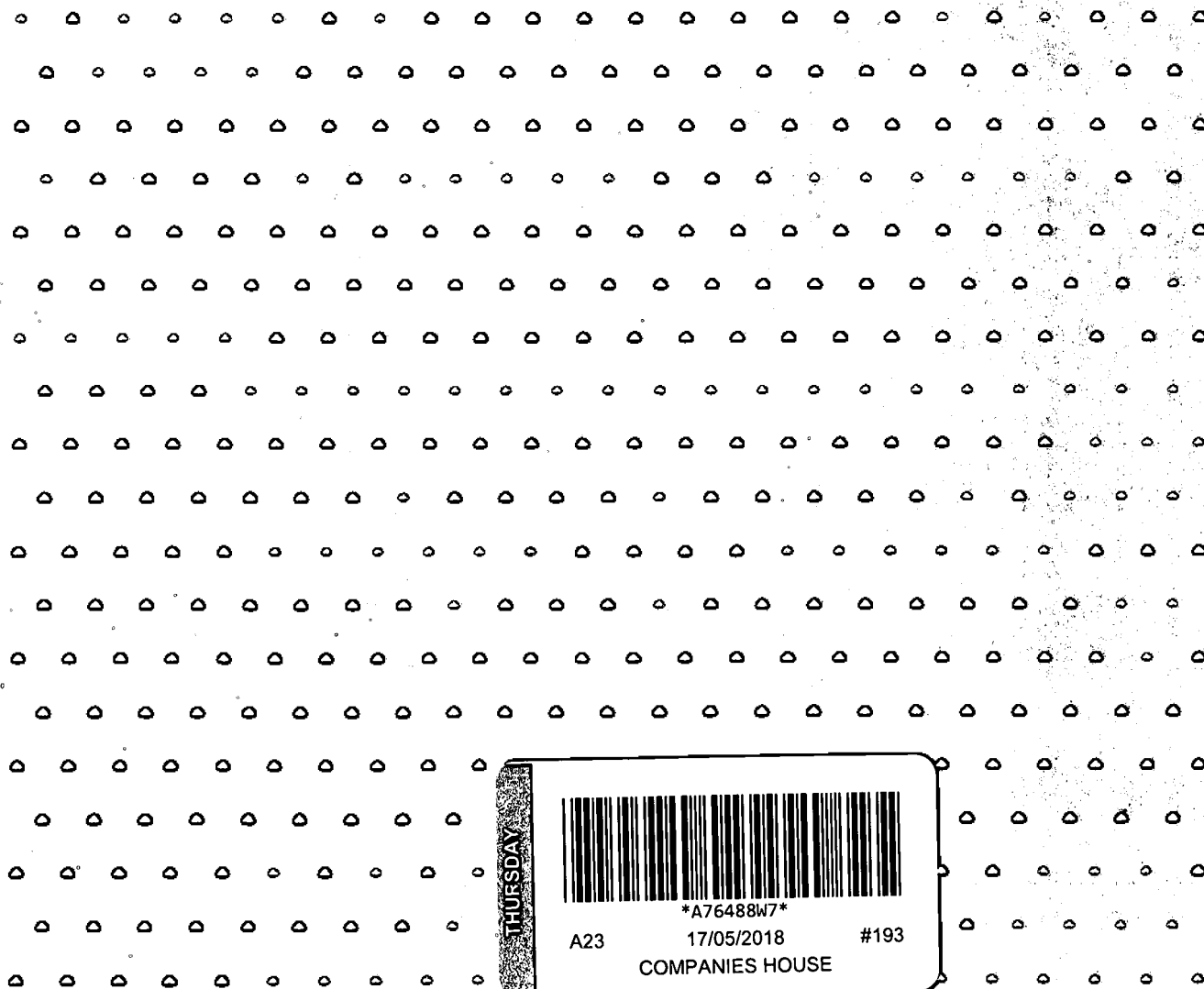




Consolidated Annual Report and Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2017



Company Registration n° 08818211
Atlantica Yield Plc

Atlantica **Yield**

Consolidated Annual Report and Financial Statements

For the year ended 31 December 2017

Atlantica Yield plc

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Strategic Report

This Strategic Report has been prepared to provide information to shareholders to assess the Group's strategies and the potential for the strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The directors, in preparing this Strategic Report, have complied with Section 414C of the Companies Act 2006.

The Strategic Report discusses the following areas:

- Nature of the business.
- Business model, strategy and objectives.
- Fair review of the business.
- Key performance indicators.
- Principal risks and uncertainties.
- Corporate social responsibility.
- Future developments.
- Going concern basis.

Nature of the business

Atlantica Yield plc (hereinafter "we", "our", the "Company" or "Atlantica Yield") was registered in England and Wales, incorporated in the United Kingdom, as a private limited company on December 17, 2013 under the name "Abengoa Yield Limited." On March 19, 2014, we were re-registered as a public limited company, under the name "Abengoa Yield plc." On January 7, 2016, we changed our corporate brand to Atlantica Yield. At our annual shareholders meeting held in May 2016, we changed our legal name to Atlantica Yield plc. Our shares are listed on the NASDAQ Global Select Market under the symbol "AY".

We are a total return company that owns, manages, and acquires renewable energy, efficient natural gas power, electric transmission lines and water assets, focused on North America (the United States and Mexico), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa). We intend to expand, maintaining North America, South America and Europe as our core geographies.

As of December 31, 2017, we own or have interests in 21 assets, comprising 1,442 MW of renewable energy generation, 300 MW of efficient natural gas power generation, 10.5 M ft³ per day of water desalination and 1,099 miles of electric transmission lines. All of our assets have contracted revenues (regulated revenues in the case of our Spanish assets) with low-risk off-takers and collectively have a weighted average remaining contract life of approximately 19 years as of December 31, 2017. Most of the assets we own have a project finance agreement in place.

We intend to take advantage of favourable trends in the power generation and electric transmission sectors globally, including energy scarcity and a focus on the reduction of carbon emissions. To that end, we believe that our cash flow profile, coupled with our scale, diversity and low-cost business model, offers us a lower cost of capital than that of a traditional engineering and construction company or independent power producer and provides us with a significant competitive advantage with which to execute our growth strategy.

We are focused on high-quality, newly-constructed and long-life facilities with creditworthy counterparties that we expect will produce stable, long-term cash flows. We will seek to grow our cash available for distribution and our dividend to shareholders through organic growth and by acquiring new contracted assets through our existing ROFO agreement with Abengoa S.A. ("Abengoa"), the announced potential ROFO agreements with AAGES and Algonquin, from third parties and from potential new future partners.

We have in place an exclusive agreement with Abengoa, which we refer to as the ROFO Agreement, which provides us with a right of first offer on any proposed sale, transfer or other disposition of any of Abengoa's contracted renewable energy, efficient natural gas power, electric transmission or water assets in operation and located in the United States, Canada, Mexico, Chile, Peru, Uruguay, Brazil, Colombia and the European Union, as well as four assets in selected countries in Africa, the Middle East and Asia.

In the first half of 2017, Abengoa announced its intention to sell the 41.47% stake they own in Atlantica Yield. On November 1, 2017 Algonquin announced it had reached an agreement to acquire a 25% stake in Atlantica from Abengoa. In addition, Algonquin and Abengoa signed an agreement to create a joint venture called AAGES to invest in the development and construction of clean energy and water infrastructure contracted assets and we signed a non-binding term-sheet which will serve as a basis of a proposed ROFO agreement with AAGES. Provided that the transaction between Algonquin and Abengoa closes and we sign the ROFO agreement with AAGES, we expect this ROFO agreement to be our main source of growth. Additionally, we expect to sign a ROFO agreement with Algonquin. The closing of the transaction announced between Abengoa and Algonquin is subject to conditions precedent, most of which depend on third parties and are beyond our control. The term-sheets entered into with Algonquin, AAGES and Abengoa are non-binding and while the parties have agreed to negotiate in good faith towards a mutually beneficial outcome, there is no guarantee that the AAGES ROFO agreement and other agreements will be entered into, or that any assets will be purchased by Atlantica from Algonquin, AAGES or Abengoa.

Additionally, we plan to sign similar agreements or enter into partnerships with other developers or asset owners to acquire assets in operation. We may also invest directly or through investment vehicles with partners in assets under development or construction, ensuring that such investments are always a small part of our total investments. Finally, we also expect to acquire assets from third

parties leveraging the local presence and network we have in the geographies and sectors in which we operate.

With this business model, our objective is to pay a consistent and growing cash dividend to shareholders that is sustainable on a long-term basis. We expect to distribute a significant percentage of our cash available for distribution as cash dividends and we will seek to increase such cash dividends over time through organic growth and as we acquire assets with characteristics similar to those in our current portfolio. Pursuant to our cash dividend policy, we intend to pay a cash dividend each quarter to holders of our shares.

We intend to create value for our shareholders by seeking to (i) achieve recurrent and growing dividends to investors valuing long-term contracted assets and (ii) grow our cash available for distribution and our cash dividends paid to shareholders by acquiring new contracted assets from Abengoa, from AAGES assuming we sign a ROFO agreement with them, from third parties and potential new future partners.

The address of our registered office is Great West House, GW1, 17th floor, Great West Road, Brentford, United Kingdom TW8 9DF.

Events during the period

When we closed our initial public offering, Abengoa had a 64.28% interest in us. Following several divestitures, as of December 31, 2017, Abengoa beneficially owned 41,557,663 of our shares (a 41.47% interest) of which 41,530,843 shares were pledged under the secured New Money 1 Tradable Notes. See the "Directors' Report-Substantial shareholdings" for information of shareholders who hold at least 5% of our ordinary shares.

In 2015, Abengoa filed a communication pursuant to article 5 bis of the Spanish Insolvency Law 22/2003 with the Mercantile Court of Seville nº 2. On November 8, 2016, the Judge of the Mercantile Court of Seville declared judicial approval of Abengoa's restructuring agreement, extending the terms of the agreement to those creditors who had not approved the restructuring agreement. On February 3, 2017, Abengoa announced it obtained approval from creditors representing 94% of its financial debt after a supplemental accession period. On March 31, 2017, Abengoa announced the completion of its financial restructuring.

Agreements with Algonquin

On November 1, 2017, Algonquin announced that it had reached an agreement with Abengoa to acquire a 25% stake in Atlantica from Abengoa. Abengoa has communicated that it intends to sell its remaining 16.5% stake over the upcoming months in a private transaction, subject to approval by the U.S. Department of Energy (the "U.S. DOE"). Algonquin has an option to purchase this remaining stake prior to 31 March 2018. In addition, Algonquin and Abengoa announced that they also signed an agreement to create a joint venture called AAGES to invest in the development and construction of clean energy and water infrastructure contracted assets.

In the context of these agreements, Atlantica has signed a non-binding term-sheet with Algonquin which will serve as the basis of a shareholders' agreement to be executed on or before the closing

of the purchase of the 25% interest by Algonquin. The term-sheet includes among other initiatives, a limitation on Algonquin's ownership to a maximum of 41.5% of our outstanding shares and a limitation, in any case, on the number of directors they can appoint no more than of 50% of the board of directors less one; if the resulting number is not a whole number, it shall be rounded up to the next whole number. In addition, Algonquin proposed to provide, subject to board approval, incremental equity investment of up to \$100 million through the subscription of our ordinary shares for the acquisition of new assets during 2018 and 2019. Algonquin will also be granted certain preferred rights when participating in further equity issuances with the possibility of increasing Algonquin's ownership in us up to 41.5%. If Algonquin acquired a 16.47% stake in Atlantica (additional to the 25% initially agreed) and subscribed the incremental equity investment of \$100 million previously mentioned, Algonquin would be entitled to temporarily exceed the 41.5% limit.

Additionally, Atlantica agreed to maintain a target pay-out ratio of 80%.

In addition, we have signed a non-binding term-sheet which will serve as the basis of a ROFO Agreement with AAGES, the joint venture created between Algonquin and Abengoa to invest in the development and construction of clean energy and water infrastructure contracted assets. The ROFO agreement with AAGES is expected to provide us with a right of first offer on any proposed sale, transfer or other disposition of any of AAGES' contracted assets. Some of the assets currently under construction by Abengoa may be transferred to AAGES and the AAGES ROFO agreement is expected to include such assets within its scope. Furthermore, Algonquin and Atlantica agreed to periodically discuss the potential acquisition of assets from Algonquin.

The closing of the transaction announced between Abengoa and Algonquin is subject to conditions precedent, most of which depend on third-parties and are beyond our control. The term-sheets entered into with Algonquin, AAGES and Abengoa are non-binding and while the parties agreed to negotiate in good faith towards a mutually beneficial outcome, there is no guarantee that the AAGES ROFO agreement and other agreements will be entered into, or that any assets will be purchased by Atlantica from Algonquin or AAGES.

Cross default provisions in project finance agreements

As of December 31, 2016, the financing arrangement of Kaxu contained cross-default provisions related to Abengoa such that debt defaults by Abengoa, subject to certain threshold amounts and/or a restructuring process, could trigger default under such project financing arrangement. In March 2017, we obtained a waiver in our Kaxu project financing arrangement which waives any potential cross-defaults with Abengoa up to that date, but it does not cover potential future cross-default events.

Change of ownership provisions in project finance agreements

As of December 31, 2016, the financing arrangements of Kaxu, ACT, Solana and Mojave contained a change of ownership clause that would be triggered if Abengoa ceased to own at least 35% of Atlantica's shares (30% in the case of Solana and Mojave). If Abengoa ceased to comply with its obligation to maintain a minimum ownership of Atlantica's shares, such reduced ownership would put us in breach of covenants under the project financing arrangements.

- In the case of Kaxu, in March 2017, we and Kaxu's lenders entered into a waiver that allows

a reduction of ownership by Abengoa below the 35% threshold if it occurs in the context of Abengoa's restructuring plan, which includes the sale to Algonquin.

- In the case of ACT, in October 2017, we obtained a waiver from the lenders of the project finance agreement. The financing agreement was amended to delete the minimum ownership clause related to Abengoa.
- In the case of Solana and Mojave, a forbearance agreement signed with the U.S. DOE in 2016 with respect to these assets allows reductions of Abengoa's ownership of our shares if it results from (i) a sale or other disposition at any time pursuant to and in connection with an insolvency proceeding by Abengoa, or (ii) capital increases by us. In other events of reduction of ownership by Abengoa below the minimum ownership threshold such as sales of shares by Abengoa, the available U.S. DOE remedies will not include debt acceleration, but U.S. DOE remedies available could include limitations on distributions to us from Solana and Mojave. In addition, the minimum ownership threshold for Abengoa's ownership of our shares has been reduced from 35% to 30%.

In November 2017, in the context of the agreement reached between Abengoa and Algonquin for the acquisition by Algonquin of 25% of our shares and based on the obligations of Abengoa under the EPC contract, we signed a consent in relation to the Solana and Mojave projects which reduces the minimum ownership required by Abengoa in us from 30% to 16%, subject to certain conditions precedent. In Solana, the EPC guarantee period expired without reaching the expected production. As the EPC supplier, Abengoa agreed to provide certain compensations. As a result, the main conditions precedent included several payments by Abengoa to Solana resulting from its obligations as EPC contractor, for a total amount of \$120 million from which, we expect to use \$80.0 million towards partial prepayment of the project debt, \$25 million towards current and potential required additional repairs and \$15.0 million towards other Abengoa obligations. In December 2017, Solana received \$42.5 million which was used to repay project finance debt. Additionally, Abengoa has recognized other obligations with Solana for \$6.5 million per semester over 10 years starting in December 2018.

We have not identified any PPAs or any contracts with off-takers that include any cross-default provision relating to Abengoa or any minimum ownership provision.

Exchangeable Preferred Equity Investment in Abengoa Concessões Brasil Holding

Since our IPO until 2017 we held an exchangeable preferred equity investment in ACBH, a subsidiary holding company of Abengoa engaged in the development, construction, investment and management of contracted concessions in Brazil, comprised mostly of transmission lines, some of which were in operation and some of which were under construction.

On January 29, 2016, Abengoa informed us that several of its indirect subsidiaries of Abengoa in Brazil, including ACBH, had initiated an insolvency procedure under Brazilian law ("reorganização judiciária"), as a "Pedido de processamento conjunto," which resulted in the consolidation of the three main subsidiaries of Abengoa in Brazil, including ACBH. In April 2016, Abengoa presented a consolidated restructuring plan in the Brazilian Court, including ACBH and two other subsidiaries. In 2016, we did not receive any preferred dividend from ACBH. Under the contracts in place with ACBH and Abengoa, we retained dividends payable to Abengoa in 2016 and 2017.

In the third quarter of 2016, we signed an agreement with Abengoa relating to the ACBH preferred equity investment among other things with the following main consequences:

- Abengoa acknowledged it failed to fulfil its obligations under the agreements related to the preferred equity investment in ACBH and, as a result, we were recognized as the legal owner of the dividends that we retained from Abengoa amounting to \$10.4 million in 2017, \$19.0 million in 2016 and \$9.0 million in 2015.
- Abengoa recognized a non-contingent credit corresponding to the guarantee provided by Abengoa regarding the preferred equity investment in ACBH, subject to restructuring. On October 25, 2016, we signed Abengoa's restructuring agreement and accepted, subject to implementation of the restructuring, to receive 30% of the amount in the form of tradable notes to be issued by Abengoa (the "Restructured Debt"). The remaining 70% was agreed to be received in the form of equity in Abengoa.
- The Restructured Debt was converted into senior status following our participation in Abengoa's issuance of asset-backed notes or New Money 1 Tradable Notes, which we subsequently sold in early April 2017. New Money 1 Tradable Notes are asset-backed notes issued by Abengoa as part of its restructuring plan.
- Since we received the Restructured Debt and Abengoa equity, we waived, as agreed, all our rights under the ACBH agreements, including our right to further retain dividends payable to Abengoa. As a result, in March 2017, we wrote off the accounting value of the ACBH instrument, which amounted to \$30.5 million as of December 31, 2016. We sold most of the debt and equity instruments we received from Abengoa and we do not expect any additional value from the ACBH preferred equity investment. We no longer own any shares in ACBH.

Change of ownership under Section 382 of the U.S. Internal Revenue Code

Under section 382 of the IRC, an "ownership change" would occur if our direct and indirect "5-percent shareholders," as defined under Section 382 of the IRC, collectively increased their ownership in us by more than 50 percentage points over a rolling three-year period. As a result of Abengoa's restructuring and the change in its shareholders' base, we have experienced a change of ownership as defined under section 382 of the IRC, which causes an annual limitation on the use of the pre-ownership change U.S. NOLs generated by our U.S. solar assets equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate for the month in which the ownership change occurs, and increased by a certain portion of any "built-in-gains." In addition, because we have recorded tax credits for the U.S. tax losses carryforwards in the past, the limitation to our ability to use net operating loss carryforwards in the United States has resulted in writing off tax credits previously recognized for an amount of \$96 million. This one-time income tax expense did not have any cash impact in 2017 and we continue to expect not to pay income taxes in our U.S. solar assets for at least 10 years.

U.S. Tax Reform

December 2017, the TCJA was enacted in the United States. The measures adopted include, among

other measures, a decrease in the federal corporate tax rate from 35% to 21% effective 1st of January 2018. We therefore adjusted the deferred tax assets and liabilities of its U.S. entities using the new enacted federal corporate tax rate as of December 31, 2017, resulting in a one-time non-cash income tax expense of \$19 million recorded in the consolidated income statement for the year ended December 31, 2017.

Asset portfolio

We own a diversified portfolio of contracted assets across the renewable energy, efficient natural gas power, electric transmission line and water sectors in North America (the United States and Mexico), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa). We intend to expand, maintaining North America, South America and Europe as our core geographies. Our portfolio consists of 13 renewable energy assets, a natural gas-fired cogeneration facility, several electric transmission lines and minority stakes in two water desalination plants, all of which are fully operational. All of our assets have contracted revenues (regulated revenues in the case of our Spanish assets) with low-risk offtakers and collectively have a weighted average remaining contract life of approximately 19 years as of December 31, 2017.

