.

The Group ultimately decided not to sign onto the new system and to continue with the incentive system based on the green certificates.

An auction was held in December but was limited to small facilities, mostly biogas. A draft for the auction of 700 MW of renewables for large facilities was published in early 2017 in which the 15-year reference prices for PPA were announced with a price indexed to the CPI. Wind power>1MW: 350PLN/MWh (approximately 85 Euro/MWh); PV<1MW: 450PLN/MWh (approximately 110 Euro/MWh) and PV>1MW: 425PLN/MWh (approximately 100 Euro/MWh). The auction was initially expected to take place in the second half of 2017, but to date it has not been held.

In addition, new amendments to the RES Act were passed in July 2017, particularly in relation to the Substitution Fee (the amendment now links the fee to declining market prices), and baskets for auctioning, an improvement in the sense that at least now there is one for wind and photovoltaic over 500 kW.

In 2017, the "RES obligation" for the year 2017 was set at 18% (17.50% in green certificates and 0.50% in blue certificates) and 19% for the year 2019 (18.50% in green certificates and 0.50% in blue certificates).

The RES Act underwent significant amendments again with the RES Amendment Act of 7 June 2018 (which went into effect on 14 July 2018). The most consequential changes include an extension of the validity of building permits for wind facilities that do not meet the conditions set forth in the Distance Act, and a return to the taxable base established in the definition of the investment rate as of 1 January 2018 (only the construction elements of the wind turbine instead of all components).

An auction was held on 5 November 2018 following the announcement of 2 October 2018. Almost 42,000 TWh of wind power were awarded over 15 years at a minimum price of PLN 157.8/MWh and a maximum of PLN 216.99/MWh. The weighted average was PLN 196.17/MWh.

Croatia

The RES LAW published in 2015 converted the rate incentive system to a premium auction system. However, this legislative change does not affect existing contracts. In November 2016 the Hrote (market operator) circulated the official auction scheme, which describes its expected operation, although the law that was to regulate the auctions was still under discussion. After repeated delays, it was expected that the first auctions would be held in early 2017 and at least once a year thereafter, with an annual limit set by the Ministry and "pay-as-bid" type auctions. However, this came to a standstill following the fall of the government and the changes that were subsequently made. Finally, a new regulation (RES tendering and financing 2018) was published in December 2018 which defines a minimum of one annual tender starting in 2019 and the announcement of the tender no later than 30 June 2019.

In 2017, the government approved an increase in the green fee to finance renewables to 14€/MWh.

Once again in 2018, the Croatian government postponed the launch of renewable energy free trade for 2019. This is the second year in a row that the supplier's obligation to purchase electricity from renewable sources at a regulated price has been prolonged.

In June 2018 the minister announced a new bill of law that will facilitate the construction of small-scale domestic and self-consumption renewables to be launched in early 2019 in conjunction with the Environmental Protection and Energy Efficiency Fund (EPEEF).

The feed-in tariff model will be phased out in Croatia in favour of a model with premiums and subsidized fees using a premium model. This is all part of the country's energy strategy, which is in the drafting stages at this time.

It is proposed to align the draft of the Low-Carbon Development Strategy with the Energy Development Strategy of the Republic of Croatia through 2030 with a horizon of 2050 (hereinafter the Energy Strategy). The preparation of an Energy Strategy is mandatory under the Energy Act (OG 120/12, 14/14, 95/15, 102/15, 68/18). A Green Paper was presented in November 2018 in connection with the development of the Energy Strategy which contains objectives for the use of renewables, energy efficiency, the internal energy market and energy security, all of which will be incorporated into the final version of the Strategy.

The greenhouse gas (GHG) emission reduction target for Croatia by 2030 is set by *Directive (EU) 2018/410* of the European Parliament and of the Council of 14 March 2018 amending *Directive 2003/87/EC* to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814, as well as *Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018* on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013, separately for participants in the emissions trading scheme (ETS sector) and for sectors not participating in emissions trading (non-ETS sectors).

The first draft of the text of the Integrated Energy and Climate Plan for the period 2021 to 2030 was presented to the European Commission in December 2018. The text would then be modified. It provides an overview of the current energy system and the energy and climate policy situation. It has two sections: A - National Plan: Public presentation of the first draft at the end of November 2018. Review and presentation of draft in December Section B - Analytical Basis: public presentation at the end of October 2019 (together with the "Green Book" energy strategy).

Australia

The “Renewable Energy (Electricity) Amendment Bill 2015”, passed in June 2015, introduced stability into the system of green certificates, setting a target RET of 33,000 GWh in 2020 and eliminating the target adjustments every two years (henceforth every four years). The first and only case to date of a company choosing to pay the penalty for non-compliance rather than submitting the corresponding renewable electricity certificated occurred in January 2017.

In 2016 the state of South Australia suffered a major blackout, as a result of which the storage and integration of renewables have taken on a more significant role in this country. The definitive version of the Finkel Report was published in June. The report was commissioned by the government following the blackout to make the system more safe and reliable and decrease emissions, in line with the Paris Accord. The report highlights the importance of an orderly, carefully studied and planned energy transition, in addition to effective governance and makes recommendations for the systemic maintenance of system security (e.g. review of market rules). Consumers are given a greater role. The report also proposes the continuation of the RET after 2020: the Clean Energy Target (CET) would be based on a system of green certificates that would include RES and technologies that comply with emission limits. Some of the recommendations in the Report were approved at the meeting of the Coalition Joint Party held on 20 June, although the Ministry of Energy announced that the implementation of CET would be analysed in more detail.

In March 2017 the state of South Australia launched the SA Energy Plan which mentions battery storage as the basis for renewable technologies and the purpose of which is to provide the state with large-scale storage of renewable energy. Also published was the final report on the previous year's major blackout in the state of South Australia and changes in market rules (AEMO).

In April, the Clean Energy Council published a report with recommendations for eliminating regulatory barriers to storage and improving network security ("Policy and regulatory reforms to unlock the potential of energy storage in Australia") and in August the government of Victoria announced the auction of 650MW of renewables as part of a renewable auction scheme (VREAS) to meet the Victorian Renewable Energy Target (VRET) of 40% renewable energy by 2025.

In October 2017 the government announced the National Energy Guarantee (NEG) scheme to replace the current CET after 2020. The key aspects include: i) Reliability Guarantee (obligation for retailers to buy a certain amount of “dispatchable” coal, gas hydro or storage); ii) Emissions Guarantee (the obligation for retailers is that the electricity in their portfolios must meet a level of emission intensity to support Australia’s commitment to reduce emissions by 26% by 2030). The final document was expected in April 2018. The Energy Security Board published the NEG design document, which was presented at the Energy

Council meeting in April 2018. The Council wanted a more detailed design to develop the NEG and the final design was expected to be presented to the Energy Council in August 2018. With accusations that the NEG was unambitious, it was considered very likely that the NEG's guaranteed emissions would be easily met and, depending on the final design, the reliability guarantee could support investment in storage and response to demand.

Australia would later suspend the bill containing the emission reduction target for the NEG. The ruling party partly supported the NEG, but the Conservatives, led by former Prime Minister Abbott, resisted it. The states were also not in favour of the NEG and demanded more ambitious targets, while high electricity prices on the wholesale market became a major public issue. In the midst of all this, on 21 August Turnbull was replaced by Morrison as Prime Minister and Australia still had no climate policy. The new Prime Minister's priority would now be price and reliability, not emissions reduction.

The next elections to the Senate and Parliament will be held in May and November 2019, respectively.

Options for replacing renewable targets after 2020 will then be analysed. The incumbent Federal Coalition Government withdrew the NEG proposal but the Opposition (Labour Party) recently announced the energy policies it will put forward if elected in 2019. It plans to resurrect the NEG with a higher emission target than before, a 50% renewables target by 2030 and a distributed storage plan.

Acciona Energy Australia submitted two projects at the Victoria auction: 157 MW of wind power and 37 MW (nominal) of solar PV. Acciona Energy was the winner of the government auction held this year in Victoria and will build a 157.5 MW wind farm that it will own. The Mortlake South wind farm represents an investment of AUD$ 288 million. Construction will start at the beginning of 2019 and will be completed by mid-2020. The wind farm will include an energy storage facility in order to boost performance and facilitate integration with the electricity grid.

The Australian Energy Market Operator (AEMO) is publishing the Integrated System Plan, with a 20-year forecast for the NEM.

It is a very detailed cost model of how the NEM electricity supply system works, assuming the renewable generation actions implied by current government policies. These policies include the renewable energy targets of the Victorian and Queensland governments, but do not include the recently suspended NEG.

India

The National Climate Change Plan published in 2008 sets a target of 15% of renewable energies by 2020. The attainment of this goal will require the participation of both national and state governments.

In June 2015, the national target for 2022 was adopted: 175GW of renewable capacity, of which 100GW will be Solar and 60GW Wind.

Currently, renewable development in India is based on auctions, which result in the assignment of a tariff. In 2018, 19GW of solar and wind projects were awarded by auction, with the minimum solar price reaching 2,440 rupees/ MWh ($34.91/ MWh).

Following the publication of the National Wind-Solar Hybrid Policy in May 2018, a 1,200 MW hybrid solar and photovoltaic auction was held in December, in which 840 MW were awarded. In an attempt to promote innovative technologies, 50 MW of floating solar were auctioned and awarded at 3,290 rupees ($46.59)/MWh.

In addition to low auction prices, transmission costs (intra-state and inter-state) and the uncertainty associated with land have become key factors in the development of India's renewable sector.

The Ministry of New and Renewable Energy has announced plans to auction 500 GW of renewable energy by 2028.

In addition to auctions, there is a developing market for direct supply contracts between generators and consumers. It is estimated that 4.6GW of renewable projects were linked to a corporate PPA by the end of 2018: 1.4 GW signed in 2018 (almost all solar), making India the largest market in Asia.

Both the demand for renewable energy (many companies in the RE100), and the falling costs of solar and wind technologies, as well as the high price of electricity tariffs for large companies and industries (which have increased by more than 60% since 2010, mainly due to the use of cross-subsidies with residential tariffs), have encouraged this model.

Although the favoured scheme is the onsite one, it is sometimes necessary to build facilities offsite, which requires the use of transmission and distribution infrastructure, the application for an Open Access permit, and the need to publicise the plans for the electricity to be fed into the grid.

The costs involved, the ease with which permits can be obtained, and the obligations arising from the scheduling and communication of electricity delivered to the grid vary from state to state (some, such as Karnataka, for example, allow generation facilities to establish sales contracts with the consumer where the excess generation in one month can be offset by consumption in another).

Extra income from this type of contract comes from the RECs. The system was introduced in 2010 as a way of helping states with fewer renewable resources meet their obligation: if the company that has signed a PPA sells electricity through the grid to a final consumer, and not to a DISCOM, it can apply for RECs.

South Africa

The government introduced the Energy Independent Power Producers Procurement Programme (REIPPP) in 2011, an auction system for the purchase of 13 GW of renewable electricity.

There have been four rounds to date and we are waiting for the fifth. Those rounds are as follows: Round 1 (December 2011 for 1.4 GW); Round 2 (May 2012 for 1 GW); Round 3 (October 2013 for 1.4 GW); Round 3b (December 2014 for 200 MW of solar thermal); Round 4 (April 2015 for 1.1 GW and June 2015 for 1.08 GW, with additional capacity whose PPAs were signed in April 2018); and Round 4.5 (June 2015 for 1.08 GW whose PPAs were also signed in April 2018). The electricity generated will be sold to Eskom for a fixed rate. In February 2016 it was announced that Round 5 would consist of 1.6 GW of new capacity. However, the auctions were stopped due to financial difficulties at Eskom, the state utility and sole contractor for all IPP projects. Eskom faced bankruptcy after allegations of corruption related to its former president, Zuma. As a result, there was a change in leadership with Dadebe being appointed the new president. Shortly before President Zuma retired, the South African government signed the pending 2017 power purchase agreements for the REIPPP rounds (Round 3.5 and 4, agreements with 27 independent power producers in April 2018, after more than two years of delays). Following the change of administration, the newly appointed Minister Radebe says he will seek to improve the renewable sector in South Africa. The Round 5 auction was expected by the end of 2018 but has not yet taken place.

The Integrated Energy Plan (IEP) and the assumptions and base case of the 2010-2030 Integrated Resource Plan (IRP) were published in November for comments. The IEP describes the energy sector, indicating the ideal mix of energy sources to satisfy the countries energy needs, while the IRP focuses on the electricity sector in a prescriptive manner and is based on the IEP. Eskom presented its IRP scenarios in November

2017. These scenarios ruled out the installation of new nuclear power, although the Ministry does seem to want to install it. In August 2018 the IRP Update Draft Report was published and opened for comments. The consultation period ended in 2018 and the final publication of the IRP is expected in 2019.

The draft Carbon Tax Bill that was in the works since 2010 was published in December 2017. The initial implementation phase of the Carbon Tax Bill will take place from 1 June 2019 through 31 December 2022, followed by a second phase from 2023 to 2030. A rate of 120 R/tCO2e (approximately €7.77/tCO2) is planned, which will be adjusted according to the CPI+2% through 2022. The final version will confirm whether this increase will apply during the implementation phase. Only entities with a thermal capacity of more than 10MW will be subject to the tax during the first phase. During the implementation phase, there will be tax-free allowances ranging from 60% to 95% of the company's total CO2eq emissions. The launch of the carbon tax is scheduled for 1 June 2019.

The use of offsets will be allowed, although additional regulation must be completed to determine what type of offsets will be used. The first phase of the tax is expected to be 'revenue neutral', as it is anticipated that it will include a package of tax incentives. An impact review will be carried out at the end of the first phase and the necessary changes will be considered. The Carbon Tax Bill will be reviewed in 2018 and the final document is still being prepared. It is expected to be published in 2019.

Canada

Under the Greenhouse Gas Pollution Pricing Act, the Federal Carbon Pollution System was adopted in June 2018. The system has two key points:

- a tax on fossil fuels (paid by fuel producers or distributors rather than consumers),
- and a cap-and-trade pricing system for industry (Output Based Pricing System).

Facilities that exceed the annual limit may purchase excess emission credits from other facilities or pay the carbon price. For 2018 and 2019, the carbon pricing system applies to industrial installations emitting 50 kilotons or more of CO2 equivalent per year.

As part of the federal government's commitment to ensure that carbon prices are applied across Canada, the Prime Minister announced the territorial application of the system in October 2018.

The OBPS final regulations will be published in the spring of 2019 and will be retroactive to 1 January 2019.

Canada's federal budget has expanded fiscal support for clean energy by extending deductions. Existing support was to expire in 2020. In the 2018 budget, the government extended the benefit to properties acquired before 2025, representing an investment of $123 million over the period from 2017-18 to 2022-23.

Other countries

The facilities owned by the other member companies of the Group Corporación Acciona Energías Renovables, S.L. in other countries are governed by the particular laws applicable in the countries where they are located, operating in the free market to the extent that the country's laws allow.

2.3. Consolidation principles

a. Consolidation principles

Companies over which the Group has control according to IFRS 10 are fully consolidated. These companies are considered subsidiaries. The consolidation method is explained in part b) of this note and detailed in Annex 1.

In cases where operations are managed jointly with third parties and it is determined that the other party has direct rights and responsibilities stemming from the proportional part of the assets and liabilities under the agreement, the Group applies the proportional consolidation method that is explained in part e) of this note. The companies carried by this consolidation method are listed in Annex II.

Companies not included in either of the preceding categories over which the parent has significant influences in management or are joint ventures are considered associates and are carried using the "equity method" (see Annex III). This consolidation method is explained in part f) of this note.

For wind projects in the United States with Production Tax Credits or PTCs and accelerated fiscal amortization , external partners are incorporated whose economic interests very over the life of the projects although the Group maintains control over the financial and operational aspects of the projects. These companies are consolidated using the full consolidation method. These partners continue to hold interests in the companies' share capital, obtaining tax benefits and even a rate of return on their investments which depends on each project's performance. The Group holds purchase options at market value on these projects when the investor-partner obtains a return.

b. Elimination on consolidation

All balances and the effects of significant transactions between subsidiaries and the parent company or between the subsidiaries and joint ventures themselves are eliminated during the consolidation process

In transactions with associates and joint ventures, a percentage of the earnings equivalent to the Group's stake in their share capital is eliminated.

c. Standardisation

The consolidation of the companies that are part of the consolidated business group is based on the individual annual accounts prepared in accordance with the Spanish General Accounting Plan for companies in Spain and in accordance with local accounting rules for foreign companies. All significant adjustments needed to comply with International Financial Reporting Standards and/or to bring them in line with the Group's accounting policies were considered in the consolidation process.

d. Subsidiaries

Subsidiaries are undertakings which the Company has the power to control. This ability is generally considered to exist if the following three conditions are met: power over the investee; exposure to or right to participate in the variable results of the investment and the ability to use that power to influence the amount of the returns.

The subsidiaries' annual accounts are consolidated with the parent's using the full consolidation method Consequently, all significant balances, transactions and results between consolidated companies are eliminated in the consolidation process.

When a new subsidiary is acquired, the assets and liabilities and the contingent liabilities are calculated at fair value on the acquisition date, which is when the parent takes control of the subsidiary, according to IFRS 3 - "Business Combinations". Any excess of fair value over the acquisition cost of the identified net assets is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The results of subsidiaries generated during the year are consolidated taking into account only those relative to the period between the date of acquisition and year-end. Similarly, the results of subsidiaries disposed of during the year are consolidated taking into account only those relative to the period from the beginning of the year to the date of disposal.

In addition, the interests of minority shareholders are calculated in proportion to the fair value of the recognised assets and liabilities of the minority shareholders.

Third party interests in the share capital of investee companies are shown under "Non-controlling interests" on the consolidated balance sheet under the heading of Group Equity. Similarly, their interest in the financial year's profit or loss is shown under "Non-controlling interests" on the consolidated income statement.

e. Continuing operations

Joint ventures are those undertakings that are jointly managed by a Group company and one or more unrelated third parties, where the parties act jointly to direct the relevant activities and share in the control over decision-making, strategies and, where required, unanimous consent of the parties.

Joint agreements in which it can be concluded that the other party has direct rights and responsibilities stemming from the proportional part of the assets and liabilities under the agreement are considered joint ventures.

The financial statements of joint ventures are consolidated by the Company using the proportional integration method so that their balances are only added and subsequently eliminated in proportion to the Group's percentage of ownership in the share capital of these companies.

The assets and liabilities of joint ventures are classified on the consolidated balance sheet by type. Likewise, the income and expenses originating from joint ventures are consolidated and classified on the consolidated income statement by type.

f. Equity method

Associates and joint ventures (jointly controlled business that entitles the partners to a share of the net assets) are carried by the "equity method" in the consolidated annual accounts, that is, the percentage of equity which represents the stake held by the Group in their share capital, net of any dividends received and other eliminated equity items

The value of these holdings on the consolidated balance sheet may include the goodwill that arises from the acquisition.

When the Group's investment in associates is reduced to zero, the implicit additional obligations in the subsidiaries, if any, are consolidated by the equity method under the heading of "Non-current provisions" on the balance sheet.

In order to present the results in standardised format, the results of associates are shown on the consolidated income statement before and after taxes.

g. Gains(losses) on exchange

During the consolidation process, the assets and liabilities from the Group's foreign transactions in currencies other than the euro are converted at the exchange rate in effect on the date of the balance sheet. Income and expenses are converted at the average exchange rates for the period unless there are significant fluctuations. Share capital and reserve accounts are converted using historical exchange rates. Any differences arising on exchange are classified as equity. These conversion differences are recognised as income or expenses for the period in which the acquisition or disposal takes place.

h. Changes in the consolidation perimeter

Annex IV shows the changes to the consolidation perimeter in financial years 2018 and 2017. The impact on the enclosed consolidated annual accounts is discussed in the pertinent notes of this report.

The main change in the consolidation perimeter in 2018 refers to the agreement for the purchase and sale of all the Group's shares in Acciona Termosolar, S.L. (owner of 5 thermal solar plants located in Spain) to Contourglobal Mirror 2 S.A.R.L. once the final condition precedent was met, which consisted of obtaining administrative authorisation from the Ministry of Competition on 10 May 2018. The sale price was €1,093 million, recording €26 million in share capital gains under "Impairment and gains on the disposal of fixed assets". At 31 December 2017, this subgroup's assets and liabilities were recorded under "Property, plant and equipment held for sale" (see note 23). After-tax revenue and profit contributed by the subgroup to the consolidated income statement for 2018 totalled €42,605 thousands and €1,742 thousands, respectively.

On 1 January 2018, Acciona Energía, S.A. acquired an additional 50% of Valdivia Energía Eólica, S.A. and Eólico Alijar, S.A. for €7,800 thousands and €2,700 thousands, respectively, as a result of which the Group now controls 100% of those companies and has changed the consolidation method from full consolidation to equity. Details of the business combination are as follows (in thousands of euros):

Company	Acquisition cost	Percentage acquired	Book value of 100% of the company	Purchase Price Allocation (PPA)
Valdivia Energía Eólica, S.A.	7,800	50%	8,456	6,952
Eólico Alijar, S.A.	2,700	50%	3,226	2,015

The table below details the assets and liabilities of the concession holder when it was taken over:

Thousands of euros	01/01/2018
ASSETS	
Property, plant and equipment	23,000
Deferred tax assets	445
Other assets	3
Non-current assets	23,448
Current assets	5,268
Total assets	**28,716**

Thousands of euros	01/01/2018
LIABILITIES	
Equity	11,682
Non-current liabilities	12,268
Current liabilities	4,766
Total liabilities	**28,716**

Per the valuation analysis conducted according to IFRS 3, a PPA attributed to the operating assets (wind farms) was identified, which resulted in a gross increase in their value in the amount of €11,956 thousands. At 31 December 2018, the depreciation charge under the PPA was €862 thousands.

The revaluation of the Group's pre-existing investment resulted in the recognition €5 million in share capital gains.

After-tax turnover and profit for the 2018 financial year, before the consolidation adjustments described above, totalled €8,287 thousands and €2,879 thousands, respectively.

There were no significant changes in the consolidation perimeter in 2018 other than those described above.

3.- Main accounting policies

3.1 Adoption of new standards and interpretations

Standards and interpretations applied this financial year

The following modifications and interpretations of accounting standards which took effect in 2018 were considered in preparing the enclosed consolidated annual accounts:

Standards, modifications and interpretations		Mandatory application for financial years starting on or after:
Approved for use in the EU		
IFRS 15 Revenue from contracts with customers	New standard for income recognition, replacing IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.	1 January 2018
IFRS 9 - Financial instruments	This new standard replaces the requirements for classification, measurement, recognition and derecognition of financial assets and liabilities, hedges and impairment in IAS 39.	1 January 2018
Amendment to IFRS 4 - Insurance contracts	It allows companies, with the scope of IFRS 4, the option of applying IFRS 9 ("overlay approach") or taking a temporary exemption.	1 January 2018
Amendment to IFRS 2 - Classification and measurement of share-based payments	These are limited amendments that clarify specific issues such as the effects of the accrual conditions in share-based payments to be settled in cash, the classification of share-based payments when there are net settlement clauses involved and some aspects of the amendments to the type of share-based payment.	1 January 2018
Amendment to IAS 40: Reclassification of investment property	The amendment clarifies that a reclassification of an investment to or from an investment property is only permitted where there is evidence of a change of use.	1 January 2018
Improvements to IFRS 2014-2016 cycle	Minor changes to a series of standards	1 January 2018
IFRIC 22 - Transactions and advances in foreign currency	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable to transactions involving advances in foreign currency.	1 January 2018

The entry into force of IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial instruments has led to changes in the Group's accounting policies.

- IFRS 9 - Financial instruments:

  - IFRS 9 will replaced IAS 39 for financial years starting on or after 1 January 2018 and affects both asset and liability financial instruments. As explained below, there three major differences compared to IAS 39: (i) classification and measurement, (ii) impairment and (iii) hedge accounting:

Classification of financial assets: the new asset classification approach is based on the contractual characteristics of the assets' cash flows and the entity's business model for managing those assets. IFRS 9 classifies financial assets into three categories: (i) amortized cost, (ii) fair value with changes in equity and (iii) fair value with changes in the income statement. In addition, companies may elect to present certain equity instruments at fair value with changes in equity without subsequent reclassification to the income statement.

According to the analysis carried out, the transition to these categories has led to a change in nomenclature without impacting the valuation of the affected financial assets. Almost all of the Group's financial assets which were previously classified under IAS 39 as "Loans and other receivables" are now recognised at amortized cost. There are no significant differences in terms of valuation between this new category and the categories previously used under IAS 39.
Refinancing of financial liabilities: in relation to contractual amendments to financial liability instruments which, in accordance with IAS 39, did not result in derecognition as they were considered to be non-substantial amendments, the new standard states that they should be accounted for as a change in the liability instrument's estimated contractual flows, maintaining the original effective interest rate and adjusting the carrying value as of the date of the amendment, recording the difference in the income statement as an expense or income as of the refinancing date.

- Impairment

Under IFRS 9, the Group has established a new impairment model based on expected losses as compared to the previous model of incurred losses. Under the new model, the expected loss from a default event for the next 12 months or for the entire life of the financial instrument must be recorded on the initial recognition date of the financial asset, depending on the nature of the financial asset and how the credit risk of the financial asset has evolved since initial recognition. The standard also provides a simplified model for trade receivables and assets under IFRS 15, which calculates the expected loss over the life of the asset. In order to calculate the expected loss, the Group has developed a model that first segments accounts receivable by division and type of customer (public bodies, large customers, etc.) and then analyses past credit loss experience over the last five years. Past credit loss experience is adjusted, where appropriate, to reflect differences between economic conditions in the period during which historical data were collected and current conditions.

- Hedge accounting:

IFRS 9 seeks to align hedge accounting with the risk management policies of companies so as to make the requirements for designating hedged items and hedge elements more flexible. The Group has determined that existing hedging relationships, which are currently designated as effective hedges, can continue to qualify as hedges under IFRS 9. IFRS 9 does not change the general principle governing how hedges should be accounted. Therefore there has been no significant impact on the Group as a result of applying this standard.

- IFRS 15 Revenue from contracts with customers

As of 1 January 2018, the Group recognises income from sales and services in accordance with IFRS 15.

Standards and interpretations issued but not yet in force

At 31 December 2018, the following standards and interpretations were published by the International Accounting Standards Board (IASB) but are not yet in force, either because the effective date is after the closing date of the consolidated annual accounts or because they had not yet been adopted by the European Union:

Standards, modifications and interpretations		**Mandatory application for financial years starting on or after:**
Approved for use in the EU		
IFRS 16 – Leases	Replaces of IAS 17 and associated interpretations. The new standard proposes a single accounting model for leases which will include all leases on the balance sheet (with some limited exceptions), having a similar impact to that of financial leases at present (depreciation of the asset through right-of-use and financial expense for the amortized cost of the liability).	1 January 2019
Amendment to IFRS 9 - Characteristics of early termination con negative compensation	Under this amendment, some financial assets that can be cancelled early for a lower amount than the outstanding principal and interest on the loan can be measured at amortized cost.	1 January 2019
IFRIC 23 - Uncertainty over income tax treatment	This interpretation clarifies how to apply the measurement and recognition standards of IAS 12 when there is uncertainty surrounding whether the tax authorities will accept the tax treatment used by the company.	1 January 2019
Amendment to IAS 28 - Non-current interest in associates and joint ventures	Clarifies that IFRS 9 should apply to non-current interests in associates and joint ventures if the equity method is not used.	1 January 2019
Not approved for use in the EU		
IFRS 17 Insurance contracts.	Replaces IFRS 4, incorporating the principles of registration, valuation, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the financial statements.	1 January 2022 (the date being reviewed by IASB, may be postponed to 1 January 2022)
Improvements to IFRS - 2012-2015 cycles	Minor changes to a series of standards.	1 January 2019
Amendment to IAS 19 - Modification, reduction or liquidation of a plan	Clarifies how to calculate the service cost for the current period and the net interest for the rest of a yearly period when there is a change, reduction or settlement of a defined benefit plan.	1 January 2019
Amendment to IFRS 3 - Business definition.	Clarification of the definition of business	1 January 2020
Amendment to IAS 1 and IAS 8, Definition of “materiality”	Amendments to IAS 1 and IAS 8 to align the definition of “materiality” with the one contained in the conceptual framework	1 January 2020

- IFRS 16 – Leases:

IFRS 16 – Leases will replace IAS 17 - Leases for financial years starting on or after 1 January 2019; IFRIC 4 - Determining whether an arrangement contains a lease; SIC 15 - Operating leases-incentives; and SIC 27 - Evaluating the substance of transactions taking the legal form of a lease. This new standard proposes a single model for lessees in which a liability is recognised for the lease payments to be made at the inception date of a lease, including at the start of any extensions that are considered reasonably certain, and an asset that represents the right to the use of the underlying asset during the term of the lease. Lease liabilities must also be revalued, generally as an adjustment to the right-of-use asset, whenever certain changes occur such as changes in lease terms, changes in future lease payments due to updating the indexes indicated in the contract, changes in future payments, etc. The standard includes two exemptions from the obligation of lessees to recognised lease assets: immaterial leases and short-term leases less than twelve months. Moreover, lessees must recognise the finance costs associated with the amortized cost of the liability separately from the amortized cost of right-to-use assets. Currently, IAS 17 provides for a dual model in which leases are classed as financial or operating leases.

Most of the leases where the Group acts as lessee are operating leases. The Group is currently completing an analysis of the impact of this standard on its financial statements, mainly through the following procedures:

- Inventories of lease contracts entered into by the Group which are in effect at 31 December 2018 and remain in effect at 1 January 2019.

- Each lease is analysed to determine the effective lease term based on potential renewals that may be exercised and whether the lease falls within the scope of IFRS 16.

- Analysis of the right to obtain substantially all of the economic benefits from the use of the asset in order to determine the Group's ability as lessee to control the use of the underlying asset identified in the contract. As a result of this analysis, which involves a high degree of judgment, the Group believes that most of the leases on the land where the wind farms are located are excluded from the scope of IFRS 16 since they contain clauses that do not recognise the exclusive use of the land by the lessee's subsidiaries. Rather, the lessor is allowed to access and carry out other activities on the land, thereby limiting the Group's ability to control the use of the land.

  As this is a matter that is not specifically regulated in the standard, it cannot be ruled out that this treatment may be modified in light of regulatory or legal interpretations or clarifications.

- Review of the rent payments included in the contracts in order to separate, where possible, the part of the payments that pertains to the provision of services and which therefore do not fit in definition of leasing.

- Estimate of the discount rates to be applied to each one of the leases.

- Implementation of a management tool to facilitate the control and calculation of the new standard in the future.

The Group has chosen not to apply IFRS 16 early and is considering using a mixed transition method, whereby depending on the characteristics of the contracts in force and historical information that can be reconstructed from them, it may consider applying either the modified retrospective transition method (paragraph C8(b)(i)) or the simplified modified retrospective transition method (paragraph C8(b)(ii)). In addition, the Group will avail itself of the exemptions from recognition for short-term or low-value leases, with an upper limit for the latter of €5,000.

The Group is currently finalising the estimates and policies to be applied in relation to this new standard. Following an initial estimate of the incremental rate applied to contracts subject to IFRS 16, as of the closing date this would result in the recognition of a right-of-use asset, a negative impact on reserves and a liability for leases in the amount of €74 million, €21 million and €96 million, respectively. The main types of underlying assets identified in the related contracts are detailed below in millions of euros:

Types of assets	01.01.2019
Plant	91
Land	4
Total lease liabilities	**95**

If the land leases associated with wind power generation described above are subject to IFRS 16, the estimated initial impact should increase by €193 million for right-of-use assets, €8 million for the negative impact on reserves and €201 million for lease liabilities.

With the exception of the impact of the standards mentioned above, the Group's directors do not expect significant modifications to the remaining standards, amendments to standards and interpretations published but not yet in force, as these are prospective applications, modifications to presentation and breakdown and/or deal with aspects not applicable to the Group's operations.

3.2 Measurement standards

The measurement standards used to prepare the Group's consolidated Annual Accounts in accordance with the International Financing Reporting Standards adopted by the European Union (IFRS-EU) are as follows:

A) Property, plant and equipment

Fixed assets acquired for production, for the provision of goods or services or for administrative purposes are shown on the consolidated balance sheet as the lesser of the cost of acquisition or production, less the cumulative depreciation or recoverable value.

The cost of expansions, upgrades and betterments leading to an increase in productivity, capacity or efficiency, or a lengthening of the useful lives of property, plant and equipment items are capitalised. The acquisition cost includes professional fees and the financial expenses incurred during construction which are directly attributable to the acquisition, construction or production of qualified assets, which are those that require a substantial period of time before they are ready for use. All financial expense associated with the financing used to build the associated assets is capitalised during the construction period.

Capitalisation of interest begins when the expenses related to the assets are incurred, the interest has accrued and the activities required to prepare the assets or parts of the assets for their intended use are being carried out. It ends when all or substantially all the activities necessary to prepare the assets or parts of the assets for their intended use have been completed. However, capitalisation of interest is suspended during periods when activities are interrupted, if these are prolonged significantly over time, unless the temporary delay is necessary to bring the asset into operating condition.

The cost of fixed assets includes the estimated cost dismantling or removal cost as well as the restoration of the place where they are located to its original state, provided that such obligations were assumed as a consequence of using the place for a purpose other than the production of inventories.

Assets that are removed from service because of upgrading processes or for any other reason are recorded by removing the carrying balance from the corresponding cost and accumulated depreciation accounts.

In-house costs are capitalised and related assets are measured at accumulated cost which is obtaining by adding external costs plus in-house costs, which are determined on the basis of in-house materials consumption and manufacturing costs incurred. At 31 December 2018, €194 million was recognised under "Other income" in the enclosed consolidated income statement for work carried out by the Group on its own assets, mainly wind projects in Mexico, Australia, Chile and Spain.

Conservation and maintenance costs are carried to the consolidated income statement of the financial year in which they are incurred.

Depreciation is generally calculated using a straight-line method on the acquisition cost of the assets less the residual value. It is understood that the land on which buildings and other constructions are built has an indefinite useful life and is therefore not subject to depreciation. Companies depreciate property, plant and equipment by spreading the cost of the assets over the estimated useful life. The annual depreciation rates for 2018 are as follows:

Annual depreciation rate	
ASSETS ASSOCIATED WITH THE ELECTRICITY BUSINESS	
Wind farms	4 - 5%
Special regimen hydroelectric power plants	4%
Ordinary regimen hydroelectric power plants	1.33 – 2%
Thermosolar power plants	3.33%
Other electricity-generating plants and biofuel production plants	4%
OTHER ASSETS	
Buildings	2%
Other plant and machinery	5 – 16.6%
Other plant, tools and equipment	10 - 20%
Other PPE	20– 33.3%

Consolidated companies recognise any loss in the recorded value of these assets due to impairment with a balancing entry under "Results of assets impairment " on the consolidated income statement. The criteria for recognising impairment losses to these assets and any subsequent recovery of those losses are described in section c) of this note.

Financial leasing

The PPE items acquired under financial leases are recorded in the asset category corresponding to the leased asset and are depreciated according to their envisaged useful life following the same method as for owned assets.

B) Other intangible assets

Intangible assets are initially stated at cost and/or cost of production and are later stated at cost less accumulated amortization and/or any losses due to impairment they have experienced.

All of the intangible assets of Group Corporación Acciona Energías Renovables, S.L. are considered intangible assets with defined useful lives and are amortized accordingly, using criteria that are similar to those used for the amortization of fixed assets, which are basically equivalent to the following amortization percentages (determined based on the average estimated useful lives of the different items):

Annual amortization rate	
Development	20%
Concessions and other rights	3.33 - 5%
Computer software	10 – 33%

Consolidated companies recognise any loss in the recorded value of these assets due to impairment with a balancing entry under "Net impairment losses" on the consolidated income statement. The criteria for recognising impairment losses to these assets and any subsequent recovery of those losses are described in section c) of this note.

Research and development

The cost of research activities are recognised as expenses in the period in which they are incurred, with the exception of those projects in which an identifiable assets is created which is likely to generate economic profits in the future and the cost of developing the asset can be reliable evaluated.

The Group's development expenses, fundamentally related to wind farm business, are only recognised as assets if they are likely to generate economic profits in the future and the cost of developing the asset can be reliably evaluated.

Development costs are amortized on a straight line basis over their useful lives. When the criteria mentioned above are not met, the development cost is recognised as an expense in the year in which it is incurred.

Administrative concessions

Administrative concessions include the cost of acquiring concessions to exploit hydroelectric resources. They are amortized on a straight-line basis over a period of twenty-five years from the commissioning date of the power plant, which reflects the useful life of the assets and is always shorter than the concession term. Depending on the terms of the administrative concession, at the plants are returned to the State in good operating condition at the end of the established term.

Also included under this heading is the acquisition cost of the rights to the land where certain wind farms operated by the Group are located. These assets are amortized on a straight line basis over the life of the land rights contract starting when the facility becomes operational.

This includes the cost of the intangible rights and identifiable value acquired in business combinations which will make it possible to develop additional production facilities in the future and which are amortized on a straight line basis over the estimated useful lives of the facilities once they are up and running. In addition, these intangible assets are written down when they experience a drop in value or debasement.

The Group also includes under the heading of administrative concessions the fixed assets associated with the concession business where the risk of recovering the investment is assumed by the operator (IFRIC 12). These types of concession activities are carried out through investments operated by project companies and the most salient features of which are as follows:

- The concession infrastructure is owned by the body that grants the concession.

- The grantor, which may be a public or private entity, controls and regulates the services rendered by the concession holder and the conditions under which they are rendered.

- The assets are operated by the concession company according to the standards laid out in the award specifications for a particular period of time. At the end of that time, the assets revert to the grantor of the concession and the concession holder holds no rights over them.

- The concession holder earns income for the services rendered, either from the users directly or from the grantor of the concession.

The accounting criteria applied by the Group in relation to these concession projects are as follows:

- Capitalize the financial expenses incurred during the construction period and do not capitalize those incurred after the facility become operational.

- Straight-line depreciation of the fixed assets associated with the concession over the life of the concession.

- Concessions adhere to the criterion of amortizing the entire investment plus the estimated costs needed to return the asset in good working order at the end of the project.

- These assets are normally built by a member company of the Group. In this regard, the income and expenses related to the construction of infrastructure or betterments are recognised as a gross amount (sales and cost of sales in the consolidated accounts), recognised the construction margin in the consolidated annual accounts. No adjustments were necessary for this reason in 2018 or 2017.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

C) Impairment of the value of tangible and intangible assets.

On the date of each balance sheet, the Group reviews the carrying value of the PPE, intangible assets and goodwill to determine whether there are indications of a loss of value due to impairment. If there is any such indication, the recoverable amount of the asset is calculated to determine the extent of the loss due to impairment. If the asset does not generate cash flows independently of other assets, the Group calculates the recoverable amount of the smallest identifiable cash-generating unit to which the asset pertains.

If it is estimated that the recoverable amount of an asset or a cash-generating unit is less than the carrying value, the value of the asset or the cash-generating unit is reduced to the recoverable amount.

When an impairment loss is subsequently reversed, the carrying value of the asset or the cash-generating unit is increased to the revised estimated of the recoverable amount but in such a way that the carrying value when increased does not exceed the carrying value that would have been existed had no impairment loss been recognised for the asset or cash-generating unit in prior financial years.

The recoverable amount is the fair value less the cost to sell or the value-in-use, whichever is greater. The method used to estimate value-in-use depends on the type of asset involved. The Group considers two types of assets: goodwill in consolidated companies and assets with limited durations (primarily electricity-generating assets). The valuation methodology is explained below.

Fixed assets associated with projects

Grouped under this heading are the projects with limited durations characterised by contractual structures that makes it possible to determine with some assurances how much the project will cost (both in the initial investment phase and the operating phase) and to reasonably project the income that will be earned over the life of the project (fundamentally, the Group's tangible and intangible assets).

To calculate the value-in-use of these types of assets, the Group estimates the expected cash flows through the end of the asset's useful life. No terminal value is considered. This is possible because:

- The assets are associated with stable, long-term production which makes it possible to make reliable estimates for prolonged periods.

- There are plentiful historical series from reliable external sources.

- Determining revenues and estimating prices are based on a thorough understanding of markets and a careful analysis of the parameters that determine market prices when not directly insured by electricity futures contracts.

- The operating costs are known and are low in volatility.

- Most of the projects are financed by non-current debt directly associated with the flows from the projects, with fixed conditions that make it possible to forecast the expenditures that will be needed to service the debt.

The forecasts include all known data (based on the project contracts) and fundamental hypotheses supported by specific studies performed by experts or historical data (demand, production, etc.). Macroeconomic data such as inflation, interest rates, etc. are also forecast using data from specialised independent sources (e.g., Bloomberg).

The discounted cash flows are obtained by the shareholder after servicing the debt. The discount rates used to discount these cash flows consider the cost of capital and include the business risk and the country risk for the country where the business is located.

At 31 December 2018 and 2017, the Group had not recognised any significant amounts on the consolidated income statement for this item.

D) Leases

Leases are classed as financial leases when it can be deduced from the economic conditions that a substantial part of the risks and benefits inherent to the ownership of the assets is transferred to the lessee. All other leases are classified as operating leases.

Financial leases

When the consolidated company acts as lessee, the cost of the leased asset is recorded on the balance sheet, depending on the type of asset involved, and a liability for the same amount is recorded, which is either the fair value of the leased asset or the sum of the current value of all amounts payable to the lessor plus the price of exercising the purchase option, whichever is lower. The same standards are used to amortize these assets as those applied to property, plant and equipment of a similar nature.

Financial expenses resulting from these contracts are charged to the consolidated income statement in such a way that the return remains consistent over the term of the lease.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the asset remain with the lessor, with the latter recording the asset at cost.

These assets are depreciated in accordance with the policies adopted for similar PPE items and the income from the lease agreements is recognised in the consolidated income statement following a straight-line method.

When consolidated entities act as lessees, the rental costs, including any incentives granted by the lessor, are carried to the income statement following a straight-line method.

The benefits received as an incentive to enter into an operating lease are also lineally distributed over the term of the lease.

E) Information to be disclosed on financial instruments

Qualitative and quantitative disclosures in the consolidated annual accounts regarding financial instruments, risk management and capital management required under IFRS 7 are discussed in the following notes:

- Categories of financial assets and liabilities, including derivative financial instruments and measurement standards are discussed in note 3.2.f).
- Classification of fair value measurements for financial assets and for derivative financial instruments according to the fair value hierarchy established in IFRS 7 is discussed in note 3.2.f).
- Disclosure requirements (quantitative and qualitative information) for capital are discussed in note 13 d).
- Accounting and risk management policies are described in note 16.
- Derivative financial instruments and hedge accounting are discussed in note 17.
- Transfers from equity to income due to the settlement of hedging operations using derivative financial instruments are discussed in note 25.

F) Financial instruments

Current and non-current financial assets, except hedges

The financial assets held by Group companies are classified in two large blocks based on their subsequent valuation method:

- Financial assets at amortized cost: This refers to assets expected to be held in order to obtain contractual cash flows from the collection of principal and interest (if applicable). They are recorded at amortized cost, this being understood as the initial market value, less any principal that is repaid, plus the interest accrued but not received, calculated using the effective interest rate method. The types of assets in this category are:

- Loans and receivables: those arising from the supply of cash, goods or services by a company to a debtor directly. This category consists almost entirely of the assets recognised under "Trade and other accounts receivables".
- Cash and cash equivalents include the cash on hand and the cash and deposits at banks. Other liquid assets include short-term investments with maturities less than three months away which are not subject to a significant risk of changes in value.

- Other financial assets: assets with values that are fixed or can be determined and with specified maturity dates. These are assets which the Group has the intention and the ability to keep in its possession from the date of purchase through maturity. This section mainly includes loans to companies accounted for by the equity method, short-term deposits, as well as deposits and guarantees.

The Group has devised an impairment model based on expected losses resulting from a default event for the next 12 months or for the entire life of the financial instrument, depending on the type of financial asset and how the credit risk of the financial asset has evolved since its initial recognition. This model considers the type of client (public bodies, key accounts, etc.), as well as the credit history for the last five years. There was no significant balance under this heading on the 2018 income statement.

- Financial assets at fair value through changes in the income statement: this refers to securities that are not included in any other category and are almost entirely made up of holdings in the share capital of other companies. Valuation:

  - For investments in unlisted companies, since fair value cannot always be reliably determined at acquisition, cost adjusted for evidence of impairment. The main criterion used by the Acciona Group to determine whether there is objective evidence of impairment is whether the investee has incurred significant or permanent losses.

  - At fair value when this can be reliably determined, either by reference to the quoted value or, failing that, by reference to the value of recent transactions, or by reference to the discounted present value of future cash flows. Gains and losses arising from changes in fair value are recognised directly in the consolidated income statement.

In 2018 and 2017 there were no restatements of the financial assets between the categories defined in the preceding paragraphs. Although the classification of these categories has been brought into line with IFRS 9, it did not entail any change in the valuation method used by the Group to measure its financial assets compared to the year before.

Financial asset purchases and sales are recorded using the trading dates.

Transfers of financial assets

The Group writes off financial assets when they mature or the rights over the related cash flows are assigned and the risks and benefits incidental to their ownership have been substantially transferred, such as in firm sales of assets, trade credit assignments in “factoring” operations where the company retains no credit or interest risk, sales of financial assets with agreement to buy them back at their fair value or securitization of financial assets where the assigning company neither retains any subordinate financing nor does it give any guarantee or assume any other type of risk.

Loans and borrowings except derivatives

Bank overdrafts and loans that accrue interest are recorded at the amount received, net of direct issuing costs. The financial costs, including premiums payable on the settlement or redemption and the direct issuing costs, are recorded based on an accrual criterion on the income statement using the effective interest rate method and added to the carrying value of the instrument to the extent that they are not settled in the accrual period. These obligations are subsequently measured at amortized cost using the effective interest rate method.

In those cases where the liabilities are the underlying assets of a fair value hedging derivative, on an exceptional basis they are measured at fair value for the portion of the risk covered.

The Group derecognises a financial liability or a part thereof when it has fulfilled the obligation contained in the liability or is legally released from the responsibility for the liability, either by virtue of a judicial process or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for by cancelling the original financial liability and recognising a new financial liability of the conditions of the instruments are considerably different.

The Group considers the conditions to be substantially different if the current value of the discounted cash flows under the new conditions, including any commissions paid and net of any commissions received, and using the original effective interest rate for the discount, differs by at least 10 percent of the current value discounted from the effective cash flow still remaining from the original financial liability.

If the interchange is recorded by cancelling the original financial liability, the costs or commission are recognised as part of results. Otherwise, the modified flows are discounted at the original effective interest, recognizing difference between this and the previous carrying value in profit and loss. Likewise, the carrying value of a financial liability is adjusted by costs and fees, and amortized using the amortized cost methods over the remaining life of the modified liability.

The Group recognises the difference between the carrying value of a financial asset or the part of the financial asset that has been written off and the consideration paid, including any asset other than the cash or any liability assumed in profit and loss.

Derivative financial instruments and hedges

The Group's business is basically exposed to the financial risks associated with fluctuations in foreign currency exchange rates, interest rates and certain energy supplies. To hedge these risks, the Group uses forward exchange rate contracts and financial interest rate swaps. The Company's policy is not to contract hedging instruments for speculative purposes.

The use of hedges is governed by the polices of the Acciona Group, the parent company of Group Corporación Acciona Energías Renovables, S.L., as approved by the Board of Directors.

Accounting criteria

Derivatives are recorded at fair value on the date of the consolidated balance sheet (see valuation methods below) under the heading of "Current and non-current financial assets" if the value is positive or under "Current and non-current loans and borrowings" if the value is negative. Changes in the fair value of derivative financial instruments are taken to the incomes statement as they occur. If the derivative is classified as a hedge and meets the accounting criteria applicable to an effective hedge, it is registered as follows:

- Fair value hedges: hedges contracted to reduce the risk of fluctuations in the value of the assets and liabilities recorded on the consolidated balance sheet (underlying). The part of the underlying instrument for which the risk is being hedged is recorded at fair value as is the hedging instrument itself, recording the variations in the value of both under the same caption on the consolidated income statement. At 31 December 2018, the Group had no fair value hedges.

- Cash flow hedges: hedges intended to reduce the potential risk of cash flow fluctuations caused by the payment of the floating interest rates on non-current financial liabilities, exchange rate fluctuations and commodity hedges. Changes in the fair value of derivatives are recorded, to the extent that such hedges are cash flow hedges, under the heading of "Reserves - adjustments due to value changes" in equity. The cumulative loss or gain is taken to the consolidated income statement to the extent that the underlying has an impact on the income statement due to the hedged risks, netting the effect under the same caption on the consolidated income statement. The results corresponding to the ineffective part of the hedges are taken directly to the consolidated income statement.

The Group's hedging policy

Following the Acciona Group's policies in this regard, at the beginning of the hedge the Group formally designates and documents the hedge and the Company's hedging objectives and strategies. Hedge accounting is only applicable when formal documentation of the hedging relationship is available and all effectiveness requirements are met, i.e. if it is shown that an economic relationship exists between the hedged party and the hedging instrument, if the effect of the credit risk does not outweigh the changes in value arising from that economic relationship and if there is a hedging reason why the hedging relationship is the same as that arising from the amount of the hedged item without there being an imbalance between the weights of the hedged item and the hedging instrument that would create an ineffectiveness of the hedge.

It is the Group's policy, which is consistent with that of the Acciona Group, not to hedge potential transactions but only firm financing commitments. For cash flow hedges on planned transactions, the Group would evaluate whether the transactions are highly likely and whether they are exposed to cash flow fluctuations that could affect financial year results.

If cash flow hedge for a firm commitment or planned transaction is derived from the recognition of a non-financial asset or liability, when the asset or liability is recognised the profit or loss associated with the cash flow hedge previously recognised in equity include the initial value of the asset or liability. For hedges not associated with the recognition of a non-financial asset or liability, the deferred balances in equity are recognised on the income statement for the same period during which the item that is the object of the hedge has an effect on net results.

The Group has no compound financial instruments or implicit derivatives.

Procedure for measuring derivatives and credit risk adjustment

For derivatives that do not trade on regulated markets (OTC), the Group uses the expected cash flows and generally accepted options measurement models to measure them, based on the market conditions for cash and futures as of the closing date of the financial year. The fair value of each type of financial instrument is calculated as follows:

- The value of interest rate swaps is calculated by updating the future cash flows from fixed and floating interest, according to implicit market rates obtained from long term interest rate swap curves. Implicit volatility is factored into the calculation of reasonable and cap and floor values using options-measuring formulae.

- Forex insurance contracts and options are measured using the quoted exchange rates and the interest rate curves for the currencies involved, as well as the implied volatility through the maturity date for options.

At 31 December 2018, to determine the credit risk adjustment for derivative measurement purposes, the Company used a technique based on simulations of total anticipated exposure (which includes both actual and potential exposure) adjusted by the probability of default over time and severity (or potential loss) assigned to the Company and to each one of the counterparties.

More specifically, the credit risk adjustment was obtained using the following formula:

EAD * PD * LGD, where:

- EAD (Exposure at default): Exposure at the time of the breach Calculated by simulating scenarios with market price curves. Calculated by simulating scenarios with market price curves.

- PD (Probability of default): Probability of a counterparty breaching its payment obligations at a given moment in time.

- LGD (Loss given default): Severity = 1 – (recovery rate): Percentage of loss that ultimately occurs when one of the counterparties breaches its obligations

The total anticipated exposure of derivatives is obtained using observable market inputs such as interest rate curves, exchange rates and volatilities, based on market conditions on the measurement date.

The inputs applied to obtain the Company's credit risk and that of its counterparties (probability of default) are based primarily on the use of the Company's own credit spreads or those of comparable companies that currently trade on the market (CDS curves, IRR on debt issues). If there are no credit spreads available for the Company or comparable companies, in order to maximise the use of relevant observable variables, the Company uses those of the public traded companies considered most appropriate in each case (credit spreads of quoted companies). When there is credit information available on the counterparties, the credit spreads are obtained from publicly traded CDS' (Credit Default Swaps).

To adjust the fair value to the credit risk, the Company considers the credit enhancements relative to guarantees or collateral when determining the severity rate applicable to each position. Severity is considered constant in time. If there are no credit enhancements relative to guarantees or collateral, a minimum recovery rate of 40% is applied However, that rate can be anywhere from 66.15% to 90.45%, depending on the degree of completion of the project (construction or operating phase) and the geographical area (Western Europe, Eastern Europe, North America, Latin America, Oceania and Africa) for derivatives under Project Finance schemes.

The fair value measurements of the different derivative financial instruments, including the data used to calculated the Company's own credit risk adjustment and that of its counterparties, fell into level 2 of the hierarchy of fair values established by IFRS 7 because the inputs were based on quoted prices for similar instruments on active markets (not included in level 1), quoted prices for identical or similar instruments in non-active markets and techniques based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data.

In compliance with the Acciona Group’s policies, although the Group has determined that most of the inputs used to measure the derivatives fall within level 2 of the fair value hierarchy, the credit risk adjustments use level 3 inputs such as credit estimates based on credit ratings or comparable companies to assess the likelihood of the Company or the counterparty going bankrupt. The Group has evaluated the relevance of the credit risk adjustments to the total value of the derivative financial instruments and reached the conclusion that it is negligible.

Trade payables

Trade payables do not explicitly earn interest. They are recognised at their face value, which does not differ significantly from their fair value.

Balances payable to suppliers under reverse factoring agreements with financial institutions are classified as trade payables and related payments are classified as transaction flows since these transactions do not include special guarantees granted as security for the payments to be made or modifications which alter the commercial nature of the transactions.

Current/Non-current classification

On the enclosed consolidated balance sheet, the financial assets and liabilities are classified by maturity, i.e., those maturing within twelve months are classified as current and those maturing in more than twelve months are classified as non-current.

Current terms loans which are sure to be refinanced to non-current loans at the company's discretion under available long-term credit policies are carried as non-current liabilities.

G) Inventories

Trade inventories are generally recognised at the lower of weighted average cost and net realisation value.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if this value is lower. When the circumstances that previously caused a reduction no longer exist or when there is clear evidence of an increase in the net realizable value due to a change in economic circumstances, the amount of the reduction is reversed.

H) Termination benefits

Under the law, consolidated Spanish companies and some foreign affiliates must indemnify employees that are dismissed without just cause. The member companies of Group Corporación Acciona Energías Renovables, S.L. have no layoff plans at this time for which the legally-required provisions have not been funded.

I) Provisions

The Group’s consolidated annual accounts include all of the provisions covering present obligations at the date of the consolidated balance sheet arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing. This includes all provisions for which it is more likely than not that they will have to be used to fulfil an obligation.

Provisions that are quantified based on the best information available on the consequences of the event to which they refer and which are re-estimated at each accounting year end are used to fulfil the specific obligations for which they were originally recognised. When those obligations cease to exist or are diminished, the provisions are partially or totally reversed.

Provisions for dismantling

The Group may be obligated to dismantle certain assets and restore the site to its original state under the terms of certain contracts signed in relation to such assets. In these situations, the Group recognises a liability for the estimated current cost of dismantling the asset and restoring the site to its original conditions over the accrual period, which is usually associated with the construction period of the asset.