The following table provides an overview of our current assets as of December 31, 2017:

Assets	Type	Ownership	Location	Currency ⁽¹⁾	Capacity (Gross)	Off-taker	Counterparty Credit Rating ⁽²⁾	COD ⁽²⁰⁾	Contract Years Left
Solana.....	Renewable (Solar)	100% Class B ⁽³⁾	Arizona (USA)	U.S. dollar	280 MW	APS	A-/A3/A-	4Q 2013	26
Mojave.....	Renewable (Solar)	100%	California (USA)	U.S. dollar	280 MW	PG&E	A-/A3/A-	4Q 2014	22
Solaben 2/3 ⁽⁴⁾	Renewable (Solar)	70% ⁽⁵⁾	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	2Q 2012 & 4Q 2012	20 / 19
Solacor 1/2 ⁽⁶⁾	Renewable (Solar)	87% ⁽⁷⁾	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	2Q 2012 & 4Q 2012	19 / 19
PS10/20 ⁽⁸⁾	Renewable (Solar)	100%	Spain	Euro	31 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	1Q 2007 & 2Q 2009	14 / 16
Helioenergy 1/2 ⁽⁹⁾	Renewable (Solar)	100%	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	3Q 2011 & 4Q 2011	19 / 19
Helios 1/2 ⁽¹⁰⁾	Renewable (Solar)	100%	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	2Q 2012 & 3Q 2012	20 / 20
Solnova 1/3/4 ⁽¹¹⁾	Renewable (Solar)	100%	Spain	Euro	3x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	2Q 2010 & 2Q 2010 & 3Q 2010	17 / 17 / 18
Solaben 1/6 ⁽¹²⁾	Renewable (Solar)	100% ⁽¹⁸⁾	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	3Q 2013	21 / 21
Seville PV	Renewable (Solar)	80% ⁽¹⁹⁾	Spain	Euro	1 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/A-	3Q 2006	18
Kaxu.....	Renewable (Solar)	51% ⁽¹³⁾	South Africa	Rand	100 MW	Eskom	BB/Baa3/ BB+ ⁽¹⁴⁾	1Q 2015	17
Palmatir.....	Renewable (Wind)	100%	Uruguay	U.S. dollar	50 MW	Uruguay	BBB/Baa2/ BBB- ⁽¹⁵⁾	2Q 2014	16
Cadonal.....	Renewable (Wind)	100%	Uruguay	U.S. dollar	50 MW	Uruguay	BBB/Baa2/ BBB- ⁽¹⁵⁾	4Q 2014	17
ACT.....	Efficient Natural Gas Power	100%	Mexico	U.S. dollar	300 MW	Pemex	BBB+/A3/ BBB+	2Q 2013	15

Assets	Type	Ownership	Location	Currency ⁽¹⁾	Capacity (Gross)	Off-taker	Counterparty Credit Rating ⁽²⁾	COD ⁽²⁰⁾	Contract Years Left
ATN.....	Transmission Line	100%	Peru	U.S. dollar	362 Miles	Peru	BBB+/A3/BBB+	1Q 2011	23
ATS.....	Transmission Line	100%	Peru	U.S. dollar	569 Miles	Peru	BBB+/A3/BBB+	1Q 2014	26
ATN2	Transmission Line	100%	Peru	U.S. dollar	81 miles	Las Bambas	Not rated	2Q 2015	15
Quadra 1.....	Transmission Line	100%	Chile	U.S. dollar	43 Miles	Sierra Gorda	Not rated	2Q 2014	17
Quadra 2.....	Transmission Line	100%	Chile	U.S. dollar	38 Miles	Sierra Gorda	Not rated	1Q 2014	17
Palmucho.....	Transmission Line	100%	Chile	U.S. dollar	6 Miles	Enel Generation Chile	BBB+/Baa2/BBB+	4Q 2007	20
Honaine.....	Water	25.5% ⁽¹⁶⁾	Algeria	U.S. dollar	7 M ft ³ /day	Sonatrach	Not rated	3Q 2012	20
Skikda.....	Water	34.2% ⁽¹⁷⁾	Algeria	U.S. dollar	3.5 M ft ³ /day	Sonatrach	Not rated	1Q 2009	16

Notes:

- (1) Certain contracts denominated in U.S. dollars are payable in local currency.
- (2) Reflects the counterparty's issuer credit ratings issued by Standard & Poor's Ratings Services, or S&P, Moody's Investors Service Inc., or Moody's, and Fitch Ratings Ltd, or Fitch.
- (3) On September 30, 2013, Liberty Interactive Corporation invested \$300 million in Class A membership interests in exchange for the right to receive 61.20% of taxable losses and distributions until such time as Liberty reaches a certain rate of return, or the "Flip Date", and 22.60% of taxable losses and distributions thereafter.
- (4) Solaben 2 and Solaben 3 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (5) Itochu Corporation, a Japanese trading company, holds 30% of the shares in each of Solaben 2 and Solaben 3.
- (6) Solacor 1 and Solacor 2 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (7) JGC Corporation, a Japanese engineering company, holds 13% of the shares in each of Solacor 1 and Solacor 2.
- (8) PS10 and PS20 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (9) Helioenergy 1 and Helioenergy 2 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (10) Helios 1 and Helios 2 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (11) Solnova 1, Solnova 3 and Solnova 4 are separate special purpose vehicles with separate agreements but they are treated as a single platform.
- (12) Solaben 1 and Solaben 6 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (13) Industrial Development Corporation of South Africa owns 29% and Kaxu Community Trust owns 20% of Kaxu.
- (14) Refers to the credit rating of the Republic of South Africa.
- (15) Refers to the credit rating of Uruguay, as UTE is unrated.
- (16) Algerian Energy Company, SPA owns 49% of Honaine and Valoriza Agua S.L. owns the remaining 25.5%.
- (17) Algerian Energy Company, SPA owns 49% of Skikda and Valoriza Agua S.L. owns the remaining 16.8%.
- (18) Solaben 1 and Solaben 6 are separate special purpose vehicles with separate agreements, but they are treated as a single platform.
- (19) Instituto para la Diversificación y Ahorro de la Energía, or Idea, a Spanish state-owned company holds 20% of the shares in Seville PV.
- (20) COD refers to the commercial operation date of the applicable facility.

Business model, strategy and objectives

Atlantica is a total return company that owns, manages, and acquires renewable energy, efficient natural gas power, electric transmission lines and water assets, focused on North America (the United States and Mexico), South America (Peru, Chile and Uruguay) and EMEA (Spain, Algeria and South Africa). We intend to expand, maintaining North America, South America and Europe as our core geographies.

We intend to grow our business mainly through acquisitions of contracted assets in operation, in the segments where we are already present, maintaining renewable energy as our main segment

and with a focus in North and South America. We may complement this strategy by dedicating a limited portion of our growth to projects in development.

In this sense, we intend to take advantage of favourable trends in the power generation and electric transmission sectors globally, including energy scarcity and a focus on the reduction of carbon emissions. To that end, we believe that our cash flow profile, coupled with our scale, diversity and low-cost business model, offers us a lower cost of capital than that of a traditional engineering and construction company or independent power producer and provides us with a significant competitive advantage with which to execute our growth strategy.

We have in place an exclusive agreement with Abengoa, which we refer to as the Abengoa ROFO Agreement, which provides us with a right of first offer on any proposed sale, transfer or other disposition of any of Abengoa's contracted renewable energy, efficient natural gas power, electric transmission or water assets in operation and located in the United States, Canada, Mexico, Chile, Peru, Uruguay, Brazil, Colombia and the European Union, as well as four assets in selected countries in Africa, the Middle East and Asia.

In addition, in November 2017, we signed a non-binding term-sheet for a proposed ROFO agreement with AAGES. AAGES is the joint venture formed by Algonquin and Abengoa to invest in the development and construction of renewable energy and water assets. The proposed AAGES ROFO agreement is subject to the closing of the Algonquin's stock acquisition. The proposed AAGES ROFO agreement, once executed, will provide us with a right of first offer on any proposed sale, transfer or other disposition of any of AAGES's assets.

Additionally, we plan to sign similar agreements or enter into partnerships with other developers or asset owners to acquire assets in operation. We may also invest directly or through investment vehicles with partners in assets under development or construction, ensuring that such investments are always a small part of our total investments. Finally, we also expect to acquire assets from third parties leveraging the local presence and network we have in the geographies and sectors in which we operate.

With this business model, our objective is to pay a consistent and growing cash dividend to shareholders that is sustainable on a long-term basis. We expect to distribute a significant percentage of our cash available for distribution as cash dividends and we will seek to increase such cash dividends over time through organic growth and as we acquire assets with characteristics similar to those in our current portfolio. Pursuant to our cash dividend policy, we intend to pay a cash dividend each quarter to holders of our shares.

Based on the acquisition opportunities available to us, we believe that we will have the opportunity to grow our cash available for distribution in a manner that would allow us to increase our cash dividends per share over time.

In general, we intend to use the following investment guidelines in evaluating prospective acquisitions in order to successfully execute our accretive growth strategy:

- High quality off-takers, with long-term contracted revenue;
- Project financing for each individual project;

- Operations and maintenance contract in place at each project;
- Management and operational systems and processes at an adequate level;
- Focus on regions and countries that provide an optimal balance between growth opportunities and security and risk considerations, including the United States, Canada, Mexico, Chile, Peru, Uruguay, Colombia and the European Union; and
- Preference for U.S. dollar-denominated revenues.

Our plan for executing this strategy includes the following key components:

- Focus on stable, long-term contracted assets in renewable energy, efficient natural gas power generation, electric transmission lines and water assets. We intend to focus on owning and operating these types of assets, for which we possess deep know-how, extensive experience and proven systems and management processes, as well as the critical mass to benefit from operating efficiencies and scale. We expect that this will allow us to maximize value and cash flow generation going forward. We intend to maintain a diversified portfolio in the future, as we believe these technologies will undergo significant growth in our targeted geographies.
- Maintain geographic diversification across three principal geographic areas. Our focus on three core geographies, North America, South America and Europe, helps to ensure exposure to markets in which we believe the renewable energy, efficient natural gas power and electric transmission sectors will continue growing significantly.
- Increase cash available for distribution by optimizing our existing assets. Some of our assets have not reached their target production levels yet and we believe that we can increase the cash flow generation of these assets through further management and optimization initiatives and in some cases through repowering.
- Increase cash available for distribution through the acquisition of new assets in renewable energy, efficient natural gas power and electric transmission. We will seek to grow our cash available for distribution and our dividend to shareholders by acquiring new contracted assets from Abengoa, from third parties and from potential new future partners or sponsors. We have an exclusive ROFO agreement with Abengoa, which provides us with a right of first offer on certain Abengoa's assets in operation. In addition, we intend to sign a ROFO agreement with AAGES, which would provide us with a right of first offer on AAGES's assets. We plan to sign similar agreements with other developers or asset owners or enter into partnerships with such developers or asset owners in order to acquire assets in operation or to invest directly or through investment vehicles in assets under development or construction, ensuring that such investments are always a small part of our total investments. Finally, we expect to acquire assets from third-parties leveraging the local presence and network we have in the geographies and sectors where we operate. We believe that our know-how and operating expertise in our key markets together with a critical mass of assets in several geographic areas and the access to capital provided by being a listed company will permit us to successfully realize our growth plans.

- Foster a low-risk approach. We intend to maintain, over time, a portfolio of contracted assets with a low-risk profile due to creditworthy offtake counterparties, long-term contracted revenues, over 80% of cash available for distribution in U.S. dollars or euros hedging euro on a rolling basis, and proven technologies in which we have significant experience, located in countries where we believe conditions to be stable and safe. In certain situations, we could invest in assets before they enter into operation, in assets with shorter contracted revenue period or in assets with revenue contracted in currencies other than U.S. dollar or euro. Additionally, our policies and management systems include thorough risk analysis and risk management processes that we apply whenever we acquire an asset, and which we review monthly throughout the life of the asset. Our policy is to insure all of our assets whenever economically feasible.
- Maintain financial strength and flexibility. We intend to maintain a solid financial position through a combination of cash on hand and credit facilities. Conservative cash management may help us to mitigate any unexpected downturns that reduce our cash flow generation.

Lastly, we believe that we are well positioned to execute our business strategies because of the following competitive strengths:

- Stable and predictable long-term U.S. and international cash flows with attractive tax profiles
- Highly diversified portfolio by geography and technology
- Strong corporate governance with a majority independent board and an experienced and incentivised management team

A fair review of the business

The Company is focused on high-quality, newly-constructed and long-life facilities with creditworthy counterparties that we expect will produce stable, long-term cash flows.

During our first four years of operation, we have focused on three priorities:

1. Creating in the case of new assets and reinforcing the processes and systems required to manage and control our contracted assets internationally.
2. Maximizing performance of our asset portfolio. This is an area where in 2018 we still need to continue improving the performance of some assets, including Solana and Kaxu.
3. Acquiring and integrating new contracted assets.

During 2016, we focused our efforts on eliminating the risks associated to Abengoa's insolvency process and became a fully independent company with our own IT systems, functions and policies.

In 2017, we obtained waivers from lenders of Kaxu and ACT as well as a consent in the case of Solana and Mojave (see paragraph "Change of ownership provisions in project finance agreements" above under "Events during the period").

In the first half of 2017, Abengoa announced its intention to sell the 41.7% stake they own in Atlantica Yield. On November 1, 2017 Algonquin announced it had reached an agreement to acquire a 25% stake in Atlantica from Abengoa. In addition, Algonquin and Abengoa signed an agreement to create a joint venture called AAGES to invest in the development and construction of clean energy and water infrastructure contracted assets and we signed a non-binding term-sheet which will serve as a basis of a proposed ROFO agreement with AAGES. Provided that the transaction between Algonquin and Abengoa closes and we sign the ROFO agreement with AAGES, we expect this ROFO agreement to be our main source of growth.

Additionally, we plan to sign similar agreements or enter into partnerships with other developers or asset owners to acquire assets in operation. We may also invest directly or through investment vehicles with partners in assets under development or construction, ensuring that such investments are always a small part of our total investments. Finally, we also expect to acquire assets from third parties leveraging the local presence and network we have in the geographies and sectors in which we operate.

In 2017, the Company and its subsidiaries reported revenues of \$1,008.4 million (2016: \$971.8 million) and a loss for the year attributable to the parent company of \$111.8 million (2016: loss of \$4.9 million). Revenue increased mainly due to higher revenues in our solar assets in Spain. The increase was mainly due to higher revenue per megawatt-hour produced and higher production in those assets. The appreciation of the euro against the U.S. dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016 also contributed to the increase. The net loss of 2017 is mainly due to some one-time non-cash expenses, mainly related to Income taxes. In 2017, the Company experienced an ownership change under section 382 of the U.S. Internal Revenue Code, which caused a \$96 million tax expense, with no cash impact in cash in 2017. U.S. tax reform caused an additional \$19 million tax expense. Additional detail on the reasons for the changes in Revenues, Operating profit and Net loss for the year attributable to the parent company is provided below.

\$ in millions	2017	2016
Revenue	1,008.4	971.8
Operating Profit	458.0	402.4
Profit/(loss) for the Year	(104.9)	1.6
Loss for the Year Attributable to the Parent Company	(111.8)	(4.9)

As of 31 December 2017, our cash and cash equivalents at the project company level were \$520.8 million as compared with \$472.6 million as of 31 December 2016. In addition, our cash and cash equivalents at the Atlantica Yield level were \$148.5 million as of 31 December 2017 compared with \$122.2 million as of 31 December 2016. Additionally, as of December 31, 2017, we had \$71 million available under our Revolving Credit Facility (nil as of December 31, 2016) which made out total corporate liquidity amount to \$219.5 million.

In February 2017, we successfully refinanced Tranche B of our Revolving Credit Facility, which had a maturity in December 2017 with a Note Issuance Facility entered into with a group of funds managed by Westbourne Capital as purchasers of the notes.

We expect our ongoing sources of liquidity to include cash on hand, cash generated from our operations, project debt arrangements, corporate debt and the issuance of additional equity securities, as appropriate, given market conditions. Our financing agreements consist mainly of the project-level financings for our various assets, the 2019 Notes, the Credit Facility, the Note Issuance Facility and the line of credit with a local bank.

On November 17, 2014, we issued the 2019 Notes in an aggregate principal amount of \$255 million maturing in November 15, 2019. The 2019 Notes have a public credit rating for the 2019 Notes from S&P and Moody's.

On December 3, 2014, we entered into the Credit Facility in the total amount of up to \$125 million. On December 22, 2014, we drew down \$125 million under the Credit Facility, which we refer to as Tranche A. Loans under Tranche A of the Credit Facility mature on December 22, 2018. Loans prepaid by us under Tranche A of the Credit Facility may be re-borrowed until their maturity date of December 22, 2018. In 2017, we prepaid partially the principal outstanding under the Tranche A of the Credit Facility, leaving a balance of \$54 million outstanding and \$71 million of Revolving Credit Facility available as of December 31, 2017. We intend to extend the 2018 maturity during the year.

On 10 February 2017, we signed a Note Issuance Facility for a total amount of €275 million, the proceeds of which we used to repay and cancel the Tranche B of our Revolving Credit Facility. The Note Issuance Facility has three series of notes: Series 1 notes worth €92 million mature in 2022; series 2 notes worth €91.5 million mature in 2023; and series 3 notes worth €91.5 million mature in 2024.

In July 2017, we signed a line of credit with a local bank for up to €10.0 million (approximately \$12.0 million) which is available in euros or U.S. dollars. The credit facility has a maturity date of July 20, 2018 which we intend to extend during the year. The line was fully drawn in 2017.

Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our financing agreements will be adequate to meet our future liquidity needs for at least the next twelve months.

In 2017, we paid total dividends of \$1.05 per share to our shareholders (see the "Directors' Report-Dividends" for amount of each quarterly dividend) and from that amount we retained \$10.4 million of the dividend attributable to Abengoa in accordance with the provisions of the agreements reached with Abengoa in relation to our preferred equity investment in ACBH. In 2016, we paid \$0.453 per share and from that amount we retained \$19.0 million of the dividend attributable to Abengoa in accordance with the provisions of the agreements reached with Abengoa in relation to our preferred equity investment in ACBH.

As previously stated within this Consolidated Annual Report, all our assets have contracted revenues (regulated in the case of Spain) with low-risk off-takers and collectively have a weighted-average remaining contract life of approximately 19 years as of December 31, 2017. To gain an overall fair review of the business we enclose below a detailed breakdown of our results of operations for the years ended as of December 31, 2017 and 2016:

	2017	2016
\$ in millions		
Revenue	1,008.4	971.8
Other operating income	80.8	65.5
Raw materials and consumables used	(17.0)	(26.9)
Employee benefit expenses	(18.8)	(14.7)
Depreciation, amortization and impairment charges	(311.0)	(332.9)
Other operating expenses	(284.5)	(260.3)
Operating profit	\$ 458.0	\$ 402.4
Financial income	1.0	3.3
Financial expense	(463.7)	(408.0)
Net exchange differences	(4.1)	(9.6)
Other financial income/(expense), net	18.4	8.5
Financial expense, net	\$ (448.4)	\$ (405.8)
Share of profit/(loss) of associates carried under the equity method	5.3	6.7
Profit/(Loss) before income tax	\$ 14.9	\$ 3.3
Income tax	(119.8)	(1.7)
Profit/(Loss) for the year	\$ (104.9)	\$ 1.6
Profit/(loss) attributable to non-controlling interests	(6.9)	(6.5)
Loss for the year attributable to the parent company	\$ (111.8)	\$ (4.9)

Revenues

Revenues increased by 3.8% to \$1,008.4 million for the year ended December 31, 2017, compared with \$971.8 million for the year ended December 31, 2016. The increase was mainly due to higher revenue per MWh and higher production at our solar assets in Spain. The appreciation of the euro against the U.S. dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016 also contributed to the increase. This was partially offset by reduced performance of Kaxu, our solar asset in South Africa after the plant experienced technical problems. Additionally, ACT continued to deliver robust levels of production and availability. However, revenues from ACT slightly decreased due to the lower revenues in the portion of the tariff related to the operation and maintenance services, driven by lower operation and maintenance costs in 2017.

Other operating income

The following table sets forth our other operating income for the years ended December 31, 2017 and 2016:

	Year ended December 31,	
	2017	2016
Other operating income	\$ in millions	
Grants	59.7	59.1
Income from various services	21.1	6.4
Total	80.8	65.5

"Other operating income" increased by \$15.3 million to \$80.8 million for the year ended December 31, 2017, compared with \$65.5 million for the year ended December 31, 2016. "Income from various services" increased due to insurance proceeds received in Kaxu and Solana of approximately \$14 million.

Income classified as grants represents the financial support provided by the U.S. Administration to Solana and Mojave consists of ITC Cash Grants and an implicit grant related to the below market interest rates of the project loans with the FFB. "Grants" remained stable for the years ended December 31, 2017 and 2016.

Raw materials and consumables used

"Raw materials and consumables used" decreased by \$9.9 million to \$17.0 million for the year ended December 31, 2017, compared with \$26.9 million for the year ended December 31, 2016, primarily due to fewer spare parts and consumables at Solana and Mojave.

Employee benefits expenses

"Employee benefit expenses" increased by \$4.1 million to \$18.8 million for the year ended December 31, 2017, compared with \$14.7 million for the year ended December 31, 2016. The increase is mainly due to the transfer of employees previously employed by subsidiaries of Abengoa who were providing services to us under the support services agreement to our subsidiaries. The transfer occurred during the first six months of 2016 and the support service agreement was terminated in the second quarter of 2016.

Depreciation, amortization and impairment charges

"Depreciation, amortization and impairment charges" decreased by 6.6% to \$311.0 million for the year ended December 31, 2017, compared with \$332.9 million for the year ended December 31, 2016. The decrease was largely attributable to \$20.3 million of impairment in our wind assets that was recorded in the fourth quarter of 2016 due to lower than expected wind resource in the previous two years.

Other operating expenses

"Other operating expenses" increased by 9.3% to \$284.5 million for the year ended December 31, 2017, compared with \$260.3 million for the year ended December 31, 2016. The increase was largely due to higher costs recorded in Other expenses as well as Levies and duties which were partially offset by lower costs recorded in Operation and maintenance. Other expenses principally increased due to provisions for legal expenses in our US assets. Levies and duties increased mainly due to \$8.1 million of a one-time provision for property taxes recorded at certain plants in Spain. These cost increases were partially offset by the Operation and maintenance cost savings that resulted mainly from lower operation and maintenance expenses of ACT for the year ended December 31, 2017 compared to the year ended December 31, 2016, a year when ACT had scheduled major maintenance.

Operating profit/(loss)

As a result of the above factors, operating profit increased by 13.8% to \$458.0 million for the year ended December 31, 2017, compared with \$402.4 million for the year ended December 31, 2016.

Financial income and financial expense

	Year ended December 31,	
	2017	2016
Financial income and financial expense	\$ in millions	
Financial income	1.0	3.3
Financial expense	(463.7)	(408.0)
Net exchange differences	(4.1)	(9.6)
Other financial income, net	18.4	8.5
Financial expense, net	(448.4)	(405.8)

Financial expense

The following table sets forth our financial expense for the years ended December 31, 2017 and 2016:

	Year ended December 31,	
	2017	2016
Financial expense	\$ in millions	
Expenses due to interest:		
Loans with credit entities	(253.7)	(242.9)
Other debts	(137.6)	(91.0)
Interest rates losses derivatives: cash flow hedges	(72.4)	(74.1)
Total	(463.7)	(408.0)

Financial expense increased by 13.7% to \$463.7 million for the year ended December 31, 2017, compared with \$408.0 million for the year ended December 31, 2016. This increase was largely attributable to the increase of expenses due to interest on "Other debts", mainly due to a one-time non-monetary expense of \$50.1 million resulting from the update in the estimation of Liberty's tax equity investment accounting value. Under IFRS, although the investment of Liberty is in ordinary shares, it does not qualify as equity and has been classified as a liability recorded in "Grants and other liabilities", measured at amortized cost in accordance with the effective interest method.

Financial expenses related to "Loans with credit entities" increased mainly due the higher interest rate for the long-term Note Issuance Facility since February 2017 compared to the lower interest rate of the short-term Tranche B of the Revolving Credit Facility, which was since paid off.

Interest on other debt is primarily interest on the notes issued by ATS, ATN, ATN2, Solaben 1/6 and the 2019 Notes.

"Losses from interest rate derivatives designated as cash flow hedges" correspond mainly to transfers from equity to financial expense when the hedged item is impacting the Annual Consolidated Financial Statements.

Other financial income/(expense), net

Other financial income/(expenses)	Year ended December 31,	
	2017	2016
	\$ in millions	
Dividend ACBH (Brazil)	10.4	28.0
Other financial income	28.8	13.0
Impairment preferred equity investment in ACBH	-	(22.1)
Other financial losses	(20.8)	(10.4)
Total	18.4	8.5

"Other financial income/(expense), net" increased to \$18.4 million for the year ended December 31, 2017, from \$8.5 million for the year ended December 31, 2016 due primarily to the gain resulting from the cancellation of the Currency Swap with Abengoa in 2017 recorded in "Other financial income", as well as to the Impairment of preferred equity investment in ACBH recorded in 2016.