The liability is also recognised as an increase in the value of the asset during the construction period, which is depreciated on a straight line basis over the estimated useful life of the asset once it is up and running.

The provision for dismantling is adjusted at the end of each year if there are changes in the estimated cash flow estimates or the discount rates applied up to that time. Any increase in the dismantling provision due to the financial effect of the passage of time is recognised in the consolidated income statement of the year in which it accrues under the heading of "Financial expenses".

The liability for the dismantling provision represents management's best estimate of the current cost of fulfilling the obligation of the value at which a third party would be willing to assume such an obligation as of the closing date of the consolidated balance sheet.

Litigation and/or claims in progress

At the end of 2018 and 2017, there were different legal proceedings underway involving the consolidated companies in connection with the normal conduct of their business. The Directors, based on the opinions of the Group's legal advisers, do not believe that these proceedings, once settled, will have a significant effect on the consolidated annual accounts of the financial years in which they are settled; consequently, it was not deemed necessary to set up any additional provisions.

Provisions for liabilities

The Group funds the provision of risks and expenses based on the estimates of the warranties assumed on the machinery and equipment it sells, as stipulated in the sales agreements.

Trade provisions

Trade provisions refer to the costs that have not yet materialised. The provision for the completion of construction work is intended to cover the costs associated with the completion of the outstanding units of work until they are received by the client.

Provisions for pensions and similar obligations

Certain Group companies have signed or assumed collective bargaining agreements that establish the payment of benefits to the personnel covered under these agreements when they reach retirement age, as long as the established conditions are met. In addition, some of these collective bargaining agreements provide for a retention bonus based on years of service. The impact of these commitments is not significant.

These Group companies have assumed pension commitments with their employees. These defined benefit commitments usually take the form of pension plans or insurance policies, with the exception of certain benefits, primarily commitments to supply electricity which, given their nature, are not outsourced but rather handled internally.

For defined benefit plans, the companies record the cost of these commitments based on an accrual criterion over the employee's working life. On the consolidated balance sheet date, the companies conduct the pertinent actually studies for each planned unit of credit. The cost of past services for variations in benefits are recognised on the consolidated income statement immediately, to the extent that the benefits have accrued.

The commitments associated with defined benefits plans show the current value of the accrued obligations after deducting the fair value of the asset associated with the different plans. The actuarial gains and losses arising on measurement affecting both the assets and liabilities associated with the plans are recorded in equity under the heading of "reserves - variations due to results of pension actual studies".

For each plan, if the difference between the actuarial liability for past services and the plan's assets is positive, the difference is recorded on the consolidated balance sheet under on the consolidated balance sheet under “trade and other accounts receivable", but only provided that the difference can be recovered by the Group, usually by deducting the amount from future contributions.

The impact of these plans on the consolidated income statement is not significant (see note 13):

Likewise, the Group records severance benefits when there is an agreement with individual employees or groups of employees or when there is a certain expectation that an agreement will be reached that will allow them, either unilaterally or by mutual agreement with the Company, to leave their employment in exchange for a consideration or indemnity. If mutual agreement is required, a provision is only recorded in those cases where the Group has decided to allow the employees to leave their jobs at the latter's request. Whenever provisions of this kind are recorded, there is an expectation on the part of the employees that the early retirement will take place.

J) Grants and other deferred income

Government grants for PPE and intangible assets are considered deferred income and as such are recorded on the consolidated balance sheet under "Other non-current liabilities". They are carried to the income statement, spread over the anticipated useful lives of the associated assets under the heading of "Other income" on the consolidated income statement.

Tax Equity Investments

For certain wind farm projects in the USA with production tax credits (PTCs) and accelerated tax amortization, external partners are brought in at different percentages, although the Group retains the management and control of the projects. Under these arrangements, known as "Tax Equity Investments", the partners continue to hold their capital until a certain internal rate of return is achieved, which depends on the project's performance.

Based on origin of the cash flows, the contributions of "Tax Equity Investors" are considered hybrid instruments with various components:

a) A sale of the future tax profits anticipated by the partner, the actual accrual of which occurs over a period of ten years. The current value of these future tax profits is recorded on the liability side of the consolidated balance sheet as deferred income under the heading of "Other non-current liabilities (PTCs) and "Deferred tax liabilities" (accelerated amortization).

b) An equity contribution comprising the current value of the estimated future cash flows from the business to be received by the partner, calculated at a discount rate equivalent to the project's expected IRR, is recorded in the Company's equity under "Non-controlling interests" to reflect the contribution made by the partner who invested in the project.

Each year, the value of the PTCs generated by each project is carried to the income statement, to the extent that they have been assigned to the "sleeping partner".

K) Turnover recognition

Income is calculated as the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered as part of the ordinary course of business, less discounts, VAT and other sales tax. Product sales are recognised when a substantial portion of the risks and benefits has been transferred.

Income and expenses are recorded based on the accrual principles, i.e., when the real movement of the goods and services they represent takes place, regardless of when the monetary or financial exchange associated with them occurs.

As mentioned above, with the entry into force of the new income recognition standard IFRS 15 on 1 January 2018, the Group has modified its income recognition policies to adapt them to the requirements of that standard, developing a common policy for consistent application across the different segments.

In this regard, the Group identifies and separates the various commitments to transfer a good or service regulated in a contract. This requires the separate recognition of income from each one of the individually identified obligations within the same main contract.

The Group also estimates the price of each contract, taking into account not only the initial price agreed in the contract but also the amount of the variable consideration, the time value of money (in those cases where there is a significant financing component) and non-monetary consideration.

When the amount is variable or relates to unapproved claims, it is estimated using the approach that best predicts the amount to which the Group will be entitled, using either an expected value based on probability or the single most probable amount. Such consideration shall be recognised only to the extent that it is considered highly probable that a significant reversal of recognised income will not occur when the associated uncertainty is resolved.

Electricity sales and associated supplemental sales are recorded as income upon delivery to the customer, at which time the performance obligations to supply certain quantities during a specified period are met.

For the power generation business in regulated markets and projects with PPA (Power Purchase Agreement) or long-term energy supply contracts, there is a pre-set sale price for electricity and supplements; for projects that sell energy without this type of contracts, the sale price of energy and supplements can vary throughout the project depending on the quoted prices per MWh of the market (pool) at any given time.

Part of the Group's business consists of building turnkey wind farms and other energy-producing facilities. The Group recognises the results of construction contracts using the percentage of completion method, which is determined on the basis of the percentage of costs incurred in relation to total estimated costs. Income is recognised in the income statement as a percentage of the cost incurred (compared to the total estimated cost of the contract) as it relates to the total income from the project and it is considered as highly probable to be obtained. This is a method that is acceptable under IFRS and consistent with industry standards.

For contracts where it is considered probable that the estimated cost will exceed the income derived, provisions are made for the expected losses and charged to the consolidated income statement for the year in which they become known.

Ordinary income under a contract is recognised considering the initial contract value agreed with the client and any modifications or claims in relation thereto, only to the extent that it is highly likely that income will be earned, that it can be reliably measured and that there will not be any significant reversals in the future.

A modification is considered to exist when instructions are received from the client to alter to scope of the contract. A claim is considered to exist under a contract when costs not included in the initial contract (delays, specification or design errors, etc.) are incurred by the client or third parties and the contractor is entitled to be compensated for the extra costs incurred, either by the client or by the third party that caused the extra cost.

These modifications and claims are considered revenue under the contract when the client has approved the work, either in writing, verbally or tacitly according to standard business practice, i.e. when collection is considered highly probable and no significant reversal of revenue will occur in the future.

L) Corporate income tax, deferred tax assets and liabilities

The corporate income tax expense for the year is calculated by adding the current tax obtained by applying the tax rate to the adjusted taxable base for the year and subtracting allowable tax deductions, plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are the taxes which the company expects to recover or pay due to the difference between the carrying value of the assets and liabilities in the consolidated annual accounts and the tax value. These amounts are recorded at the tax rate at which they are expected to be paid or received.

Corporate income tax and changes in deferred tax assets and liabilities not arising from business combinations are recorded in the consolidated income statement or in the equity accounts on the consolidated balance sheet, depending on where the profits or losses from which they originated are recorded.

Changes arising from business combinations and are not recognised at the time of takeover since recovery is not guarantee are accounted for by reducing the goodwill recognised for the business combination or using the previous criterion if there is no goodwill.

Deferred tax assets are recognised for temporary differences, tax loss carryforwards and pending tax deductions are only recognised to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to verify that they remain in force, with the appropriate adjustments being made in accordance with the results of the analysis.

M) Balance and transactions in foreign currency

Transactions in foreign currencies are recorded in the Company's operating currency calculated using the interest rate on the transaction date. During the year, the differences that occur between the recorded exchange rate and the rate in force on the payment or receipt date are recorded as financial profit(loss) on the consolidated income statement.

The balances receivable or payable on the closing date of the consolidated annual accounts in currencies other than the functional currency of the consolidated companies' financial statements are converted at the exchange rate on the closing date. Generally speaking, differences on exchange are recorded as financial gains(losses) on the consolidated income statement.

N) Activities affecting the environment

In general, environmental activities are those activities whose purpose is to prevent, reduce or repair environmental damages.

In this regard, investments in environmental activities are stated at acquisition and carried as a higher cost of the asset in the financial year in which the expense is incurred.

The expenses associated with protecting and improving the environment are charged to the income statement for the year in which they are incurred, regardless of when the monetary or financial flows associated with them occurs.

The provisions for probable or certain liabilities, litigation in progress and pending obligations or indemnities of an environmental nature whose quantity is unknown that are not covered by insurance policies are set up when the liability or obligation which could result in a payment or indemnity arises.

O) Non-current assets and liabilities held for sale

The Group classifies as non-current assets held for sale property, plant and equipment, intangible assets, other non-current assets and those included under "Investments accounted for using the equity method" and disposal groups (group of assets to be disposed of together with their directly associated liabilities) when, as of the closing date of the consolidated balance sheet, actions are being take to sell assets for a fair market price and it is estimated that the sale will go through within the next twelve months.

These assets or disposal groups are recognised the lesser of the carrying value or estimated selling value, less the cost incurred to conclude the sale and they cease to be amortized as soon as they are classified as non-current assets held for sale, but at each balance sheet date the related valuation adjustments are made so that the carrying value does not exceed fair value less the cost of the sale.

Non-current assets held for sale are presented in the accompanying consolidated balance sheet as follows: assets as a single line item titled "non-current assets held for sale" and liabilities as a single line item titled "liabilities associated with non-current assets held for sale".

P) Earnings per share

The basic earnings per share are calculated as the quotient between the net profit for the period attributable to the parent company and the weighted average number of shares in circulation during the period, not including the average number of shares held by the Parent Company in Group companies.

Diluted earnings are calculated by dividing net profit for the period attributable to ordinary shareholders adjusted by the effect attributable to potential dilutive shareholdings by the weighted average number of shares in circulation during the period, adjusted by the weighted average number of shares that would be issued if all potential shares were converted into ordinary shares of the Company. The conversion is considered to take place at the beginning of the period or when the potential shares are issues, if the shares are placed in circulation during the period in question. Since there are no shares that could potentially have a diluting effect, the basic and diluted earnings per share for financial years 2018 and 2017 are the same.

Q) Consolidated cash flow statement

In the consolidated cash flow statements prepared according to the indirect method, the following expressions are used with the following meanings:

- Cash flows: incoming and outgoing cash and cash equivalents, these being understood as alterations in the value of highly liquid short term investments.

- Operations are the Company's typical business activities along with other activities that cannot be classified as investment or finance activities. Based on the before-tax results of the continuing operations and the corrections to "fixed asset depreciation" under the caption titled "Other adjustments to (net) results", the interest paid and received which is shown separately but under the same heading is transferred, along with the results of any disposed assets recorded as investments and finally the corrections to results generated by companies carried by the equity method and in general any other results that do not generate cash flows.

- Investments: the activities associated with buying, selling or otherwise disposing of non-current assets and other investments not included in cash or cash equivalents.

- Financing: activities that lead to changes in the size and composition of equity and liabilities that are not part of operations.

3.3 Accounting estimates and judgments

The information contained in these consolidated annual accounts is the responsibility of the Parent Company's Directors.

When preparing the enclosed consolidated annual accounts for financial years 2018 and 2017, the Group's Directors used certain estimates to assess the value of some assets, liabilities, income, expenses and commitments. These estimates basically refer to:

- The measurement of assets to determine the existence of impairment losses.

- Distribution of the cost of business combinations.

- The assumptions used in the actuarial calculation of the pension commitments and liabilities.

- The useful lives of tangible and intangible assets.

- The assumptions used to calculate the fair value of financial instruments.

- The amount of undetermined or contingent liabilities and the probability of their materialising.

- The future cost of dismantling facilities and restoring the land.

- The tax results that will be reported by the Group to the tax authorities in the future which have been used as the basis for recording the different corporate income tax balances shown on the enclosed consolidated annual accounts.

These estimates are based on the best information available at 31 December 2018 and 2017 on the events analysed. However, it is possible that events which take place in the future may require changes to be made, as stipulated in IAS 8.

3.4 Changes in estimates, accounting criteria and correction of errors

- Changes in accounting estimates: the effects of changes in accounting estimates are recorded in the same section of the income statement where the income or expense was recorded using the previous estimate.

- Changes in accounting policies and correction of fundamental errors. The effects of changes to accounting policies and correction of errors are recorded as follows: where the changes are significant, the cumulative effect is recorded in reserves at the beginning of the year and the effects on the financial year in question carried to the consolidated income statement for the year. In these cases, the comparative financial data presented along with the figures for the current year are also re-expressed.

At 31 December 2018 and 2017, there were no significant changes to accounting estimates or accounting policies or significant errors to be corrected.

4.- <u>Property, plant and equipment</u>

The changes in the cost and cumulative depreciation of PPE in 2018 and 2017, in thousands of euros, were as follows:

Property, plant and equipment	Land and buildings	Plant and machinery	Other plant	Other PPE	Payments on account and work in progress	Depreciation	Provisions	Total
Balance at 31.12.2016	**263,271**	**11,519,158**	**35,298**	**26,911**	**371,227**	**(4,004,464)**	**(857,266)**	**7,354,135**
Changes in the consolidation perimeter	--	62,632	--	--	(185)	(21,858)	204	40,793
Additions/Funding	85	13,101	114	858	430,953	(388,889)	(476)	55,746
Disposals	--	(10,792)	(84)	(89)	(708)	6,532	5,549	408
Transfers	(31,423)	(844,110)	(6)	(1,049)	(350,708)	257,145	64,996	(905,155)
Gains (losses) on foreign exchange	(550)	(337,287)	(1,248)	(258)	(40,783)	96,022	15,459	(268,645)
Balance at 31.12.2017	**231,383**	**10,402,702**	**34,074**	**26,373**	**409,796**	**(4,055,512)**	**(771,534)**	**6,277,282**
Changes in the consolidation perimeter	12,169	64,478	--	--	(2,213)	(38,165)	946	37,215
Additions/Funding	325	10,122	1,673	658	394,374	(374,612)	(181)	32,359
Disposals	(37)	(39,460)	(631)	(106)	(67)	32,166	5,494	(2,641)
Transfers	--	489,875	--	--	(437,279)	(1,364)	(13,647)	37,585
Gains (losses) on foreign exchange	(611)	50,628	(1,101)	(181)	(883)	(3,293)	(4,185)	40,374
Balance at 31.12.2018	**243,229**	**10,978,345**	**34,015**	**26,744**	**363,728**	**(4,440,780)**	**(783,107)**	**6,422,174**

The net balances by heading at the end of 2018 and 2017, in thousands of euros, are as follows:

Property, plant and equipment	2018			2017		
	Cost	Depreciation and provisions	Total	Cost	Depreciation and provisions	Total
Land and buildings	243,229	(140,819)	102,410	231,383	(128,501)	102,882
Plant and machinery	10,978,345	(5,029,529)	5,948,816	10,402,702	(4,644,329)	5,758,373
Other structures	34,015	(17,502)	16,513	34,074	(17,313)	16,761
Other PPE	26,744	(24,287)	2,457	26,373	(23,857)	2,516
Payments on account and work in progress	363,728	(11,750)	351,978	409,796	(13,046)	396,750
Total	**11,646,061**	**(5,223,887)**	**6,422,174**	**11,104,328**	**(4,827,046)**	**6,277,282**

The most significant changes in fixed assets in 2018 are the investments underway, primarily in wind power plants in Mexico, Australia, Chile, the United States and Spain and photovoltaic power plants in Ukraine in the amount of approximately €394 million.

The caption titled "Transfers" includes the transfer from of two wind farms located in Mexico and Australia which had been recorded as "semi-finished property, plant and equipment commissioned during the years" to “electricity production facilities” for a total of €399 million. These projects were commissioned in July and September 2018, respectively.

Also recognised under this heading are the transfers of intangible assets consisting of the expectant rights associated with wind farms in Mexico and Australia for a total amount of €17 million.

Noteworthy under "Disposals” is the dismantling of the "El Cabrito" wind farm in Cadiz (Spain), which is currently being repowered, as a result of which the old wind turbines, which cost €37 million and are fully depreciated, are being replaced with more modern and efficient ones.

“Changes in the consolidation perimeter" include the assets incorporated as a result of the acquisition of an additional 50% of two wind farms in Spain, “Valdivia Energía Eólica, S.A.” and Eólico Alijar, S.A. (see note 3).

“Other changes” for the year refer mainly to the gains and losses on exchange arising primarily at facilities located in the United States, Chile and Mexico whose financial statements are expressed in US Dollars, as a result of the appreciation of the US dollar against the Euro during 2018.

The additions in 2017 related mainly to the construction of three wind farms in Mexico, Australia and Chile, as well as the completion of two facilities already started in the prior year, one of which is a wind farm in India and a photovoltaic plant in Chile, for a total of €414 million.

Changes to the consolidation perimeter in 2017 include assets incorporated as a result of the purchase of an additional 50% of Ripley JV (see note 2.3.h)).

In 2017, changes under "translation differences and other" included the effect of exchange rate fluctuations, which were characterised by the depreciation of the US dollar against the euro and mainly affected facilities in the United States, Mexico and Chile, whose functional currency is the US dollar.

In addition, in 2017 thermal solar technology assets in Spain were classified as “Assets held for sale” (see note 21), under "Transfers", with a net carrying amount of € 937 million. This caption also includes the transfer of €380 million representing assets commissioned during the year consisting of a wind project located in India and a photovoltaic plant in Chile, which were moved from work in progress to electricity production facilities.

At 31 December 2018, “provisions” were recognised in the amount of €783 million (€772 million at 31 December 2017), mainly to cover impairment losses arising in the international arena and Spanish assets, the latter resulting from regulatory changes in 2012 and 2013, which are explained further in note 2 on the regulatory framework.

No indications of impairment were identified in 2018 or 2017 which would merit the recognition of additional impairment.

In 2018, the companies capitalised financial expenses in the amount of 6,861 thousands of euros (4,519 thousands of euros at 31 December 2017) as an increase in the value of the assets (see note 25).

At 31 December 2018, the Group had fully depreciated assets in the amount of €136,295 thousands, the majority of which were still in use (€129,847 thousands at 31 December 2017).

At 31 December 2018 Group companies have commitments to acquire property, plant and equipment amounting to Euros 233 million in respect of wind power facilities currently under construction in Mexico, Australia and Chile. The committed amount at 31 December 2017 was €546 million.

The Group has insurance policies in place to cover the potential risks to which its property, plant and equipment are exposed and the potential claims that may be brought in connection with its business activities. The coverage provided by these insurance policies is deemed to be sufficient.

The net carrying value of the Group's property, plant and equipment at 31 December 2018 includes a net investment of €13,630 thousands of euros in relation to assets acquired under financial leases (€15,130 thousands at 31 December 2017).

At 31 December 2018, the net amount of property, plant and equipment securing financial debt associated with a specific project is €1.215 million (€1,525 million in 2017).

The Group has mortgaged land and buildings to guarantee certain lines of credit granted by banks, the net carrying value of which was €22,015 thousands at 31 December 2018 (€17,791 thousands at 31 December 2017).

5.- Other intangible assets

Changes in this balance sheet heading in 2018 and 2017 are as follows:

Other intangible assets	Development	Concessions	Others	Computer software	Amortization	Provisions	Total
Balance at 31.12.2016	**40,399**	**265,049**	**852**	**17,137**	**(97,003)**	**(14,333)**	**212,101**
Changes in the consolidation perimeter	--	--	--	--	--	--	--
Additions/Funding	1,279	--	4,262	1,416	(11,860)	--	(4,903)
Disposals	--	(90)	--	(560)	246	--	(404)
Transfers	(2,282)	(28,590)	--	(3)	420	--	(30,455)
Translation differences and other	(294)	(18,284)	39	(129)	2,031	(1,471)	(15,166)
Balance at 31.12.2017	**39,102**	**218,085**	**5,153**	**17,861**	**(106,166)**	**(12,862)**	**161,173**
Changes in the consolidation perimeter	--	--	--	(19)	19	--	--
Additions/Funding	624	31,180	565	689	(9,453)	--	23,605
Disposals	(6)	--	--	--	6	--	--
Transfers	--	(40,232)	--	--	1,835	12,829	(25,568)
Translation differences and other	(85)	(138)	(79)	13	(1,179)	--	(1,468)
Balance at 31.12.2018	**39,635**	**208,895**	**5,639**	**18,544**	**(114,938)**	**(33)**	**157,742**

The net balances by heading at the end of 2018 and 2017 are as follows:

Other intangible assets	2018			2017		
	Cost	Amortization and provisions	Total	Cost	Amortization and provisions	Total
Development	39,635	(36,076)	3,559	39,102	(36,064)	3,038
Concessions	208,895	(63,220)	145,675	218,085	(68,505)	149,580
Other	5,639	(290)	5,349	5,153	(201)	4,952
Computer software	18,544	(15,385)	3,159	17,861	(14,258)	3,603
Total	**272,713**	**(114,971)**	**157,742**	**280,201**	**(119,028)**	**161,173**

The breakdown of the balance at 31 December 2018 and 2017 is as follows:

Other intangible assets	2018			2017		
	Cost	Amortization and provisions	Total	Cost	Amortization and provisions	Total
Intangible concessions (IFRIC 12)	105,034	(24,823)	80,211	100,124	(18,389)	81,735
Other concessions	103,861	(38,397)	65,464	117,961	(50,116)	67845
Total	**208,895**	**(63,220)**	**145,675**	**218,085**	**(68,505)**	**149,580**

The caption titled “Concessions” includes primarily those concession assets where the risk of recovering the asset is assumed by the operator. It also includes the cost of government concessions for hydro plants as well as the expectant rights and identifiable intangible assets for the development of future wind projects acquired from third parties by acquiring interests in the companies that own those rights through business combinations.

The only concession registered under IFRIC 12 is a wind farm in Costa Rica operated by Consorcio Eólico Chiripa, 65% of which is owned by the Acciona Energía Group. This is a concession for the construction and operation of the Chiripa wind farm for 20 years, through the year 2033, which is currently operational.

The most significant changes in 2018 refer to the additions of €31 million for the acquisition of interests in companies which hold rights over intangible assets for the development of future renewable energy projects during the year. Expectant rights in the amount of €17 million which were previously recorded under concessions were transferred to property, plant and equipment once the facilities in question were up and running.

In 2017, following the commissioning of the El Romero photovoltaic plant in Chile in March, expectant rights acquired at the beginning of the project, which were recorded under concessions with a net carrying amount of €27 million, were transferred to property, plant and equipment.

The remaining changes for 2017 relate to amortization for the year and exchange rate fluctuations, which were characterised by the amortization of the US dollar against the euro and have mainly impacted facilities in Costa Rica, whose functional currency is the US dollar.

At 31 December 2018, the Group had fully amortized intangible assets in the amount of €55,976 thousands, the majority of which were still in use (€55,798 thousands at 31 December 2017).

No impairment of intangible assets was detected in financial year 2018, nor were there any significant deficits not covered by existing provisions at 31 December 2018.

6.- Equity- accounted investees

The changes under this caption on the enclosed consolidated balance sheet in 2018 and 2017 were as follows:

Investee company	Balance at 31.12.17	Pre-tax share in profits (losses)	Interim dividend	Tax effect and other changes	Balance at 31.12.18
Energías Renovables Mediterráneas, S.A.	103,618	11,589	(33,490)	(3,463)	78,254
Desarrollo de Energías Renovables de Navarra, S.A.	7,390	5,024	(3,331)	(1,409)	7,674
Parques Eólicos de Buio , S.L.	31,942	4,476	--	(1,454)	34,964
Amper Central Solar, S.A.	36,334	11,281	(3,805)	(1,943)	41,867
Group Cathedral Rocks	13,382	2,285	--	(1,421)	14,246
Parque Eólico de Deva, S.L.	9,073	590	(1,450)	(146)	8,067
Parque Eólico de Tea, S.L.	8,410	641	--	(159)	8,892
Parque Eólico de Bobia y San Isidro, S.L.	7,410	972	(500)	(242)	7,640
Parque Eólico Ameixenda Filgueira, S.L.	7,689	864	(948)	(214)	7,391
Parque Eólico A Ruña, S.L.	3,714	860	(1,013)	(214)	3,347
Blue Canyon Winpower, LLC	3,389	(108)	(476)	139	2,944
Group Energy Corp. Hungary	4,856	1,334	(1,119)	(311)	4,760
Parque Eólico Virxe do Monte, S.L.	3,100	338	(550)	(84)	2,804
Parque Eólico Adraño, S.L.	4,098	621	(619)	(156)	3,944
Group Eurovento	1,104	293	(393)	(3)	1,001
Parque Eólico Vicedo, S.L.	1,737	478	--	(295)	1,920
Explotaciones Eólicas Sierra de Utrera, S.L.	1,893	342	(649)	(86)	1,500
Parque Eólico Cinseiro, S.L.	1,754	261	--	(67)	1,948
Parque Eólico Currás, S.L.	1,409	325	--	(81)	1,653
Alsubh Solar Power, S.A.E.	553	784	--	(634)	703
Sunrise Energy, S.A.E.	1,032	756	--	2,765	4,553
Rising Sun Energy, S.A.E.	1,032	725	--	2,771	4,528
AT Solar V, SAPI de CV	5,229	--	--	16,885	22,114
Tuto Energy II, S.A.P.I. de C.V.	1,889	--	--	10,690	12,579
Other	22,564	1,149	(46)	(6,811)	16,856
Total holdings in associates	**284,601**	**45,880**	**(48,389)**	**14,057**	**296,149**

Investee company	Balance at 31.12.16	Pre-tax share in profits (losses)	Interim dividend	Tax effect and other changes	Balance at 31.12.17
Energías Renovables Mediterráneas, S.A.	92,848	13,482	--	(2,712)	103,618
Desarrollo de Energías Renovables de Navarra, S.A.	8,463	10,195	(8,500)	(2,768)	7,390
Parques Eólicos de Buio , S.L.	28,981	3312	--	(351)	31,942
Amper Central Solar, S.A.	29,457	11,859	(3,280)	(1,702)	36,334
Group Cathedral Rocks	12,678	2172	--	(1,468)	13,382
Parque Eólico de Deva, S.L.	9,071	132	(96)	(34)	9,073
Parque Eólico de Tea, S.L.	8,175	314	--	(79)	8,410
Parque Eólico de Bobia y San Isidro, S.L.	7,253	208	--	(51)	7,410
Parque Eólico Ameixenda Filgueira, S.L.	7,347	465	--	(123)	7,689
Parque Eólico A Ruña, S.L.	4,240	298	(750)	(74)	3,714
Blue Canyon Winpower, LLC	4,673	-389	(352)	(543)	3,389
Group Energy Corp. Hungary	3,136	2,014	--	(294)	4,856
Parque Eólico Virxe do Monte, S.L.	3,337	217	(400)	(54)	3,100
Parque Eólico Adraño, S.L.	3,930	224	--	(56)	4,098
Group Eurovento	974	259	(27)	(102)	1,104
Parque Eólico Vicedo, S.L.	1,886	-31	--	(118)	1,737
Explotaciones Eólicas Sierra de Utrera, S.L.	1,659	314	--	(80)	1,893
Parque Eólico Cinseiro, S.L.	1,664	122	--	(32)	1,754
Parque Eólico Currás, S.L.	1,390	26	--	(7)	1,409
Alsubh Solar Power, S.A.E.	--	(76)	--	629	553
Sunrise Energy, S.A.E.	--	(48)	--	1,080	1,032
Rising Sun Energy, S.A.E.	--	(48)	--	1,080	1,032
AT Solar V, SAPI de CV	973	(18)	--	4,274	5,229
Tuto Energy II, S.A.P.I. de C.V.	--	--	--	1,889	1,889
Other	20,839	2,570	(27)	(818)	22,564
Total holdings in associates	**252,974**	**47,573**	**(13,432)**	**(2,514)**	**284,601**

The shareholdings of Group Corporación Acciona Energías Renovables, S.L. in associates are listed in Annex III of this report.