In accordance with the agreement reached with Abengoa with respect to the ACBH investment, Abengoa acknowledged that we are the legal owner of the dividends we retained from Abengoa. As a result, we recorded \$10.4 million in our financial statements in 2017 and \$28.0 million in 2016, in accordance with the accounting treatment given previously to the ACBH dividend. In addition, upon completion of Abengoa's restructuring in March 2017, we received restructured debt and equity of Abengoa. In exchange, we waived, as agreed, our rights under the ACBH agreements, including our right to further retain dividends payable to Abengoa and we wrote-off the accounting value of this instrument. The net impact of the two transactions resulted in a net loss of \$5.8 million, recorded in "Other financial losses". Additionally, during 2017, we sold a significant portion of the Abengoa debt and equity instruments we received and recognized a gain of \$6.5 million in "Other financial income". In addition, "Other financial income" includes a \$16.2 million gain resulting from our cancelation of the Abengoa Currency Swap Agreement in 2017.

"Other financial losses" also include guarantees and letters of credit, wire transfers and other bank fees and other minor financial expenses.

Share of profit/(loss) of associates carried under the equity method

Share of profit of associates carried under the equity method decreased to \$5.3 million for the year ended December 31, 2017, compared with \$6.7 million for the year ended December 31, 2016. The decrease is mainly due lower profits in Honaine.

Profit/(loss) before income tax

As a result of the previously mentioned factors, we reported a profit before income taxes of \$14.9 million for the year ended December 31, 2017, compared with a profit before income taxes of \$3.3 million for the year ended December 31, 2016.

Income tax

Income tax expense amounted to \$119.8 million for the year ended December 31, 2017, compared with an income tax expense of \$1.7 million for the year ended December 31, 2016. The increase is mainly due to the change of ownership under Section 382 of the U.S. Internal Revenue Code, which caused a one-time income tax expense of \$96 million and to the U.S. Tax Reform which caused a one-time income tax expense of \$19 million.

In 2016, our effective tax rate differs from the average nominal tax rate mainly due to a net of different effects. Permanent differences in some jurisdictions, particularly in Mexico had a positive impact in our income tax expense. This effect was offset by tax losses for which we did not record a tax credit in some jurisdictions; in accordance with IFRS.

Profit/(loss) attributable to the parent company

As a result of the previously mentioned factors, loss attributable to the parent company was \$111.8 million for the year ended December 31, 2017, compared with \$4.9 million for the year ended December 31, 2016.

The factors affecting our results of operations are:

- Regulation
- Power purchase agreements and other contracted revenue agreements
- Tax incentives in the United States for renewable energy assets
- Tax accelerated depreciation for Spanish new assets
- Specific corporate income tax rules in Mexico
- Project debt
- Interest rates
- Exchange rates

Other factors that affect comparability of our results of operations are listed below and described in detail in individual paragraphs in "Events during the period:"

- Exchangeable Preferred Equity Investment in Abengoa Concessões Brasil Holding
- Change of ownership under Section 382 of the U.S. Internal Revenue Code
- U.S. Tax Reform

With the fleet of assets that we own, we believe that we have a balanced portfolio in terms of geographies and technologies that provides the Company the critical mass required to continue capturing opportunities to (i) continue improving the performance and cash generation of our assets and (ii) continue growing through acquisitions from Abengoa, from AAGES provided that the transaction with Algonquin closes and we sign a ROFO agreement with them, third parties or new potential future partners.

Key performance indicators

In addition to the factors described above, we closely monitor the following key drivers of our business sectors' performance to plan for our needs, and to adjust our expectations, financial budgets and forecasts appropriately.

	As of December, 31	
	2017	2016
Renewable Energy		
MW in operation ¹	1,442	1,442
GWh produced	3,167	3,087
Efficient Natural Gas Power		
MW in operation ¹	300	300
GWh produced ²	2,372	2,416
Availability (%) ³	100.5%	99.1%
Electric Transmission		
Miles in operation	1,099	1,099
Availability (%) ³	97.9%	100.0%
Water		
Mft ³ in operation	10.5	10.5
Availability (%) ³	101.8%	101.8%

¹ Represents total installed capacity in assets owned at the end of the period, regardless of our percentage of ownership in each of the assets.

² Efficient natural gas availability was impacted by a periodic scheduled major maintenance in February 2016.

³ Availability refers to actual availability divided by contracted availability.

Our Segment Reporting

As of December 31, 2017, we organize our business into the following three geographies where the contracted assets and concessions are located:

- North America;
- South America; and
- EMEA.

In addition, we have identified the following business sectors based on the type of activity:

- Renewable Energy, which includes our activities related to the production electricity from solar power and wind plants;
- Efficient Natural Gas Power, which includes our activities related to the production of electricity and steam from natural gas;
- Electric Transmission, which includes our activities related to the operation of electric transmission lines; and
- Water, which includes our activities related to desalination plants.

As a result, we report our results through the year ended December 31, 2017 in accordance with both criteria.

	Year ended December 31,			
	2017		2016	
	\$ in millions	% of revenue	\$ in millions	% of revenue
Revenue by geography				
North America	332.7	33.0%	337.0	34.7%
South America	120.8	12.0%	118.8	12.2%
EMEA	554.9	55.0%	516.0	53.1%
Total revenue	1,008.4	100.0%	971.8	100.0%

	Year ended December 31,			
	2017		2016	
	\$ in millions	% of revenue	\$ in millions	% of revenue
Further Adjusted EBITDA by geography				
North America	282.3	84.9%	284.7	84.5%
South America	108.8	90.0%	124.6	104.9%
EMEA	388.2	70.0%	354.0	68.6%
Further Adjusted EBITDA⁽¹⁾	779.3	77.3%	763.3	78.5%

Note:—

- (1) Further Adjusted EBITDA is calculated as profit/(loss) for the year attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interest from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in the Annual Consolidated Financial Statements, and dividends received from our preferred equity investment in ACBH. Further Adjusted EBITDA for the year ended December 31, 2016 and for the first quarter of 2017 includes compensation received from Abengoa in lieu of ACBH dividends. Further Adjusted EBITDA is not a measure of performance under IFRS as issued by the IASB, and you should not consider Further Adjusted EBITDA as an alternative to operating income or profits or as a measure of our operating performance, cash flows from operating, investing and financing activities or as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that Further Adjusted EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. Further Adjusted EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Further Adjusted EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

Volume by geography	Volume produced/availability Year ended December 31,	
	2017	2016
North America (GWh)	3,695	3,684
South America (miles in operation)	1,099	1,099
South America (GWh)	325	296
EMEA (GWh)	1,519	1,523
EMEA (capacity in M ft ³ per day)	10.5	10.5

North America

Revenues decreased slightly by 1.3% to \$332.7 million for the year ended December 31, 2017 compared with \$337.0 million for the year ended December 31, 2016. The decrease was primarily due to lower revenues at ACT. Although ACT continued to deliver robust levels of production and availability, revenues in ACT decreased due to lower revenues in the portion of the tariff related to the operation and maintenance services, driven by lower operation and maintenance costs for the year ended December 31, 2017. Further Adjusted EBITDA margin remained stable around 84% for the year 2017 compared to 2016.

South America

Revenues increased slightly by 1.7% to \$120.8 million for the year ended December 31, 2017, compared with \$118.8 million for the year ended December 31, 2016 mainly due to higher production in our wind assets in Uruguay. Further Adjusted EBITDA decreased to \$108.8 million for the year ended December 31, 2017, compared with \$124.6 million for the year ended December 31, 2016. According to the agreement reached with Abengoa in the third quarter of 2016, Abengoa acknowledged that we are the legal owner of the dividends retained from Abengoa. As a result, we recorded \$28.0 million for the year ended December 31, 2016 and \$10.4 million for the year ended December 31, 2017 in accordance with the accounting treatment given previously to the ACBH dividend. Further Adjusted EBITDA margin decreased to 90.0% for the year ended December 31, 2017 from 104.9% for the year ended December 31, 2016 also due to the accounting treatment previously given to the ACBH dividend.

EMEA

Revenues increased by 7.5% to \$554.9 million for the year ended December 31, 2017, compared with \$516.0 million for the year ended December 31, 2016. The increase was mainly due to higher revenue per MWh and higher production of our solar assets in Spain, driven by higher solar radiation levels. The appreciation of the euro against the U.S. dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016 also contributed part of the increase. This was partially offset by reduced performance of Kaxu, our solar asset in South Africa after the plant experienced technical problems. The repairs were completed in the fourth quarter of 2017 and insurance payments claimed for repairs of water pumps were collected in the second quarter of 2017. As a result, Further Adjusted EBITDA increased to \$388.2 million for the year ended December 31, 2017, compared with \$354.0 million for the year ended December 31, 2016.

	Year ended December 31,			
	2017		2016	
	\$ in Millions	% of revenue	\$ in millions	% of revenue
Revenue by business sector				
Renewable energy	767.2	76.1%	724.3	74.5%
Efficient natural gas power	119.8	11.9%	128.1	13.2%
Electric transmission lines	95.1	9.4%	95.1	9.8%
Water	26.3	2.6%	24.3	2.5%
Total revenue	1,008.4	100.0%	971.8	100.0%

	Year ended December 31,			
	2017		2016	
	\$ in Millions	% of revenue	\$ in millions	% of revenue
Further Adjusted EBITDA by business sector				
Renewable energy	569.2	74.2%	538.4	74.3%
Efficient natural gas power	106.1	88.6%	106.5	83.2%
Electric transmission lines	87.7	92.2%	104.8	110.2%
Water	16.3	62.0%	13.6	56.0%
Further Adjusted EBITDA⁽¹⁾	779.3	77.3%	763.3	78.5%

Note:—

- (1) Further Adjusted EBITDA is calculated as profit/(loss) for the year attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interest from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in the Annual Consolidated Financial Statements, and dividends received from our preferred equity investment in ACBH. Further Adjusted EBITDA for the year ended December 31, 2016 and for the first quarter of 2017 includes compensation received from Abengoa in lieu of ACBH dividends. Further Adjusted EBITDA is not a measure of performance under IFRS as issued by the IASB, and you should not consider Further Adjusted EBITDA as an alternative to operating income or profits or as a measure of our operating performance, cash flows from operating, investing and financing activities or as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that Further Adjusted EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. Further Adjusted EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Further Adjusted EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

Volume by business sector	Volume produced/availability	
	Year ended December 31,	
	2017	2016
Renewable energy (GWh)	3,167	3,087
Efficient natural gas power (GWh)	2,372	2,416
Electric transmission lines (miles in operation)	1,099	1,099

Renewable energy

Revenue increased by 5.9% to \$767.2 million for the year ended December 31, 2017, compared with \$724.3 million for the year ended December 31, 2016. The increase was mainly due to higher

revenue per MWh and higher production of our solar assets in Spain. The appreciation of the euro against the U.S. dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016 also contributed part of the increase. As a result of this effect and of the good performance of our Spanish solar assets, Further Adjusted EBITDA increased to \$569.2 million for the year ended December 31, 2017, which represented an increase of \$30.8 million with respect to the year ended December 31, 2016. Further Adjusted EBITDA margin remained stable for the years ended December 31, 2017 and 2016.

Efficient natural gas power

Revenue decreased by 6.5% to \$119.8 million for the year ended December 31, 2017, compared with \$128.1 million for the year ended December 31, 2016. ACT continued to deliver robust levels of production and availability, however revenues decreased due to the lower revenues in the portion of the tariff related to the operation and maintenance services, driven by lower operation and maintenance costs for the year ended December 31, 2016. Operation and maintenance costs were lower for the year ended December 31, 2017, since operation and maintenance costs are typically higher in the months prior to a major maintenance, which took place in the first quarter of 2016. As a result, Further Adjusted EBITDA margin increased to 88.6% for the year ended December 31, 2017, from 83.2% for the year ended December 31, 2016.

Electric transmission lines

Revenue remained stable at \$95.1 million for the year ended December 31, 2017 and 2016. Further Adjusted EBITDA decreased by 16.3% mainly due to difference in the amount of the ACBH dividend recognized in for the year ended December 31, 2016 as compared to the year ended December 31, 2017. In the agreement reached with Abengoa in the third quarter of 2016, Abengoa acknowledged that we are the legal owner of the dividends retained from Abengoa prior to Abengoa's restructuring. As a result, we recorded \$28.0 million for the year ended December 31, 2016 and \$10.4 million for the year ended December 31, 2017, in accordance with the accounting treatment given previously to the ACBH dividend.

Water

Revenue amounted to \$26.3 million for the year ended December 31, 2017 and Further Adjusted EBITDA amounted to \$16.3 million for the year ended December 31, 2017.

Principal risks and uncertainties

The Company and its underlying assets are subject to a number of risks ranging from operating, regulatory, financial and connection to Abengoa. The processes and systems implemented have

been designed to mitigate those risks to the extent possible. We include the following table as a summary of some of those risks and action plans carried out to mitigate them:

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
Poor performance of assets	▪ Loss of revenues and cash flows at the project company level, which has subsequent impact on cash returns to the Company. ▪ In addition, we rely on third parties for the supply of services and equipment, including technologically complex equipment and operation and maintenance services. ▪ We use insurance to seek coverage against inherent risks in our markets. Insurance policies are subject for periodic review by our insurers. Insurance premiums may increase in the future, or certain types of insurance coverage may not be available, or deductibles may increase. These events could have an adverse effect on our ability to comply with our project financing obligations.	▪ In the last few years, we had technical problems in Solana and Kaxu. Repairs and improvements were carried out at these two assets, but we cannot guarantee we will reach expected performance. ▪ We filed several insurance claims in recent periods. At Solana, we had a severe wind event in 2016 for which we received insurance compensation for damages and loss of revenue in 2017. Additionally, in summer 2017, Solana experienced problems with its transformers for which significant portion of the insurance proceeds for property damages were received in 2017. At Kaxu, we filed a claim for property damage and loss of revenue following technical problems with the plants water pumps at the end of 2016. We received insurance compensation in 2017.	▪ Dedicated supervisory and management teams ▪ Reporting and monitoring systems in place ▪ Proven technology through years of experience ▪ Operation and maintenance contracted with specialists ▪ Tracked down alternative O&M opportunities in the market ▪ Use the provisions of the EPC guarantee where possible
▪ Access to future acquisitions	▪ Impede our ability to execute our growth strategy	▪ In order to grow, we depend on the availability of low risk contracted assets with stable cash flows. Given that we distribute as dividends a significant portion of the case we generate, we also depend on financing availability to finance growth, including access to capital markets. ▪ In connection with the transaction announced between Abengoa and Algonquin for the acquisition by Algonquin of a 25% stake in Atlantica from Abengoa, we have signed a non-binding term-sheet which will serve as a basis of a proposed ROFO agreement with AAGES, a joint venture formed by Abengoa and Algonquin to invest in the development and construction of clean energy and water infrastructure contracted assets. However, the term-sheets entered into with Algonquin, AAGES and Abengoa are non-binding and while the parties have agreed to negotiate in good faith towards a mutually beneficial outcome, there is no guarantee that the AAGES ROFO agreement and other agreements will be entered into, or that any assets will be purchased by Atlantica from Algonquin, AAGES or Abengoa.	▪ Maintain ROFO agreement with Abengoa ▪ Seek to sign similar agreements or enter into partnerships with other developers or asset owners to acquire assets ▪ Pursue acquisitions from third parties. ▪ Dedicated supervisory and management teams to locate opportunities within the market.

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
Regulation - legal, environmental and general compliance - of each asset	Uncertainty or changes to any such regulation could adversely affect the profitability of our current plants and our ability to refinance projects	- Revenues in Spain are mainly defined by regulation and some of the parameters defining the revenues are subject to review every six years, with the next review taking place at the end of 2019. - In the U.S., the current administration's proposed environmental and tax policies may create regulatory uncertainty in the clean energy sector and may lead to a reduction or removal of various clean energy programs and initiatives designed to curtail climate change. - Other markets in which we operate are subject to different tax regimes. Changes, such as reduction or elimination of tax benefits, or reduction of tax rates could adversely affect the market for investment in our projects by third parties and limit our ability to grow our business.	- Strong power purchase agreement or concession contracts in many assets - Investment grade ratings in most of our assets - Management and specialized compliance teams continuously tracking down any potential change. - Reporting and monitoring system.
Regulation - Tax	Uncertainty or changes to tax regulations could adversely affect the profitability of our current plants and our ability to refinance projects	- Tax reform recently enacted in the United States includes, among other things, a limitation on the deductibility of interest and a limitation on the deduction for new NOLs which could adversely affect us. In addition, certain measures included in the tax reform such as a reduction in the enacted income tax rate and the new base erosion anti-abuse tax may impact the cost and availability of tax equity investors, which could have a negative impact in our growth prospects in the U.S. - A change of ownership as defined under section 382 of the IRC in the United States, including direct and indirect shareholders, may limit our ability to use net operating loss carryforwards in the United States, which could negatively affect our cash flows. In 2017, Abengoa restructuring caused a change of ownership limiting our ability to use net operating loss carryforwards in the United States. The sale by Abengoa of their stake in us could or other changes in our shareholders could cause another change of ownership. - We are also subject to changes in tax regulations in the rest of the jurisdictions where we have assets.	- According to our analysis, the cash impact of the U.S. tax reform is considered limited since we continue to expect not to pay significant taxes in the U.S. in the upcoming years. - NOL limitation under section 382 is partially mitigated by a certain portion of any "built-in-gains". - Management and specialized compliance teams continuously tracking down any potential change.

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
▪ Brexit	Political, social and macroeconomic uncertainty	The exit of the United Kingdom from the EU or prolonged periods of uncertainty could result in macroeconomic deterioration, negative impacts on stock exchanges, decreased GDP in the European Union, tax regulation affecting the repatriation of dividends, all of which could have an adverse effect on our operations.	▪ Management and specialized compliance teams continuously tracking down any potential change ▪ Reporting and monitoring system
▪ Financing agreements in each contract	▪ Restrictions to distribute cash out of project companies ▪ Declare project finance debt to be due and payable immediately ▪ Cross-default provisions and change of ownership provisions related to Abengoa (see below)	▪ Kaxu had a reduced production during the year 2017 due to the technical problems it began to experience in December 2016. As a result, Kaxu did not reach the minimum debt coverage ratios required by the project financing which, according to the lending agreement, represented a technical default event. Project financing lenders have agreed to waive the instance from causing default.	▪ Reporting and monitoring of covenants in each contract ▪ Management and specialized compliance and legal teams continuously tracking down any change
▪ Connection to Abengoa	▪ Our reputation is still closely related to Abengoa's reputation ▪ Existing operation and maintenance agreements, warranties and guarantees under EPC contracts in some assets, cross-default provisions, minimum ownership provisions, existing guarantees and other risks ▪ Cross-default provisions related to future defaults by Abengoa could trigger default under the project finance arrangement of Kaxu ▪ Change of ownership provisions related to Abengoa could trigger default under the project finance arrangement of Solana and Mojave ▪ We have operation and maintenance contracts with Abengoa at most of our assets. We cannot guarantee Abengoa and its subcontractors will be able to continue performing with the same level of service and under the same terms and conditions, including prices. Although we have long-term O&M agreements in most of our assets, if Abengoa cannot continue performing current services at the same prices, this could cause a change of supplier and we cannot guarantee the prices and conditions will be maintained. ▪ The sale process of Abengoa's stake can have a negative impact in the price of our shares. ▪ If a buyer of Abengoa's stake in us (or another investor) acquires more	▪ In March 2017, Abengoa completed its restructuring process. Abengoa publicly announced its intention to sell the stake they own in us in a private transaction. In November 2017, Algonquin announced the acquisition of a 25% in our shares from Abengoa. ▪ During the year 2017, we have obtained waivers for cross default provisions in all the pending assets except for potential future cross defaults in the project financing arrangement of Kaxu. ▪ During the year 2017, we have obtained waivers for change of ownership provisions in all the assets except for Solana and Mojave project finance arrangement. In 2016, a forbearance agreement signed with the U.S. DOE in 2016 with respect to these assets allowed reductions of Abengoa's ownership under certain circumstances and eliminated debt acceleration from the lender's potential remedies. In November 2017, we signed a consent in relation to the Solana and Mojave projects which reduces the minimum ownership required by Abengoa in Atlantica from 30% to 16%, subject to certain conditions precedent. The main conditions precedent included several payments by Abengoa to Solana before December 2017 and February 2018 as a result of its obligations as EPC contractor, for a total amount of \$120 million.	▪ In 2016 we set up our own independent back office and our own IT systems separate from Abengoa ▪ Waivers obtained for most of the project finance arrangements with cross default and change of ownership clauses ▪ Financial guarantees issued by us for an amount of \$112 million, replacing guarantees previously provided by Abengoa under the Financial Support Agreement. ▪ Contingency plan in each key area ▪ Corporate governance

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
	than a 50% of our shares, we might need to refinance all or part of our corporate debt or obtain waivers from the lending financial institutions, due to the fact that they contain customary change of control provisions. Additionally, we could see an increase in the yearly state property tax payment in Mojave.		
▪ Closing of the Algonquin's acquisition of stake in us and our growth through AAGES	▪ The closing of the transaction between Abengoa and Algonquin is beyond our control. ▪ There is no guarantee that we may be able to sign the ROFO agreement with AAGES or Algonquin, or that any assets will be purchased from Algonquin or AAGES.	▪ At the date of this report, Algonquin and Abengoa were in the process of the closing of the transaction for the acquisition of 25% in us by Algonquin from Abengoa. Algonquin also has an option to purchase the remaining 16.47% until March 31, 2018. Atlantica, Algonquin and AAGES intend to sign a ROFO agreement upon the closing of the transaction.	▪ Our participation in the process is limited and customary to the nature of the transaction. ▪ We continue seeking growth through other venues such as third-party acquisitions and partnerships.
▪ Liquidity risk	▪ Not being able to meet our financial obligations as they fall due	As of December 31, 2017, our Corporate debt consists of: ▪ A note issuance facility signed in February 2017 for €275 million (approximately \$330 million) with three series maturing in 2022 (€92 million), in 2023 (€91.5 million) and 2024 (€91.5 million). ▪ The 2019 bonds for \$255 million, maturing in November 2019. ▪ The revolving credit facility for a total amount of \$125, of which \$54 million were drawn as of December 31, 2017 and \$71 million were available. ▪ A credit line signed in 2017 for €10 million (approximately \$12.0 million), which was fully drawn as of December 31, 2017 with maturity in July 2018.	▪ Cash on hand: as of December 31, 2017, we had \$148.5 million at the corporate level plus \$71 million available under our revolving credit facility. ▪ At least 20% of cash flows generated and distributed by our project companies to the holding company are retained at the holding company level ▪ Processes and systems in place ▪ Possibility to change dividend policy ▪ Refinancing of bullet-maturity corporate debt ▪ Refinancing or extension of maturities of the revolving facilities
▪ Interest rate and foreign currency exchange rate	▪ Increases in rates would raise our finance expenses at project companies or corporate level ▪ Revenues and expenses of our solar assets in Spain and our solar asset in South Africa are denominated in euros and South African rand, respectively. Depreciation in the value of euro or South African rand against U.S. dollar may have a negative impact on our operating results and our cash available for distribution.	▪ In 2017 we terminated the currency swap agreement with Abengoa. Our strategy is to hedge the exchange rate for the distributions from our Spanish assets after deducting Euro-denominated interest payments and Euro-denominated general and administrative expenses. Through currency options, we hedge 100% of the net Euro net exposure for the next 12 months and 75% of the net Euro net exposure for the following 12 months ▪ No material changes for the underlying assets related to interest rates.	▪ In our assets revenues, debt and most of the expenses are always denominated in the same currency, creating a natural hedge. ▪ Our solar power plants in Spain have their revenues and expenses denominated in euros. At the corporate level, we have some general and administrative expenses and debt denominated in euros. Our strategy is to hedge the exchange rate for the distributions from our Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
			currency options, we hedge 100% of the net euro net exposure for the next 12 months and 75% of the net euro net exposure for the following 12 months. ▪ We intend to maintain a ratio of over 80% of our cash available for distribution denominated in U.S. dollars or euros and to hedge the euros for the upcoming 24 months on a rolling basis strategy. ▪ Over 90% of our total interest risk exposure is fixed or hedged.
▪ Credit risk	▪ Not being able to collect our revenues	▪ We consider the credit risk with clients limited as our revenues and other revenue contracted agreements are with electric utilities and states-owned entities	▪ 95% of our clients are investment grade offtakers (based on Moody's rating). As of December 31, 2017, and 2016, we did not have trade receivables outstanding for more than three months.