Where the Group's investments in associates accounted for using the equity method has been reduced to zero and where there may be implicit obligations in excess of the contributions made, equity losses or decreases are recognised under non-current provisions in the consolidated balance sheet (see note 14). In these cases, the loss is recorded under "Other gains or losses" rather than profit or loss of companies accounted for using the equity method.

The caption titled "Tax effect and other changes" includes, in addition to the tax effect of the year's profits, changes due to the valuation of derivatives and gains (losses) on foreign exchange.

There were no changes under this heading in financial years 2018 or 2017.

The assets, liabilities, ordinary income and profit (loss) for financial years 2018 and 2017 are listed below in proportion to the percentage of ownership in the share capital of each associate:

	Total 2018	Total 2017
ASSETS		
Non-current assets	670,671	540,842
Current assets	93,168	90,306
Total assets	**763,839**	**631,148**
LIABILITIES		
Equity	296,149	284,601
Non-current liabilities	359,682	271,753
Current liabilities	108,008	74,794
Total liabilities and equity	**763,839**	**631,148**
PROFIT (LOSS)		
Turnover	172,646	128,915
Pre-tax profit	45,880	47,573

None of the associates are individually significant to the company.

7.- Investments in joint ventures

The holdings of Group Corporación Acciona Energías Renovables, S.L. in joint ventures are listed in Annex II of this report. The most significant amounts included in the consolidated annual accounts for financial years 2018 and 2017 in relation to these interests are summarised below:

	2018		2017	
	Companies	**Joint ventures and jointly-owned companies**	**Companies**	**Joint ventures and jointly-owned companies**
Turnover	1,301	225	4,762	234
Gross operating profit	108	179	3,534	415
Operating profit	(815)	--	1,420	236
Non-current assets	11,732	1,667	13,144	1,846
Current assets	1,223	9	1,022	936
Non-current liabilities	1,391	--	1,422	--
Current liabilities	296	1,667	175	1,964

None of the holdings in joint ventures is individually significant to the Group.

8.- Current and non-current financial assets

The details of this heading on the 2018 and 2017 consolidated balance sheet are as follows:

	2018		2017	
	Non-current	Current	Non-current	Current
Financial assets held to maturity	235	105,737	756	131,100
Market value of financial derivatives (Note 17)	8,540	--	7,669	--
Provisions	(68)	--	(68)	--
Subtotal:	**8,707**	**105,737**	**8,357**	**131,100**
Other receivables	23,247	3,307	8,188	2,413
Other loans with Group companies and associates	14,374	130,869	14,202	25,098
Deposits and bonds	1,162	9,074	1,173	23,509
Provisions	(3,908)	--	(3,812)	--
Subtotal:	**34,875**	**143,250**	**19,751**	**51,020**
Net total	**43,582**	**248,987**	**28,108**	**182,120**

Financial assets held to maturity:

The changes under this heading for the financial years ended 31 December 2018 and 2017 are as follows:

	Non-current	Current
Cost		
Closing balance at 31.12.2016	**851**	**151,120**
Additions	--	5,292
Disposals	(95)	(25,312)
Changes in consolidation perimeter	--	--
Closing balance at 31.12.2017	**756**	**131,100**
Additions	130	3,409
Disposals	(651)	(29,926)
Changes in consolidation scope	--	1,153
Closing balance at 31.12.2018	**235**	**105,737**

The amount shown for "Financial assets held to maturity" under current assets on the consolidated balance sheet at 31 December 2018 and 2017 refers primarily to the deposits pledged to comply with the collateral clauses in the project finance contracts for each one of the operating wind farms, which are subject to market interest rates (see note 15).

The most notable increases in 2018 and 2017 were those related to the funding of reserve accounts to cover the debt service by Group companies that signed financing agreements in those years.

Other financial assets:

Other current and non-current loans

Includes under this heading are the loans granted to associates and not eliminated in the consolidation process, which accrue annual interest at market rates.

The market value of these assets does not different substantially from the carrying value.

9.- Non-current receivables and other non-current assets

The composition of this caption at 31 December 2018 and 2017 was as follows:

	2018	2017
Non-current trade receivables	81,836	75,341
Non-current accruals	71,944	24,548
Total non-current receivables and other non-current assets	**153,780**	**99,889**

The balance under "Non-current trade receivables" is €81,836 thousands (€66,614 thousands at 31 December 2017) which reflects the fair value of various non-financial derivatives, one contracted by a Chilean subsidiary to supply energy to a customer at an inflated fixed price and two others contracted by two Australian subsidiaries that allow them to set the future sale price of electricity for a certain Mw volume. These contracts are carried at market value and changes in value are recorded as adjustments due to changes in the value of equity.

"Non-current accruals" includes €62,319 thousands (€14,571 thousands at 31 December 2017) relating to the initial value of two energy contracts entered into in December 2015 and December 2018 by two US subsidiaries to supply a certain amount of energy over a period of 13 and 12 years, respectively.

10.- Inventories

The composition of inventories at 31 December 2018 and 2017 is as follows:

	2018	2017
Raw materials, other supplies and trade inventories	124,928	131,253
Advances delivered	10,436	11,477
Provisions	(22,959)	(22,808)
Total inventories	**112,405**	**119,922**

The caption titled "Raw materials, other supplies and trade inventories" includes, in addition to the raw materials used to assemble the wind turbines and the spare parts needed to maintain the Group's facilities, the investments made by the Group's promoters in future facilities to be operated by subsidiaries created for this purpose but which are not yet operational.

The change recorded under the heading of "Advances delivered" is owing to the reductions due to the progress of the work on the construction of renewable power plants in Mexico by Group companies during the year.

For the sake of prudence, the Group makes value corrections for impairment if there are reasonable doubts about recovering some or all of these assets. The changes in these provisions are recorded under the heading of "Changes in provisions" on the consolidated income statement (See note 24).

11.- Trade and other accounts receivable

The composition of the balance at 31 December 2018 and 2017 was as follows:

	2018	2017
Clients for sales and services rendered	221,188	236,394
Receivable from group companies (note 29)	307,056	285,713
Receivable from associates (note 29)	35,392	21,145
Sundry receivables	7,791	19,948
Provisions	(12,175)	(12,944)
Total trade and other accounts receivable	**559,252**	**550,256**
Advance payments from customers	(5,754)	(13,383)
Total net balance at 31 December	**553,498**	**536,873**

The amount recorded under the heading of "Clients for sales and services rendered" refers primarily to the balances due on the sale of energy generated in Spain and abroad.

The section titled “Receivables, Group companies" refers primarily to loans with the parent company in the amount of €285,944 thousands at 31 December 2018 (€270,666 thousands at 31 December 2017) as a consequence of being a member of the tax group of which Acciona, S.A. is the parent company, for the domestic companies pertaining to Group Corporación Acciona Energías Renovables, S.L. to which the applicable laws apply.

The details of the aging of trade receivables are as follows:

	2018	2017
Invoices up to 3 months old	209,366	219,151
Invoices between 3 and 6 months old	649	1,815
Invoices more than 6 months old	11,173	15,428
Total	**221,188**	**236,394**
Past due invoices more than 3 months old not provisioned	3,688	9,719

Changes in the impairment provision for receivables are as follows at 31 December 2018 and 2017:

	2018	2017
Opening balance	**(12,944)**	**(3,858)**
Increase in provisions for impairment of trade receivables	(3,828)	(9,718)
Reversal of amounts written off	4,453	725
Restatements and other	144	(93)
Closing balance	**(12,175)**	**(12,944)**

12.- Cash and cash equivalents

The composition of the balance at 31 December 2018 and 2017 was as follows:

	2018	2017
Cash and banks	180,571	111,206
Deposits and other	28,490	40,943
Total cash and cash equivalents	**209,061**	**152,149**

This caption includes the Group's cash as well as bank deposits with initial maturity dates no longer than three months away and with no associated risks. There are no restrictions on the availability of cash and cash equivalents.

In financial years 2018 and 2017, cash and cash equivalents earned market interest rates.

13.- Equity

a) Subscribed and registered share capital

The share capital of the parent company consists of 329,250,589 registered shares with a par value of 1 euro each, fully subscribed and paid in.

The Sole Shareholder, which owns 100% of the shares of the parent company Group Corporación Acciona Energías Renovables, S.L., is Acciona, S.A. the Company meets all of the legal requirements for sole shareholder status. There are no balances or transactions with the Sole Shareholder other than those described in note 30.

b) Share premium and reserves

The balance under "Share Premium", which at 31 December 2018 and 2017 stood at €2,599,689 thousands, was created as a consequence of a number of share capital increases with share premiums carried out by the Company on different dates. Article 296 of the Revised Text of the Capital Companies Act expressly permits the use of the balance of the share premium account to increase share capital and places no specific restrictions on the availability of said balance.

The breakdown of the issues premium, reserves and gains(losses) on exchange shown on the statement of total change in equity is as follows:

	2018	2017
Share premium	2,599,689	2,599,689
Legal reserve	10,593	9,162
Voluntary reserves	(611,170)	(694,056)
Reserves for fully or proportionally consolidated companies	183,966	122,553
Reserves in companies carried by equity	37,930	60,747
Reserves Subtotal	**2,221,008**	**2,098,095**
Gains (losses) on foreign exchange	(28,550)	(17,861)
Interim dividend paid during the year	(76,258)	--
Total Reserves	**2,116,200**	**2,080,234**

The legal reserve, which must be funded until the balance is 20% of share capital, may be used to increase share capital in an amount equal to the portion of the balance that exceeds 10% of share capital after the increase. Otherwise, and except for the application indicated above, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

c) Reserves in consolidated companies and gains(losses) on exchange

The details of the consolidation reserves contributed by subsidiaries, joint ventures and associates and conversion differences contributed by subgroups at 31 December 2018 and 2017 are as follows:

	2018		2017	
	Consolidated reserves	**Gains(losses) on exchange**	**Consolidated reserves**	**Gains(losses) on exchange**
Corporación Acciona Energías Renovables, S.L.U.	1,142,248	--	1,208,396	0
Acciona Energía Subgroup	103,408	(29,083)	6,345	(18,426)
Ceatesalas Subgroup	(624,561)	533	(643,863)	565
Alabe Sociedad de Cogeneración Subgroup	53,509	--	40,182	--
Ineuropa de Cogeneración Subgroup	(27,221)	--	(17,882)	--
Acciona Saltos de Agua Subgroup	(79,420)	--	(72,174)	--
Corporación Acciona Eólica, S.L.U.	(238,022)	--	(246,673)	--
Corporación Acciona Hidráulica, S.L.U.	(150,177)	--	(135,200)	--
Acciona Eólica de Galicia, S.A.U.	48,495	--	50,204	--
KW Tarifa, S.A.U.	(6,363)	--	(6,035)	--
Total	**221,896**	**(28,550)**	**183,300**	**(17,861)**

Neither the parent company of the Group nor the investee companies are published listed companies.

d) Adjustments to equity

- Cash flow hedges

This section, included under “Retained earnings" on the consolidated balance sheet, includes the net amount of the tax impact of the changes in the value of financial derivatives designated as cash flow hedging instruments (see note 17).

The changes in the balances under this heading in 2018 and 2017 are shown below:

	2018	2017
Balance on 1 January	**(68,116)**	**(90,437)**
Net increase for the year	37,775	23,392
Net decrease for the year	(24,280)	(20,546)
Transfer to FY profit (loss)	13,994	19,475
Changes in consolidation scope	18,951	--
Balance at 31 December (note 16)	**(21,676)**	**(68,116)**

e) Interim dividend

On 31 December 2018, the directors of Corporación Acciona Energías Renovables, S.L. agreed to pay an interim dividend of €76,258 thousands against 2018 profits. The interim dividend will be paid in 2019.

The provisional statement prepared in accordance with applicable law, showed that there are sufficient cash resources available to pay the above-mentioned dividend, as follows:

	Euros
Justifying accounting statement at 31 December 2018:	
Profit earned from 01-01-2018 to 31-12-2018:	84,731,498.03
Mandatory reserve funding:	8,473,149.80
Prior years losses	
Profits available for distribution	76,258,348.23
Proposed interim dividend	76,258,348.00
Cash situation at 31 December 2018	
Funds available for distribution:	
Cash and banks:	
Cash pooling credit limit at 31-12-2018	2,634,000,000.00
Cash pooling line of credit used at 31-12-2018	1,407,157,571.73
Dividend receivable	73,000,000.00
Proposed interim dividend	-76,258,348.00
Difference	1,223,584,080.27

f) Non-controlling interests

The balance under this heading on the enclosed consolidated balance sheet shows the value of minority shareholders' interests in the subsidiaries. The enclosed consolidated income statement also shows the interest of those minority shareholders in the financial year results.

The changes in 2018 and 2017 were as follows, in thousands of euros:

Company	Balance at 31.12.17	2018 profit (loss)	Additions and changes	Gains (losses) on foreign exchange	Balance at 31.12.18
Compañía Eólica Granadina, S.A.	5,209	437	--	(1,011)	4,635
Eólica de Villanueva, S.L.	1,337	301	--	(367)	1,271
Eólica de Zorraquin, S.L.	567	221	--	70	858
Group Acciona Energía Internacional	162,703	17,972	3,774	3,783	188,232
Other	(1,982)	721	--	(12)	(1,273)
Total non-controlling interests	**167,834**	**19,652**	**3,774**	**2,463**	**193,723**

Company	Balance at 31.12.16	2017 profit (loss)	Additions and changes	Gains (losses) on foreign exchange	Balance at 31.12.17
Compañía Eólica Granadina, S.A.	5,062	394	--	(247)	5,209
Eólica de Villanueva, S.L.	1,510	160	--	(333)	1,337
Eólica de Zorraquin, S.L.	351	142	--	74	567
Group Acciona Energía Internacional	213,142	21,923	(1,484)	(70,878)	162,703
Other	(2,076)	272	(200)	22	(1,982)
Total non-controlling interests	**217,989**	**22,891**	**(1,684)**	**(71,362)**	**167,834**

Most of the amount recorded under "Other items" relates to disbursements and settlements of balances made to/from external partners in certain projects located in the United States (see note 2.2), as well as translation differences for companies with a functional currency other than the euro and adjustments for changes in value.

The composition of the balance under this heading on the enclosed consolidated balance sheet at 31 December 2018 and 2017 is as follows, in thousands of euros, by item:

	2018			2017		
Company	**Share capital and reserves**	**Net profit**	**Total**	**Share capital and reserves**	**Net profit**	**Total**
Group Acciona Energía Internacional	170,260	17,972	188,232	140,780	21,923	162,703
Compañía Eólica Granadina, S.A.	4,198	437	4,635	4,815	394	5,209
Eólica de Villanueva, S.L.	970	301	1,271	1,177	160	1,337
Eólica de Zorraquin, S.L.	637	221	858	425	142	567
Other	(1,994)	721	(1,273)	(2,254)	272	(1,982)
Total non-controlling interests	**174,071**	**19,652**	**193,723**	**144,943**	**22,891**	**167,834**

Below is a summary of the financial disclosures for those subgroups which represent a significant portion of the Group's assets, liabilities and operations, in relation to which there are non-controlling interests:

31.12.2018	**Acciona Energía Internacional Subgroup**
% Non-controlling interests	33.33%
ASSETS	
Non-current assets	2,585,191
Current assets	290,150
Total assets	**2,875,341**
LIABILITIES	
Equity	259,392
Equity	106,652
Non-controlling interests	152,740
Non-current liabilities	2,345,550
Current liabilities	270,399
Total liabilities	**2,875,341**
PROFIT (LOSS)	
Turnover	443,915
Operating results	185,004
Pre-tax	82,666
After tax	37,504
Attributed to minority shareholders	(8,278)
Attributed to the parent company	29,226

31.12.2017	Acciona Energía Internacional Subgroup
% Non-controlling interests	33.33%
ASSETS	
Non-current assets	2,741,814
Current assets	298,870
Total assets	**3,040,684**
LIABILITIES	
Equity	186,807
Equity	36,150
Non-controlling interests	150,657
Non-current liabilities	2,669,883
Current liabilities	183,994
Total liabilities	**3,040,684**
PROFIT (LOSS)	
Turnover	437,061
Operating results	148,544
Pre-tax	31,146
After tax	13,757
Attributed to minority shareholders	(26,016)
Attributed to the parent company	(12,259)

g) Cash management

The Group's cash management objectives are aimed at safeguarding the ability to continue operating as a going concern, generating profits for shareholders and benefits for other interest groups, as well as maintaining an ideal structure for reducing capital costs. This policy makes it possible to create value for the Shareholder while at the same time having access to the financial markets at a competitive cost in order to cover the needs, both for refinancing debt and for financing investments, that are not covered by the funds generated by the business.

In order to maintain or adjust the equity structure, the Group could adjust the amount of dividends payable to the Shareholder, reimburse capital to shareholders, issue new shares or sell assets to reduce debts.

Like other businesses operating in the same sector, the Group uses its leverage ratio to control its capital structure This ratio is the quotient obtained by dividing net debt by net equity. Net debt is the sum of the current and non-current financial debt, excluding assets held for sale, less current asset investments, cash and cash equivalents.

The gearing ratio at 31 December 2018 and 2017 was as follows:

	Gearing ratio	
	Thousands of euro	
	31.12.2018	31.12.2017
Net financial debt:	**862,801**	**1,095,313**
Non-current financial debt (note 15)	931,439	1,241,015
Current financial debt (notes 15)	254,700	145,216
Current asset investments (notes 8 and 12), cash and cash equivalents	(314,798)	(283,249)
Derivatives recorded in financial investments (see note 8)	(8,540)	(7,669)
Equity:	**2,773,267**	**2,654,063**
Of the Parent	2,579,545	2,486,239
Minority shareholders	193,722	167,824
Gearing ratio	**0.41**	**0.41**

h) Restrictions on the availability of subsidiaries' funds

The financial agreements of certain Group companies contain clauses with requirements that must be met in order to profits to be distributed to shareholders or partners.

14.- Provisions and litigation

a) Non-current provisions

The changes under the heading of "Non-current provisions" on the liability side of the consolidated balance sheet at 31 December 2018 and 2017, by item, in thousands of euros, are as follows:

	Provisions for pensions and similar obligations	Provisions for risks and charges	Provision for liabilities	Total
Balance at 31.12.16	**6,589**	**82,319**	**16,977**	**105,885**
Additions and funding	534	3,542	32,370	32,476
Disposals	(1,327)	(2,305)	(9,689)	(9,351)
Transfers	--	11,010	--	11,010
Changes in consolidation scope	--	2,740	--	2,740
Other changes	(28)	(6,900)	(1,889)	(8,817)
Balance at 31.12.17	**5,768**	**90,406**	**37,769**	**133,943**
Additions and funding	774	5,106	612	6,492
Disposals	(94)	(728)	(2,354)	(3,176)
Transfers	--	11,946	--	11,946
Other changes	(22)	2,014	6	1,998
Balance at 31.12.18	**6,426**	**108,744**	**36,033**	**151,203**

According to the best estimates of the parent company's directors, these provisions cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending at the end of the year.

Provisions for pensions and similar obligations

The Group includes provisions for pensions and similar obligations arising as a consequence of the acquisitions of assets and/or companies from the Endesa Group in 2009 under this heading on the enclosed consolidated balance sheet. The group of employees considered includes 87 people (92 in FY 2017), 22 of whom are already semi-retired or retired (23 in FY 2017). Not all of these employees are in the same situation or eligible for the same benefits. The main characteristics of these provisions are:

a) Defined benefit pension plan with salary increases limited by CPI. The features of this pension plan are clearly that of a defined benefit plan.

   The assumptions used to calculate the actuarial liability for the uninsured defined benefit commitments are as follows at 31 December 2018 and 2017:

	2018	2017
Interest rate	1.91%	1.72%
Mortality rates	PERPM/F2000	PERPM/F2000
Expected return on assets	1.89%	1.70%
Salary increase	2.00%	1.70%

   The information on the variation in the actuarial liabilities for defined benefit commitments at 31 December 2018 and 2017 is as follows:

	2018	2017
Initial actuarial liability	**4,064**	**4,044**
Accrued cost for the year	109	112
Financial expenses	71	77
Benefits paid during the year	--	(190)
Profit/(loss) for the year	(908)	21
Final actuarial liability	**3,336**	**4,064**

   The information on the variation in the actuarial assets for defined benefit commitments at 31 December 2018 and 2017 is as follows:

	2018	2017
Initial actuarial assets	**2,688**	**2,312**
Yield for the period	46	43
Contributions during the year	136	488
Profit/(loss) for the year	(904)	(155)
Final actuarial assets	**1,966**	**2,688**

   At 31 December 2018 and 2017, the total actuarial assets and liabilities referred entirely to the defined benefit commitments located in Spain.

   The amounts recorded in the consolidated income statement for defined benefit pension obligations totalled €135 thousands at the end of 2018 (€146 thousands in 2017) which included the cost for the year plus the yield and the financial cost of the assets and liabilities associated with these employee benefits.

b) In addition, there are obligations to provide retired employees with certain social benefits which are primarily related to electricity. These obligations are not outsourced and are covered by internal provisions. The total amount for these items in 2018 was €3,223 thousands (€2,981 thousands at 31 December 2017).

   Actuarial changes recorded in respect of these other items amount to a loss of €228 thousands in 2018 (€331 thousands in profits in 2017).

c) Finally, under an agreement between the parties, there is a commitment on the part of the company to provide supplemental health insurance when the employment relationship is terminated (see note 3.2.i).

The changes in the provision for these obligations under the heading of "Provisions" on the enclosed consolidated balance sheets for 2018 and 2017 are shown below:

	Provision for other non-current obligations to personnel
Balance at 31.12.16	**507**
Additions and funding	44
Disposals	(336)
Balance at 31.12.17	**215**
Disposals	(146)
Balance at 31.12.18	**69**

These liabilities refer in their entirety to the agreements signed by Group companies in Spain.

The Plan affects employees with 10 or more years of service. Employees who were 50 years or older on 31 December 2005 were entitled to join the early retirement plan (at 60 years of age) and were allowed to join the plan starting on the day they turned 50 until they turned 60 years of age, by mutual agreement of the employee and the company. For employees who were not 50 years old on 31 December 2005 but wished to join the plan, they must file a written request which must be accepted by the company.

The conditions applicable to employees under the age of 50 affected by the Voluntary Resignation Plan consisted of a lump sum payment of 45 days of salary per year of service, plus an additional amount of 1 or 2 months of pay, depending on their age at 31 December 2005.

Provisions for risks and expenses and provisions for liabilities

The types and amounts of the main provisions are based on the estimates made in relation to the warranty commitments assumed for the equipment and machinery sold, primarily wind turbines, which are recorded as "provisions for liabilities" and dismantling operating wind farms when this is required under the law, in which case they are recorded as "provisions for risks and expenses".

Provisions for risks and expenses and provisions for liabilities

The items recorded under these two headings are as follows:

a) Implicit obligations: recognition of implicit obligations in subsidiaries carried by the equity method when the Group’s investments in associations is reduced to zero. The provision at 31 December 2018 is €2 million (€3 million at 31 December 2017). The assets, liabilities, ordinary income and profit (loss) for financial years 2018 and 2017 are listed below in proportion to the percentage of ownership in the capital of each associate:

	Total 2018	Total 2017
ASSETS		
Non-current assets	19,481	20,564
Current assets	11,062	10,941
Total assets	**30,543**	**31,505**
LIABILITIES		
Equity	(2,160)	(2,697)
Non-current liabilities	26,263	27,548
Current liabilities	6,440	6,654
Total liabilities and equity	**30,543**	**31,505**
PROFIT (LOSS)		
Turnover	3,645	3,557
Pre-tax profit	469	435

b) Decommissioning: this is the directors' best estimate in relation to the commitments assumed for the decommissioning of electricity production facilities in international projects in which the Group operates, when the Group concludes, following analysis of the specifics of these contracts, that there is an obligation to decommission these facilities. These provisions are initially recognised with a charge to "Property, plant and equipment" and therefore have no impact on the income statement at the time of initial recognition. The balance for this item at 31 December 2018 was €104 million (€85 million 31 December 2017).

According to the best estimates of the parent company's directors, these provisions cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending at the end of the year. It is complicated to predict what the outcome will be. However, it is not expected that any cash outlays will be required in the near future given the status of the proceedings at the present time.

The best estimates of the risks and uncertainties which inevitably surround most of the events and circumstances affecting these provisions were used measure them.

The Group's management does not believe there will be any additional liabilities for which provisions have not been made in the financial statements at 31 December 2018 and 2017.

b) Current provisions

The changes under the heading of "Current provisions" on the liability side of the consolidated balance sheet at 31 December 2018 and 2017, by item, in thousands of euros, are as follows:

	Guarantees	Other provisions	Total
Balance at 31.12.16	**98**	**1,503**	**1,601**
Additions and funding	--	--	--
Disposals	--	(1,491)	(1,491)
Balance at 31.12.17	**98**	**12**	**110**
Additions and funding	--	1,112	1,112
Balance at 31.12.18	**98**	**1,124**	**1,222**

In addition to what has been mentioned previously, the Group sets up provisions, based on the best estimates of the parent company's directors, to cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending resolution at the end of the year.

Litigation

The Polish company Golice Wind Farm Sp z o.o. is, at the time of preparation of these consolidated annual accounts, in dispute with its main client over the latter's unilateral termination of the CPA (bilateral agreement for the purchase and sale of emission certificates derived from energy production from renewable resources) signed by the parties. The ability of this Group company to maintain projected results and cash flows to service the associated debt and the recoverability of net long-term assets will depend on the outcome of this claim.

Several direct and indirect subsidiaries of the Corporación Acciona Energías Renovables, S.L. subgroup are listed as co-defendants in the lawsuit brought by Solargenix LLC in an Illinois court for alleged breach of contract and tort. The trial took place in the month of September 2016. On 9 August 2017, a judgment was handed down (amended by the same Court's decision of 22 December 2017), requiring the co-defendants to pay the plaintiff the sum of USD 135.5 million. The judgment has been appealed to the Illinois State Court of Appeals. A resolution of the appeal is expected sometime in 2019.

The process is being handled by a prestigious US law firm. Based on the estimates and evaluations of the Finance Department and the Legal Department, the Company considers that it is probable that an unfavourable judgement will be handed down and has therefore funded a €30 million provision at the end of 2017.

15.- Financial debt

a) Loans and borrowings:

The details of the balances payable to banks at 31 December 2018 and 2017 on recourse and non-recourse loans, understanding non-recourse loans as unsecured debt where recourse is limited to the debtor’s cash flows and assets, in thousands of euros, are as follows:

	2018		2017	
Item	**Non-current**	**Current**	**Non-current**	**Current**
Non-recourse loans	**715,839**	**245,899**	**1,027,180**	**123,373**
Project finance	710,579	244,925	1,022,407	121,392
Finance leases	--	44	--	1
Other project-related payables	--	--	--	1,252
Fixed asset mortgage expenses	5,260	930	4,773	728
Recourse loans:	**--**	**--**	**--**	**14,958**
Other project-related payables	--	--	--	14,958
Total payables to banks	**715,839**	**245,899**	**1,027,180**	**138,331**

In 2018 and 2017, the Group's loans and lines of credit accrued interest that was for the most part referenced to the Euribor for financing in euros, although some of the Group's debt is also referenced to other indices such as Libor for debt in US dollars, WIBOR for financing in Polish zlotys and the BBSY for financing in Australian dollars, as the most relevant indices for the Group outside the Eurozone. A significant part of the Group's debt is hedged using financial derivatives in order to reduce the volatility of the interest rates paid by Group Corporación Acciona Energías Renovables, S.L.

The Group, through its subsidiaries or associates, has made investments in energy infrastructures that are operated by subsidiaries, joint ventures and associates under "project finance" arrangements or other project-related financing.

This financing concept applies to projects that are, in and of themselves, capable of providing sufficient guarantees to the participating financial entities that the debt undertaken to carry them out will be repaid.

Each project is developed by a special purpose entity in which the project assets are financed in part by investments made by the partners, which is limited to a certain amount, with the rest, generally a higher amount, being financed through long term debt. The debt service on these loans is guaranteed primarily by the future cash flows generated by the project itself and by in rem guarantees on the project's assets.

In 2018, the caption titled "Financing of current and non-current projects" shows a net decrease of €188 million, which mainly corresponds to the scheduled repayments of this type of loan, the positive effect of conversion differences for the period – mainly on projects whose currency is the South African rand - as well as the repayment of €120 million in bank debt on two wind projects located in Spain which are now financed by loans received from the company Acciona Financiación de Filiales Australia, Pty. (see note 18)

As indicated in note 3.2.f), the adoption of IFRS 13 requires an adjustment to the valuation techniques used by the Group to obtain the fair value of derivatives to include the bilateral credit risk adjustment so as to reflect not only the Company's own risk but that of the counterparty in the fair value of the derivatives.

At 31 December 2018, the credit risk adjustment resulted in a reduction in the value of the derivative liability in the amount of €963 thousands which was recognised, on the one hand, as a reduction of €829 thousands in loans and borrowings, and on the other hand as an increase in the value of the investment carried by the equity method in the amount of €134 thousands, without considering the tax effect, by those companies which are carried by this method. The net effect of this modification on equity adjustments for the valuation of cash flow hedges was positive in the amount of €423 thousands.

At 31 December 2018, Group companies had no unused bank financing. Management believes that the cash generated combined with the realisation of current assets will be sufficient to cover its short term payment obligations.

In relation to certain loans, certain investee companies have made commitments to distribute profits and maintain a series of financial ratios that are calculated on the individual financial statements at the end of each financial year, including the maintenance of certain cash balances (see note 8).

At 31 December 2018 and 2017, neither the parent company nor any of its major subsidiaries had breached any of their financial obligations or any other type of obligation that could lead to the early termination of the loan agreements. No defaults are expected in 2019.

However, as discussed in note 14, it is worth mentioned the default situation of the Polish company Golice Wind Farm Sp z.o.o. This company is in the middle of a dispute with its main client regarding the unilateral termination of a contract signed by the parties. The outcome of this disputes will determine the ability of this Group company to maintain projected profits and cash flows to service the associated debt (€19,466 thousands classified as current) and the recoverability of net assets in the long term (in the amount of €33,927 thousands).

In 2018 and 2017, there were no defaults or other breaches of obligations to pay principal, interest or amortizations on the balances payable to financial institutions

The breakdown of the amounts referred to above during the five-year period following the date of the consolidated balance sheet is as follows:

2019	2020	2021	2022	2023	Thereafter	Total
245,899	73,421	80,766	79,528	83,839	398,285	**931,738**

b) Debentures and other negotiable securities

The changes in these current and non-current liability accounts on the 2018 and 2017 balance sheet are as follows:

	Non-current	Current
Balance at 31.12.16	**250,659**	**6,233**
Amortization	--	(5,071)
Transfers	(6,477)	6,477
Other changes	(30,347)	(754)
Balance at 31.12.17	**213,835**	**6,885**
Amortization	--	(6,786)
Transfers	(8,376)	8,376
Other changes	10,141	326
Balance at 31.12.18	**215,600**	**8,801**

This item refers to the placement of a private bond issue carried out on 10 August 2012 with a "BBB-" credit rating by Standard & Poors and Fitch, by the Mexican subsidiaries CE Oaxaca Dos, S. de R.L. de C.V. and CE Oaxaca Cuatro, S. de R.L. de C.V. in the amount of US$ 298.7 million. The purpose of this bond issue was to finance the development, construction and operation of a number of projects for 102 MW of wind power each, the end client being the Federal Electricity Commission (CFE). The issue took place on 10 August 2012 and accrues 7.250% annual interest, payable every six months on 30 June and 31 December each year through 31 December 2031. The amortization of the debt began on 31 December 2012 and will continue with payments every six months until the debt is paid in full on 31 December 2031.

The breakdown of the maturity dates of these obligations at 31 December 2018 for the year 2019 and the next four years and beyond is as follows:

2019	2020	2021	2022	2022	Thereafter	Total
8,801	10,487	12,340	12,819	14,074	165,880	**224,401**

c) Other debt disclosures

At 31 December 2018, the average interest on loans and borrowings and other debt assumed in the form of debentures and bonds was 7.45 % (7.23 % at 31 December 2017).

In 2018, the percentage of debt not subject to interest rate volatility was 76.3%.

The composition of financial debt denominated in currencies other than the euro at 31 December 2018 and 2017, classified by the main currencies in which the Group operates, is as follows in thousands of euros:

Currency	Financial debt 2018	Financial debt 2017
US dollar	347,426	343,759
South African rands	219,867	254,229
Australian dollar	147,760	169,412
Polish zloty	24,994	34,173
Canadian dollar	32,345	35,438
Indian rupee	63,432	34,229

16.- Risk management policy

Group Corporación Acciona Energías Renovables, S.L., due to its line of business and geographical diversification, is exposed to certain financial risks that are effectively managed by a Risk Management System. This system, in line with the one developed by the Sole Shareholder, Acciona, S.A., is designed to identify events that could potentially affect the company, manage risks by establishing internal control systems to keep the probability of those events occurring and their impact within the permitted tolerance levels and provide reasonable assurances that the group's strategic business objectives will be met.

The aim of this policy is to make risk management part of the Acciona Group's strategy and establish the framework and principles of the Risk Management System.

This policy considers all the risks associated with the business activities carried out by the Group in all of the geographical markets where it does business.

Interest rate risk

Interest rate fluctuations modify the future flows of the assets and liabilities tied to an adjustable interest rate.

Interest rate risk is particularly significant as far as financing the construction of wind farms and other renewable energy plants is concerned, where the project returns can be affected by fluctuations in interest rates. This risk is mitigated through hedging operations by the contracting derivatives (mainly Interest Rate Swaps, IRS).

Based on the estimates of Group Corporación Acciona Energías Renovables, S.L. regarding the evolution of interest rate risks and debt structure objectives, hedging instruments to mitigate these risks. The level of hedging of the debt achieved for each project depends on the type of project involved and the country where it is located.

The reference interest rate on the debt contracted by the member companies of Group Corporación Acciona Energías Renovables, S.L. is mainly Euribor for operations in euros and Libor for operations in US dollars, both in the USA and in other Latin American countries where this is often the currency in which they are financed, as the cash flow generated by the assets are also denominated in this currency.

Sensitivity test of derivatives and indebtedness

The financial instruments exposed to interest rate risk are basically floating interest rate financing and derivative financial instruments.

In order to analyse the effects which a change in interest rates could have on the Group's accounts, we did a simulation assuming a 50 bp increase and decrease in variable interest rates at 31 December 2018.

This analysis of the Group's sensitivity to an upward or downward variation of 0.50% in the floating interest rate tied to the Euribor and Libor showed that the impact on the consolidated income statement of the Group Corporación Acciona Energías Renovables, S.L. as a result of the increase or decrease in interest payments amounted to €1,421 thousands at 31 December 2018.

The results of the analysis of sensitivity to upward or downward movements in the long term interest rate curve in relation to fair value of the interest rate hedges that are part of the cash flow hedges contracted at 31 December 2018, depending based on the holding percentage, show that a 0.5% increase in the interest rate curve would result in a €22,189 thousands decrease in debt payable on financial derivatives. Hence, a 0.5% decrease in the interest rate curve would cause a €22,189 thousands increase in the amount payable on financial derivatives.

Exchange rate risk

As the Group continues to press forward with its international expansion, it has greater exposure to exchange rate risks from foreign currency transactions in the countries where it invests and does business.

Risk management is the responsibility of the Acciona Group's Corporate Finance Department and adheres to non-speculative criteria.

Exchange rate risk basically arises from the following types of transactions:

- Debt assumed by group companies and associates in foreign currencies.
- Receivables referenced primarily to the evolution of currencies other than the euro.
- Investments in foreign companies.

In order to mitigate exchange rate risk, the non-current assets in currencies other than the euro are financed in the same currency in which the assets are denominated. Other transactions and cash flows in foreign currency are hedged according to the procedures established by the Acciona Group.

Likewise, net assets from investments in companies with operating currencies other than the euro are exposed to the risk of exchange rate fluctuations when the financial statements of those companies are converted to euros during the consolidation process.

The composition of current and non-current assets, liabilities and equity at 31 December 2018 in the main currencies in which the Group operates is as follows, in thousands of euros:

Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Sensitivity (10%)
US dollar	2,231,127	149,679	1,645,461	120,751	614,595	61,459
South African rands	252,319	44,061	236,770	16,340	43,270	4,327
Australian dollar	466,449	37,767	186,673	169,840	147,704	14,770
Canadian dollar	136,321	12,895	77,081	8,446	63,689	6,369

Credit risk

Credit risk refers to the risk that a counterparty to an agreement may breach its contractual obligations thereby causes the Group to sustain economic losses. The Group has a policy of only doing business with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial losses caused by defaults. The Group only does business with entities at the same or higher investment level range and obtains information on the counterparties from independent business rating bodies, other public sources of financial information and through its own relations with clients.

The receivables and customer accounts consist of a large number of clients distributed across different sectors and geographical areas. Credit relations with clients and the solvency of those clients are continuously evaluated and credit surety contracts are taken out as needed.

The Group has no significant exposure to credit risk with any of its clients or groups of similar clients. Moreover, the credit risk is not highly concentrated.

The Group's credit and liquidity risk associated with derivative instruments at fair value is limited since both cash investments and derivatives are placed with solvent entities that have high credit ratings and no one counterparty assumes significant percentages of the total credit risk.

On the other hand, the new definition of the fair value of a liability under IFRS 13 based on the concept of transferring the liability to a market participant confirms that the credit risk itself should be considered in the fair value of the liabilities. The Group has included a bilateral credit risk adjustment to reflect its own risk and that of the counterparty in the fair value of the derivatives.

Liquidity risk

Group Corporación Acciona Energías Renovables, S.L. has a prudent risk management system based on maintaining sufficient amounts of cash and cash equivalents.

The ultimate responsibility for managing liquidity risk lies with the Corporate Finance Department of the Acciona Group, which devises an appropriate framework for controlling the Group’s cash needs in the short, medium and long term. The Group manages its liquidity by maintaining adequate reserves, appropriate banking services and the availability of loans and credit facilities by constantly supervising the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities.

As seen on the enclosed consolidated balance sheet at 31 December 2018, the Group's working capital is negative in the amount of €1,356,540 thousands (€1,384,172 thousands at 31 December 2017), since current liabilities are higher than current assets due to a large extent to the short term financing received from the Group (€1,523 thousands, see note 18). However, the directors of the parent company do not anticipate any problems paying the amounts owed to third parties on the due dates. In the Directors' opinion and based on current circumstances, the Group's budget, which reflects the factors that are considered most significant and the most likely evolution, calls for the generation of sufficient funds to cover the payments which the Group will need to make in the next financial year. In any case, the Group will continue to receive the commercial and financial support of the Sole Shareholder, which will not call in the debt in the short term since doing so could compromise the normal business operations of Group Corporación Acciona Energías Renovables, S.L.

Economic risk "vs" budget deviations

The Group has a global economic and budget control system for each line of business adapted to each business activity that provides the people responsible for the business with the information they need to control potential risks and take the most appropriate decisions. Periodically, the economic and financial management information is contrasted with the estimates and indicators, evaluating the deviations in terms of business volume, profitability, cash flows and other relevant and reliable indicators, taking the pertinent corrective measures as needed.

Price risk

With regard to price risk in the Spanish electricity market, Legislative Royal Decree 9/2013, which introduced urgent measures to guarantee the financial stability of the electrical system, was published on 12 July 2013. This Royal Decree, which took effect on 13 July 2013, abolished other Royal Decrees including RD 661/2007 of 25 May, discussed above, which regulated the compensation framework for electricity plants such as those owned and operated by Group Corporación Acciona Energías Renovables, S.L. in Spain as part of the support system for renewable energies.

Royal Decree 413/2014 was passed on 6 June 2014 and published in the Official State Gazette on 10 June 2014. This RD regulates electricity production using renewal energy sources, co-generation and waste. Subsequent to that, Order IET 1045/2014 was issued on 20 June 2014 and published in the Official State Gazette on 29 June 2014. This Order sets the final compensation parameters applicable to all current and future renewable energy plants. The new model, which is applicable as of 14 July 2013, defines the compensation of assets following the passage of LRD 9/2013.

Under this new regulation, in addition to the compensation for the sale of electricity at market rates, certain power plans can receive special compensation composed of a price per unit of installed power to cover the investment in standard facilities that cannot be recovered by selling the electricity on the market and a portion for operations that covers the differences between operating costs and revenues as a result of participating in the standard rate market. The terms of the compensation paid to offset investment and operating costs are reviewed every 3 years, considering the income from energy sales at market prices by standard facilities, so that upward or downward variations that fall outside the range established in the Ministerial Order are included in the special compensation calculation.

According to the rules, the intention of these compensation parameters is not to exceed the minimum level required to cover costs so as to enable these types of facilities to compete under equal conditions with the rest of the technologies on the market and obtain a reasonable return. As for what is considered a reasonable return, the Legislative Royal Decree indicates that it will be about the average return on a 10 year treasury note on the secondary market, pre-tax, plus a differential to be determined. The first additional provision of Legislative Royal Decree 9/2013 sets the differential for these facilities at 300 basis points, with the possibility of an adjustment every six years.

The regulatory framework shows that a significant part of the Group's renewable assets, especially wind technology launched before 2004, as well as many of its mini-hydro plants, no longer receive additional remuneration at the market price, leaving them fully exposed to the price variations of the electricity market. Of the Group's total production in the domestic electricity market, approximately 57% is subject to regulated compensation and the remainder is remunerated at market price.

Finally, with respect to price risk in the electricity markets of the various countries where the Group operates, approximately 62% of the Group's production is subject to a long-term price agreement established with a third party (PPA), 18% is subject to feed-in tariff regulation and the remainder is sold on the open market.

17.- Derivative financial instruments

Interest rate hedges

In keeping with the policies of the Acciona Group, Group Corporación Acciona Energías Renovables, S.L. regularly uses interest rate derivatives as hedging instruments. These instruments are intended to reduce the potential risk of fluctuations in cash flows due to the adjustable interest rates on non-current financial liabilities.

The derivative financial instruments in place at 31 December 2018 and 2017 are shown on the enclosed consolidated balance sheet at fair value, as detailed below:

Interest rate hedges	**2018**				**2017**			
(thousands of euros)	**Notional amount**	**Financial liabilities**	**Financial assets**	**Investments in associates (*)**	**Notional amount**	**Financial liabilities**	**Financial assets**	**Investments in associates (*)**
Cash flow hedges:					*Cash flow hedges:*			
Interest Rate Swap	924,925	(35,478)	8,540	(4,809)	1,192,948	(50,791)	7,669	(3,073)
Total	**924,925**	**(35,478)**	**8,540**	**(4,809)**	**1,192,948**	**(50,791)**	**7,669**	**(3,073)**

(*) The investments in associates are net of taxes.

The most commonly used interest rate derivatives are interest rate "swaps" whose purposes is to fix or limit the evolution of the floating interest rates on financing. These financial derivatives are used primarily to hedge the cash flows from the debt taken out to finance the wind farms and the other power plants using renewable energy sources.

At 31 December 2018 and 2017, the fixed interest rates on these financial derivatives pegged to the Euribor ranged from 2.06% to 5.05%

The amounts recognised by the Group are based on the market value of equivalent instruments on the date of the consolidated balance sheet. Practically all of the interest rate swaps are designed to be effective as cash flows hedges and the fair value is deferred and recorded in equity.

The periods in which these cash flow hedges are expected to have an impact on the income statement, in proportion to the percentage of ownership, are as follows

Future settlements				
< 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**+ 5 years**
(31)	(379)	(8,225)	(19,486)	(2,164)

Changes in the fair value of these instruments are carried directly to equity (see note 13.d). The anticipated or deferred tax assets generated by recognising these financial instruments, which at 31 December 2018 totalled €6,935 thousands (€17,506 thousands at 31 December 2017), are recorded with a debit or credit to equity (see note 20).

The methods and criteria used by the Group to determine the fair value of the financial instruments is described in note 3.2.f) of these consolidated annual accounts.

The notional value of the liabilities hedged by the interest rate swaps came from:

	2018	**2017**
Group companies and associates	849,224	1,118,755
Associated enterprises	75,701	74,193
Total notional value	**924,925**	**1,366,449**

The notional contractual amount does not refer to the risk assumed by the Group, since this amount is only used as the basis upon which the settlement calculations are made. The changes in the notional values of the financial instruments contracted in recent years, in proportion to the percentage of ownership, are shown below:

Evolution of notional value					
2019	2020	2021	2022	2023	2024
709,702	288,698	207,321	142,717	116,682	92,806

Other derivative financial instruments

Three Australian subsidiaries have signed agreements that allow them to set the future sale price of electricity for a certain volume of MWh. These contracts are carried at market value and changes in value are recorded as adjustments due to changes in the value of equity. At 31 December 2018, the balance in reserves and minorities, net of the tax effect, was a debit balance of €232 thousands and a credit balances of €3,111 thousands, with debit and credit balancing entries in the amount of €13,333 thousands and €9,220 thousands, respectively.

The impact of derivative instruments on equity at 31 December 2018 is summarised below:

Item	2018
Financial liability for interest rate hedge	35,478
Financial asset for interest rate hedge (note 8)	(8,540)
Negative impact of interest rate hedges on equity, net of taxes	5,644
Net tax receivable from interest rate hedges	(6,935)
Other, mainly external holdings in interest rate hedges	(4,281)
Adjustment for change in the value of interest rate hedges	**21,366**
Adjustment for change in the value of energy contracts (net external and tax)	310
Total receivable balance for adjustments due to value changes at 31 December (note 13)	**21,676**

18.- Payable to group companies, associates and related parties

This caption on the consolidated balance sheet includes the financing extended by Acciona Financiación Filiales, S.A., a member company of the Acciona Group, as well as the accrued and unpaid interest at the end of the year, in thousands of euros.

	2018		2017	
	Non-current	Current	Non-current	Current
Acciona Financiación Filiales, S.A.	615,937	1,508,277	440,812	2,493,314
Atlanta Renewables, S.A.R.L.	311,613	1,095	327,500	5,190
Acciona Financiación Filiales Chile, SPA	292,762	12,485	197,172	11,642
Acciona Financiación Filiales Australia Pty Ltd	149,210	2,014	32,712	291
Other	69,593	568	81,983	658
Total	**1,439,115**	**1,524,439**	**1,080,179**	**2,511,095**

The principal credit facilities recognised by the Parent company at 31 December 2018 granted by Acciona Financiación de Filiales, S.A.U. mature in 2019, although the lender will not call in the debt since this could compromise the normal course of the Group's operations, as discussed in note 16.

The most salient features of these lines of credit are as follows:

Company	Granted on	Credit limit	Maturity date	Drawn 31/12/2018
Acciona Financiación Filiales S.A.	01-04-2016	256,474	29-03-2019	256,474
Acciona Financiación Filiales S.A.	19-10-2017	2,634,000	19-10-2019	1,226,842

These loans accrue interest at a fixed market rate and total accrued and unpaid interest at 31 December 2018 totalled €8,918 thousands (€1,907 thousands at 31 December 2017).

In addition, a loan agreement was signed in 2016 in the amount of US$ 550,000 thousands granted by Acciona Financiación Filiales, S.A., a member company of the Acciona Group. This is an interest-bearing loan tied to the Libor plus a differential, and it matures in 2021.

In 2017 a new loan agreement was entered into for CAD €44,200 thousands granted by Acciona Financiación Filiales, S.A. This loan accrues interest at CAD plus a market spread and matures in 2022.

The distribution of the maturity dates of these loans at 31 December 2018 for 2017 and subsequent years until maturity is as follows:

2019	2020	2021	2022	Total
7,130	49,815	323,084	10,905	**390,934**

The Parent company's holdings in certain companies are in the form of pledges to secure these loans.

In 2014, the infrastructure fund KKR, through its subsidiary Atlanta Renewables, S.A.R.L., assumed one-third of the subordinated debt of Acciona Energía Internacional, S.A. This loan matures in 2022 and can be extended for an additional five years.

In addition, like other related entities, at 31 December 2018 there were financial contributions made by other partners with a non-controlling interests in Group projects and installations, mainly a wind farm and a solar photovoltaic plant in South Africa and a wind farm in the United States. These loans accrue annual interest linked to the South African Prime Rate plus a market differential for South African plants and a fixed rate for plants in the United States.

19.- Other current and non-current liabilities

The breakdown of this item on the balance sheet heading is as follows, in thousands of euros:

	Non-current		Current	
	2018	**2017**	**2018**	**2017**
Grants	106,300	108,186	--	--
Other deferred income	67,288	75,587	--	--
Creditors falling due after more than one year	19,925	18,969	--	--
Financial lease obligations	13,920	15,270	524	538
Non-financial derivatives	68,129	57,095	--	--
Outstanding salaries	--	--	15,951	12,930
Other creditors	--	--	18,952	2,655
Fixed asset suppliers	33	62	218,837	281,643
Payable to Group companies	--	--	14,721	13,652
Taxes (note 20)	--	--	46,140	56,853
Closing balance	**275,595**	**275,169**	**315,125**	**368,271**

The increase in the balance shown under "Fixed asset suppliers" refers primarily to the outstanding balances on fixed assets for wind power facilities currently under construction in Mexico, Australia and Chile.

Grants

The changes under the heading of "Grants" in 2018 and 2017 were as follows:

	Grants
Balance at 31.12.2016	**129,823**
Added	108
Grants released to income (Note 22)	(7,978)
Other	(13,767)
Balance at 31.12.2017	**108,186**
Added	7
Grants released to income (note 22)	(6,565)
Other	4,672
Balance at 31.12.2018	**106,300**

The most significant change in both 2018 and 2017 was due to the amount carried to the FY profit and loss. The caption "Other" mainly reflects exchange rate differences arising from the appreciation of the US dollar against the euro.

The grants released to the income statement are recorded under "other income" on the consolidated income statement.

Other deferred income

The balance under "Other deferred income" refers, for the most part, to certain incentives offered to promote the development of renewable energies in the USA, which are similar to grants from an accounting standpoint and which apply to the two wind farms being developed by the Energy Division in the US. This income, carried as operating income from the production of energy, totalled €15,822 thousands in 2018 (€18,720 thousands in 2017).

"Other deferred income" mainly includes €41 million (€42 million in 2017) which reflects the initial value of a non-financial derivative contracted by a Chilean subsidiary of the Group to supply energy to a client starting in 2017 at an inflated fixed price for 13 years (see note 9).

Payable to Group companies

The amount recorded under this heading within current liabilities on the consolidated balance sheet includes to debt payable to Acciona, S.A. and other companies of the Acciona Group as a consequence of the consolidated filing of VAT in Spain.

Payable under current and non-current financial leases

The details of the financial leases with non-financial entities of the Group at 31 December 2018 and 2017 are as follows:

	Minimum lease payments	
Amounts payable on financial leases	**2018**	**2017**
Less than one year	1,803	1,937
1-2 years	1,768	1,902
2-5 years	5,095	5,512
>5 years	20,614	23,530
Total amount payable	**29,280**	**32,881**
Less future financial expenses	14,836	17,073
Present value of lease obligations	14,444	15,808
Less balances maturing in less than 12 months (current debt)	**524**	**538**
Balances maturing in more than 12 months	**13,920**	**15,270**

Refers to financial leases for transmission assets possessed by the Group in Australia. The average terms of these contracts are 20 or 30 years. During the financial year ended 31 December 2018, the effective average interest rate on debt was the market rate. The interest rates are set on the date of the contract. The leases are amortized on a fixed basis and there are no agreements for the payment of contingent rent.

20.- Tax situation

Tax consolidation scheme

Under current law, the consolidated tax groups include the parent company along with certain subsidiaries that meet the legal requirements. The company Corporación Acciona Energías Renovables, S.L. and certain Group companies that meet the legal requirements have been part of the consolidated tax group headed by Acciona, S.A. since 2008.

All other subsidiaries of the Group either file their taxes individually or jointly as part of smaller groups, according to the local tax laws in each country. Besides the Spanish tax group, the Group files consolidated taxes in Australia (including all member companies of the Acciona Group operating in that country), the US, Portugal and Italy.

Effective 1 January 2008, certain investee companies of the Group joined the special VAT system for business groups provided for in Chapter IX, Title IX of the Value Added Tax Act 37/1992 of 28 December. The parent company of the group is Acciona, S.A. A number of other Group companies located in Navarra, Italy and Australia also members of the VAT tax group.

Years open to tax inspection

On 10 January 2013, Guadalaviar Consorcio Eólico, S.A. was notified of the commencement of an audit of its 2008 and 2009 corporate tax and VAT tax returns, during which the value of the wind farm rights transferred in 2009 was reviewed. The audit ended with an assessment which was disputed by the company in which the tax authorities increased the value of the wind power rights over what had been declared by the parties. The company received the settlement agreement from the Central Office for Large Taxpayers on 23 December 2013 and filed the corresponding economic-administrative complaint with the Central Economic-Administrative Court (TEAC) on 13 January 2014. On 16 February 2017, the TEAC issued a resolution partially upholding the claim and ordering the tax inspectors to notify the company of its right to seek an adversarial expert appraisal. On 27 August 2017, the Technical Office of the AEAT's Tax and Customs Control Department notified the TEAC of a new settlement agreement and issued a Resolution Enforcement Agreement.

On 22 September 2017, the company filed an economic-administrative claim with the TEAC against the aforementioned Settlement Agreement and requested the automatic suspension of the debt without bond. Arguments were presented to the TEAC on 5 April 2018 and the case is still pending as of today's date.

The amount of the adjustment, including late interest through the date of the appealed settlement, for which the Company would be liable, is €10,838 thousands and it is estimated that considerable liabilities will likely materialise, which is why a provision was set up at 31 December 2018.

In December 2014, the Mexican project companies Eurus SAPI de CV, CE Oaxaca III and CE Oaxaca IV were notified by the Municipality of Juchitán of assessments for municipal taxes for the 2011 to 2014 financial years. The companies filed appeals with the Oaxaca District Court which suspended the enforcement. There are sound arguments in defence of these companies, whose constitutional rights were violated, which means that these are illegal governmental actions. Proof of this is that a Mexican court upheld, in the first instance, the cancellation of the municipal rule regulating these taxes for the 2015 financial year. On 28 January 2016, the Seventh District Court of the State of Oaxaca issued a ruling in favour of the company Oaxaca IV, upholding the appeal filed against the assessment of the municipal tax by the Municipality of Juchitán, which amounted to €126 million pesos.