The directors have considered the Group's relationship with its large shareholder, Abengoa S.A, and the events that have taken place in the year as discussed in Note 27 to the Consolidated Financial Statements.

Financial Risk Management

Interest rates

We incur significant indebtedness at the corporate level and in our assets. The interest rate risk arises mainly from indebtedness with variable interest rates. Most of our debt consists of project debt. As of December 31, 2017, approximately 93% of our project debt has either fixed interest rates or has been hedged with swaps or caps.

Regarding our corporate debt, in November 2014, we incurred indebtedness at the corporate level through the issuance of the 2019 Notes, which have a fixed interest rate of 7.00%. On December 3, 2014, we entered into a revolving credit facility of up to \$125 million with maturity in December 2018. The interest rate of the Revolving Credit Facility is hedged by an interest rate swap contracted with HSBC Bank with maturity date December 24, 2018, which fixes the interest rate at 4.7%. As of December 31, 2017, the amount drawn under Tranche A of the Revolving Credit Facility amounted to \$54 million and \$71 million of Revolving Credit Facility was available. On February 10, 2017, we signed a Note Issuance Facility, a senior secured note facility with a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of € 275 million (approximately \$330 million), with three series of notes. Series 1 notes worth €92 million mature in 2022; series 2 notes worth €91.5 million mature in 2023; and series 3 notes worth €91.5 million mature in 2024. Interest on all three series accrues at a rate per annum equal to the sum of 3-month EURIBOR plus 4.90%. We fully hedged the Note Issuance Facility with a swap that fixed the interest rate at 5.5%.

To mitigate the interest rate risk, we primarily use long-term interest rate swaps and interest rate

options which, in exchange for a fee, offer protection against a rise in interest rates and we apply hedge accounting. We estimate that approximately 93% of our total interest risk exposure is fixed or hedged. Nevertheless, our results of operations can be affected by changes in interest rates with respect to the unhedged portion of our indebtedness that bears interest at floating rates, which typically bears a spread over EURIBOR or LIBOR.

Exchange rates

Our functional currency is the U.S. dollar, as most of our revenues and expenses are denominated or linked to U.S. dollars. All our companies located in North America, South America and Algeria have their PPAs, or concessional agreements, and financing contracts signed in, or indexed to, U.S. dollars. Our solar power plants in Spain have their revenues and expenses denominated in euros. Revenues and expenses of Kaxu, our solar plant in South Africa, are denominated in South African rand. While fluctuations in the value of the euro and the South African rand may affect our operating results, we hedge cash distributions from our Spanish assets. Our strategy is to hedge the exchange rate for the distributions from our Spanish assets after deducting euro-denominated interest payments and euro-denominated general and administrative expenses. Through currency options, we hedge 100% of the net euro net exposure for the next 12 months and 75% of the net euro net exposure for the following 12 months.

In subsidiaries with functional currency other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates; revenue, expenses and cash flows are translated using average rates of exchange. Fluctuations in the value of foreign currencies (the euro and the South African rand) in relation to the U.S. dollar may affect our operating results.

Credit risk

We consider that we have limited credit risk with clients as revenues are derived from PPAs and other revenue contracted agreements with electric utilities and state-owned entities.

Liquidity risk

Atlantica Yield's liquidity and financing policy is intended to ensure that the Company maintains sufficient funds to meet our financial obligations as they fall due. Project finance borrowing permits the Company to finance the project through project debt and thereby insulate the rest of its assets from such credit exposure. The Company incurs in project-finance debt on a project-by-project basis. The repayment profile of each project is established on the basis of the projected cash flow generation of the business. This ensures that sufficient financing is available to meet deadlines and maturities, which mitigates the liquidity risk significantly.

Corporate and social responsibility

Sustainability and health and safety in our business model and activities as key values of Atlantica

Atlantica creates value for its investors by owning, managing and acquiring a diversified portfolio of contracted assets in operation in the energy and the environment sectors.

Since its foundation the Company manages a portfolio of renewable, efficient natural gas (which consists of a cogeneration technology plant) and water assets and transmissions lines. In 2017, we acquired a transmission line under development in the U.S. as well as reached an agreement to acquire a renewable hydro asset in Peru, thus, consolidating Atlantica efforts to continue promoting a low-carbon energy industry and a business model based on a sustainable development. Atlantica intends to take advantage of favourable trends in the power generation, electric transmission, and water sectors globally, related to the energy scarcity and a focus on the reduction of carbon emissions.

We own a geographically diverse portfolio of assets, with a primary focus on North and South America. Atlantica is committed to create a positive impact in the diverse local communities where the Company develops its activities. The Company also focuses its efforts in guaranteeing the integrity and safety of the employees that work and operate in our facilities.

Atlantica has been ranked among the top 100 companies in the Clean 200™ which ranks the largest publicly listed companies by their total clean energy revenues to help ensure the companies are indeed building the infrastructure and services needed in a just and equitable way.

In December 2017, Atlantica joined the United Nations Global Compact ("UN Global Compact"), the world's largest corporate sustainability initiative with more than 9,700 participating companies from 160 countries. As part of its commitment with sustainability, Atlantica has formally adopts the UN Global Compact ten basic principles in the fields of human rights, labour, environment and anticorruption. We are determined to make the UN Global Compact and its principles an integral part of the strategy, culture and day-to-day operations of the Company.



Environmental Policy

Sustainability is one of our 5 core values. We are committed to invest in assets that are environmentally sustainable and we manage them sustainably. We follow policies that analyse, evaluate and propose measures oriented at minimizing the environmental impacts of our business activity. Atlantica is committed to growing its business in renewable energy generation, efficient natural gas power generation, electric transmission and water assets that address energy and water scarcity and focus on the reduction of carbon emissions.

Environmental management is an integral part of our planning, maintenance and operation of our asset fleet which, as of December 31, 2017, was comprised of 13 renewable power plants, 1 efficient

natural gas facility, 1,099 miles of transmission lines, and 2 water desalination plants. We strive to further minimize emissions, water use, waste generation and to improve our environmental compliance and stewardship. We utilize our Environmental Management System that conforms with the Environmental Management System standard ISO 14001. Our Quality Management System holds certification under Quality Management System standard ISO 9001. Our systems have been certified since 2015 through May 2019. The scope of these certifications applies to environmental and quality systems for management and acquisition of contracted assets at our locations in Brentford (United Kingdom), Phoenix (AZ, United States), Madrid and Seville (Spain).

Our integrated management system guarantees that we comply with the regulations in force and with our policies in each of the markets we operate. In this sense, we measure the environmental impact of our activities, monitoring, identifying and implementing action plans to reduce that impact at each of our assets. As part of our certified quality management system, Atlantica sets quality, environmental and safety targets. The achievement of these targets is followed up by management committee periodically.

We perform annual audits throughout all assets. Additionally, at the asset level, some of the KPIs were externally verified for various scope other than for inclusion in this report.

During 2017, we generated 5,539 GWh of electricity, 57% of which is produced by solar plants and wind farms. We produced electricity equivalent to the energy needs of a city with over 1.5 million households for a year. Our two desalination plants have a capacity to filter 10.5 million cubic feet of saline water per day to provide drinking water to 1.5 million inhabitants.

Greenhouse gas emissions

Atlantica is firmly committed to providing clean, low emissions energy.

As a United Kingdom company, Atlantica is subject to, and is in compliance with the requirements of the Climate Change Act 2008 for greenhouse gas emissions reporting. Additionally, our greenhouse gas emissions management complies with the requirements of the Commission Regulation (EU) No 601/2012.

Our current goal for the reduction of carbon emissions is to reduce the CO₂/MWh ratio by 10% by 2020. Internally, we measure and benchmark our periodic performance on ongoing basis. Considering the actual emission in 2017 and 2016, we are on track to meet the goal.

Our focus on renewables and sustainable technologies allows Atlantica to have greenhouse gas emissions rates at significantly lower levels than those normally produced by fossil fuel-power generators. In 2017, 1,442MW, or 83% of our installed capacity was represented by solar plants and wind farms which are naturally low-emission power generating assets. Our 300MW installed capacity plant in Mexico, ACT, uses natural gas in its highly efficient cogeneration technology to generate steam and power. The natural gas used at the plant is a waste-grade product provided free-of-charge by Pemex and upcycled by ACT into thermal power.

Emissions figures on this report are quantified and reported according to the guidelines of the ISO 14064. In accordance with this international standard, which was compiled according to the Green House Gas Protocol, we classified our emissions into 2 groups:

- Scope 1: Emissions of greenhouse gas from sources that are owned or controlled by the Company and the Group.
- Scope 2: Indirect emissions of greenhouse gas from consumption of purchased electricity, heat or steam.

Scope 3 emissions are emissions associated to the supply chain or to transport. At Atlantica they represent a negligible share of our total emissions, hence we do not include them in this report. Additionally, they are not required to be reported according to the United Kingdom regulation.

The total carbon dioxide equivalent emissions generated by the Company in 2017 reached 1,847 thousand tons, a 2.6% decrease from 1,896¹ thousand tons generated in 2016 which occurred mainly thanks to the implementation of our initiatives aimed at improving our efficient natural gas plant in Mexico. As part of the project, we installed heat recovery units to increase the efficiency.

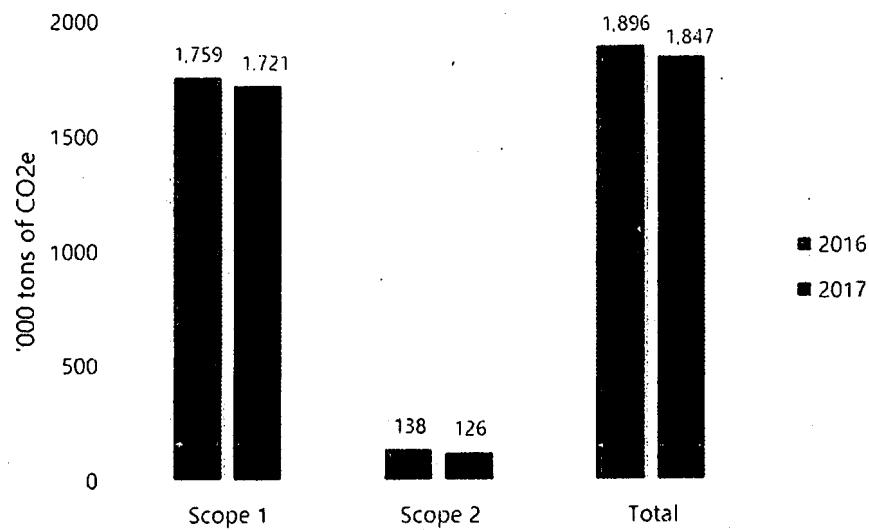
The emissions are calculated based on the criteria defined by the GHG Protocol and includes all entities under our control. Our reported emissions also include emissions of methane (CH₄), and nitrous oxide (N₂O) as CO₂ equivalents. We used the GHG inventories conversion factors indicated by the following organizations:

- Intergovernmental Panel on Climate Change (the "IPCC")
- Department for Environment, Food and Rural Affairs of the United Kingdom
- Comisión Nacional de los Mercados y la Competencia (the "CNMC") in Spain

The carbon emissions, electricity and gas consumption as well as emission factors of the efficient natural gas plant in Mexico and solar plants in Spain are subject to external audit by accredited organizations as required by the rules and regulations governing in those geographies.

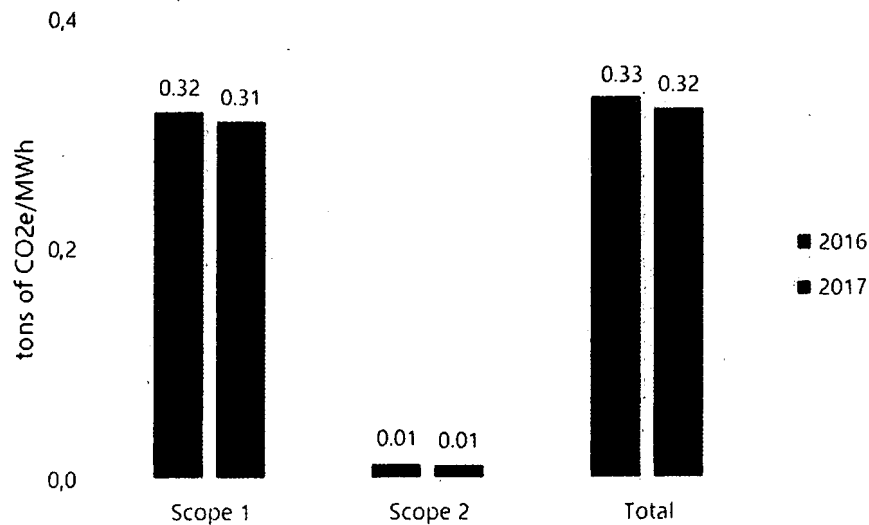
Graph 1 shows tons of carbon dioxide equivalent generated in 2017 and 2016 corresponding to each of the previously described scopes.

¹ The 2016 total emissions have been recalculated based on audited 2016 emissions generated by our cogeneration plant in Mexico. The total emission published in our 2016 Annual Report were based on pre-audit emissions by ACT. The audit is performed annually by an external environmental auditor licensed by the Mexican government.



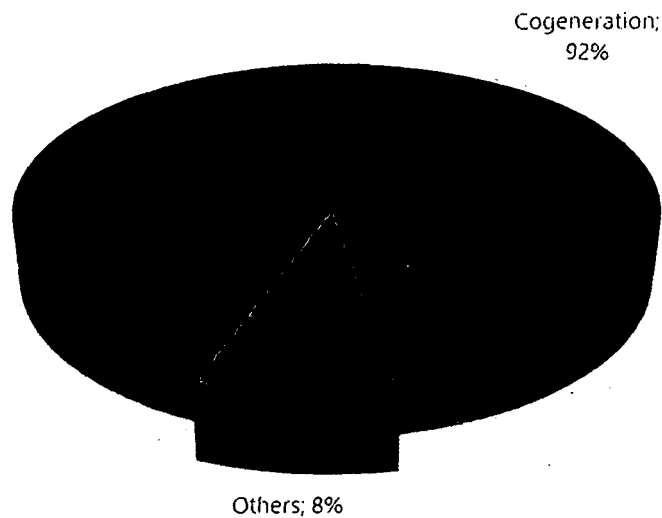
Graph 1: Greenhouse gas emissions breakdown by scope¹

As shown on the following graph, the rate of emissions per megawatt-hour (the "MWh") of energy generation has decreased by 3%, from 0.33 equivalent tons of Carbon Dioxide ("CO2") per megawatt-hour in 2016 to 0.32¹ in 2017. This decrease is explained by lower emissions from our efficient natural gas plant in Mexico.



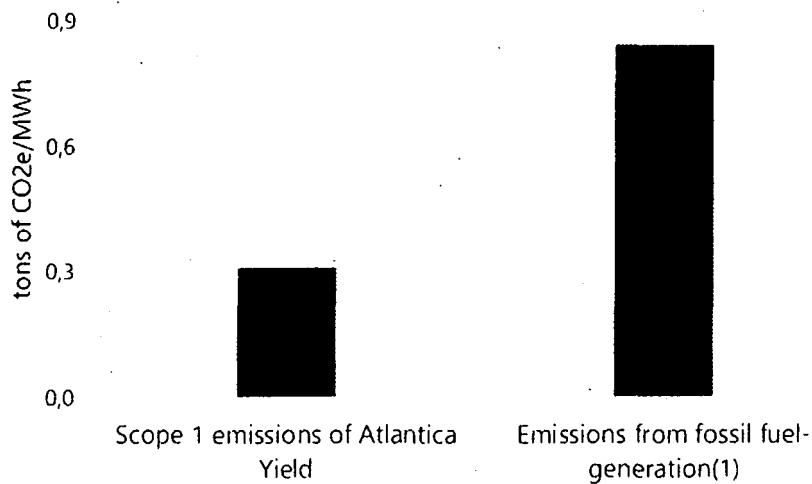
Graph 2: Tons of CO2 emissions per MWh by scope

Around 92% of the emissions generated in 2017 come from our efficient natural gas power plant in Mexico as shown in Graph 3.



Graph 3: Greenhouse Gas emissions breakdown by power technology

As previously stated, generating electricity from renewable resources allows us to have a rate of emissions that is significantly lower than that of pure fossil fuel-generators, refer to Graph 4. This implies a total of 2.9 million tons of CO₂ equivalent saved from emission to the atmosphere compared with a 100% fossil fuel-based generation.



(1) Fossil fuels emissions data is published by the U.S. Energy Information Administration and represents averages of carbon dioxide produced per kilowatt-hour for different fossil fuel sources

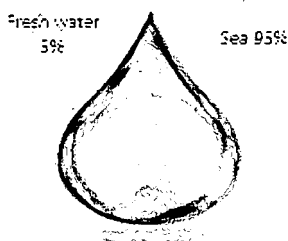
Graph 4: Comparison of Atlantica's GHG emission and fossil fuel-generation GHG emissions

Water management

Efficient use of water is vital for our operations, environment and local communities in the proximity of which we operate.

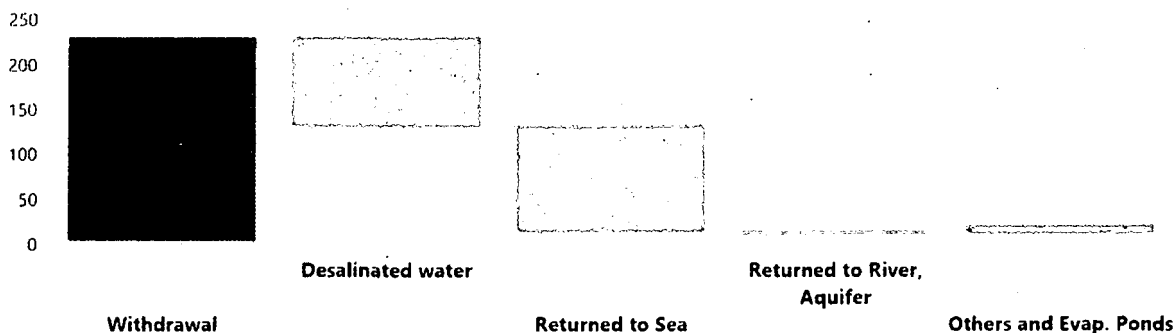
There are two main types of water use in our operations: 1) desalination for which our Water segment assets withdraw sea water and 2) power generation for which our Renewable sector assets withdraw fresh water from rivers, aquifers and other freshwater sources.

Water withdrawal by source



Water discharge by destination in 2017

(in millions of cubic meters)



Graph 5: Atlantica's total water withdrawal sources and discharge destinations

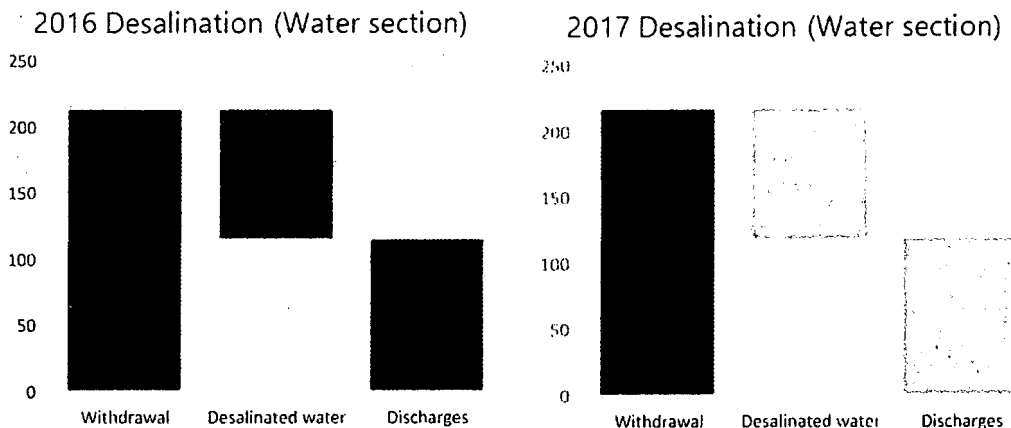
In 2017, we withdrew 227.2 million cubic meters of water of which 95% was sea water. We discharged 120.4 million cubic meters, of which 117.0 million cubic meters or 98% was returned back to sea. In 2016, we withdrew 224.7 million cubic meters of water, of which 95% was sea water and discharged 117.5 million cubic meters of which 114.9 million cubic meters or 98% was returned to sea.

Desalination

Some parts of the world suffer from current drought conditions which, combined with a water supply that is unfit for human consumption, can foster disease and death. Scarcity of water also results in reduced availability for food production. Sea water desalination can provide a climate-independent source of drinking water.

Our Water segment includes two desalination plants. They withdraw sea water for desalination purposes as specified in their concession agreements. Thus, in 2017, we withdrew 216.6 million cubic meters of sea water which went through the desalination process of removal of salt and minerals in water treatment facilities to prepare it for human use. We returned 117.7 million cubic meters, or 54% back to the sea. In 2016, we withdrew 213.2 million cubic meters and returned

114.9 million cubic meters, 54% back to the sea. The difference between water withdrawn from and returned to the sea is the desalinated potable water delivered to the water utility, as specified by our take-or-pay concession agreements for consumption needs of 1.5 million people.



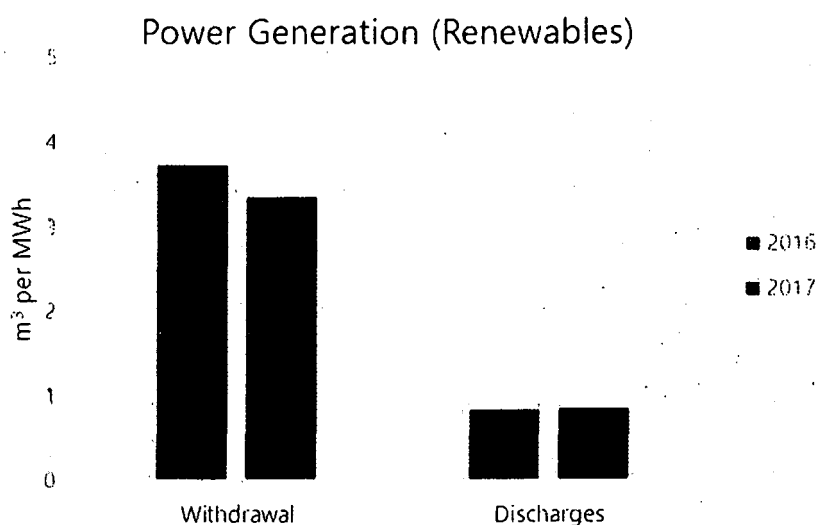
Graph 8: Our desalination plants' water withdrawal, discharge and potable water production

Power generation

Renewable segment is another part of our business that utilizes water in its power generation. We primarily use water for cooling of condensers during power generation in our facilities. The fresh water is primarily drawn from rivers and aquifers. We hold permits to withdraw water from these sources and adhere to regulations on water quality. The difference between water withdrawn from and returned to its source is our water consumption which occurs largely due to evaporation.

The amount of water we withdraw and return is measured by the installed water meters at the pumping equipment of the plants. The reported volumes represent the total readings measured by the water meters of all our assets without adjusting for our interest in the assets. The water meters are sealed and are normally subject to audit by the inspector representing the local water authorities. We have met the requirements and regulations of the applicable local regulatory

authorities in geographies in which we operate. We report the results of our water statistics to local water agencies on a periodic basis.

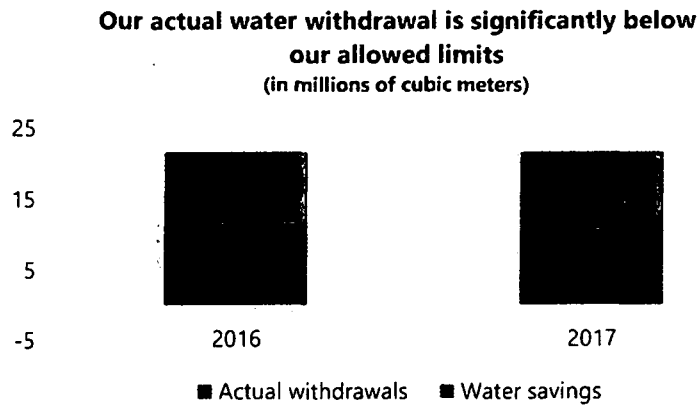


Graph 9: Water withdrawal and discharge ratios

In 2017, we withdrew 10.6 million cubic meters of fresh water at our power generation plants and we returned 2.6 million cubic meters, or 24% back to the source. In 2016, we withdrew 11.5 million cubic meters of fresh water and returned 2.6 million cubic meters, or 23% back to the source. The water returned to the environment is tested by independent external laboratories on a period basis to ensure its quality.

Our efforts to improve our water management beyond compliance is a main factor behind the reduction of withdrawal volumes in 2017 compared to 2016. We implemented better practices for use of water in operation and maintenance of our solar plants, such as adjustments in the operating cycles of the water cooling towers. In 2017, we withdrew 10.6 million cubic meters which represented 49% of the limits allowed by our water permits. In 2016, we withdrew 11.5 million

cubic meters which represented 53% of the limits allowed by our water permits. The difference between the water permit limits and actual water withdrawn represents water savings.



Graph 10: Water savings of Atlantica in 2017 and 2016

Human rights

We are committed to conducting our business in a manner that respects the rights and dignity of our employees and the rest of the people related to our activities. We respect internationally recognized human rights, as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Labour practice at Atlantica and the professional activities of its employees, directors and executives are governed by the United Nations Universal Declaration of Human Rights and its protocols, as well as by International Agreements signed by the UN and the International Labour Organization (ILO) on social rights, as well as the principles of the United Nations Global Pact.

We are fully aware of the diversity of the local communities where we operate. In this sense, we are fully committed to respect and create value in these local communities. We are delivering our human rights policy by implementing it into the processes that govern our business activities in all the geographies where we are present. By joining the UN Global Compact, we are determined at adopting the ten principles, a part of which relate to human rights and we are determined to make the principles an integral part of our strategy, culture and day-to-day operations. Our code of conduct references the policy, requiring the employees, officers and directors to report any illegal behaviour or violations of laws, rules, regulations.

Occupational Health and Safety

Atlantica and its management are committed to prioritize and actively promote the health and safety as a tool to protect the integrity and health of our employees, subcontractors and partners involved in our business activity. We promote a safe operating culture across Atlantica and

encourage a preventive culture in the operation and maintenance ("O&M") activities of the subcontractors in our assets as reflected in our corporate health and safety policy.

Annually, we conduct internal audit and contract external independent auditors to evaluate our health and safety management system in accordance with the OHSAS 18001 standard requirements. These efforts have resulted in the certification for Occupational Health and Safety obtained in 2015 and the successful renovation in the last two years.

We developed an annual training programme to educate managers and employees on safety awareness. This annual plan has been designed in accordance with the risk in the work positions and in the work centres and the country regulations.

In 2017, Atlantica launched the Health and Safety improvement plan "Safety First!", with the objective to reduce the number of accidents in the assets. The Safety First! plan was focused on the following three main areas:

Promotion of health and safety leadership in the organization

- We defined annual objectives and accountability for managers in every geography where we have our activities
- We established monthly health and safety committees with management and managers of the Company to monitor our main KPIs and safety actions
- We established a direct coordination with our subcontractors through monthly safety meetings

Improvement of safety conditions

- We performed process safety analysis of our assets to identify hazards and develop preventive or mitigating strategies in collaboration with O&M
- We enforced safety standards compliance through continuous audits and inspections in all our assets, identifying deviations and developing corrective plans with our subcontractors
- We promoted and continue promoting the plan of emergency practices and drills in all our assets
- We evaluated the effectiveness of subcontractors' safety training and proposed improvement plan
- We analysed incident investigation reports to identify root causes to implement new safety measures and obtain lessons learned to prevent future events

Implementation of health and safety best practices

- We developed a Best Practices programme forming part of our management policies to promote world class safety standards
- We continuously encourage workers' observation to identify unsafe acts and conditions in the field as a leading tool in incidents prevention
- We published our safety policies and objectives on safety boards present in all our asset locations and work centres

- We celebrated "Safety Days" in all our assets with our subcontractors to promote safety culture and awarded those workers for the best performance and safety commitment

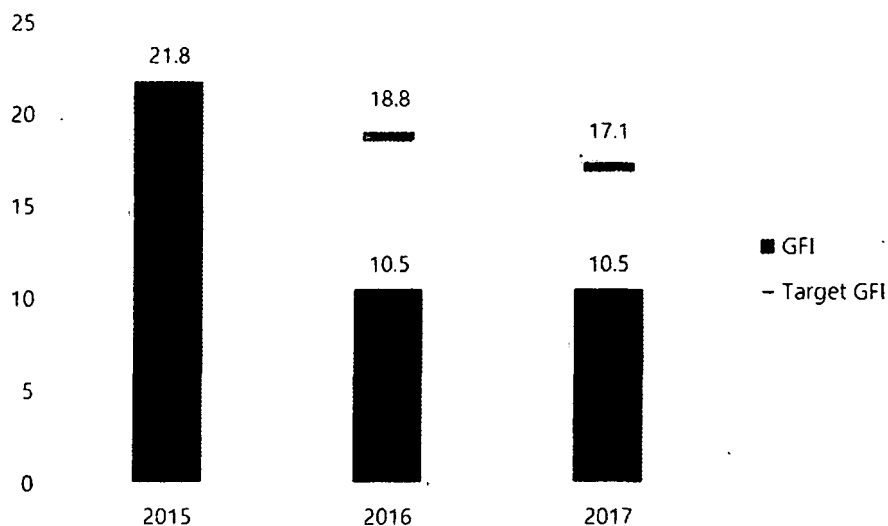


Graph 11: Images from some of the safety days celebrated in 2017 at our assets

We actively monitor main occupational health and safety key performance indicators such as major injuries, general frequency index (GFI) of accidents, frequency with leave index (FWLI) and total recordable deviations index (TRDI) for first aid cases, near misses and unsafe acts and conditions detected through our assets, establishing annual targets for these KPIs.

No major injuries have been recorded in the last three years.

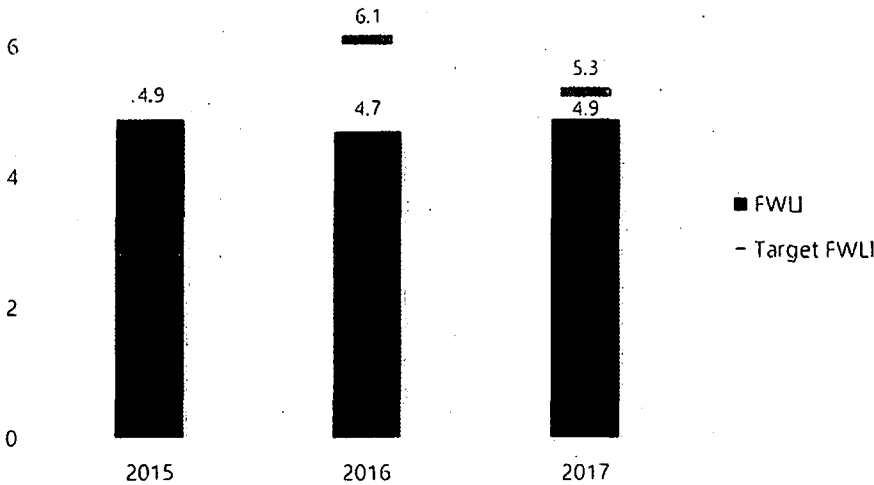
General Frequency Index (GFI) represents the total number of recordable accidents with and without leave (lost time) recorded in the last 12 months per million of worked hours. We have been consistently reducing the total recordable accident rate at our assets since the company foundation, achieving our annual objectives.



Graph 12: Our General Frequency Index

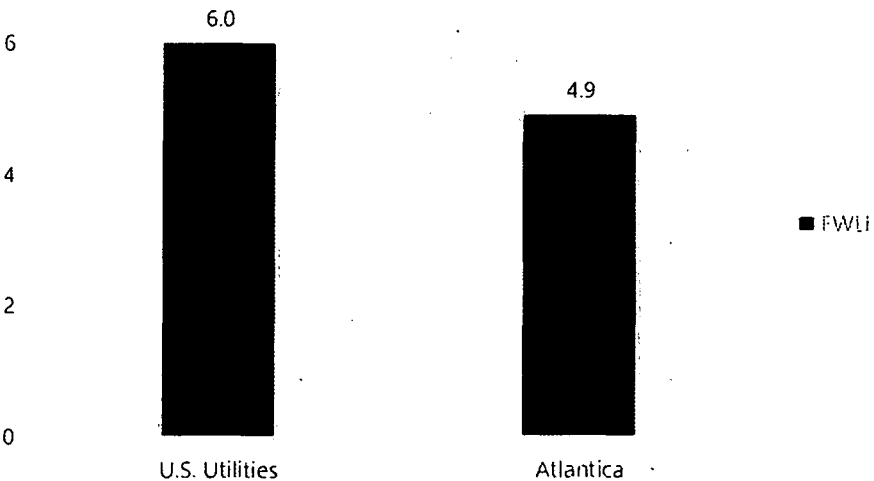
Frequency with Leave Index (FWLI) represents the total number of recordable accidents with leave (lost time) recorded in the last 12 months per million of worked hours. We have developed a

continuous improvement policy in safety, reducing our annual objectives from year to year. We successfully identified and implemented adequate programmes and we have been able to achieve our targets in the last two years.



Graph 13: Our Frequency with Leave Index

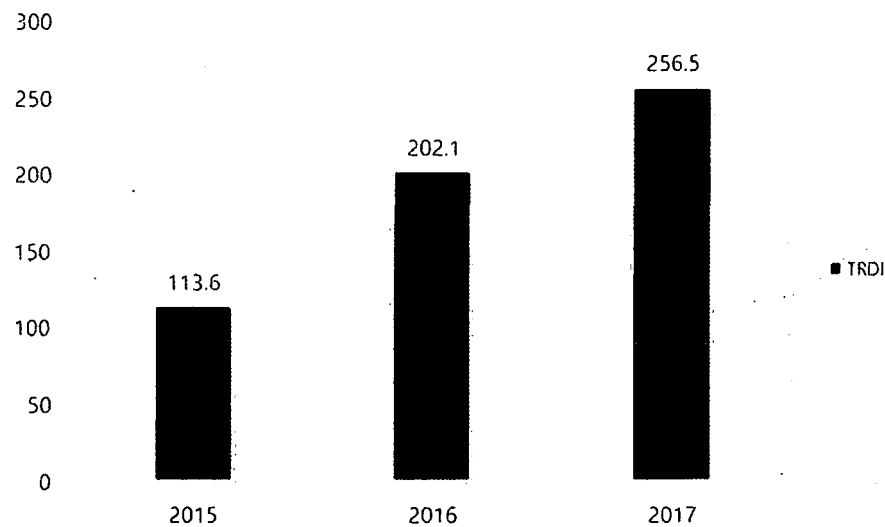
As a proof of success of our safety programs and quality performance of our subcontractors, we find our rate of accidents with leave (FWLI) is below the accidents with leave rate averages of the U.S. utilities sector for 2016 as sourced from the data published by OSHA (U.S. Occupational Safety and Health Administration).



Graph 14: Frequency with leave index-comparison between the average rate observed in U.S. utilities and Atlantica

Total Recordable Deviation Index (TRDI) is the number of first aid case accidents, near-misses and unsafe acts and conditions recorded in the last 12 months per million of worked hours. We have developed this KPI to encourage the identification and communication of near misses and unsafe acts and conditions by employees and subcontractors. It serves us as an early warning of

potentially dangerous situations for workers and facilities. The higher is the rate of the identified deviations, the better is the likelihood that we prevent an accident.



Graph 15: Our Total Recordable Deviations Index

We monitor a broad range of other occupational health and safety key performance indicators such as days without accidents, number of lost days per incidents, number of drills and nature of incidents and near misses to better report, monitor and encourage our employees to continuously seek improvement.

Business ethics

Atlantica is building a sustainable and successful business for our customers, colleagues, partners and investors. Integrity, Compliance and Safety is our principal core values which prevails over the rest. We continuously strive for the highest standards of business conduct, safety and professionalism even if it means making difficult choices. We are strongly committed to comply with all rules and regulations.

Atlantica is committed to maintaining the highest standards of honesty, integrity and ethical conduct. We are also committed to promote ethical business practice and comply with all relevant laws and regulations. The Company has adopted a Code of Conduct to ensure consistent and effective commitment with Integrity and Compliance. This Code, applicable to all directors, officers and employees of Atlantica plc and each of its subsidiaries, wholly owned entities, and joint ventures, is communicated to everybody on a periodic basis and is intended to help everyone recognize ethics and compliance issues before they arise and to deal appropriately with those issues that do occur.

Our Code of Conduct requires the highest standards for honest and ethical conduct and explicitly states that we do not tolerate bribery and corruption in any of its forms. We also promote and strengthen the measures to prevent and combat corruption more effectively and efficiently. Our anti-bribery and corruption policy applies to all Atlantica business.

Whistleblowing channel is an essential part of Atlantica's commitment to fighting fraud, irregularities and corruption. We have been operating a whistleblowing channel since our Initial Public Offering. As outlined in our Code of Conduct, the whistleblowing channel is available on our website to all employees and stakeholders of the Company and serves as a tool to report any complaints and concerns about management, as well as any breaches of the Code of Conduct or any conduct contrary to ethics, law or company's standards, without any risk of reprisals for any claims made in good faith. The channel is managed by the Audit Committee comprised of independent directors who oversee investigations of the reported matters maintaining confidentiality and anonymity of complainants. Confidentiality and no reprisal policy may be suspended only in cases in which a legal claim was filed against Atlantica by the complainant or claim was not made in good faith.

In addition, Atlantica has subscribed and assumed the document issued by the United Nations (UN) Convention against Corruption, which was approved by the General Assembly of the UN on October 31, 2003. We have a responsibility to our shareholders and the countries and communities in which we do business to be ethical and lawful in all our businesses.

Furthermore, Atlantica has developed and implemented specific quality norms, which are the result of carrying out activities with knowledge, common sense, rigor, order and responsibility.

In particular, the business activities of Atlantica are governed by laws that prohibit bribery in order to support global efforts to fight corruption. Specifically, the U.S. Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act 2010 ("UKBA") make it a criminal offense for companies as well as their officers, directors, employees, and agents, to pay, promise, offer or authorize the payment of anything of value to a foreign official, foreign political party, officials of foreign political parties, candidates for foreign political office or officials of public international organizations for the purpose of obtaining or retaining business. Similar laws have been, or are being, adopted by other countries. Payments of this nature are strictly against Atlantica's policy even if the refusal to make them may cause Atlantica to lose business.

We also seek to work with third parties who operate under principles that are similar to those set out in our Code of Conduct. In this sense, the Company has developed a Supplier Code of Conduct with the minimum standards we expect third parties to adhere to.

Finally, Atlantica is committed to supporting fair and open securities markets. On this purpose, Directors, Officers or employees are not permitted to deal on the basis of inside information or engage in any form of market abuse.

Employees

Our values and code of conduct set out the expected qualities and actions of all our people. The honesty, integrity and sound judgment of our employees, officers and directors is essential to Atlantica's reputation and success. We seek employees who have the right skills and who understand and embody the values and expected behaviours that guide our business activity.

As of December 31, 2017, we had 185 employees compared to 175 employees as of December 31, 2016.

We do not expect significant changes throughout 2018.

The following table shows the number of employees as of December 31, 2017 and 2016 on a consolidated basis:

Geography	Year ended December 31,	
	2017	2016 ¹
EMEA	56	53
North America	28	28
South America	15	9
Corporate	86	85
Total	185	175

Note:—

(1) Prior period numbers have been adjusted to conform to the current calculation method.

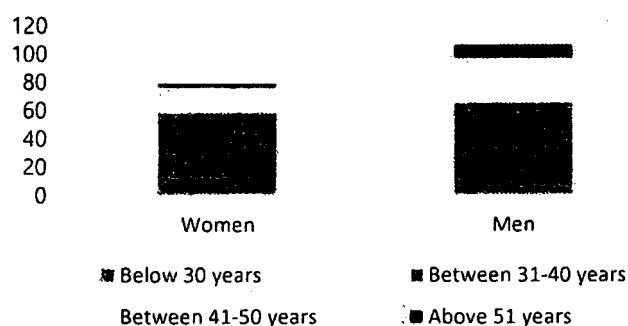
As of December 31, 2017, 79 of 185 employees were women, representing 43% of the Group personnel. As of December 31, 2016, 70 of 175 employees were women, or 40% of the total headcount.

In terms of management, one of 8 members of senior management team, or 13% were women in both years presented in this report.

In terms of our board of directors, there were no women in our 8-member board as of December 31, 2017. As of December 31, 2016, there was one woman, or 13% of our 8-member board. See the "Directors' Report-Directors" for information about the directors.

The graph below summarizes the age and gender diversity of our people as of December 31, 2017:

Employees by age and gender
as of December 31, 2017



Below is the table of our senior management team:

Name	Position	Year of birth
Santiago Seage	Chief Executive Officer	1969
Francisco Martinez-Davis	Chief Financial Officer	1963
Manuel Silvan	Vice President Taxes, Risk Management and Compliance	1973
Emiliano Garcia	Vice President North America	1968
Antonio Merino	Vice President South America	1967
David Esteban	Vice President EMEA	1979
Irene M. Hernandez	General Counsel	1980
Stevens C. Moore	Vice President Corporate Strategy and Development	1973

Our people

We understand that our people are an important driver in the execution of our corporate mission and meeting our environmental, social and economic goals. The honesty, integrity, skill and sound judgement of our employees, officers and directors is essential to Atlantica's reputation and success. We seek employees who have the right skills and share our values. Our career development program, performance assessment and skill training programs are aimed at talent retention.

To receive feedback and engage our employees, we perform periodically an employee climate surveys to assess employees' satisfaction. The survey is administered by a third-party and results are aggregated, shared and discussed with supervisors. Employee confidentiality is maintained.

We utilize a platform, called Meta4, as our global system for human resources management. Meta4 is accessible for all Atlantica employees, regardless of location or position. It is an interactive tool that allows employees to access and manage their development, reviews, benefits, compensation, work time planning.

During 2017, we continued to have low employee turnover of 3.8% which declined from 4.1% noted during 2016. In terms of prolonged absences, 17 of our employees took parental leave in 2017 and 6 employees enjoyed a parental leave in 2016. In both years, all employees returned to work.