On 6 October 2017, the Sixth District Court of Oaxaca also ruled in favour of the appeal filed against the assessments charged to the company Eurus SAPI de CV (2011-2014), which amounted to €823 million pesos.

Finally, on 27 June 2018, the Group was informed that the court had upheld an appeal filed by the company Oaxaca for €455 million pesos, bringing the proceedings to a close without any adjustment.

At 31 December 2018, the corporate tax returns of the companies that are part of the consolidated tax group and all other major tax returns that are subject to inspection, and for which the statute of limitations had not expired, were open to inspection by the tax authorities. Generally speaking, all other consolidated Spanish companies are subject to inspection by tax authorities in relation to the main taxes for the last four financial years.

Because tax laws are open to different interpretations, the results of any future tax inspections by the tax authorities could give rise to tax liabilities, the amount of which cannot be objectively quantified at this time. However, the possibility of significant additional liabilities arising is remote and the Group's directors believe that any liabilities that might arise would not have a material impact on the equity of the Group Acciona Energía Global.

Taxes and social security

At 31 December, the debit and credit tax balances are as follows:

	2018		2017	
	Deferred	Current	Deferred	Current
Debit balances	**277,806**	**92,192**	**347,873**	**76,163**
VAT/IGIC	--	67,331	--	50,822
Tax refund	--	1,934	--	1,728
Deferred taxes receivable	277,806	--	347,873	--
Current tax assets	--	22,927	--	23,613
Total payables	**424,073**	**62,463**	**430,385**	**63,084**
Corporate tax	--	16,323	--	6,231
Personal income tax withholdings	--	6,710	--	6,290
VAT/IGIC	--	18,310	--	24,747
Deferred taxes payable	424,073	--	430,385	--
Social Security	--	1,181	--	1,357
Electricity tax	--	14,312	--	20,894
Other	--	5,627	--	3,565

Reconciliation of carrying results with fiscal results

The reconciliation between pre-tax carrying results and the corporate tax liability at 31 December 2018 and 2017 is shown below:

	Thousands of euros	
	2018	2017
Consolidated profit before tax	241,345	156,622
Permanent differences	(35,901)	94,214
Adjusted carrying result	205,444	250,836
Adjusted tax expense	54,636	64,244
Deductions	(1,087)	(1,592)
Unrecognised tax credits	14,052	3,907
Tax expense for the year	67,601	66,559
Change in tax rate	--	4,240
Adjustment of prior year taxes	19,998	(13,822)
Tax expenses posted to the income statement	**87,599**	**56,977**

“Permanent differences” include income and expenses that are not computable under applicable tax laws. They also include results that are eliminated during the consolidation process but are nonetheless fully effective from a tax perspective as far as the individual tax returns of the corresponding Group entities are concerned, especially those which are not part of the tax group. The most significant item included in 2018 refers to the differences arising in relation to certain companies whose financial statements are incorporated into the Group’s as a result of the functional currencies in which their operations are denominated or because, under the applicable laws in their countries, their taxes are paid on the basis of the financial statements converted to the local currency.

The “Tax expense adjusted to the tax rate” is obtained by applying the pertinent tax rate to the adjusted carrying values in each jurisdiction where the Group operates.

The item titled “Unrecognised tax credits” reflects the impact of not recognising the tax effects of the losses generated by certain subsidiaries.

The reconciliation between pre-tax carrying results and the tax results is shown below:

	2018	2017
Consolidated profit before tax	241,345	156,622
Permanent differences	(35,901)	94,214
Temporary differences	(35,400)	(228,160)
Offsetting of tax-loss carryforwards	(143,478)	(66,673)
Taxable base	**26,566**	**(43,997)**

"Permanent differences" include income and expenses that are not computable under applicable tax laws. Additionally, it also incorporates those results that are subject to elimination in the consolidation process but which are nevertheless fully tax-effective in the individual tax settlements of the corresponding Group entities, especially those that do not form part of a tax group.

Timing differences for 2017 include the deduction by the tax group in Spain of approximately €111 million in excess of the net non-deductible finance expense for 2016, and movement in non-deductible provisions and impairment and their corresponding reversals of approximately €32 million, together with adjustments for unrestricted and accelerated tax amortization of approximately €-40 million.

Consolidated foreign companies calculated the corporate income tax expense in accordance with the laws in their countries. For Spanish companies that are governed by special regional laws, the particular characteristics of those laws are taken into account when calculating the corporate tax expense.

Taxes recognised in equity

Aside from the taxes on profits recognised in the consolidated income statement, in financial years 2018 and 2017 the Group recorded the following items and amounts in consolidated equity:

	Thousands of euros	
	2018	**2017**
Translation differences for the year	--	10,770
Changes in the fair value of financial instruments	(15,909)	(18,428)
Profit/(loss) for the year	56	(39)
Total	**(15,853)**	**(7,697)**

Deferred tax assets and liabilities

Pursuant to the tax codes in the different countries where the consolidated companies are located, certain timing differences arose in financial years 2018 and 2017 which must be considered when calculating the corporate income tax.

The origins of the deferred taxes recorded in both years are shown below:

	Thousands of euros	
Deferred taxes receivable arising from:	**2018**	**2017**
Tax loss carryforwards	144,588	182,710
Derivative financial instruments	11,213	27,396
Gains (losses) on foreign exchange	--	--
Impairment and other provisions	68,655	64,763
Other items	53,350	73,004
Total deferred taxes receivable	**277,806**	**347,873**

	Thousands of euros	
Deferred taxes payable arising from:	**2018**	**2017**
Derivative financial instruments	5,489	5,764
Free and accelerated amortization	205,294	195,073
Finance leases	2,444	3,162
Gains (losses) on foreign exchange	--	--
Assignment of first consolidation differences to assets	121,064	116,659
Other items	89,782	109,727
Total deferred taxes payable	**424,073**	**430,385**

Set out below is an analysis of deferred taxes, which are shown net of accounting effects at the financial year end:

Assets	**2018**	**Liabilities**	**2018**
Tax loss carryforwards	75,241	Other items	111,337
Other items	36,096		
Deferred taxes receivable	**111,337**	**Deferred taxes payable**	**111,337**

At the 2018 year end, the maturity dates of the tax credits arising from tax loss carryforwards pending application were as follows in thousands of euros:

Amount	**Expiration**
107,517	2023-2028
17,223	2031-2032
95,089	No statute of limitations
219,829	

The Corporate Tax Law 27/2014 of 27 November eliminated, effective on 1 January 2015, the 18-year deadline for offsetting tax losses, making the deadline indefinite.

Of this amount, €179,284 thousands relates to tax credits recorded in the USA, Mexico, South Africa and Australia, mainly as a result of the application in these countries of accelerated amortization benefits provided for in the corresponding legislation.

At the end of the year there were to significant deductions pending application that had not been capitalised.

Regarding the tax loss carryforwards and deductions pending compensation shown on the books, the Group hopes to recover them in the course of the company's ordinary operations without any risk to equity.

Reporting obligations

The laws in force on corporate income tax establish different tax incentives designed to foster certain investments. The companies have taken advantage of the tax incentives provided for in those laws.

The Group, through some of its subsidiaries, is obliged to comply with commitments made in relation to tax incentives, and in particular with the permanence requirements for assets subject to investment or reinvestment deductions.

As established in article 86.3 of Law 27/2014 TRLIS, the information required for the transactions carried out in prior years is contained in the approved individual reports.

In 2008, 2009, 2010, 2011 and 2012, various investee companies took deductions for impairment losses on the capital investment in Group companies, joint ventures and associates as provided for in article 12.3 of LRD 4/2004 (revised text of the Corporate Tax Law), regulated in the Sixteenth Transitory Provision of Law 27/2014.

Law 16/2013 of 29 October repealed Article 12.3 TRLIS, effective on 1 January 2013, vis-a-vis the deduction of impairment losses on these holding and established a transitional period of the inclusion of pending losses as of 31/12/2012 into the tax base.

Royal Decree Law 3/2016 of 2 December adopting tax measures aimed at consolidating public finances and other urgent social measures, establishes a minimum mandatory reversal of deductible portfolio impairments, which must be carried out within a maximum of five years, effective from 2016 onward.

The reports on the individual annual accounts of these companies include the information required by tax legislation regarding the difference in the year between the equity of the investees, the amounts included in the tax base and the amounts that are still pending.

21.- Non-current assets and liabilities held for sale

In 2017 the Group classified all assets and liabilities associated with the Acciona Termosolar subgroup under "Non-current assets and liabilities held for sale". The subgroup was sold in 2018. In May 2018 the condition precedent corresponding to the sale of 100% of the share capital of Acciona Termosolar, S.L. to Contourglobal Mirror 2 S.A.R.L. was met and at 31 December 2018 a gain of €26 million was recorded under "Impairment and gains on disposal of fixed assets" in the income statement (see note 3).

At 31 December 2018 there are no assets which are classified as held for sale.

22.- Guarantees to third parties

The companies have provided third party guarantees to customers, public bodies and financial institutions, amounting to €530 million at 31 December 2018. The amount of the guarantees provided at 31 December 2017 was €476 million.

Similarly, certain Group companies, along with other Acciona Group companies, are joint and several guarantors for a total of €139 million. The purpose of this instrument is to guarantee possible claims arising from litigation between various subsidiaries of Group Acciona Energía Internacional by Solargenix, LLC, as discussed in note 13.

Similarly, certain Group companies along with other Acciona Group companies act as joint and several guarantors with the European Investment Bank for a total of €100 million. The purpose of this instrument is to guarantee the loan extended by the bank to Acciona, S.A. to finance a project comprising multiple parts of the R&D&I programme called the "Acciona RDI Project".

Most of the bonds are used to guarantee the satisfactory performance of the member companies' business activities. The directors of the parent company have determined that any liabilities arising in connection with these bonds would not be significant.

The Parent Company's direct and indirect holdings in certain companies are used to guarantee the loans and credit lines extended by the financial institutions to these companies.

23.- Turnover

Turnover

The details of the Group's revenues are given below:

	Thousands of euros	
	2018	**2017**
Sales		
Energy	1,368,380	1,303,268
Plant and equipment	264,819	1,976
Biofuels	3,048	2,795
Other sales	510,630	385,268
Services rendered	58,369	42,595
Total turnover	**2,205,246**	**1,735,902**

The breakdown of the Group companies total production, by geographical area, expressed in thousands of euros, is as follows:

	Spain	European Union	OECD Countries	Other countries	Total
2018					
Sales	1,246,079	147,562	652,368	100,867	2,146,877
Services rendered	45,318	975	12,354	(278)	58,369
2018 total production	**1,291,397**	**148,537**	**664,722**	**100,589**	**2,205,246**
2017					
Sales	1,202,181	88,935	307,280	94,910	1,693,306
Services rendered	31,797	1,261	9,803	-265	42,596
2017 total production	**1,233,978**	**90,196**	**317,083**	**94,645**	**1,735,902**

Other income

This caption on the consolidated income statement for the year mainly comprises income from work carried out by certain Group companies for fixed assets in the construction of wind farms which were commissioned during the year (see note 3.2.a). These were mainly wind projects developed in Mexico, Chile, the USA, Australia and Spain. The amount recorded for this item in 2018 was €194,359 thousands (€347,346 thousands in 2017).

Also included under this heading are the capital grants released to the income statement in 2018 in the amount of €6,565 thousands (see note 19) and in 2017 in the amount of €7,978 thousands.

24.- Expenses

Operating expenses

The breakdown of the Group's operating expenses is as follows:

	2018	2017
Supplies	1,045,672	799,687
Purchasing	1,039,852	805,735
Changes in inventories	5,820	(6,048)
Staff expenses	115,758	114,613
Wages and salaries	93,040	93,597
Social Security contributions	14,596	14,684
Other personnel costs	8,122	6,332
External services	394,063	350,475
Taxes	118,739	118,204
Other operating expenses	961	3,032
Subtotal	**1,675,193**	**1,386,011**
Change in provisions	1,666	29,706
Amortization funding	384,065	401,014
Total	**2,060,924**	**1,816,731**

Human Resources

The average number of people employed in 2018 and 2017, by professional category, was as follows:

	2018			2017		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and managers	262	65	327	260	60	320
Technical staff with degrees	561	248	809	524	236	760
Administrative and support staff	13	70	83	11	74	85
Other personnel	318	50	368	415	51	466
Average total staff	**1,154**	**433**	**1,587**	**1,210**	**421**	**1,631**

Of the average number of staff in 2018, there were 1,533 permanent employees (1,579 in 2017) of which 1,117 were men and 415 were women (1,173 and 406, respectively, in 2017).

At 31 December 2018, the average number of people employed during the year by consolidated companies who had a disability greater than or equal to 33% was 26 (direct and indirect employment). The level of compliance with Law 13/1982 of 7 April on the Social Integration of the Disabled (LISMI), which establishes that in companies with more than 50 employees at least 2% of the employees must be disabled, was 3.34%.

External services

The breakdown of this balance sheet heading on the consolidated income statement is as follows, in thousands of euros:

	2018	2017
Repairs and maintenance	137,903	120,130
Leases and royalties	78,862	72,338
Professional services	64,155	52,284
Insurance premiums	17,368	13,754
Supplies	11,837	13,652
Other expenses	83,938	78,317
Total	**394,063**	**350,475**

Operating leases

At 31 December 2018, the Group does not have any individually significant assets under lease. In 2018, the expense recorded under "Other external expenses" on the enclosed consolidated income statement relates to numerous lease contracts for various types of assets, including most notably vehicles, land and machinery. A large number of these contracts have short terms and their consideration is established on the basis of parameters with a large variable component such as Mw/hour, etc.

Minimum payments and committed instalments for operating leases are as follows, in thousands of euros:

Estimated maturity	2018
Less than one year	76,438
1-5 years	184,479
>5 years	272,244
Total committed payments	**533,161**

Change in provisions

The breakdown of this balance sheet heading on the consolidated income statement is as follows, in thousands of euros:

	2018	2017
Change in bad debt provision	1,386	8,660
Change in inventories provisions	1,318	2,142
Other provisions	(1,038)	18,904
Change in provisions	**1,666**	**29,706**

Asset impairment

The details of this caption on the 2018 and 2017 income statements are as follows:

	2018	2017
Impairment of other assets (notes 4 and 5)	(215)	547
Total	**(215)**	**547**

Proceeds from the disposal of non-current assets

The profit recorded under this caption in 2018 relates mainly to the sale of the Acciona Termosolar subgroup (see note 2.3.h).

The profit recorded under this caption in 2017 relates mainly to the sale of certain domestic wind rights during the year.

Income from changes in the value of financial instruments at fair value

At 31 December 2018 and 2017, this caption mainly reflects the result of changes in the fair value of three energy sales contracts entered into by Group subsidiaries in the United States and Chile to supply a certain amount of energy at a fixed price in the long term.

25.- Financial income and expenses

The breakdown of these items on the consolidated income statement for financial years 2018 and 2017, by origin of the items, is as follows:

	2018	2017
Income and other securities and loans	4,011	1,445
Other financial revenue	4,448	4,078
Total financial income	**8,459**	**5,523**
Payable to third parties	(108,430)	(114,740)
Inefficiency of derivatives	(418)	(447)
Capitalised financial costs (note 4)	6,861	4,519
Other finance costs	(150,597)	(162,534)
Total financial expenses	**(252,584)**	**(273,202)**

The amount deducted from equity in 2018 and 2017 and included under financial expenses on debts to third parties for periodic settlements of hedging derivatives of fully consolidated companies is recognised as an increase in financing costs of €18,658 thousands in 2018 and €25,520 thousands in 2017.

26.- Proposed distribution of profit (loss)

The distribution of 2018 and 2017 profits that the Directors of Corporación Acciona Energías Renovables, S.L. Unipersonal will propose to the Sole Shareholder for approval is as follows (in thousands of euros):

	2018	2017
Available for distribution	84,731	14,317
Legal reserve	(8,473)	(1,432)
To prior-year losses	--	(12,885)
Interim dividend	(76,258)	--
Total distribution	**84,731**	**14,317**

27.- Environmental disclosures

The Group, in keeping with the strategy of the Acciona Group and its environmental policies, participates in actions and projects related to environmental management. In addition to the costs initially incurred by the Group when installing its wind farms and other production facilities, in terms of environmental actions in 2018 and 2017 the Group incurred expenses of €5,025 thousands and €2,566 thousands, respectively, in relation to environmental aspects, primarily studies and the cost of monitoring and tracking environmental programmes.

In 2018 and 2017, Group companies did not take any measures vis-a-vis their property, plant and equipment specifically aimed at protecting and improving the environment.

At 31 December 2018 and 2017, the Group was not involved in any significant litigation or disputes with regard to environmental protection for which the proper provisions had not be set up. The Directors of the parent company do not believe that additional environmental contingencies of any consequence are possible. The Directors do not believe there are any liabilities that are not duly covered in the Parent Company's liability insurance policies which could have a significant impact on the consolidated annual accounts.

28.- Earnings per share

Diluted earnings per share is same as basic earnings per share, as detailed below:

	2018	2017
Net result for the year (thousands of euros)	134,094	76,754
Weighted average number of shares in circulation	329,250,589	329,250,589
Basic earnings per share (euro/share)	**0.4**	**0.2**

29.- Subsequent events

There were no events subsequent to the closing date of which could have a significant effect on the Group's consolidated annual accounts at 31 December 2018 or its present or future activities.

30.- Related-party transactions

The transactions between the Parent Company and its related party subsidiaries which are part of the normal course of their operations in terms of their aims and conditions were eliminated in the consolidation process, as indicated previously in this report, and are therefore not disclosed in this note. Transactions with associates, with the Sole Shareholder and with other consolidated companies of the Acciona Group are disclosed below.

Transactions with associates

At 31 December 2018 and 2017, the debit and credit balances with associates are as follows:

	Receivables / income		Payables/expense	
	2018	2017	2018	2017
Trade receivables (see note 11)	35,398	21,144	--	--
Payables to associates (see note 8)	20,338	20,311	--	--
Trade and other accounts payable	--	--	25,018	26,921
Income and expense	38,650	35,483	6,294	6,355

These transactions are carried out at market prices and refer primarily to construction services rendered and to the maintenance and management of wind farms by companies of the Group Corporación Acciona Energías Renovables, S.L.

Transactions with Acciona Group companies

At 31 December 2018 and 2017, the debit and credit balances with subsidiaries of the Acciona Group that are consolidated at a higher level are as follows (not counting those carried out with the Sole Shareholder, which are disclosed in the next note):

	Receivables / income		Payables/expense	
	2018	2017	2018	2017
Trade receivables	20,414	14,967	--	--
Trade and other accounts payable	--	--	45,101	34,084
Credit facilities and loans	133,398	26,611	2,580,685	3,175,940
Operating and expenses	42,010	37,479	125,614	231,662
Financial income and expense	2,890	294	133,844	143,392

At 31 December 2018 the receivable balances refer mainly to balances held with Acciona Agua Group companies under electricity supply contracts and with other Acciona Group companies for the sale of spare parts for the maintenance of various renewable power production plants.

Trade payables refer to transactions with Acciona Group companies in relation to the construction and acquisition of assets for the development, start-up and performance of maintenance contracts for the various renewable power production plants.

These transactions were carried out at arm's length.

Credit balances for financial loans mainly include loans form member companies of the Acciona Group, particularly Acciona Financiación Filiales, S.A.U., by executing a series of short-term reciprocal credit agreements (cash pooling) and the loan agreement described in note 18. These loans are subject to interest rates tied to the Euribor and a differential.

Transactions with the sole shareholder

At 31 December 2018 and 2017, the balances and transactions with Acciona, S.A., sole shareholder of the Group's parent company, are as follows:

	Receivables / income		Payables/expense	
	2018	2017	2018	2017
Trade receivables	--	--	--	--
Trade payables	699	80	91,346	15,741
Credit facilities/loans with the sole shareholder	47	47	--	--
Tax consolidation balances	285,944	424,227	14,721	13,148
Operating and expenses	121	195	22,917	21,410
Financial income and expense	--	--	--	--

At 31 December 2018, Corporación Acciona Energías Renovables, S.L. had recorded an interim dividend of €76,258 thousands payable to the Sole Shareholder, Acciona S.A. This dividend will be paid in 2019.

These transactions were carried out at market prices and refer, for the most part, to debit and credit balances that exist as a result of belonging to the same tax group headed up by Acciona, S.A.

The credit balances include the amounts invoiced by Acciona, S.A. for management support services provided to the Group.

Transactions with other related parties

	Receivables / income		Payables/expense	
	2018	2017	2018	2017
Credit facilities and loans	--	--	377,515	407,852
Financial income and expense	--	--	16,738	19,147

The balance payable to other related parties at 31 December 2018 includes financial contributions made by other partners with a non-controlling interests in Group projects and facilities.

Transactions with directors and officers

In addition to subsidiaries, associates and jointly-controlled companies, certain “key personnel” (members of the Board of Directors and other directors and officers and their immediate families) are also considered related parties, as are the companies controlled by key management personnel or over which they have significant influence.

Related-party transactions are carried out under the same market conditions as any other ordinary commercial transactions that take place as part of the Group's ordinary business operations.

In 2018 and 2017, there were no transactions between the Group and related parties (significant shareholders, members of the Board of Directors and other related parties).

31.- Salaries and employee benefits

A. Board of Directors and Senior Management

No remuneration of any kind was paid to members of the Board of Directors of the Parent Company or the boards of the member companies of the Group in 2018.

The Group has no obligations to the members of the Board of Directors in respect of pension plans, life insurance premiums or equity instrument based payments. Premiums for directors' liability insurance are paid by the Sole Shareholder, Acciona, S.A. No advances, loans or guarantees were extended to members of the governing body.

The compensation paid to the Managing Directors of the Group and persons performing similar functions in 2018 and 2017 is summarised below:

Compensation item	2018	2017
Number of people	4	4
Compensation (thousands of euros)	2,102	2,015

In addition, in 2018 and 2017, certain Group companies have paid personnel affected by the variable remuneration plan, which has resulted in additional remuneration of Euros €564 thousands and €550 thousands for the Group's general managers, respectively.

The details of employees of Corporación Acciona Energías Renovables, S.L. who held senior management positions in 2018 and 2017 are as follows:

FY 2018:

Name	Position
Rafael Mateo Alcalá	Managing Director, Acciona Energía Division
Joaquín Javier Ancín Viguiristi	Managing Director, Engineering and Construction Area, Acciona Energía
Joaquín Castillo García	Managing Director of Development, Acciona Energía
Juan Otazu Aguerri	Managing Director of Production, Acciona Energía

FY 2017:

Name	Position
Rafael Mateo Alcalá	Managing Director, Acciona Energía Division
Joaquín Javier Ancín Viguiristi	Managing Director, Engineering and Construction Area, Acciona Energía
Joaquín Castillo García	Managing Director of Development, Acciona Energía
Juan Otazu Aguerri	Managing Director of Production, Acciona Energía

The following resolution was adopted at the Annual General Meeting of Shareholders of Acciona, S.A. on 24 June 2014:

A) To extend the term of the Stock Option Plan for executives of the Acciona group, including the executive directors, approved at the General Shareholders' Meeting of Acciona, S.A. on 4 June 2009, for application in financial years 2014 through 2020, increasing the maximum number of shares available by 200,000.

B) To authorise the Company's Board of Directors to amend the Plan's rules as broadly as required by law and upon the recommendation of the Appointments and Remunerations Committee, establishing the conditions and deadlines for delivery, accrual periods, allocation criteria and limits and any other aspect it considers relevant in order to bring the long-term interests of the executive directors and executives of the Acciona Group more in line with those of the shareholders of Acciona, S.A., to motivate them to achieve greater long-term value and stability for the Group and to consolidate their loyalty and continuation with the Group.

Under the terms of this authorisation, on 26 February 2015 the Board of Directors, on the recommendation of the Appointments and Remunerations Committee, approved the modification of the Plan's rules, formulating a new set of rules which will be valid for the six-year period from 2014 to 2019.

The most salient features are as follows:

Purpose of the Plan: The aim of the 2014 Plan for the delivery of shares and performance shares is to compensate the management of Acciona and its group, including Acciona's executive directors, in a way that encourages the achievement of strategic business objectives for the benefit of Acciona's shareholders as well as executive loyalty and retention.

Strategic indicators and objectives to be met: Objectives will be met in accordance with the strategic business indicators. These have been defined by the Board of Directors for the 2014-2019 financial years.

Beneficiaries of the Plan:

Executive Directors:

Reference period: The reference period for the strategic business indicators is the six-year period from 2014 to 2019, although for the allocation of "performance shares" the entire period from the beginning of the 2014 Plan to the end of the previous financial year will be considered.

Assignment of "performance shares": At the end of each financial year, the Board of Directors will assess the progress made in achieving the long-term strategic goals up to that time.

The definitive allocation of treasury stock to executive directors will be carried out (a) at the end of the 2014 Plan (in 2020), considering the assessment of the entire period from 2014 to 2019; and (b) on an interim basis, at the end of the first half of the Plan period, in 2017, based on the assessment of the first three years.

Continuation: In accordance with the Plan rules, the definitive delivery of the shares to executive directors is contingent upon the executive director not having been removed from his or her position as a senior executive Acciona and/or the Group for reasons attributable to the director.

Under no circumstances may the number of shares assigned in this way, taken together with the other shares assigned under the 2014 Plan, exceed the maximum number available as approved at the General Shareholders' Meeting.

The specific date for the delivery of shares will be determined by the Board of Directors or its delegated bodies and, in any case, will take place following the General Shareholders' Meeting for the year in which the shares are to be delivered. The delivery of the 20% of the shares that executive directors are entitled to receive will be subject to a deferral period of at least one (1) year. In addition to the continuation of the executive director in his/her post, as set out in the rules, the accrual will also be contingent upon the fact that during the deferral period no evidence comes to light which, in the opinion of the Board of Directors, on the recommendation of the Appointments and Remuneration Committee and the advice of the external auditors, would result in a material reformulation of the consolidated annual accounts of the Acciona Group, except where this is appropriate pursuant to a change in accounting regulations.

Shares delivered in 2017 are subject to a buyback option in favour of Acciona: Treasury shares assigned to executive directors in 2017 (in connection with financial years 2014, 2015 and 2016) will be subject to a buy-back right in favour of Acciona which may be exercised if the executive director who acquired the shares in this way ceases to be a senior executive of Acciona and its Group before 31 March 2020 as a result of a breach of his or her contractual obligations or resignation at his or her own discretion.

Group Management

For other beneficiaries who are not executive directors, the Board of Directors, upon the recommendations of the Appointments and Remunerations Committee, shall approve the individual bonuses to be paid in the form of Acciona shares, for each year and to each one of the beneficiaries of the 2014 Plan other than executive directors.

The bonus may calculate as a number of shares or a particular cash value. In the latter case, it will be specified in terms of the number of shares based on the closing price on the last trading day in March of the year in which the Board of Directors decides on the bonus. Under no circumstances may the number of shares assigned in this way, together with the other shares assigned under the 2014 Plan, exceed the maximum number approved at the General Shareholders Meeting.

Treasury shares assigned to these beneficiaries are subject to a buy-back right in favour of Acciona which may be exercised if the beneficiary who acquired the shares in this way ceases to work for Acciona or the Group before 31 March of the third year after the shares were received by the beneficiary for a reason ascribable to him or her. The Board of Directors may include a small group of executives in the system for assigning “performance shares” and/or shares reserved for executive directors with certain modifications regarding provisions allocation, taxation, targets, interim milestones and delivery dates on the recommendation of the Appointments and Remunerations Committee, in order to strengthen their motivation to build greater long-term value and stability for the Group and the reinforce their loyalty and continuation in the Group.