Our compensation policy is based on three pillars:

- Employee performance and target achievement
- Internal salary structure
- Market remuneration studies

Our human resources department receives remuneration data from two separate external consultants for certain positions detailed by position and location.

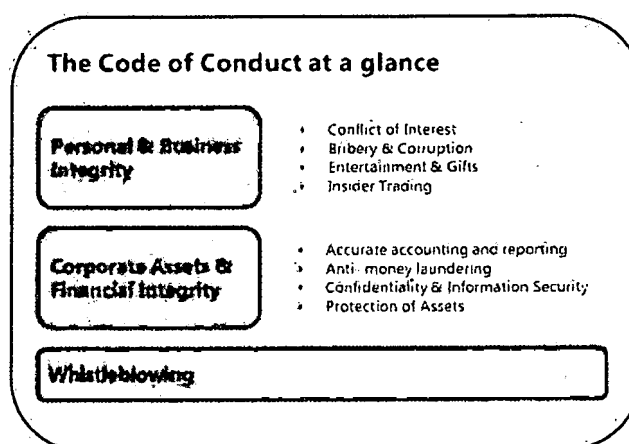
Atlantica's code of conduct

Our Board of Directors has adopted a Code of Conduct applicable to all employees, officers and directors. This Code is aimed to govern their relations with current and potential customers, fellow employees, competitors, government and self-regulatory agencies, the media, and anyone else with whom the Company has contact.

The Code of Conduct encompasses the high standards of integrity we are committed to upholding. It is designed to assist everyone in Atlantica in aligning our actions and decisions with our core values.

Atlantica Yield's Board of Directors monitors the Code of Conduct and any inquiries about it are addressed to Atlantica Yield's Executive Compliance Committee.

Our Code of Conduct is publicly available on our website at www.atlanticayield.com.



Sustainable suppliers

At Atlantica, we have a strong commitment to operating to the highest standard of corporate conduct. According to our Code, we also seek to work with third parties who operate under principles that are similar to those set in the Code of Conduct. We have a Supplier Code of Conduct and we expect our suppliers to adhere to it. We include our requirements in our contractual arrangements with suppliers. Nevertheless, we understand that some suppliers may face significant challenges in immediately meeting every aspect of the Code. In this sense, our commitment is also to working together over time to help those suppliers achieve adherence with this Code.

Our main O&M suppliers are large corporations that, we believe, follow strong corporate policies. One of the main suppliers of Atlantica is Abengoa who is contracted as an O&M supplier at many

of our assets across geographies (except for ACT, ATN, ATS, Seville PV, Quadra 1, Quadra 2 and Palmucho). In Mexico our O&M Operators are General Electric and NAES Corp.

Anti-Slavery and Human Trafficking Statement

Given the nature of our business, we believe the risk of modern slavery is low. However, we do not intend to be complacent and will continue to work to improve our policies and procedures to ensure slavery and human trafficking is not taking place anywhere in our supply chain.

Our major suppliers are large multinational companies who have their own standards of ethical behaviour in place.

Atlantica Yield has developed a Supplier Code of Conduct with the minimum standards we expect third parties to adhere to. This document, that is available on our website, includes a specific reference to Human Rights and Labour Standards. We expect our suppliers to conduct their operations respectfully with fundamental human rights, as affirmed by the Universal Declaration of Human Rights.

In particular, we expect all suppliers and third parties to ensure that operations are free from exploitation of labour by prohibiting the use of forced labour, whether in the form of slave labour, indentured labour, bonded labour, coercion of any employee through any means, or any other forms. No incidents of modern slavery have been identified during 2017.

Future Developments

As previously stated, we intend to grow our business primarily through the improvement of existing assets and the acquisition of contracted power generation assets, electric transmission lines and other infrastructure assets, which, we believe, along with the acquisitions carried out in the past will facilitate the growth of our cash available for distribution and enable us to increase our dividend per share over time.

As of the date of this report, Algonquin's 25% stake acquisition from Abengoa was ongoing. Subject to its closing, our largest shareholder would be Algonquin Power and Utilities, Inc. and of one of our main sources of growth would come from the AAGES ROFO agreement. Additionally, we seek to grow through the third-party acquisitions such as the most recently announced acquisition scheduled to close in the first quarter of 2018 of a purchase of a 4 MW mini-hydro plant in Peru for \$9 million. The plant reached its Commercial Operation Date ("the COD") in 2012 and has a fixed price concessional agreement denominated in U.S. dollars and indexed to the U.S. Consumer Price Index.

Going Concern Basis

The directors have, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

The Group has a formal process of budgeting, reporting and review, which provides information to the directors which is used to ensure the adequacy of resources available for the Group to meet its business objectives.

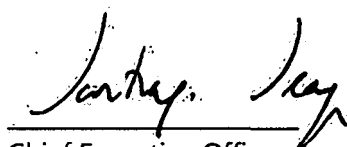
As of December 31, 2017, all our debt has long-term maturity except for \$66 million corresponding to \$54 million drawn under the Tranche A of the Revolving Credit Facility and \$12 million drawn under a credit line with a local bank. We intend to extend the maturities of these debt obligations during 2018. As of December 31, 2017, our corporate cash position amounted to \$148.5 million. In addition, we had \$71 million available under the Tranche A of the Revolving Credit Facility.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. During the period, the Group generated \$385.6 million from operating activities, obtained \$71.4 million from investing activities and used \$416.3 million in financing activities. All of these resulted in a \$40.7 million increase on our cash position by the year end, with a closing cash position of \$669.4 million.

The directors believe that this is above the level of cash needed to operate the business for the foreseeable future and meet the Group's liabilities as they fall due, as well as to be a significant source of funding of future acquisitions.

Approval

This Strategic Report was approved by the board and signed on its behalf by Santiago Seage, Chief Executive Officer on 27 February 2018.

A handwritten signature in dark ink, appearing to read 'Santiago Seage', is written over a horizontal line.

Chief Executive Officer
Santiago Seage

27 February 2018

Directors' Report

The directors present their Consolidated Annual Report on the affairs of the Company and its subsidiaries, together with the Consolidated Financial Statements and Auditor's Report, for the year ended 31 December 2017.

Details of significant events since the balance sheet date are contained in note 26 to the Consolidated Financial Statements. An indication of likely future developments in the business of the Company is included in the Strategic Report.

Information about the use of financial instruments by the Company is given in note 23 to the Consolidated Financial Statements. Refer to the sections "Principal risks and uncertainties" and "Financial Risk Management" of our Strategic report for a detailed analysis of risk, including liquidity, interest rate, foreign exchange and credit risks.

Information related to the corporate and social responsibility such as our greenhouse gas emissions is given in the "Strategic Report-Corporate and social responsibility-Greenhouse gas emissions."

Dividends

We expect to distribute a quarterly dividend to our shareholders. Our board of directors may, by resolution, amend the cash dividend policy at any time. The determination of the amount of the cash dividends to be paid to holders of our shares will be made by our board of directors and will depend upon our financial condition, results of operations, cash flow, long-term prospects and any other matters that our board of directors deem relevant.

On 27 February 2017, the board of directors declared a dividend of \$0.25 per share corresponding to the fourth quarter of 2016, which was paid on March 15, 2017. From that amount, we retained \$10.4 million of the dividend attributable to Abengoa. On 12 May 2017, our board of directors approved a quarterly dividend corresponding to the first quarter of 2017 amounting to \$0.25 per share, which was paid on 15 June 2017. On 28 July 2017, our board of directors approved a quarterly dividend corresponding to the second quarter of 2017 amounting to \$0.26 per share, which was paid on 15 September 2017. On 10 November 2017, our board of directors approved a quarterly dividend corresponding to the third quarter of 2017 amounting to \$0.29 per share, which was paid on 15 December 2017.

On 27 February 2018, our board of directors approved a dividend of \$0.31 per share which is expected to be paid on or about 27 March 2018 to shareholders of record on 19 March 2018.

We intend to distribute approximately 80% of our cash available for distribution, less all cash expenses including corporate debt service and corporate general and administrative expenses and less reserves for the prudent conduct of our business on an annual basis (including for, among other things, dividend shortfalls as a result of fluctuations in our cash flows).

Our cash available for distribution is likely to fluctuate from quarter to quarter, in some cases significantly, as a result of the seasonality of our assets, the terms of our financing arrangements and maintenance among other factors. Accordingly, during quarters in which our projects generate cash available for distribution in excess of the amount necessary for us to pay our stated quarterly dividend, we may reserve a portion of the excess to fund cash distributions in future quarters. In

quarters in which we do not generate sufficient cash available for distribution to fund our stated quarterly cash dividend, if our board of directors so determines, we may use retained cash flow from other quarters, as well as other sources of cash to pay dividend to our shareholders.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21 to the Consolidated Financial Statements. The Company has one class of ordinary shares which are listed on the NASDAQ Global Select Market under the symbol "AY." Our shares carry no right to fixed income and each share provides the owner the right to one vote at general meetings of the Company.

As of the latest publicly available information dated March 31, 2017, Abengoa reported beneficial ownership of an aggregate amount of 41,557,663 of our ordinary shares as of that date, which represents 41.47%. In the same report filed with the United States Securities and Exchange Commission, Abengoa disclosed a new secured financing agreement and the transfer of an aggregate of 41,530,843 shares to ACIL Luxco 1 S.A, a *société anonyme* incorporated under the laws of Luxembourg, and those shares were provided as security for Abengoa's borrowings under the secured financing agreements, as part of the restructuring of the Abengoa group.

On 1 November 2017, Algonquin Power & Utilities Corp. ("Algonquin"), a North American diversified generation, transmission and distribution utility, announced that it had reached an agreement with Abengoa to acquire a 25.0% of our ordinary shares from Abengoa. Abengoa has communicated that it intends to sell its remaining ownership of our shares representing 16.47% of our ordinary shares over the upcoming months in a private transaction, subject to approval by the U.S. DOE.

The closing of the transaction announced between Abengoa and Algonquin is subject to conditions precedent, most of which depend on third parties and are beyond our control.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The Company participates in no employee share schemes. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the SEC listing rules, the UK Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available upon request.

Change of Control

If a buyer or another investor acquired more than 50.0% of our shares, we might need to refinance all or part of our corporate debt or obtain waivers from the lending financial institutions, due to customary change of control provisions included in the corporate debt financing agreements.

Additionally, we could see an increase in the yearly state property tax payment in Mojave, which would be evaluated by the tax authority at the time the change of control potentially occurred.

In addition, in order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, the policy approved by our shareholders at the 2017 Annual General Shareholders Meeting, introduced certain termination payments to key executives, including the Chief Executive Officer in the case of a change of control. The Company agreed with certain executives with strategic and key responsibilities in the Company ("Key Managers"), including the Chief Executive Officer, to make payments for loss of office or employment in addition to the severance payment under the prevailing labour and legal conditions in their contracts or countries where they are employed if they should leave (by loss of office or employment) the Company within 2 years of a change in control. The payment would represent six months of remuneration and would be adjusted to ensure that total payment including severance payment required under prevailing laws represent at least 12 months of remuneration (including salary, benefits, long-term incentive plans and variable pay), but never more than 24 months of remuneration, unless required by local law. A change of control means that a third party or coordinated parties (i) acquire directly or indirectly by any means a number of shares in the Company which (together with the shares that such party may already hold in the Company) amount to more than 50% of the share capital of the Company; or (ii) appoint or have the right to appoint at least half of the members of the Board of Directors of the Company.

Directors

The directors, who served throughout the year since the date indicated, and to the date of this report, were as follows:

▪ Daniel Villalba	Director and Chairman of the Board, independent	Chairman of the Board: appointed 27 November 2015 <i>Director, independent: appointed 13 June 2014, re-elected 23 June 2017</i>
▪ Santiago Seage	Chief Executive Officer	Appointed 17 December 2013, re-elected 23 June 2017
▪ Joaquin Fernandez de Pierola	Director	Appointed 11 November 2016, re-elected 23 June 2017
▪ Gonzalo Urquijo	Director	Appointed 22 November 2017
▪ Maria J. Esteruelas	Director	Appointed 13 June 2014, re-elected 23 June 2017, replaced 22 November 2017
▪ Jack Robinson	Director, independent	Appointed 13 June 2014, re-elected 23 June 2017
▪ Robert Dove	Director, independent	Appointed 23 June 2017
▪ Andrea Brentan	Director, independent	Appointed 23 June 2017
▪ Francisco J. Martinez	Director, independent	Appointed 23 June 2017
▪ Eduardo Kausel	Director, independent	Appointed 13 June 2014, resigned 23 June 2017
▪ Enrique Alarcon	Director, independent	Appointed 13 June 2014, resigned 23 June 2017
▪ Juan del Hoyo	Director, independent	Appointed 13 June 2014, resigned 23 June 2017

The Board is committed to promoting the success of the Company. The Board is responsible to shareholders for its performance and for the strategy and management of the Company, its values its governance, and its business. It represents the interest of all shareholders and seeks to act fairly between them.

Each director is obliged to act in good faith in the way he considers to be most likely to promote the success of the company as a whole for the benefit and in regard of its members.

Main objectives of the Board may be summarized as follows:

- Providing entrepreneurial leadership;
- Setting strategy;
- Ensuring the human and financial resources are available to achieve objectives;
- Reviewing management performance;

- Setting the company's values and standards;
- Ensuring that obligations to shareholders and other stakeholders are understood and met.

Under English law, the Board of directors of an English corporation is responsible for management, administration and representation of all matters concerning the relevant business, subject to the provisions of relevant constitution, statutes and resolutions adopted at general shareholder's meetings by a majority vote of the shareholders.

In addition, the Board is entitled to delegate its powers to an executive committee or other delegated committee or to one or more persons, unless the shareholders, through a meeting, have specifically delegated certain powers to the Board and have not approved the board of director's delegation to others.

The Board has established four principal Board Committees:

- Audit Committee, with responsibilities including monitoring the integrity of the company's financial statements, reviewing internal control and risk management system, as well as the company's relationship with external auditors;
- Compensation Committee, mainly responsible for setting the remuneration for executive directors and recommending and monitoring remuneration for senior management.
- Nominating and Corporate Governance Committee, responsible for leading the process for board appointments.
- Related Party Transactions Committee, responsible for identifying and evaluating existing relationships between counterparties and transactions with related parties.

The Board has delegated certain responsibilities to these committees. Membership, roles, duties and authority of these committees are widely described in their Terms of Reference, available in the website of the Company (www.atlanticayield.com). Terms of Reference are reviewed and updated by the Board on a yearly basis.

Membership and Attendance

Name	Member since	Role	Attendance(4)
Daniel Villalba	June 2014	Director, independent and Chairman of the Board	14/14
Santiago Seage	December 2013	Chief Executive Officer	14/14
Joaquin Fernández de Pierola	November 2016	Director	13/14
Gonzalo Urquijo	November 2017	Director	1/1
Jack Robinson	June 2014	Director, independent	14/14
Robert Dove (1)	June 2017	Director, independent	6/7
Andrea Brentan (1)	June 2017	Director, independent	7/7
Francisco J. Martinez (1)	June 2017	Director, independent	7/7
Maria Jose Esteruelas (3)	June 2014	Director, independent	13/13
Eduardo Kausel (2)	June 2014	Director, independent	6/7
Juan del Hoyo (2)	June 2014	Director, independent	7/7
Enrique Alarcon (2)	June 2014	Director, independent	7/7

(1) Mr. Robert Dove, Mr Andrea Brentan and Mr. Francisco J. Martinez joined the Board of Directors on June 23, 2017 as Non-Executive Directors;

(2) Mr. Eduardo Kausel, Mr. Juan del Hoyo and Mr. Enrique Alarcon resigned to be members of the Board of Directors on June 23, 2017. The Board wishes to express its appreciation for the work done during these past years.

(3) Ms. Maria Jose Esteruelas was replaced on November 22, 2017

(4) Does not include Director' Written Resolution meetings or Related Party Committee meetings

Senior management attend meetings by invitation of the Board.

2017 Key Activities

In 2017, the Board of Directors held 16 meetings. Additionally, the Board adopted several written resolutions on specific matters.

Major areas of focus of the Board during 2017 have been as follows:

- Review of health and safety issues;
- Review of the strategy of the Company: growth plan, key priorities and risks;
- Review of assets performance and main technical issues;
- Approval and review of the budget of the Company;
- Review and approval of quarter and annual accounts;
- Approval of significant transactions (acquisitions, partnerships, etc.);
- Review capital markets updates;
- Approval of dividends;

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and are in force at the date of this report.

Research and Development

The Group did not engage in any research and development activities during the reported period.

Political contributions

No political donations were made during 2017 nor 2016.

Substantial shareholdings

Name	Ordinary Shares Beneficially Owned	Percentage
5% Beneficial Owners		
ACIL Luxco 2 S.A. ⁽¹⁾	41,557,663	41.47%

Note:—

- (1) This information is based solely on the Schedule 13D filed with the U.S. Securities and Exchange Commission on March 31, 2017 with by Abengoa, S.A., a corporation incorporated under the laws of Spain. The direct beneficial owner of the shares is ACIL Luxco 2 S.A.

Auditors

Each person who is a director at the date of approval of this Consolidated Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

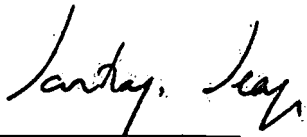
Deloitte S.L. and Deloitte LLP have been our principal accountants providing the audit services to the Company during 2017.

In 2016, the Audit Committee preselected the Big 4 companies to participate in the audit tender of Atlantica Yield and its consolidated group for 2017, 2018 and 2019. The Audit Committee decided to extend the appointment of Deloitte, S.L. and Deloitte LLP for 2017. The preselected audit firm for 2018, 2019 and 2020 will be proposed in the forthcoming Annual General Meeting.

Events after the balance sheet date

On 27 February 2018, our board of directors approved a dividend of \$0.31 per share which is expected to be paid on or about 27 March 2018 to shareholders of record on 19 March 2018.

This report was approved by the board of directors on 27 February 2018 and signed on its behalf by Santiago Seage, Chief Executive Officer.

A handwritten signature in black ink, appearing to read "Santiago Seage", written over a horizontal line.

Chief Executive Officer
Santiago Seage

27 February 2018

Audit Committee Report

The objective of this Audit Committee Report is to describe how the Committee has carried out its responsibilities during 2017. In summary, the purpose of the Audit Committee is to monitor and review: 1) the integrity of the financial statements; 2) the design, implementation and effectiveness of the Internal Control and Risk Management systems; 2) the Internal Audit function; 3) the Whistleblowing Channel of the Company; and 4) the external audit work.

Membership and Attendance

Name	Member since	Role	Attendance / Eligible to attend
Francisco J. Martinez ⁽¹⁾	June 2017	Director, independent and Chairman of the Audit Committee. Financial Expert	2 / 2
Daniel Villalba	June 2014	Director, independent and Chairman of the Board	6 / 6
Jackson Robinson	June 2014	Director, independent	6 / 6
Eduardo Kausel ⁽²⁾	June 2014	Director, independent	4 / 4
Juan del Hoyo ⁽²⁾	June 2014	Director, independent	4 / 4
Enrique Alarcon ⁽²⁾	June 2014	Director, independent	4 / 4

Notes:

(1) Mr. Francisco J. Martinez joined the Audit Committee on July 12, 2017 following his appointment as a Non-Executive Director on June 23, 2017. He replaced Mr. Daniel Villalba as Chairman of the Audit Committee on September 27, 2017;

(2) Mr. Eduardo Kausel, Mr. Juan del Hoyo and Mr. Enrique Alarcon resigned as members of the Audit Committee on June 23, 2017. The Audit Committee wishes to express its appreciation for the work done during these past years.

All members of the Audit Committee are non-executive directors in accordance with the definition provided by Rule 5605 of the NASDAQ Stock Market ("NASDAQ") who meet the criteria for independence set forth in Rule 10A-3(b)(1) under the United States Securities Exchange Act of 1934, as amended.

The Head of Internal Audit, Head of Administration, Consolidation and Control, Head of Investor Relations, and Chief Financial Officer attend meetings by invitation.

The Audit Committee meets with the External Auditors at least on a quarterly basis.

The Committee Chairman provides regular updates to the Board of Directors on the key issues discussed at the Committee's meetings.

Role of the Audit Committee

The Board of Directors approved Terms of Reference for the Audit Committee which are available on the website of the Company (www.atlanticayield.com).

These Terms of References provide the roles and responsibilities of the Audit Committee, which are reviewed by the Board of Directors on a yearly basis. In accordance with this document, the Committee's responsibilities include, but are not limited, to the following matters:

1. Monitor the integrity of the financial statements of the Company, including its annual and quarterly reports and reporting to the Board on significant financial reporting issues
2. Review the effectiveness of the Company's Internal Controls and Risk Management, including the information to be included in the Annual Report;
3. Evaluate Compliance, Whistleblowing and Fraud policies, procedures and tools implemented by the Company;
4. Review and evaluate the Internal Audit function's performance and its effectiveness;
5. Make all decisions regarding the appointment, compensation, retention, oversight and replacement, if necessary, of the external, independent auditor. The Audit Committee shall meet external auditors at least once per year.

2017 Key Activities

Financial Reporting

The Audit Committee has reviewed all significant issues concerning the financial statements. The Committee reviewed all filed quarterly interim financial statements. They have also reviewed the Annual Report (UK Annual Report) and the Annual Report on Form 20-F.

This review included the accounting policies and significant judgements, estimates and disclosures underpinning the financial statements.

Particular attention was paid to the following significant issues related to 2017 financial statements:

- (3) Recoverability of Contracted Concessional Assets;
- (4) Covenants Compliance;
- (5) Impact of tax changes in particular geographies;
- (6) Significant one-off transactions, including acquisitions, partnerships, etc.

Internal Control System and Risk Management

Atlantica has implemented Risk Management and Internal Control systems. These systems, therefore, provides reasonable assurance against material misstatements or losses.

The Audit Committee assists the Board of Directors in reviewing the effectiveness of the Risk Management and Internal Control systems annually. Effective management of risks and opportunities is essential for the delivery of strategic objectives and meeting the requirement of good corporate governance.

► Risk Management:

Atlantica Yield has developed Risk Map, a system to identify and assess all business risks based on a standardized methodology. This system allows the Company to identify different risk categories (strategic, legal, financial, and operational).

All risks area assessed at the Group and subsidiary levels by likelihood of occurrence and its potential impact on the Company.

All significant risks have been properly addressed by the Company. Mitigation plans have been implemented in order to reduce or eliminate, when possible, the exposure to risk. All risks are re-assessed on a quarterly basis.

► Internal Control System:

The Audit Committee has a primary responsibility for the oversight of the Internal Control system.

Atlantica has deployed its Internal Control system with Atlantica SOX Procedures, (the "ASP"). This system is essential to help the Company to meet Sarbanes-Oxley Act requirements. In particular, the Committee reviews the application of the requirements under Section 404 of the U.S. Sarbanes-Oxley Act of 2002 with respect to Internal Controls over Financial Reporting (the "ICFR").

Atlantica SOX Procedures have been designed in accordance with the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is widely used. It is recognized as a leading framework for designing, implementing and conducting an internal control system and assessing its effectiveness.

The Audit Committee reviews the process followed by the management to assess the effectiveness of the Internal Control System. This process includes: i) quarterly self-assessment performed by control owners regarding the design, ii) implementation and effectiveness of control activities they are responsible for; and iii) annual certifications by Senior Management, including the CFO and the CEO.

In order to fulfil its oversight responsibilities in relation to risk management and internal control systems, the Committee meets regularly with senior management members. In particular the Committee is assisted by the Internal Audit department.

As a result of the procedures performed and internal assessment, we conclude that the Internal Control System of the Company is properly designed, implemented and is operating effectively.

Compliance, Whistleblowing and Fraud

In September 2014, following Section 301 in the Sarbanes Oxley Act, the Audit Committee implemented the Whistleblower Channel for:

- a) The receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and
- b) The submission by employees of Atlantica Yield, on a confidential and anonymous basis, of good faith concerns regarding questionable accounting or auditing matters.

Atlantica's whistleblower channel is available at Company's website www.atlanticyield.com.

The Audit Committee is responsible for the management of this Channel. According to the Code of Conduct, any allegation received through the Whistleblower Channel will be received by the Chief Compliance Officer, Head on Internal Audit and the Chairman of the Audit Committee.

All allegations are managed by the Executive Compliance Committee. Main procedures performed, conclusions and proposed corrective measures are communicated to the Audit Committee.

The Audit Committee is also responsible for overseeing procedures performed by the Internal Audit department:

- ▶ Internal Control procedures and activities implemented by management in order to prevent fraud and corruption, in particular the US Foreign Corrupt Practice Act and the UK Bribery Act;
- ▶ Procedures performed and conclusions reached by Internal Audit in order to detect fraud and any breach of any regulation.

All the information received through the Whistleblowing Channel in 2017 has been properly addressed according to the Investigation Protocol adopted by the Executive Compliance Committee.

Internal Audit

Internal Audit is an independent, objective assurance and consulting function designed to add value to the Company. The Internal Audit function must be independent, and all internal auditors must be objective in performing their work. In Atlantica, the Internal Audit function reports to the Audit Committee.

In accordance to the Audit Committee's terms of reference, the Committee is responsible for the supervision of the Internal Audit function.

In particular, the Audit Committee:

- Approves the Internal Audit Plan for the year. This plan is prepared by Internal Audit according to the conclusions of the Audit Risk Assessment, which is prepared according to PCAOB Auditing Standards. The Committee also reviews the progress of the Internal Audit Plan at least quarterly.
- Reviews Internal Audit work, their main findings, recommendations and its implementation on a periodic basis. The Committee shall review and monitor management's responsiveness to the internal auditor's findings and recommendations.
- Meets regularly with the Head of Internal Audit.

External Audit

The Audit Committee has primary responsibility for overseeing the relationship with the external auditor. This responsibility includes, at least:

- The selection and appointment of the external auditor. The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the AGM. At least once every ten years the audit services contract shall be put out to tender.

Deloitte, S.L. and other member firms of Deloitte was appointed as external auditor of the Group in June 2014. In March 2017, the Audit Committee decided to extend its appointment for one year.

- The Audit Committee is responsible for overseeing the remuneration of the external auditor for both audit services and non-audit services. The Audit Committee approves all services contracted with the external auditor.

The Audit Committee is directly responsible for the compensation of the independent auditor.

The Committee has established a policy to safeguard the independence and objectivity of external auditors. In general, external auditors may be engaged to provide services only if those services do not impair their independence and objectivity.

In September 2014, the Committee considered appropriate to establish the Pre-Approval Policy for Audit services rendered by the Statutory Auditor. According to this Policy, audit services, audit-related services, tax services and other services are pre-approved by the Audit Committee.

All other services must be approved explicitly by the Audit Committee

All services performed by Deloitte are approved by the Audit Committee. All fees received by Deloitte in 2017 have been approved by the Committee.

In thousand USD	2017		
	Deloitte	Other Auditors	Total
Audit Fees	1.689	15	1.704
Audit-Related Fees	303	-	303
Tax Fees	-	-	-
All Other Fees	25	-	25
Total	2.017	15	2.032

- The Audit Committee is responsible for overseeing the work of the external auditor.

In 2017, Deloitte attended four of Audit Committee meetings. Deloitte has communicated to the Committee all relevant information related to the audit process in accordance to Auditing Standard N°16 issued by the PCAOB.

In particular, the following issues were covered in those meetings:

- Independence issues, services provided to the Group or to be provided;
- Summary of their work (scope, procedures performed, results of their work, summary of uncorrected misstatements, etc.);
- Significant and/or critical accounting policies applied by the Company;
- New Accounting Standards and new auditing standards applicable; and
- Material written communications.

As a result of the audit procedures performed by Deloitte, they have issued the following audit reports:

- ▶ Unqualified Audit Report on Review of Consolidated Financial Information (IFRS – IASB) under PCAOB standards (U.S. SEC filing)
- ▶ Unqualified Audit Report on Internal Control over Financial Reporting under PCAOB standards (U.S. SEC filing)
- ▶ Unqualified Audit Report on Review of Consolidated Financial Information (IFRS – IASB) under ISA (UK Companies House filing)

Director's Remuneration Report

Introduction

This report is on the remuneration of the directors of Atlantica Yield for the period to 31 December 2017. It sets out the remuneration policy and remuneration details for the executive and non-executive directors of the company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

The report is split into three main areas:

- the statement by the chair of the remuneration committee;
- the annual report on remuneration; and
- the policy report.

The remuneration report and remuneration policy will be submitted to the Annual Shareholders' Meeting in 2018.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in that report. The statement by the chair of the remuneration committee and the policy report are not subject to audit.

Atlantica Yield has a Nominating and Corporate Governance Committee, which focuses on nominations and appointments and a Compensation Committee, which focuses on remunerations.

Statement by the Chair of the Compensation Committee

I am pleased to present the remuneration report for 2017. The constant and transparent dialogue with shareholders and investors is a vital element in our way of operating and, through this remuneration report, we aim to increase the awareness of our shareholders of the principles of our remuneration policy,

The Company's remuneration policy is set in accordance with the applicable law and reflecting the principles of the 2016 UK Corporate Governance Code, with the aim of attracting and retaining highly skilled professional and managerial resources and aligning the interests of management with the priority objective of value creation for shareholders, for the Company and the members of the Company as whole in the medium to long term.

During 2017, the Compensation Committee convened three times during the year. All members of the Committee attended each meeting that they were eligible to attend.

Among the activities conducted by the Compensation Committee, it addressed three key objectives:

- Periodically reviewing the fixed and variable remuneration for the Chief Executive Officer;
- Periodically reviewing the remuneration policy and overall levels of remuneration for the management team, including the Chief Executive Officer, in accordance with the following criteria:
 - seeking and alignment between incentives, business performance and creation of value for shareholders;
 - consistency with the principles of the 2016 UK Corporate Governance Code; and
 - retention in the medium to long term of high quality resources for the achievement of ambitious targets and to face the challenges that the Company will have to face in the current and future market context.
- Periodically reviewing the remuneration levels of independent non-executive directors;

During the year 2017, most of the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 96.25% of the potential variable compensation, which will be payable in 2018. In 2016 the objectives defined for the Chief Executive Officer's variable bonus were met and a bonus corresponding to 100% of the potential variable compensation was paid in 2017.

Annual Report on Remuneration

Single total figure of remuneration for each director

The information provided in this part of the report is subject to audit.

Atlantica Yield paid remuneration only to independent non-executive directors and executive directors. Each independent non-executive director received a total annual compensation of \$100 thousand (approximately €88.5 thousand). As the chairman of the board of directors, Mr. Villalba received \$135 thousand (approximately €119.5 thousand). Independent non-executive directors' fees have not been increased since 2014. Non-executive directors appointed by a shareholder did not receive any compensation from us.

The total compensation received by our independent non-executive directors and the Chief Executive Officer/Managing Director from us during 2017 and 2016 is set forth in the table below.

Name	Salary and fees €'000		All taxable benefits €'000		Annual bonuses €'000		Total for 2017 €'000	
	2017	2016	2017	2016	2017	2016	2017	2016
Santiago Seage	600.0	505.0	-	0.1	818.1	850.0	1,418.1	1,355.0
Daniel Villalba	119.5	122.0	-	-	-	-	119.5	122.0
Jackson Robinson	88.5	90.4	-	-	-	-	88.5	90.4
Robert Dove	44.3	-	-	-	-	-	44.3	-
Andrea Brentan	44.3	-	-	-	-	-	44.3	-
Francisco J. Martinez	44.3	-	-	-	-	-	44.3	-
Eduardo Kausel	44.3	90.4	-	-	-	-	44.3	90.4
Enrique Alarcon	44.3	90.4	-	-	-	-	44.3	90.4
Juan del Hoyo	44.3	90.4	-	-	-	-	44.3	90.4
Total	1,073.8	988.6	-	0.1	818.1	850.0	1,891.9	1,838.6

None of the directors received any pension or long-term incentive remuneration in 2016 nor 2017.

Each member of our board of directors will be indemnified for his actions associated with being a director to the extent permitted by law.

In 2016 the objectives defined for the Chief Executive Officer's variable bonus were met and a bonus corresponding to 100% of the potential variable compensation was paid in 2017. During the year 2017, most the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 96.25% of the potential variable compensation, which will be payable in 2018:

	Percentage weight	Achievement
• CAFD (cash available for distribution) – Higher than \$167 million	(50%)	100%
• EBITDA – Higher than \$750 million	(10%)	100%
• Implementing the technical improvement plan	(15%)	75%
• Obtaining the waivers for the last assets – ACT, Kaxu, Solana and Mojave	(5%)	100%
• Launch and implement the new health and safety plan – (Loss Time Injury frequency index below 5.3 and General frequency index below 17.1)	(10%)	100%
• Implement improvement plan on key processes and systems	(10%)	100%

The current Long-Term Incentive Plan (LTIP) is a 3-year plan that started in 2016 and will finish in December 2018. At the end of that period the CEO might or might not accrue amounts payable in 2019 according that plan. The LTIP policy is detailed under the section "Long-Term Incentive Plan" of this report.

Remuneration of the Chief Executive Officer

The information provided in this part of the report is not subject to audit.

The table enclosed within the "Single total figure of remuneration for each director" sets out the details for Mr. Seage who serves in the role of the Chief Executive Officer.

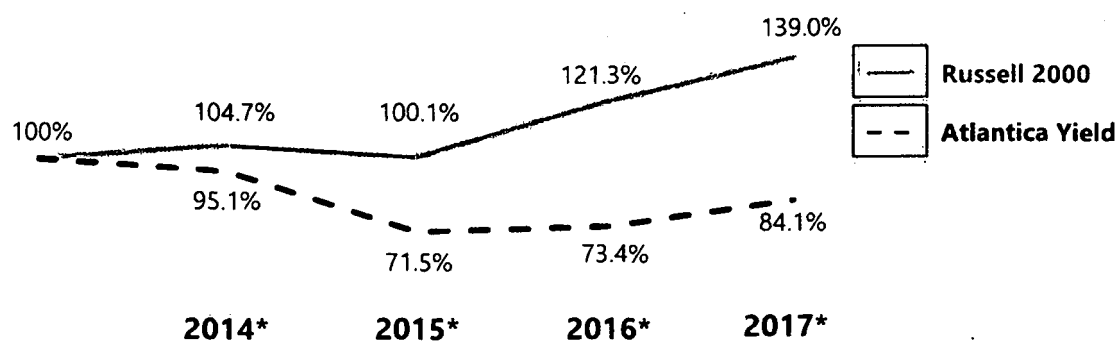
In 2017, he accrued €818.1 thousand as a bonus payment in accordance with his services agreement, payable in 2018. In 2016, Mr. Seage accrued €850 thousand as a bonus payment in accordance with his services agreement, payable in 2017.

Total Shareholder Return and Chief Executive Officer Pay

The chart below shows the Company's total shareholder return since June 2014, the date of our Initial Public Offering ("IPO"), until the end of 2017 compared with the total shareholder return of the companies in the Russell 2000 Index. The chart represents the progression of the return, including investment, starting from the time of the IPO at a 100%-point. In addition, dividends are assumed to have been re-invested at the closing price of each dividend payment date.

We believe the Russell 2000 Index is an adequate benchmark as it represents a broad range of companies of similar size.

TSR is calculated in US dollars.



- Period since the IPO (June 2014) until 31 December 2014, 2015, 2016 and 2017

The table below shows the 2017 and 2016 total remuneration of the Chief Executive Officer and his bonuses and LTIP grants expressed as a percentage of the maximum he is likely to be awarded.

Year	Total Pay (€ 000)	Bonus		LTIP awards	
		Percentage of maximum	Amount of bonus	Percentage of maximum	Value
2017	1,418.1	96.25%	818.1	-	-
2016	1,355.1	100%	850.0	-	-
2015	1,440.9*	-	-	-	-
2014	130.9	-	-	-	-

* Includes a 1,189.5 thousand euros termination payment received by Mr. Garoz after leaving the Company on 25 November 2015.

The chief executive officer did not receive any variable remuneration for services provided to the Company for the years ended 31 December 2015 and 2014. Santiago Seage occupied that office between January and May 2015, and again since late November 2015. Meanwhile, Mr. Garoz held that position between May and November 2015, when he voluntarily left the Company.

In 2016, the Company accrued €850 thousand of the bonus paid to the Chief Executive Officer in 2017. In 2017, the Company accrued €818.1 thousand of the bonus payable to the Chief Executive Officer in 2018, in accordance with his services agreement.

Chief Executive Officer Pay vs. Employee Pay

The table below sets out the percentage change between the year 2016 and 2017 in salary, benefits and bonus (determined on the same basis as for the Single Total Figure table) for the Chief Executive Officer/Managing Director and *the average per capita change* for employees of the Group as a whole.

As of 31 December 2016, we had 175 employees². As of 31 December 2017, we had 185 employees.

Element of remuneration	Percentage change for Chief Executive Officer	Percentage change for employees
Salary	18.8%	6.4%
Benefits	0%	n/a
Bonus	(3.8%)	8.0%

Relative Importance of Spend on Pay

The following table sets out the change in overall employee costs, directors' compensation and dividends.

² Prior period numbers have been adjusted to conform current calculation method.

€ in million	Amount in 2017	Amount in 2016	Difference
Spend on pay for all employees of the group	16.7	13.3	3.4
Total remuneration of directors	1.9	1.8	0.1
Dividends paid (*)	84.0	24.0	60.0

(*) Dividend paid does not include amounts retained to Abengoa.

The company has not made any share repurchases during 2017 nor 2016.

The Group's personnel headcount increased from 175 employees as of 31 December 2016¹ to 185 employees as of 31 December 2017.

Directors' shareholdings

The following table includes information with respect to beneficial ownership of our ordinary shares as of 31 December 2017 by each of our directors and executive officers as well as their connected persons.

Those not included in the table do not hold shares.

	Shares 31 st December 2017	Shares 31 st December 2016
Santiago Seage	20,000	20,000
Daniel Villalba	60,000	60,000
Jackson Robinson	5,690	5,412

There have been no changes in the holdings of the directors between the year end and the date of issuance of this report.

Directors currently do not hold share options or awards and there are no share ownership requirements applicable to directors.

Termination Payments

No termination payments were made in 2017 nor 2016. The policy for termination remuneration are detailed under the section "Policy on payments for loss of office" of this report.

Statement of Implementation of Policy in 2018

The targets for bonuses are detailed under the section "Remuneration Policy" of this report. The current policy was approved at our 2017 Annual General Meeting, held in June 2017.

For 2018, the bonus measures for the remuneration of the Chief Executive Officer, will focus on 5 areas: financial targets, value creating growth/investments, health and safety, technical improvements and a succession plan for the Company.

This approach is intended to provide a balanced assessment of how the business has performed over the course of the year against stated objectives. Targets are aligned with the annual plan and strategic and operational priorities for the year.

For 2018 the bonus objectives are the following:

	Percentage weight
• CAFD (cash available for distribution) – Equal or higher than \$170 million	(50%)
• EBITDA– Equal or Higher than \$782 million	(10%)
• Present and close value creating and accretive investment opportunities	(15%)
• Achieve health and safety targets - (Loss Time Injury frequency index below 5.2 and General frequency index below 16.4) based on reliable targets and consistent measure metrics	(10%)
• Improve the technical performance of Solana and Kaxu as per approved plan	(10%)
• Prepare and implement a complete succession plan	(5%)

Compensation Committee

The Compensation Committee was created in February 2016, together with the Nominating and Corporate Governance Committee. These two committees replaced the Appointments and Remuneration Committee which was in place since the IPO until February 2016.

The Compensation Committee is the commission of the Board of Directors responsible for determining the remuneration of the Chairman, Executive Directors and members of the Management Board.

In 2017, the Committee focused its activities on the following key remuneration topics: (i) periodically reviewing the remuneration policy implemented in 2017, (ii) reviewing the Company's 2017 results and defining 2018 performance targets in connection with the variable remuneration; (iii) reviewing the Committee's terms of reference; and (iv) assessing proposals for initiatives to retain managerial figures.

Membership and Attendance

All members of the Compensation Committee are Non-Executive Directors. No director or Senior Manager shall be involved in any decision as to their own remuneration.

During 2017, the composition of the Compensation Committee changed with the appointment of Mr. Andrea Brentan and Mr. Robert Dove as directors and members of the Committee in June 2017.

The CEO and the Head of Human Resources attend the meetings by invitation.

The Committee Chairman provides regular updates to the Board of Directors on the key issues discussed at the Committee's meetings.

The Committee held three meetings during the year 2017 and all its members attended the three meetings.

Name	Current Member	Member since and until	Role	Attendance / Eligible to attend
Jackson Robinson	Yes	February 2016	Director, Chairman of the Compensation Committee	3 / 3
Andrea Brentan ⁽¹⁾	Yes	June 2017	Director, independent	1 / 1
Robert Dove ⁽¹⁾	Yes	June 2017	Director, independent	1 / 1
Daniel Villalba ⁽²⁾		February since February 2016 until June 2017	Director, independent and Chairman of the Board	2 / 2
Eduardo Kausel ⁽³⁾		February since February 2016 until June 2017	Director, independent	2 / 2
Juan del Hoyo ⁽³⁾		February since February 2016 until June 2017	Director, independent	2 / 2

Notes:

- (1) Mr. Andrea Brentan and Mr. Robert Dove joined the Compensation Committee on June 23, 2017 following their appointment as Non-Executive Directors.
- (2) Mr. Daniel Villalba, Chairman of the Board of Directors, resigned from the Compensation Committee on June 23, 2017. The Compensation Committee wishes to express its appreciation for the work done during these past years.
- (3) Mr. Eduardo Kausel and Mr. Juan del Hoyo resigned from the Compensation Committee on June 23, 2017. The Compensation Committee wishes to express its appreciation for the work done during these past years.

Role of the Compensation Committee

The Board of Directors approved Terms of Reference for the Compensation Committee which are available on the website of the Company (www.atlanticayield.com).

These Terms of References provide the roles and responsibilities of the Committee, which are reviewed by the Committee itself and the Board of Directors on a yearly basis. In accordance with this document, the Committee's responsibilities include, but are not limited, to the following matters:

1. To analyse, discuss and make recommendations to the Board regarding the setting of the remuneration policy for all directors and senior management;
2. To analyse and discuss proposals made by the Board regarding the Company's remuneration policy within the UK Annual Report;
3. To obtain reliable and updated information about remuneration in other companies of comparable scale and complexity;
4. CEO remuneration;

5. To review the design of all long-term incentive plans for approval by the board and shareholders;
6. To review and approve the compensation payable to executive Directors, including Chief Executive Officer / Managing Director for any loss or termination of office or appointment;

2017 Key Activities

In 2017, the Compensation Committee continued its work on revising our remuneration structure to ensure that the Company has in place an effective Remuneration Policy which:

- ▶ Allows the Company to attract and retain top quality talent; and
- ▶ Rewards and compensates sustainable performance to the benefit of both shareholders and stakeholders

Directors' Remuneration Analysis

The Committee has re-assessed the Remuneration Policy implemented by the Board of Directors and approved in the Annual General Meeting. At least once a year, the Compensation Committee reviews compensation practices for independent non-executive directors in similar companies.

The Board of Directors implemented a "Non-Executive Directors Expenses Policy" aimed to deal with claims for reimbursement of expenses to directors, including travel, accommodation and hospitalities. According to this Policy, any expense must be necessary, reasonable, appropriate, allowable and justifiable. Executive Directors expenses are not regulated in this Policy and will follow same rules applicable to employees.

Chief Executive Officer and Senior Management Remuneration

The Compensation Committee has the responsibility to propose the remuneration of the Chief Executive Officer and the overall remuneration of the senior management to the Board of Directors, including any kind of compensation (fixed salary, performance-related bonuses, long-term incentive plans, etc.)

Regarding performance-related bonuses or variable remuneration, the Committee has the following duties:

- ▶ Definition of specific targets for the CEO and overall structure for senior management.
- ▶ Evaluation of the accomplishment of those objectives in the case of the CEO.

Voting at the 2017 Annual General Meeting

The Company takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to director's remuneration, the Company would seek to understand the

reasons for any such vote and would set out in the following Annual Report any actions in response to it.

At the 2017 Annual General Meeting, votes in relation to the directors' remuneration policy and the remuneration report were as follows:

	Remuneration Policy		Remuneration Report	
	Number of votes	%	Number of votes	%
▪ For	82,508,325	82.3	78,426,118	78.3
▪ Against	5,472,488	5.5	9,584,186	9.6
▪ Withheld	86,346	0.1	56,855	0.1

Remuneration Policy

The current policy was approved at our 2017 Annual General Meeting, held in June 2017.