The 2014 Plan does not include the possibility of selling the delivered shares to pay the taxes owed by the beneficiary as a result of receiving the shares. The tax cost arising from the income obtained under the 2014 Plan will not be passed on to the beneficiaries. The Company will assume the income tax payable by the beneficiary on this income, up to the established limits.

Number of shares available under the Plan:

The maximum number of shares that can be allocated to beneficiaries under the 2014 Plan was initially set at 258,035, although this number may be increased by resolution of the General Shareholders' Meeting.

In this regard, at the General Meeting of Shareholders held on 11 June 2015, 10 May 2016, 18 May 2017 and 30 May 2018, it was agreed to increase the maximum number of shares available under the "2014-2019 Share and Performance Shares Plan" by 100,000 shares for each of those years, without prejudice to subsequent increases on the recommendation of the Board of Directors with the approval of the General Shareholders' Meeting.

At the end of 2018, the maximum number of shares that can be assigned under the Plan is 405,823, after having delivering, in 2018, 38,742 to non-executive directors and 8,675 shares to executive directors, which are the shares whose delivery was deferred in 2017. The above notwithstanding, 17,350 of the 26,025 shares assigned in 2017 are still pending delivery since their delivery was deferred on a straight-line basis for a period of three years under the Plan rules.

Beneficiaries:

The annual number of beneficiaries may not exceed 100.

Plan to replace bonuses with shares

On 26 March 2015, the Board of Directors of Acciona, S.A., on the recommendation of the Appointments and Remuneration Committee, given the limited number of beneficiaries under the previous Plan, approved the “Bonus Compensation Replacement Plan for Acciona shares for the management of Acciona and its group" (the Replacement Plan), the characteristics of which are as follows:

Purpose: To effectively retain and incentivise the management team members and achieve greater alignment of their interests with those of the Company and its Group.

Initial term: Six years (2014 to 2019)

Object: To offer certain executives of Acciona and its Group, at their discretion, the option of replacing or exchanging some or all of their cash bonus compensation for Company shares, in accordance with an exchange ratio to be determined each year. In 2015, 2016 and 2017, the approved exchange ratio comes with a 25% incentive on the replaced cash bonus.

Beneficiaries: The executives freely proposed by the Board of Directors of Acciona, S.A. Executive directors are excluded from this Plan.

Restrictions on the delivered shares: Generally speaking, the delivered shares may not be (a) sold, encumbered or disposed of (except in the event of *causa mortis*), or (b) the object of any rights or options or limitations on ownership until 31 March of the third year after the year in which the Beneficiary received the shares.

Treasury shares delivered to these Beneficiaries as part of the incentive, but not the part of which represents the compensation replaced in accordance with the amendment approved on 29 February 2016 by the Board of Directors, are subject to a right of repurchase in favour of ACCIONA that may be exercised if the Beneficiary ceases to work for ACCIONA or its Group before 31 March of the third year following that in which the shares were delivered for reasons attributable to the Beneficiary.

The price of the Acciona shares to be used as a reference to determine the exchange ratio will be the closing price on the last trading day of March of the year in which the Board of Directors agrees to the replacement option.

Shareholders' Plan

On 28 February 2017, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, with the aim of encouraging participation in the company's shareholding structure, approved a new Plan that allows the redistribution of part of the fixed and/or variable compensation, up to a limit of €12,000 per year, to be replaced with Company shares, in accordance with the current regulatory framework, which favours this type of plan from a tax perspective.

This is a completely voluntary plan that offers all employees with their tax residence in Spain the possibility of participating in the company's profits by becoming a shareholder. This Plan does not apply to executive directors as their relationship is of a commercial rather than an employment nature. The value of the shares was the closing price on 29 March 2018.

Finally, under the **Share Delivery/Performance Shares Plan,** the number of shares delivered to non-executive Beneficiaries for their dedication and performance in 2018, was 44, was 38,742 shares with an appraised fair value of €2,505 thousands.

As the accrual basis for this Plan is three years. one-third of the fair value cited above is recognised under "Staff expenses" on the enclosed income statement at 31 December. The remaining two-thirds will be carried to the income statement in 2019 and 2020.

B. Auditors

In 2018, fees for auditing and other services provided by the auditor of the Group's consolidated annual accounts, KPMG Auditores, S.L., and by companies belonging to the KPMG network, as well as fees for services invoiced by the auditors of the consolidated annual accounts of consolidated companies and entities controlled, jointly owned or managed by them, were as follows, in thousands of euros:

	Services rendered by the main auditor		Services rendered by other auditing firms	
	2018	**2017**	**2018**	**2017**
Audit	1,369	1,530	57	39
Other verification services	89	84	14	51
Total auditing and related services	**1,458**	**1,614**	**71**	**90**
Tax advisory services	66	406	659	361
Other services	999	514	265	681
Total professional services	**2,523**	**2,534**	**995**	**1,132**

32.- Other disclosures regarding directors

According to the terms of article 229 of Legislative Royal Decree 1/2010 of 2 July which approved the Revised Text of the Capital Companies Act, at 31 December 2018, the information available to the Company and reported by the Directors and persons related to them shows that there are no direct or indirect conflicts of interest.

33.- Weighted average days to pay suppliers

The information required under the third additional provision of Law 31/2014 of 3 December is detailed below, prepared in accordance with the terms of the Resolution of the Accounting and Audit Institute dated 29 January 2016: This information refers to Spain only, which is the geographical scope of application of the law:

Payments made and payments outstanding at the end of the financial year	2018	2017
	Days	**Days**
Average days to pay suppliers	20.20	22.24
Ratio of payments made	19.43	21.41
Ratio of payments pending	34.28	34.76
	Amount (in thousands of euros)	**Amount (in thousands of euros)**
Total payments made	1,576,683	1,365,212
Total payments pending	86,059	90,201

The "weighted average days to pay suppliers" is understood as the amount of time that elapses between the delivery of the goods or services and the payment date.

The "weighted average days to pay suppliers" is calculated as a quotient in which the numerator is the ratio of paid transactions to the total amount of the payments made plus the ratio of transactions pending payment to the total amount of pending payments and the denominator is the sum of the total payments made and the total payments pending.

The ratio of paid transactions is calculated as a quotient where the numerator is the sum of the products corresponding to the amounts paid times the number of days to pay (calendar days elapsed from the initial date to the actual payment date) and the denominator is the total amount of the payments made.

The ratio of pending transactions is calculated as a quotient where the numerator is the sum of the products corresponding to the amounts paid times the number of days during which the payment is pending (calendar days elapsed from the initial date to the closing date of the annual accounts) and the denominator is the total amount of pending payments.

ANNEX I

GROUP COMPANIES

The subsidiaries of Corporación Acciona Energías Renovables, S.L. considered as a Group are configured as such according to IFRS-EU. The fully consolidated companies in 2018 and related information for the year ended 31 December 2018 are as follows (in thousands of euros):

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
3240934 Nova Scotia Company	--	Canada	Wind power	100	Acciona Renewable Energy Canada Gp Holdings Inc	440
Acciona Amherst GP, Inc	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Aulac GP Inc.	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Biocombustibles, S.A.U.	--	Navarra	Holding company	100	Acciona Energía, S.A.U.	--
Acciona Biomasa, S.L.U.	--	Navarra	Holding company	100	Acciona Energía, S.A.U.	8,003
Acciona Energía Atlanta I, S.L.	--	Madrid	Wind power	100	Acciona Energía Internacional, S.A.	3
Acciona Energía Atlanta II, S.L.	--	Madrid	Wind power	100	Acciona Energía Internacional, S.A.	3
Acciona Energía Atlanta III, S.L.	--	Madrid	Wind power	100	Acciona Energía Internacional, S.A.	3
Acciona Energía Chile Holdings, S.A.	A)	Chile	Energy	100	Acciona Energía Chile, S.A.	126
Acciona Energía Chile, S.A.	A)	Chile	Wind power	100	Acciona Energía Global, S.L.U.	37
Acciona Energía Costa Rica, S.A.	A)	Costa Rica	Wind power	100	Acciona Energía Global, S.L.U.	479
Acciona Energia Global Italia, S.R.L.	A)	Italy	Wind power	100	Acciona Energía Global, S.L.U.	3,347
Acciona Energía Global, S.L.U.	A)	Madrid	Other business	100	Acciona Energía, S.A.U.	90,038
Acciona Energía Internacional, S.L.U.	A)	Madrid	Holding company	100	Acciona Energía, S.A.U.	167,948
Acciona Energía Inversiones Corea, S.L.U.	--	Navarra	Holding company	100	Acciona Energía Global, S.L.U.	--
Acciona Energía México Global, LLC	A)	Mexico	Wind power	100	Acciona Energía Global, S.L.U.	16,659
Acciona Energía México, S.R.L.	A)	Mexico	Wind power	100	Acciona Energía Internacional, S.A.	4,950
Acciona Energía Servicios de México, S. de RL de C.V.	A)	Mexico	Energy	100	Acciona Energía México Global, LLC	4,119
Acciona Energía, S.A.U.	A)	Navarra	Energy	100	Corporación Acciona Energías Renovables, S.L.U.	1,103,024
Acciona Energija, D.o.o.	--	Croatia	Wind power	100	Acciona Energía Global, S.L.	--
Acciona Energy Australia Global, Pty. Ltd	A)	Australia	Wind power	100	Acciona Energía Global, S.L.U.	7,754
Acciona Energy Canada Global Corp.	--	Canada	Wind power	100	Acciona Energía Global, S.L.U.	2,267
Acciona Energy Development Canada Inc	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Energy Global Poland, Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energía Global, S.L.U.	716
Acciona Energy India Private, Ltd	A)	India	Wind power	100	Acciona Energía Global, S.L.U.	8,355
Acciona Energy North America Corp.	A)	USA	Wind power	100	Acciona Energía Internacional, S.A.	--
Acciona Energy Oceania Constrution, Pty. Ltd	A)	Australia	Energy	100	Acciona Energy Australia Global, Pty. Ltd	1,029
Acciona Energy Oceania Financial Services, PYL, Ltd.	A)	Australia	Other business	100	Acciona Energy Australia Global, Pty. Ltd	31
Acciona Energy Oceania Pty. Ltd	A)	Australia	Wind power	100	Acciona Energía Internacional, S.A.	154,096
Acciona Energy Poland Maintenance Services, Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energy Global Poland SP. Z.O.O.	24
Acciona Energy Poland, Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energía Internacional, S.A.	52,448

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Acciona Energy South Africa (Propietary) Ltd	A)	South Africa	Wind power	100	Acciona Energía Internacional, S.A.	52,275
Acciona Energy South Africa Global (Propietary) Ltd	A)	South Africa	Wind power	100	Acciona Energía Global, S.L.U.	27
Acciona Energy USA Global, LLC	A)	USA	Wind power	100	Acciona Energía Global, S.L.U.	139,536
Acciona Eólica Calabria, S.R.L.	--	Italy	Wind power	100	Acciona Energia Global Italia, S.R.L.	2,723
Acciona Eólica Cesa Italia, S.R.L.	A)	Italy	Holding company	100	Acciona Energía Internacional, S.A.	30,857
Acciona Eólica Cesa, S.L.	--	Madrid	Holding company	100	Ceatesalas, S.L.U. Energías Renovables de Barazar, S.L.U.	93,938
Acciona Eólica de Castilla La Mancha, S.L.U.	A)	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S.A.U.	100
Acciona Eólica de Galicia, S.A.U.	A)	Lugo	Wind power	100	Corporación Acciona Energías Renovables, S.L.U.	17,389
Acciona Eólica Levante, S.L.U.	A)	Valencia	Wind power	100	Alabe Sociedad de Cogeneración, S.A.U.	19,314
Acciona Eólica Portugal Unipessonal, Lda.	A)	Portugal	Wind power	100	Acciona Energía Internacional, S.A.	36,684
Acciona Eólica Santa Cruz, S. de R.L. de C.V.	--	Mexico	Wind power	100	Acciona Energía México Global, LLC	2,248
Acciona EPC North America LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	13
Acciona Global Renewables, S.A.	--	Madrid	Holding company	67	Acciona Energía, S.A.U.	40
Acciona Green Energy Developments, S.L.U.	A)	Madrid	Commercialisation	100	Acciona Energía, S.A.U.	26,000
Acciona Lameque, GP Inc.	--	Canada	Wind power	100	Acciona Wind Energy Canada Inc.	--
Acciona Portugal II – Energia Global, LDA	--	Portugal	Wind power	100	Acciona Energía Global, S.L.U.	1
Acciona Renewable Energy Canada Gp Holdings Inc	--	Canada	Wind power	100	Acciona Renewable Energy Canada Hold. LLC	3,949
Acciona Renewable Energy Canada Holdings, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	450
Acciona Saltos de Agua, S.L.U.	A)	Madrid	Hydraulic power	100	Corporación Acciona Energías Renovables, S.L.U.	60,000
Acciona Solar Energy, LLC	--	USA	Thermosolar	100	Acciona Energy North America Corp.	43,461
Acciona Solar Holdings Pty. Ltd.	--	Australia	Solar power	100	Acciona Energía Global, S.L.U.	--
Acciona Solar Power, Inc.	--	USA	Thermosolar	100	Acciona Energy USA Global, LLC	6,473
Acciona Solar Pty. Ltd.	--	Australia	Solar power	100	Acciona Solar Holdings Pty. Ltd.	--
Acciona Solar, S.A.	--	Navarra	Solar power	75	Acciona Energía, S.A.U.	860
Acciona Suministradora México, S. de R.L. de C.V.	--	Mexico	Commercialisation	100	Acciona Green Energy Development, S.L.	--
Acciona Wind Energy Canada Inc.	--	Canada	Wind power	100	Acciona Energía Internacional, S.A.	65,002
Acciona Wind Energy Private, Ltd	A)	India	Wind power	100	Acciona Energía Internacional, S.A.	10,088
Acciona Wind Energy USA, LLC	--	USA	Wind power	100	Acciona Energy North America Corp.	467,314
Aerosite Energy Private Ltd.	A)	India	Wind power	100	Acciona Energía Global, S.L.U.	3,020
Alabe Sociedad de Cogeneración, S.A.U.	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S.L.U.	301
Almeyda Spa	--	Chile	Solar power	100	Acciona Energía Global, S.L.U.	--
Alsubh Solar Energy Holdings, S.A.	--	Madrid	Solar power	100	Acciona Energía Global, S.L.U.	5,611
Amherst Wind Construction LP	--	Canada	Wind power	100	Acciona Energy Development Canada	--
Anchor Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	3,499
Aulac Wind Power Lp	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Biodiesel Caparroso, S.L.U.	--	Navarra	Biofuels	100	Acciona Energía, S.A.U.	11,919

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Biodiesel Sagunt, S.L.U.	--	Navarra	Biofuels	100	Acciona Biocombustibles, S.A.U.	--
Biomasa Alcazar, S.L.U.	--	Madrid	Biomass	100	Acciona Biomasa, S.A.U.	300
Biomasa Briviesca, S.L.U.	A)	Burgos	Biomass	85	Acciona Biomasa, S.A.U.	4,191
Biomasa Miajadas, S.L.	A)	Madrid	Biomass	100	Acciona Biomasa, S.A.U.	20,000
Biomasa Sangüesa, S.L.U.	A)	Navarra	Biomass	100	Acciona Energía, S.A.U.	100
CE Oaxaca II, S. de R.L. de C.V.	A)	Mexico	Wind power	100	Acciona Energía México, S.R.L.	526
CE Oaxaca III, S. de R.L. de C.V.	A)	Mexico	Wind power	100	Acciona Energía México, S.R.L.	--
CE Oaxaca IV, S. de R.L. de C.V.	A)	Mexico	Wind power	100	Acciona Energía México, S.R.L.	437
Ceatesalas, S.L.U.	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S.L.U.	319,529
Ceólica Hispania, S.L.	--	Madrid	Wind power	100	Acciona Eólica Cesa, S.L. Corporación Eólica La Cañada, S.L.U. Ternua Holdings, B.V.	49,404
Cesa Eolo Sicilia, S.R.L.	A)	Italy	Wind power	100	Energía Solare Italia, S.r.l.	3,924
Civerzba, S.L.	A)	Spain	Solar power	100	Acciona Energía Global, S.L.U.	4,307
Compañía Eólica Granadina, S.L.	A)	Granada	Wind power	50	Ceólica Hispania, S.L.	2,990
Consorcio Eólico Chiripa, S.A.	A)	Costa Rica	Wind power	65	Acciona Energía, S.A.U.	--
Corporación Acciona Eólica, S.A.U.	A)	Madrid	Wind power	100	Corporación Acciona Energías Renovables, S.L.U.	245,000
Corporación Acciona Hidráulica, S.A.U.	A)	Madrid	Hydraulic power	100	Corporación Acciona Energías Renovables, S.L.U.	--
Corporación Eólica Catalana, S.L.U.	--	Madrid	Inactive	100	Ceólica Hispania, S.L.	4
Corporación Eólica de Valdivia, S.L.U.	--	Madrid	Wind power	100	Ceólica Hispania, S.L.	5,934
Corporación Eólica La Cañada, S.L.U.	--	Madrid	Holding company	100	Ceatesalas, S.L.U.	1,368
Demsey Ridge Wind Farm, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	139,113
Dymerska Photovoltaic Power Plant-2 LLC		Ukraine	Solar power	100	Dymerska Solar Poland SP. Z.O.O.	864
Dymerska Photovoltaic Power Plant-3 LLC		Ukraine	Solar power	100	Dymerska Solar Poland SP. Z.O.O.	829
Dymerka Solar MMC		Ukraine	Solar power	100	Dymerska Solar Poland SP. Z.O.O.	2,372
Dymerka Solar Poland SP. Z.O.O.		Poland	Holding company	100	Acciona Energy Global Poland SP. Z.O.O.	8,292
Ecoavalon Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecogrove Wind, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	103,614
Ecoleeds Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecomagnolia, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecomont Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecoridge Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecovista Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Efrato ITG, S.A.	A)	Spain	Solar power	100	Acciona Energía Global, S.L.U.	4,307
El Romero, SPA	A)	Chile	Solar power	100	Acciona Energía Global, S.L.U.	34,849
Empordavent, S.L.	A)	Barcelona	Wind power	100	Acciona Energía, S.A.U.	14,206
Empreendimientos Eólicos de Ribadelide, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	5,493
Empreendimientos Eólicos do Verde Horizonte, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	7,871
Energea Servicios y Mantenimiento. S.L.U.	A)	Coruña	Maintenance	100	Terranova Energy Corporation, S.A.U.	3
Energía Renovable del Istmo II SA de CV	A)	Mexico	Wind power	100	Acciona Energía México Global, LLC	14,890

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Energías Alternativas de Teruel, S.A.	--	Teruel	Wind power	51	Acciona Energía, S.A.U.	--
Energías Eólicas de Catalunya, S.A.U.	A)	Barcelona	Wind power	100	Acciona Energía, S.A.U.	6,000
Energías Renovables de Barazar, S.L.U.	--	Madrid	Holding company	100	Ceatesalas, S.L.U.	29,597
Energías Renovables de Ricobayo, S.A.	--	Madrid	Wind power	50	Ceólica Hispania, S.L.	152
Energías Renovables El Abra, S.L.U.	--	Vizcaya	Wind power	100	Ceólica Hispania, S.L.	2,228
Energías Renovables Peñanebina, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	2,679
Eólica de Rubio, S.A.U.	A)	Barcelona	Wind power	100	Acciona Energía, S.A.U.	6,000
Eólica de Zorraquin, S.L.	A)	Madrid	Wind power	66	Acciona Energía, S.A.U.	603
Eólica Villanueva, S.L.	A)	Navarra	Wind power	66.66	Acciona Energía, S.A.U.	1,300
Eólicas do Marao, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	3,105
Eólico Alijar, S.A.	(D)	Seville	Wind power	100	Acciona Energía, S.A.U.	5,491
Eólicos Breogan, S.L.U.	--	Madrid	Wind power	100	Ceólica Hispania, S.L.	7
Estación de Servicio Legarda, S.L.U.	--	Navarra	Biofuels	100	Acciona Biocombustibles, S.A.U.	1,642
Eurus, S,A.P.I de C.V.	A)	Mexico	Wind power	94	Acciona Energía México, S.R.L.	3
Fujin Power Private Ltd.	A)	India	Wind power	100	Acciona Energía Global, S.L.U.	3,020
Generación de Energía Renovable. S.A.U.	--	Alava	Wind power	100	Ceólica Hispania, S.L.	4,528
Gouda Wind Facility (Proprietary) Ltd	A)	South Africa	Wind power	55	Acciona Energy South Africa Pty. Ltd.	8,603
Guadalaviar Consorcio Eolico, S.A.U.	--	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S.A.U.	25
Gunning Wind Energy Developments Pty Ltd	A)	Australia	Wind power	100	Gunning Wind Energy Holdings Pty Ltd	2,466
Gunning Wind Energy Holdings Pty Ltd	A)	Australia	Wind power	100	Acciona Energy Oceanía, Pty. Ltd	2,466
Heartland Windpower, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Hidroeléctrica del Serradó, S.L.U.	--	Barcelona	Hydraulic power	100	Acciona Saltos de Agua, S.A.U.	1,844
Ineuropa de Cogeneracion, S.A.U.	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S.L.U.	--
Infraestructuras Ayora, S.L.	--	Madrid	Wind power	84.72	Guadalaviar Consorcio Eolico Alabe Enerfin, S.A.U.	3
INR Eólica, S.A.U.	--	Seville	Wind power	100	Acciona Energía, S.A.U.	--
KW Tarifa, S.A.U.	--	Madrid	Wind power	100	Corporación Acciona Energías Renovables, S.L.U.	986
Lameque Wind Power Lp	A)	Canada	Wind power	100	Acciona Wind Energy Canada Inc.	14,414
Malgarida I SPA	--	Chile	Solar power	100	Acciona Energía Global, S.L.U.	--
Malgarida II SPA	--	Chile	Solar power	100	Acciona Energía Global, S.L.U.	--
Meltemi, Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energy Poland, Sp Z.o.o.	29,911
Mortlake Soyuth Wind Farm Holdings Pty. Ltd.	--	Australia	Wind power	100	Acciona Energía Global, S.L.U.	--
Mortlake Soyuth Wind Farm Pty. Ltd.	--	Australia	Wind power	100	Mortlake Soyuth Wind Farm Holdings Pty. Ltd.	--
Moura Fabrica Solar, Lda.	A)	Portugal	Solar power	100	Acciona Energía, S.A.U.	2,354
Mt. Gellibrand Wind Farm Holding Pty, Ltd.	A)	Australia	Holding company	100	Acciona Energía Global, S.L.U.	9211
Mt. Gellibrand Wind Farm Pty, Ltd.	A)	Australia	Wind power	100	Mt. Gellibrand Wind Farm holding Pty, Ltd.	9,305
Nevada Solar One, LLC	A)	USA	Thermosolar	100	NVS1 Investment Group, LLC	18,159
Notos Produçao de Energía, Lda	A)	Portugal	Wind power	70	Sistemas Energéticos Sayago, S.L.U.	300
NVS1 Investment Group, LLC	--	USA	Thermosolar	100	Acciona Solar Energy, LLC	18,159

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Pacific Renewable Energy Generation, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Palmas Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	12,293
Parco Eólico Cocullo S.p.A.	A)	Italy	Wind power	100	Energía Solare Italia, S.r.l.	1,994
Parque Eólico da Costa Vicentina, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	8,105
Parque Eolico da Raia, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	2,424
Parque Eólico de Manrique, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	1,971
Parque Eolico de Pracana, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	1,118
Parque Eolico do Outeiro, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	21,724
Parque Eolico dos Fiéis, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	706
Parque Eólico el Chaparro, S.L.U.	--	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S.A.U.	--
Parque Eólico Escepar, S.A.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	--
Parque Eólico La Esperanza, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	2,698
Parque Eólico Peralejo, S.A.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	1,041
Parque Eólico San Gabriel SPA	--	Chile	Wind power	100	Acciona Energía Global, S.L.U.	15,605
Parque Eólico Villamayor, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	6,252
Parques Eólicos Celadas, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	4,693
Parques Eólicos de Ciudad Real, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	8,004
Parques Eólicos de San Lázaro, S.A. de C.V.	--	Mexico	Wind power	100	Acciona Energía México Global, LLC	12,123
Parques Eólicos del Cerrato, S.L.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	1,403
Pichilingue S.P.A.	--	Chile	Wind power	100	Acciona Energía Global, S.L.U.	--
Pililin S.P.A.	--	Chile	Wind power	100	Acciona Energía Global, S.L.U.	--
Pitagora, S.R.L.	A)	Italy	Wind power	100	Energía Solare Italia, S.r.l.	8,780
Punta Palmeras, S.A.	A)	Chile	Wind power	100	Acciona Energía Internacional, S.A.	37,297
Pyrenees Wind Energy Developments Pty. Ltd	A)	Australia	Wind power	100	Pyrenees Wind Energy Holdings Pty. Ltd	11,461
Pyrenees Wind Energy Holdings Pty. Ltd	A)	Australia	Wind power	100	Acciona Energy Oceanía, Pty. Ltd	7,660
Ravi Urja Energy India Pvt Ltd	A)	India	Inactive	100	Acciona Energía Global, S.L.U.	3,115
Red Hills Finance, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	--
Red Hills Holding, LLC	A)	USA	Wind power	95	Red Hills Finance, LLC	6,819
Red Hills Wind Project II, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	--
Red Hills Wind Project, LLC	A)	USA	Wind power	100	Red Hills Holding. LLC	61,235
Renovables del Penedés, S.A.U.	--	Badajoz	Wind power	100	Acciona Energía, S.A.U.	3,590
Ripley Windfarm JV	A)	Canada	Wind power	50	Acciona Wind Energy Canada Inc	21,936
Saltos del Nansa I, S.A.U.	--	Santander	Hydraulic power	100	Acciona Saltos de Agua, S.A.U.	73,038
Saltos y Centrales de Catalunya, S.A.U.	A)	Barcelona	Hydraulic power	100	Acciona Saltos de Agua, S.A.U.	12,279
San Roman Finance, LLC	A)	USA	Holding company	100	Acciona Energy USA Global, LLC	53,332
San Roman Holding, LLC	A)	USA	Holding company	100	Acciona Energy USA Global, LLC	52,473
San Roman Wind I, LLC	A)	USA	Wind power	100	Acciona Energy USA Global, LLC	124,620
San Solar Energy Facility (Propietary) Ltd	A)	South Africa	Wind power	63.75	Acciona Energy South Africa Global (Propietary) Ltd	366

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
SERE, Sociedad Explotadora de Recursos Eólicos, S.A.	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda.	7,227
Sierra de Selva, S.L.U.	A)	Navarra	Wind power	100	Acciona Energía, S.A.U.	17,126
Sishen Solar Facility (Proprietary) Ltd	A)	South Africa	Solar power	55	Acciona Energy South Africa Pty. Ltd.	2,137
Sistemas Energéticos Sayago, S.L.U.	--	Madrid	Holding company	100	Acciona Energía Internacional, S.A.	319
Sistemas Energéticos Valle de Sedano, S.A.U.	A)	Madrid	Wind power	100	Ceólica Hispania, S.L.	19,611
Sociedad Istmeña Desarrollo Eólico, S. de R.L. de C.V.	A)	Mexico	Wind power	100	Acciona Energía México Global, LLC	1,580
Solar Fields Energy Photo Voltaic India Pvt Ltd	--	India	Inactive	100	Acciona Energía Global, S.L.U.	2,298
Starke Wind Golice, Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energy Poland, Sp Z.o.o.	9,279
Sun Photo Voltaic Energy India Pvt, Ltd	A)	India	Wind power	100	Acciona Energía Global, S.L.U.	22,093
Surya Energy Photo Voltaic India Pvt, Ltd	--	India	Inactive	100	Acciona Energía Global, S.L.U.	7,367
Table Mountain Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	6
Tatanka Finance, LLC	--	USA	Wind power	100	Acciona Wind Energy USA, LLC	1,071
Tatanka Wind Holding, LLC	A)	USA	Wind power	26.03	Tatanka Finance, LLC	1,822
Tatanka Wind Power, LLC	A)	USA	Wind power	100	Tatanka Wind Holding, LLC	187,909
Termosolar Alvarado II, S.LU.	--	Badajoz	Inactive	100	Acciona Energía, S.A.U.	190
Ternua Holdings, B.V.	--	Holland	Holding company	100	Terranova Energy Corporation	907
Terranova Energy Corp.	--	USA	Holding company	100	Acciona Eólica Cesa, S.L.	38,543
Terranova Energy Corporation, S.A.	--	Barcelona	Wind power	100	Ceólica Hispania, S.L.	758
Tolchén Transmisión, Spa	--	Chile	Wind power	100	Acciona Energía Global, S.L.U.	270
Tolpán sur S.P.A.	--	Chile	Wind power	100	Acciona Energía Global, S.L.U.	1,470
Tuppadahali Energy India Pvt, Ltd	A)	India	Wind power	100	Acciona Energía Internacional, S.A.	16,336
Usya S.P.A	--	Chile	Solar power	100	Acciona Energía Global, S.L.U.	--
Valdivia Energía Eólica, S.A.	(D)	Seville	Wind power	100	Acciona Energía, S.A.U.	10,945
Velva Windfarm, LLC	--	USA	Wind power	100	Acciona Wind Energy USA, LLC	3,379
Vientos Bajo Hondo I, S.A.	--	Argentina	Wind power	100	Acciona Energía Global, S.L.U.	644
Vientos Bajo Hondo, S.A.	--	Argentina	Wind power	100	Acciona Energía Global, S.L.U.	796
Vjetroelektrana Cemernica, D.o.o.	--	Croatia	Wind power	100	Acciona Energía Internacional, S.A.	48
Vjetroelektrana Jelinak, D.o.o.	A)	Croatia	Wind power	100	Acciona Energía Internacional, S.A.	12,003
Vjetroelektrana Opor, D.o.o.	--	Croatia	Wind power	100	Acciona Energía Internacional, S.A.	1,444
Voltser, Serviços de Operaçao e Manutençao de centraos fotovoltaicas unipessoal, Lda.	--	Portugal	Maintenance	100	Acciona Portugal II – Energia Global, LDA	79
Wind Farm 66, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	838
Wind Farm Bear Creek, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	4
Wind Walker, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Zurich Wind Power GP Inc	--	Canada	Wind power	100	Acciona Renewable Energy Canada Gp Holdings Inc	--
Zurich Wind Power LP	--	Canada	Wind power	100	Zurich Wind Power GP Inc	825

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Other
(**) Company formerly known as Biodiesel Esla Campos, S.A.

ANNEX II

JOINTLY-CONTROLLED OPERATIONS

The joint ventures consolidated by the proportional method, according to IFRS-EU, and the information relative to those companies are as follows (amounts in thousands of euros):

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Chin Chute Windfarm JV	(B)	Canada	Wind power	30	Acciona Wind Energy Canada Inc	5,661
Iniciativas Energéticas Renovables, S.L.	--	Pamplona	Wind power	50	Acciona Energía, S.A.U.	15
Magrath Windfarm JV	(B)	Canada	Wind power	30	Acciona Wind Energy Canada Inc	1,649
Sistema Eléctrico de Evacuación Eólica en Subestación Grijota, C.B.	--	Madrid	Energy	31.9	Parques Eólicos del Cerrato, S.L.U Parques Eólicos de Celadas, S.L.U.	10

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Other

ANNEX III

COMPANIES CARRIED BY THE EQUITY METHOD

The associated consolidated by the equity method, according to IFRS-EU, and the information relative to those companies are as follows (amounts in thousands of euros):

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
AT Solar I, SAPI de CV (formerly, Aleph Solar I, SAPI de CV)	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	918
AT Solar III, SAPI de CV (formerly, Aleph Solarfields I, SAPI de CV)	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	556
AT Solar IV, SAPI de CV (formerly, Aleph Solarfields II, SAPI de CV)	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	556
AT Solar V, SAPI de CV (formerly, Aleph Solarfields México, SAPI de CV)	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	26,184
AT Solar IV, SAPI de CV (formerly, Aleph Solarfields II, SAPI de CV)	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	556
Alsubh Solar Power, S.A.E.	--	Egypt	Solar power	50	Acciona Energía Global, S.L.U.	671
Amper Central Solar, S.A.	A)	Portugal	Solar power	65.6	Acciona Energía Internacional, S.A.	19,109
Aprofitament d'Energías Renovables de l'Ebre, S.L.	--	Barcelona	Wind power	9.76	Empordavent, S.L.	325
Bioetanol Energético, S.A.	--	Madrid	Biofuels	50	Acciona Biocombustibles, S.A.U.	--
Blue Canyon Windpower,LLC	--	USA	Wind power	5	Acciona Wind Energy USA, LLC	--
Carnotavento, S.A.	--	Coruña	Inactive	49	Eurovento, S.L.U.	--
Cathedral Rocks Construction and Management, Pty Ltd	--	Australia	Wind power	50	Acciona Energy Oceania Pty, Ltd	--
Cathedral Rocks Holdings 2, Pty. Ltd	--	Australia	Wind power	100	Cathedral Rocks Holdings, Pty. Ltd	23,428
Cathedral Rocks Holdings, Pty. Ltd	--	Australia	Wind power	50	Acciona Energy Oceania Pty, Ltd	12,947
Rocks Wind Farm, Pty. Ltd	A)	Australia	Wind power	100	Cathedral Rocks Holdings 2, Pty. Ltd	23,428
Desarrollo de Energías Renovables de Navarra, S.A.	(D)	Pamplona	Wind power	50	Acciona Energía, S.A.U.	2,830
Energías Renovables Mediterráneas, S.A.	(C)	Valencia	Wind power	50	Acciona Energía, S.A.U.	79,500
Energy Corp Hungary KFT	(D)	Hungary	Wind power	50	Acciona Eólica Cesa, S.L.	1,475
Eólicas Mare Nostrum, S.L.	--	Valencia	Wind power	50	Acciona Energía, S.A.U.	4,818
Eurovento. S.L.U.	--	Coruña	Wind power	100	Tripower Wind, B.V.	2,006
Explotaciones Eólicas Sierra de Utrera. S.L.	(D)	Madrid	Wind power	25	Ceólica Hispania, S.L.	833
Firefly Investments 238 (Proprietary) Limited	(C)	South Africa	Plant maintenance	90	Acciona Energy South Africa Global (Propietary) Ltd	--
Infraestructuras Villanueva, S.L.	--	Madrid	Wind power	40.53	Guadalaviar Consorcio Eolico Alabe Enerfin, S.A.U.	1
Líneas Eléctricas Asturianas. S.L.	--	Asturias	Holding company	100	Eurovento, S.L.U.	3
Líneas Eléctricas Gallegas II. S.L.	--	Coruña	Holding company	100	Eurovento, S.L.U. P.E. Virxe Monte, S.L. P.E. A Ruña, S.L. P.E. Currás, S.L.	4
Líneas Eléctricas Gallegas III. S.L.	--	Coruña	Holding company	100	Eurovento, S.L.U. P.E. Tea, S.L. P.E. Deva, S.L. P.E. Ameixenda, S.L.	3
Líneas Eléctricas Gallegas. S.L.	--	Coruña	Holding company	70	Eurovento, S.L.U. P.E.de Adraño, S.L.	3
Mov-R H1 Szeleromu Megujulo Energia Hasznosito KFT	(D)	Hungary	Wind power	98.5	Energy Corp Hungary KFT	2,241
Oakleaf Investment Holdings 86 (Proprietary) Limited	(C)	South Africa	Energy	100	Acciona Energy South Africa Global (Propietary) Ltd	--

Company name	Auditor	Address	Business activity	% ownership interest	Owner of the interest	Carrying value
Operador del Mercado Ibérico – Polo Español. S.A.	(B)	Madrid	Other	5	Acciona Energía, S.A.U.	1,583
Páramo de Los Angostillos, S.L.	(C)	León	Wind power	50	Acciona Energía, S.A.U.	1,920
Parque Eólico A Runa. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	5,313
Parque Eólico Adrano. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	3,557
Parque Eólico Ameixenda Filgueira. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	6,521
Parque Eólico Cinseiro. S.L.	(D)	Zamora	Wind power	50	Ceólica Hispania, S.L.	515
Parque Eólico Currás. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	1,924
Parque Eólico de Abara. S.L.	(C)	Asturias	Wind power	50	Ceólica Hispania, S.L.	676
Parque Eolico de Barbanza. S.L.	(D)	Coruña	Wind power	25	Eurovento, S.L.U.	919
Parque Eolico de Bobia y San Isidro. S.L.	(C)	Asturias	Wind power	50	Ceólica Hispania, S.L.	559
Parque Eólico de Deva. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	3,576
Parque Eólico de Tea. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	6,523
Parque Eólico Vicedo. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	564
Parque Eólico Virxe Do Monte. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	3,771
Parques Eóicos de Buio. S.L.	(C)	Coruña	Wind power	50	Ceólica Hispania, S.L.	4,393
Rising Sun Energy, S.A.E.	--	Egypt	Solar power	38	Acciona Energía Global, S.L.U.	4,135
Sistemes Electrics Espluga, S.A.	--	Barcelona	Wind power	50	Energías Eólicas de Catalunya, S.A.U.	31
Sunrise Energy, S.A.E.	--	Egypt	Solar power	38	Acciona Energía Global, S.L.U.	4,135
Tuto Energy 1, S.A.P.I. de C.V.	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	772
Tuto Energy 2, S.A.P.I. de C.V.	--	Mexico	Solar power	50	Acciona Energía México Global, S.de R.L. de C.V.	13,737
Vento Mareiro. S.L.	--	Coruña	Inactive	49	Eurovento, S.L.U.	--
Ventos e Terras Galegas II, S.L.U.	--	Coruña	Holding company	100	Tripower Wind, B.V.	2
Ventos e Terras Galegas,S.L.U.	--	Coruña	Holding company	100	Tripower Wind, B.V.	92

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Other

ANNEX IV

CHANGES IN THE CONSOLIDATION PERIMETER

The changes in the consolidation perimeter in 2018 were as follows:

Company	Address	Activity Main	Amendment	Consolidation method
Acciona Eólica Santa Cruz, S. de R.L. de C.V.	Mexico	Wind power	High	Global
Acciona Solar Holdings Pty. Ltd.	Australia	Solar power	High	Global
Acciona Solar Pty. Ltd.	Australia	Solar power	High	Global
Acciona Termosolar, S.L.U.	Navarra	Holding company	Removed	Global
Agrupación para el Desarrollo Sostenible del Mar de Trafalgar, A.I.E.	Seville	Wind power	Removed	Equity
Alabe Mengibar, A.I.E.	Madrid	Co-generation	Removed	Global
Biocarburants de Catalunya, S.A.	Barcelona	Biofuels	Removed	Global
Bioetanol Energético La Mancha, S.L.U.	Madrid	Biofuels	Removed	Equity
Dymerska Photovoltaic Power Plant-2 LLC	Ukraine	Solar power	High	Global
Dymerska Photovoltaic Power Plant-3 LLC	Ukraine	Solar power	High	Global
Dymerska Solar MMC	Ukraine	Solar power	High	Global
Dymerska Solar Poland SP. Z.O.O.	Poland	Holding company	High	Global
Eólico Alijar, S.A.	Seville	Wind power	Change of method	Global
Evacuación Villanueva del Rey, S.A.	Seville	Thermosolar	Removed	Equity
Meltemi South, Sp. Z.o.o.	Poland	Wind power	Removed	Global
Mortlake Soyuth Wind Farm Holdings Pty. Ltd.	Australia	Wind power	High	Global
Mortlake Soyuth Wind Farm Pty. Ltd.	Australia	Wind power	High	Global
Parques Eólicos de San Lázaro, S.A. de C.V.	Mexico	Wind power	High	Global
Rusticas Vegas Altas, S.L.	Badajoz	Thermosolar	Removed	Global
Termosolar Alvarado, S.L.U.	Navarra	Thermosolar	Removed	Global
Termosolar Majadas, S.L.U.	Madrid	Thermosolar	Removed	Global
Termosolar Palma Saetilla, S.L.U.	Madrid	Thermosolar	Removed	Global
Valdivia Energía Eólica, S.A.	Seville	Wind power	Change of method	Global

The changes in the consolidation perimeter in 2017 were as follows:

Company	Address	Activity Main	Amendment	Consolidation method
Acciona Energia Solar, S.L.U.	Navarra	Solar power plants	Removed	Global
Acciona Energy Korea, Inc	South Korea	Wind power	Removed	Global
Acciona Solar Canarias, S.A.U.	Canary Islands	Solar power plants	Removed	Global
Acciona Suministradora México, S.R.L.U. de C.V.	Mexico	Commercialisation	High	Global
Bana H2 Szeleromu Megujulo Energia Hasznosito Kft	Hungary	Wind power	Removed	Equity
Corporación Eólica Sora, S.A.	Zaragoza	Wind power	Removed	Global
Ripley Windfarm JV	Canada	Wind power	Purchase	Global
Solomon Forks Wind Farm, LLC	USA	Wind power	Removed	Global
Tripower Wind. B.V.	Holland	Holding company	Removed	Equity

Group Acciona Energías Renovables files consolidated annual accounts in compliance with International Financing Reporting Standards (IFRS). The Alternative Performance Measures, or APMs, consistently used in this and other directors' reports are defined below:

EBITDA or gross operating profit: This is defined as operating profit before provisions and allowances, i.e. it shows the Group's operating profit. It is calculated by taking the following items from the consolidated income statement: "turnover", "other income", "changes in stocks of finished products and work in progress", "supplies", "staff expenses" and "other operating expenses".

EBT is defined as pre-tax profit, excluding the accounting effects of events and decisions adopted by corporate management that go beyond the operating decisions taken by the management of the various divisions in the normal course of business.

Net debt: Shows the debt incurred by the Group, but in net terms when discounting cash and similar financial assets. It is calculated by taking the following items from the consolidated balance sheet "loans and borrowings", which includes debt relating to financial derivatives, less "cash and cash equivalents" and "other current financial assets".

Non-recourse debt: As indicated in note 15 to the consolidated annual accounts, this refers to debt with no corporate guarantee, meaning that recourse is limited to the debtor's flows and assets.

Debt with recourse: debt with some form of corporate guarantee.

Gearing ratio: This reflects the ratio between the Group's net debt and its equity. It is calculated by dividing the following items: "net financial debt" (calculated as explained above) by "equity".

Net investment: This is defined as the net change for the period in the balance of tangible and intangible assets, financial assets and real estate, corrected for the following items:

- amortization, depreciation and impairment losses for the period,
- proceeds from the disposal of fixed assets,
- changes caused by fluctuations in the exchange rate.

In the case of changes in the consolidation perimeter, net investment is defined as the net outgoing/incoming resources used/obtained to acquire/dispose of net assets.
Management uses these APMs for financial, operational and planning decisions, as well as to evaluate the Group's performance and that of its subsidiaries.

Management considers that these APMs provide additional financial information that is useful and suitable for assessing the performance of the Group and its subsidiaries, as well as for decision-making by users of financial information.

Operating Cash Flow: Operating Cash Flow represents the ability of assets to generate resources in terms of net debt. It is obtained as follows:

EBITDA plus / minus the change in operating working capital, minus the net financial cost, plus / minus income tax receipts/payments, plus returns received from companies accounted for using the equity method, plus / minus other receipts/payments other than net investment cash flow and shareholder compensation.

Net Investment Cash Flow: This is calculated as investment plus / minus the change in the balances of investment suppliers.

Main aggregates

- Net turnover stood at €2,205 million, a 27.02% increase compared to the year before.
- EBITDA was €786 million, 2.08% higher than in FY 2017.
- Pre-tax profit was €241 million euros, compared to €157 million in 2017.
- Net profit attributable to the Parent Company was €134 million, compared to €77 million the year before.
- The Group's net investments during the year were down by €364 million compared to €392 million in 2017.
- Net financial debt totalled €863 million, 21.23% lower than at the end of 2017. The gearing ratio is 0.31 times equity.

Consolidated income statement aggregates

Millions of euros	FY 2018	FY 2017
Turnover	2,205	1,736
EBITDA	786	770
Operating profits (EBIT)	400	339
Profit before taxes	241	157
Profit attributed to the parent company	134	77

Consolidated balance sheet aggregates

Millions of euros	FY 2018	FY 2017	Change as a percentage
Equity	2,773	2,654	4.48%
Net debt	863	1,095	(21.23)%
Financial leveraging	0.31	0.41	
Net investment	(364)	392	

In addition to the net debt indicated above, at the end of 2018 Group Corporación Acciona Energías Renovables, S.L. had €1,991 million in debt with Acciona Financiación Filiales, S.A., mainly relating to a cash pooling agreement and a loan agreement for USD 550 million.

Operating aggregates

Millions of euros	FY 2018	FY 2017	Change as a percentage
Total installed capacity (MW)	9,627	9,022	6.7%
Total production (GWh)	22,087	20,431	8.1%

Turnover for 2018 increased by 27.02% over the previous year to €2,205 million thanks to the new capacity.

EBITDA for 2018 increased by 2.08% compared to 2017, reaching €786 million.

The generation business in Spain increased its turnover by 3.7% compared to the previous year, driven mainly by increased hydraulic generation. Average prices during the year were higher than in 2017, in a context of higher wholesale prices (€57.3/MWh vs. €52.2/MWh in 2017), partly mitigated by market hedges.

EBITDA for domestic generation fell by 2.5% mainly due to the sale of the Termosolar Group.

With regard to international generation, turnover increased by 17.4% compared to 2017 due new capacity coming online and higher prices in 2018. These two effects offset the negative evolution of exchange rates.

EBITDA for international generation increased by 8.5% due to the aforementioned effects.

EBT stood at €241 million, compared to €157 million in 2017, an increase of 53.50%.

Installed capacity and production at 31 December 2018 for each technology handled by the Group is summarised below:

Installed MW	Totals	Attributable
Domestic wind	4,741	3,516
International wind	2,902	2,700
Hydraulic	876	876
Biomass	61	61
Photovoltaic solar	893	368
Thermoelectric solar	64	64
Total	**9,627**	**7,585**

GWh produced	Totals	Attributable
Domestic wind	10,149	7,305
International wind	8,030	7,477
Hydraulic	2,581	2,581
Biomass	428	428
Photovoltaic solar	705	620
Thermoelectric solar	194	194
Total	**22,087**	**18,605**

Main risks associated with the business operations of Group Corporación Acciona Energías Renovables, S.L.

Risk management at Group Corporación Acciona Energías Renovables, S.L. is determined by the risk management system adopted by the Acciona Group. The risk scenarios considered in this system are classified in four groups: financial, strategic, operational and fortuitous, with the first two identified by the Acciona Group's executives as having a higher risk profile.

Economic-financial risks:

These are mainly fluctuations in exchange rates, interest rates and financial markets, liquidity, cash flow, default or loss of clientele.

Interest rate risk is particularly significant as far as financing the construction of wind farms and other renewable energy power plants, where the project yields depend on possible fluctuations in the interest rates which are directly linked to the cash flows from them. It is mitigated using derivatives to hedge the risk, primarily Interest Rate Swaps (IRS).

Corporación Acciona Energías Renovables, S.L. is exposed to the risk of fluctuations in the price of construction supplies for the construction of power plants.

With regard to credit and liquidity risk, the Group has a policy of only doing business with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial losses caused by defaults. In addition to maintaining adequate reserves, the Group is constantly monitoring the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities.

In addition to maintaining adequate reserves, the Group is constantly monitoring the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities.

Strategic risks:

These are the risks that can cause a reduction in the company's growth and the missing of targets due to its inability to respond to a constantly-changing competitive environment. These risks include organisational changes, investments and disinvestments, threats from competitors, economic and political changes, regulatory changes, new technologies and changes brought about by research and development.

Group Corporación Acciona Energías Renovables, S.L. minimises these risks through its own strategy and business model, through technological and geographical diversification of its business, through exhaustive studies of the market, the competitors and the countries where it operates and by investing in research and development.

Unethical risk hedging conduct. The markets where the Group operators may be exposed to ethical risks vis-a-vis conduct that is contrary the principles of integrity and respect for the laws in force. Group Corporación Acciona Energías Renovables, S.L. is governed by a Code of Conduct implemented by Acciona that lays down the basic principles and obligations of all directors and employees, as well as the suppliers and other third parties who maintain relations with the Group companies. These obligations must be fulfilled in the performance of their activities. There is a whistle-blower hotline available at all levels of the organisation which allows people to confidentiality report irregular conduct related to accounting, control, auditing, as well as any breach or violation of the Code of Conduct.

Operating risks:

These are the risks associated with processes, people and products. They have to do with regulatory, legal, and contractual compliance, control systems and procedures, supply chain, auxiliary services, information system, employee productivity, supply chain, or the loss of key personnel.

Specific systems are established in each business area to deal with business requirements, systematisation and documentation of processes, quality management, operations, and economic planning and control.

To mitigate risks related to the procurement process, controls are established that favour free competition and transparency and that prevent infringing the Group's commitment to ethical behaviour in these processes Through exhaustive analyses of critical suppliers, Acciona mitigates the leading economic, environmental and labour-related risks affecting the supply chain.

Fortuitous risks:

These are the risks associated with the damages caused to assets and liability risks which can have a negative effect on the company's performance, including cybernetic criminal activity.

The Acciona Group's Corporate Crisis Management Standard includes the measures to be followed and the responsibilities and resources required for the proper management of a crisis situation due to incidents occurring at Company-owned or operated facilities having an impact on the environment.

Additionally, the identification, assessment and management of social, environmental and governance risks is essential to enable the Group to improve its sustainability performance, enhance its response to multiple scenarios and changing environments, and improve trust among its stakeholders.

The Group has a risk assessment methodology to evaluate the climate change, environmental, social, labour and governance and corruption risks for each line of business, based on probability, economic and financial consequences and impact on image.

The tax risks to which the Group is exposed are essentially related to procedures and communications with business areas that may result in the existence of inadequate technical analysis, changes in tax regulations or administrative and jurisprudential criteria, as well as the reputational risk derived from decisions on tax matters that can damage the Group's image and reputation. The Group, like Acciona, has defined a tax risk management policy based on adequate control, a risk identification system and a process for monitoring and continuous improvement of the effectiveness of the established controls.

Following the reform of the Spanish Criminal Code, the Group, in line with the Acciona Group's strategy, established a Crime Prevention and Anti-Corruption Model. A Criminal Risk Map was developed in 2019 to ensure that the regulatory compliance system is fully integrated, and the controls implemented are perfectly aligned and audited.

Non-financial information statement

In keeping with the provisions of article 49.6 of the Commerce Code, the Group refers the reader to the consolidated director's report of the parent company, Acciona, S.A with tax ID A08001581 which is registered in the Madrid Commercial Registry: Page M-216384. Folio 1. Volume 13,351, which includes the non-financial information required by law.

Future Outlook

The world economy is expected to grow in 2019 and 2020 by 3.5% and 3.6% respectively, which is a downward revision from the last WEO[2] report, in which the world economy was slated to grow by 3.4% and 3.7%, respectively.

This is mainly due to the tariff increases introduced by the United States and China in 2018 as well as a general moderation in investment momentum throughout the second half of 2018 as a result of the weakening of financial market attitudes, the implementation of regulatory changes regarding combustion vehicles in Germany, the sovereign risk in Italy or the significant contraction of economies such as Argentina or Turkey. In view of this, cooperation between countries is absolutely essential to resolve their trade disagreements and mitigate uncertainty in an environment where political risks are the order of the day in countries such as the United Kingdom (which is facing a potential exit from the EU without agreement). Growth expectations for the UK are around 1.5%. The baseline projection assumes that an Brexit agreement will be reached in 2019 and that the country will gradually adapt to the new regime. The positive impact of the fiscal stimulus announced in the 2019 budget outweighs the uncertainty surrounding the outcome of its exit from the EU.

Although tariff increases between the US and China were suspended for 90 days from 1 December, the potential resurgence of tensions in the second quarter clouds the global economic outlook. The US economy is expected to grow by 2.5% in 2019 and 1.8% in 2020, as the fiscal stimulus is withdrawn and the federal funds rate temporarily exceeds the neutral interest rate. Japan will grow by 1.1% in 2019 (0.2 percentage points more than forecast last October), owing mainly to the fiscal support that the economy will receive to mitigate the effects of the increase in consumption tax planned for October 2019. In addition, Japan's economy is expected to grow by 0.5% in 2020.

The growth forecast for advanced economies has fallen from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020, mainly owing to downward revisions in the euro area, where the ECB has made it clear that there will be no increase in monetary policy rates until at least mid-2019. Estimated growth in Europe for 2019 is 1.6% (1.7% in 2020). The most notable cases in point are Germany, where external demand has been moderate and private consumption weak; Italy, where domestic demand is at low levels; and France, with a high level of social unrest that is having a negative impact on the national economy.

As for emerging market economies, growth is expected to fall slightly to 4.5% in 2019, and then rebound to 4.9% in 2020. Emerging Asian economies will see a decline in growth in 2019 to 6.3% (6.4% in 2020). In particular, the Chinese economy will slow down mainly due to trade tensions with the United States and the tightening of financial conditions. On the other hand, India is set to see an increase in 2019 thanks to competitive oil prices and a slower than expected rate of monetary tightening. Europe's emerging economies are set to weaken more than expected and fall to 0.7% in 2019 (3.8% in 2018) despite overall dynamic growth in Central and Eastern Europe, before recovering to 2.4% in 2020.

In Latin America, growth is projected to pick up over the next two years, from 1.1% in 2018 to 2.0% in 2019 and 2.5% in 2020. The main reasons for this are lower growth prospects in Mexico due to a decline in private investment and an even more severe contraction than expected in Venezuela. The Argentine economy will contract in 2019 due to more austere policies and the Brazilian economy will partially compensate for the projected cuts due to the continued gradual recovery from the recession of 2015-16.

[2]International Monetary Fund *World Economic Outlook, Updated WEO Report*(Davos: 2019), available at: https://www.imf.org/es/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

As for the Middle East, North Africa, Afghanistan and Pakistan regions, moderate growth of 2.4% is expected in 2019, before rebounding to 3% in 2020. The region's prospects are weighed down by sluggish growth in oil production in Saudi Arabia, tighter financing conditions in Pakistan, the sanctions imposed by the United States on Iran and geopolitical tensions in general. In Sub-Saharan Africa, growth is expected to improve from 2.9% in 2018 to 3.5% in 2019 and 3.6% in 2020. Despite this, one third of sub-Saharan economies are projected to grow by more than 5% 2019-20.

Research and Development

The Company did not incur costs of this kind in 2018 or 2017.

Treasury Stock

In 2018 and 2017 there were no transactions involving the treasury stock of the Group's parent company, either directly or indirectly through investees, with the exception of the initial share issues of newly incorporated companies and a number of share capital increases, all of which were fully subscribe and paid.

Subsequent Events

There were no events subsequent to the closing date of which could have a significant effect on the Group's consolidated annual accounts at 31 December 2018 or its present or future activities.

SIGNATURE PAGE

The enclosed consolidated annual accounts of Corporación Acciona Energías Renovables, S.L., a sole shareholder company, and subsidiaries for the 2018 financial year were prepared by the Joint Directors of Corporación Acciona Energías Renovables, S.L. on 27 February 2019.

Acciona Desarrollo Corporativo, S.A.	Acciona Corporación, S.A.
Joint director	**Joint director**
Rafael Mateo Alcalá	José Julio Figueroa Gómez de Salazar

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.