For independent non-executive directors, the Company's policy is to compensate in cash for the time dedicated, subject to a maximum total annual compensation for non-executive directors in aggregate of two million dollars. Once a year, the Compensation Committee reviews compensation practices for independent non-executive directors in similar companies and the skills and experience required and may propose an adjustment in the current compensation. For other non-executive directors, the policy is not to compensate for the time dedicated.

The Chief Executive Officer is currently the only executive director. The policy for the executive directors is as follows:

Name of component	Description of component	How does this component support the company's (or group's) short and long-term objectives?	What is the maximum that may be paid in respect of the component?	Framework used to assess performance
Salary/fees	Fixed remuneration payable monthly	Helps to recruit and retain executive directors and forms the basis of a competitive remuneration package	Maximum amount €700 thousand, may be increased by 5% per year Salary levels for peers are considered	Not applicable No retention or clawback
Benefits	Opportunity to join existing plans for employees but without any increase in remuneration			
Annual bonus	Annual bonus is paid following the end of the financial year for performance over the year. There are no retention or forfeiture provisions	Helps to offer a competitive remuneration package and align it with company's objectives	200% of base salary	50% of CAFD 10% of EBITDA 40% of other operational or qualitative objectives No retention or clawback
Long Term Incentive Awards	LTIP is paid in early 2019 if the company achieves its total shareholder return targets	Aligns pay with longer term returns to shareholders	3-year plan representing a maximum of 70% of salary and annual bonus for the 2016-2018 period	50% of Total Annual Shareholder's Return (TSR) 50% of TSR versus peers No retention or clawback

CAFD, EBITDA and TSR have been selected as key parameters to measure company's performance due to their importance for our shareholders. These measures are considered standard indicators of financial performance in the YieldCo sector.

Committee discretions

The committee has discretion, consistent with market practice, in respect of, but not limited to participants, timing of payments, size of the award subject to policy, performance measures and when dealing with special situations, such as change of control or restructuring.

The annual bonus is a variable cash bonus, based on the objectives described above. Those objectives include Cash Available for Distribution (CAFD), with a 50% weight for executive directors, and EBITDA, as these are key financial metrics for our industry sector. Additionally, the annual bonus includes 2-3 objectives that reflect some of the key projects, initiatives or key objectives.

For the management team and key personnel, our policy is to use two external consultants to estimate market conditions for similar positions in terms of fixed and variable remuneration and, based on a performance appraisal, set a target remuneration, as a general rule, within that market practice. Variable payments are based on a number of specific measurable targets in relation to the measures described herein, which are defined by the remuneration committee at the beginning of the year. For the rest of its employees, the Company establishes predefined remuneration ranges for different positions and reviews each individual remuneration depending on performance appraisal and within two ranges without employee consultation.

Long-Term Incentive Plan

The Company has a Long-Term Incentive Plan for the period 2016-2018 for the executive team approved at the 2016 Annual General Meeting. The plan includes:

- Approximately 10 executives, including the Chief Executive Officer
- Each executive is entitled to the payment of a LTIP cash bonus payable in March 2019 if the Company achieves its Total Annual Shareholders' Return (TSR) objectives in the 2016-2018 period. The committee and the board have considered this metric as the best measure to align management and shareholders' interests. Total Annual Shareholders' Return (TSR) is calculated over the 2016 - 2018 period. It is defined as the annual return of an investment done the 1st of January of 2016 at the average stock price of the first 3 months of 2016 (16.90 dollars per share) and divested on the 31st of December of 2018, including the dividends paid in 2016, 2017 and 2018. Similar to the initial price, the final price to be considered is the average price of the last 3 months of 2018.
- The LTIP award is capped at a 50% (a 70% for the Chief Executive Officer) of the total remuneration received by an executive in the 2016-2018 period
- 50% of the LTIP bonus will be based on the Company's TSR and the other 50% on the relative performance in terms of TSR versus other yieldcos selected by the committee. The chart below presents the percentage amounts to be awarded as LTIP bonus as a function of each of the parameters considered.

Award based on TSR means the percentage of fulfilment by the Company of the Total Annual Return to Shareholders target, according to the following performance ranges.

	Minimum	Target
Atlantica Yield TSR (%)	7.5%	15%
Award based on TSR (%)	0%	100%

Awards between 0% and 100% will be calculated based on interpolation of the data

Award based on Yieldco TSR means the percentage of fulfilment by the Company with respect to the target of Relative Total Annual Return to Shareholders of a group of six yieldco peers during the same period, according to the following performance ranges:

YieldCo TSR Position	Award based on YieldCo TSR
1	100%
2	100%
3	90%
4	50%
5	10%
6	0%
7	0%

- In case of change of control, the LTIP becomes due and is calculated based on the offer price or the last price applied in the TSR, up to and including the change of control
- In case of retirement, termination without cause, permanent disability or death, the LTIP is to be pro-rated for the period until that event and paid out at the end of the plan period once the TSR for the period is known. If an executive leaves the company for other reasons, there would be no compensation.

Executive directors do not receive any pension contributions.

None of the non-executive directors receive bonuses, long-term incentive awards, pension or other benefits in respect of their services to the Company.

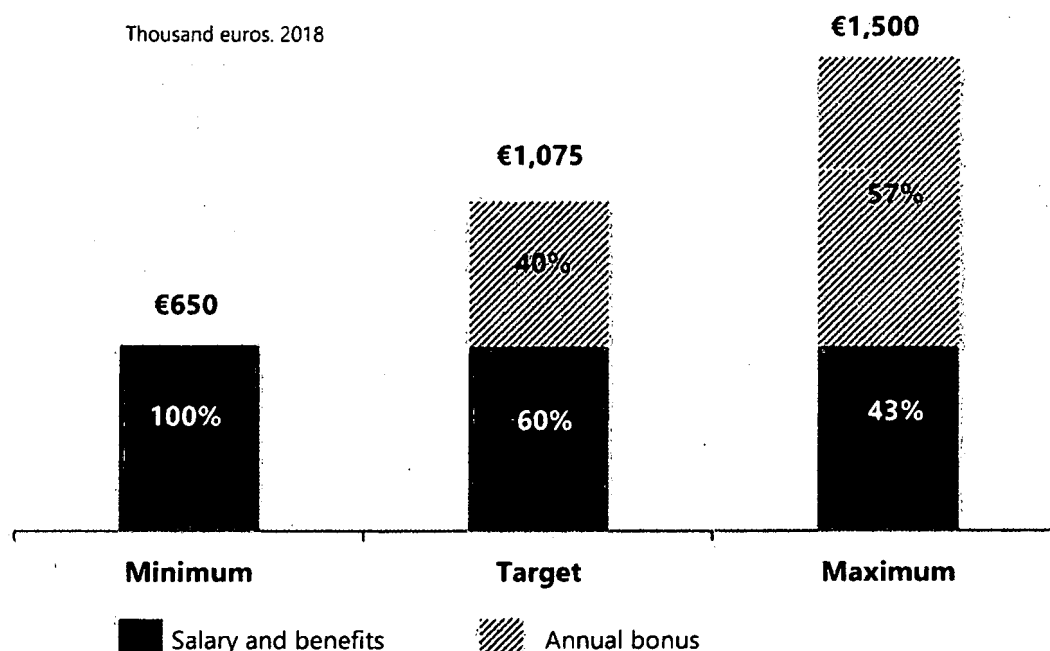
There are no provisions for the recovery of sums paid or the withholding of any sum.

Chief Executive Officer remuneration policy

The Compensation Committee approved an increase of the fixed remuneration of the Chief

Executive Officer for 2018 from €600 thousand to €650 thousand.

Total remuneration of the only executive director for a minimum, target and maximum performance in 2018 is presented in the chart below.



Assumptions made for each scenario are as follows:

- Minimum: fixed remuneration only
- Target: fixed remuneration plus half of maximum annual bonus
- Maximum: fixed remuneration plus maximum annual bonus

LTIP is not included as it would not be paid until 2019 and is subject to targets.

For 2018, the bonus measures for the remuneration of the Chief Executive Officer, will focus on 5 areas: financial targets, value creating growth/investments, health and safety, technical improvements and a succession plan for the Company.

This approach is intended to provide a balanced assessment of how the business has performed over the course of the year against stated objectives. Targets are aligned with the annual plan and strategic and operational priorities for the year.

For 2018 the bonus objectives are the following:

	Percentage weight
• CAFD (cash available for distribution) – Equal or higher than \$170 million	(50%)
• EBITDA– Equal or Higher than \$782 million	(10%)
• Present and close value creating and accretive investment opportunities	(15%)
• Achieve health and safety targets - (Loss Time Injury frequency index below 5.2 and General frequency index below 16.4) based on reliable targets and consistent measure metrics	(10%)
• Improve the technical performance of Solana and Kaxu as per approved plan	(10%)
• Prepare and implement a complete succession plan	(5%)

Approach to recruitment

As previously stated within this report, the recruitment of managers is largely based on the estimates of two external consultants of the market conditions for similar positions, in terms of fixed and variable remuneration.

In addition, the remuneration policy reflects the composition of the remuneration package for the appointment of new executive directors. We expect to offer a competitive fixed remuneration, an annual bonus not exceeding 200% of the fixed remuneration and a participation in our LTIP plan.

Lastly, whenever needed, the Company can contract a top-tier external advisor to hire key personnel.

As stated in the "Single total figure of remuneration for each director", each independent director receives a total annual compensation of \$100 thousand. As a chairman of the board of directors and a chairman of our audit committee, Mr. Villalba receives an additional \$35 thousand per year. Directors representing Abengoa do not receive any compensation from us.

The stated above remuneration will be offered in recruitment of independent directors.

Policy on payments for loss of office.

In order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, the policy approved by our shareholders at the 2017 Annual General Shareholders Meeting, introduced certain termination payments to key executives, including the Chief Executive Officer.

The Company has agreed with certain executives with strategic and key responsibilities in the Company ("Key Managers"), including the Chief Executive Officer, to make payments for loss of office or employment in addition to the severance payment under the prevailing labour and legal conditions in their contracts or countries where they are employed if they should leave (by loss of office or employment) the Company within 2 years of a change in control. The payment will represent six months of remuneration and will be adjusted to ensure that total payment including severance payment required under prevailing laws represent at least 12 months of remuneration

(including salary, benefits, long term incentive plans and variable pay), but never more than 24 months of remuneration, unless required by local law.

A change of control means that a third party or coordinated parties (i) acquire directly or indirectly by any means a number of shares in the Company which (together with the shares that such party may already hold in the Company) amount to more than 50% of the share capital of the Company; or (ii) appoint or have the right to appoint at least half of the members of the Board of Directors of the Company.

No payments will be made to Key Managers for dismissal for breach of contract, breach of fiduciary duties or gross misconduct, determined (in the event of a dispute) by a court of competent jurisdiction to reach a final determination.

Consideration of employee conditions elsewhere

For the management team and key personnel, our policy is to use two external consultants to estimate market conditions for roles of a similar level of managerial responsibilities and complexity in terms of fixed and variable remuneration and, based on a performance appraisal, set a target remuneration, as a general rule, within that market practice.

The annual variable remuneration payment is calculated with reference to the achievement of a number of specific measurable targets defined at the previous year. Each specific target is measured on a performance scale of 0%-120%.

For the rest of its employees, the Company establishes predefined remuneration ranges for different positions and reviews each individual remuneration depending on performance appraisal within two ranges without employee consultation.

The remuneration of all employees, including the members of the management team, may be adjusted periodically in the framework of the annual salary review process which is carried out for all employees.

Overall, we expect that, following the implementation of our policies, remunerations of the Company's employees will increase in line with the market with the exception of individuals that have been recently promoted or whose remuneration is above market conditions.

Statement of consideration of shareholder views

There are no comments in respect of directors' remuneration expressed to the Company by shareholders. The next Annual Shareholders' Meeting is expected to be held in May 2018.

Summary of Policy for Non-Executive Directors

Name of component	How does the component support the company's objective?	Operation	Maximum
Independent Non-Executive Directors:			
Fees	Attract and retain the high-performing independent non-executive directors	Reviewed annually by the committee and board The lead independent director/chairman receive additional fees	Annual total compensation for executive directors, in any case, will not exceed two million dollars
Benefits	Reasonable travel expenses to the Company's registered office or venues for meetings	Customary control procedures	Real costs of travel with a maximum of one million dollars for all directors
Other Non-Executive Directors:			
Fees	Attract and retain the high-performing non-executive directors	Directors appointed by shareholders receive no fees	No prescribed maximum annual increase
Benefits	Reasonable travel expenses to the Company's registered office or venues for meetings	Customary control procedures	Real costs of travel

Service Contracts

Mr. Seage has a services contract with Atlantica Yield that includes a 6-month notice period.

The non-executive directors do not have a service contract and have been elected for a period of three years starting June 2017.

Employee Benefit Trusts

Our policy is not to use any employee trust for share plans.

Key Management Compensation for 2017

€ in thousands	2017	2016
• Short-term employee benefits	3,581.2	3,439.8
• Post-employment benefits		
• Other long-term benefits		
• Termination benefits		
• Share-based payment		
• Total	3,581.2	3,439.8

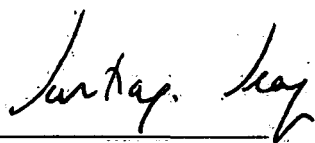
Key management includes Directors, Chief Executive Officer, CFO and 6 key executives

Statement of Voting at General Meetings

The remuneration report and the remuneration policy will be submitted to the Annual Shareholders' Meeting in 2018.

Approval

This report was approved by the board of directors on 27 February 2018 and signed on its behalf by Santiago Seage, Chief Executive Officer.



Chief Executive Officer
Santiago Seage
27 February 2018

Directors' Responsibilities Statement

The directors are responsible for preparing the Consolidated Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- In preparing the group financial statements, International Accounting Standard 1 requires that directors:
 - properly select and apply accounting policies;
 - present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
 - provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
 - make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

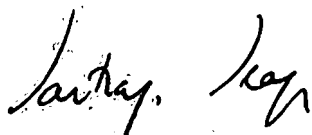
The Consolidated Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

The Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

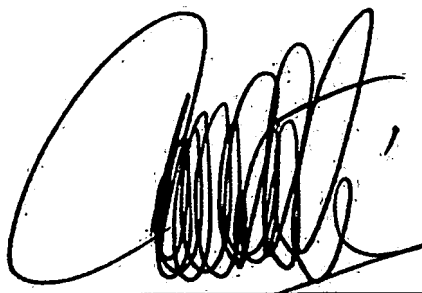
The Consolidated Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on 27 February 2018 and is signed on its behalf by:

By order of the Board



Chief Executive Officer
Santiago Seage
27 February 2018



Chief Financial Officer
Francisco Martinez-Davis
27 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLANTICA YIELD PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework";**
and
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of Atlantica Yield plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the critical accounting and judgements;
- the significant accounting policies; and
- the related notes 1 to 30
- and company only notes 1 to 7.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, Including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of concessional assets • Revenue recognition
Materiality	The materiality that we used for the group financial statements was \$40.0m which was determined on the basis of Earnings, before interest, taxation, depreciation and amortisation ("EBITDA").
Scoping	We consider the individual concessional assets to reflect the components of the Group and this is how management monitors and controls the business. We performed specified audit procedures on 23 legal entities and full scope audit procedures on the parent company, covering 7 countries. Together, these account for 92% EBITDA.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of concessional assets

Key audit matter description



The Group holds contracted concessional assets and price purchase agreements (PPAs), including fixed assets financed through project debt, mainly recorded in accordance with International Financial Reporting Interpretations Committee 12 ("IFRIC 12"). The total value of these assets at 31 December 2017 was \$9,084 million (31 December 2016: \$8,924 million).

These underlying assets are held across a range of Environmental infrastructures (including Renewable Energy) and a range of geographies including the Europe,

	Africa, North, Central and South America. The recoverability of concessional assets is a significant judgement underpinned by a number of key assumptions and estimates. Key judgements include the discount rates adopted, the volatility of forecast project cash-flows and macro-economic assumptions such as future inflation, deposit rates and energy prices. More information on the impairment review performed by management can be found on page 26 of the financial statements and on note 3 to the financial statements.
How the scope of our audit responded to the key audit matter 	Our audit is directed to considering the evidence available to support these assumptions and the sensitivity of the recoverability analysis to challenge the reasonableness of these assumptions. Our procedures included: • Identification and challenging of impairment triggering events ; • For assets where impairment triggers were identified, we challenged the assumptions used in the impairment model which calculates the recoverable amount of assets, described in note 3 to the financial statements. Our challenge focused on; • assessing the appropriateness of the design and implementation of the controls surrounding the impairment model; • assessing the appropriateness of cash flow inputs relative to previous and future performance; tax; WACC and cost of repairs; • benchmarking against the wider peer group; • recalculating the discount rates and perpetuity rates used; and • challenging management's sensitivity analysis on the cash flow projections and discount rates. We checked the mechanical accuracy of the models, performed our own sensitivity analysis and utilised our internal valuation experts to assist in the assessment of the appropriateness of the discount rates.
Key observations 	We found that the assumptions used were reasonable and had been determined and applied on a consistent basis across the Group. No additional impairments were identified from the work performed. For the assets where impairment triggers were identified, management's impairment analysis and its key assumptions were within the reasonable range and no impairment was identified.
Revenue recognition	
Key audit matter description 	ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. We have specifically focused this key audit matter to whether sales of \$1,008.4 million are accurate and have been confirmed by a third party. More information on revenues for the year can be found on page 16 and 22 and notes 2, 3 and 4 of the financial statements.

How the scope of our audit responded to the key audit matter



Our audit response consisted of several procedures including those summarised below:

- Tested the design and operating effectiveness of key controls
- Reconciliation of revenue recognised to amounts invoiced to customers and subsequent receipt of payments from those customers ;
- Reconciliation between revenue recognised during the year and agreements signed with customers ;
- Reconciliation of prices included in amounts invoiced to underlying agreement for the sale of Sale of energy;
- Reconciliation of volume of energy included in amounts invoiced to supporting third party confirmations;

Our procedures performed allowed us to gain a thorough understanding of the revenue cycle with a variety of procedures performed to analyse the risk associated to potential fraud.

Key observations



We were satisfied that the revenue had been recognised appropriately.

We noted no material instances of inappropriate revenue recognition arising from our testing.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	\$40.0 million	\$28.5 million
Basis for determining materiality	5% of EBITDA	1% of total assets
Rationale for the benchmark applied	We used EBITDA as the metric with the greatest importance to investors in a yield company, particularly given is at its early stages and EBITDA is a more stable benchmark than profit before tax.	As the parent company is a non-trading entity and a cost centre, it is considered appropriate to use total assets as the basis for determining materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$2.0m for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on this assessment, our Group audit scope focused primarily on the audit work at the significant components which were selected based on our assessment of the identified risks of material misstatement identified above. These represent the principal business units within the Group's reportable segments.. We have performed work on components which comprised 92% of the Group's EBITDA and 93% of the Group's concessional assets.

We requested component teams to complete specified audit procedures and obtained component reporting for all of them. The remaining components were subject to analytical review procedures by the Group audit team. Our audit work on components was executed to a lower level of materiality of \$16 million.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining subsidiaries not subject to audit of specified account balances.

The Group audit team held a Group wide planning meeting to discuss the risk assessment at the start of the audit and subsequently hold regular update calls throughout the audit. The Senior Statutory Auditor or another senior member of the Group audit team participated in all of the close meetings, both at the interim and final visits, of the Group's components. The Senior Statutory Auditor or another senior member of the Group audit team carried out a review of the component auditor files. The Group audit team has initiated a programme of planned visits that has been designed so that it visits a sample of the Group's investments each year with a specific focus on visiting the Group's largest investments by value. This year the Group audit team visited 2 of the Group's investments.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of this matter.

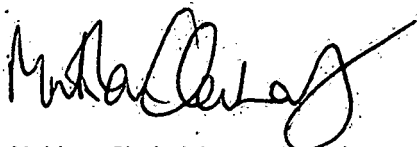
Other matters

Auditor tenure

The company listed in 2014. The audit was subject to external tender in 2015. We were appointed by the directors and following an external tender were appointed at the AGM in 2015. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 2014 to 2017

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Makhan Chahal (Senior Statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2 March 2018

Consolidated Income Statement

Amounts in thousands of U.S. dollars

	Note (1)	For the year ended December 31,	
		2017	2016
Revenue	4	1,008,381	971,797
Other operating income	8	80,844	65,538
Raw materials and consumables used		(16,983)	(26,919)
Employee benefit expenses	7	(18,854)	(14,736)
Depreciation, amortization, and impairment charges	12	(310,960)	(332,925)
Other operating expenses		(284,461)	(260,318)
Operating profit		457,967	402,437
Finance income	9	1,007	3,298
Finance expenses	9	(463,717)	(408,007)
Net exchange gains/(losses)		(4,092)	(9,546)
Net other finance (expenses)/income	9	18,434	8,505
Net finance costs		(448,368)	(405,750)
Share of profit/(loss) of associates carried under the equity method	13	5,351	6,646
Profit/ (Loss) before income tax		14,950	3,333
Income tax	10	(119,837)	(1,666)
Profit/ (Loss) for the year		(104,887)	1,667
Profit attributable to non-controlling interests		(6,917)	(6,522)
Profit/ (Loss) for the year attributable to owners of the Company		(111,804)	(4,855)
Weighted average number of ordinary shares outstanding (thousands)	29	100,217	100,217
Basic and diluted earnings per share (U.S. dollar per share)	29	(1.12)	(0.05)

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

All results are derived from continuing operations.

Consolidated Statement of other comprehensive income

Amounts in thousands of U.S. dollars	Year Ended December 31, 2017	Year Ended December 31, 2016
Profit / (Loss) for the year	(104,887)	1,667
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of cash flow hedges	(28,535)	(37,480)
Less: reclassification adjustments for gains / (losses) transferred to profit or loss	70,953	72,774
Exchange differences on translation of foreign operations	121,924	(22,150)
Income tax relating to items that may be reclassified subsequently to profit or loss	(13,312)	(5,639)
Other comprehensive income/(loss) for the year net of tax	151,030	7,505
Total comprehensive income/(loss) for the year	46,143	9,172
Total comprehensive income/ (loss) attributable to:		
Owners of the Company	31,370	(457)
Non-controlling interests	14,773	9,629

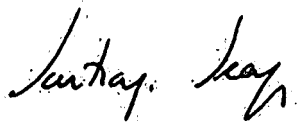
Consolidated Balance Sheet

Amounts in thousands of U.S. dollars	Note (1)	As of December 31, 2017	As of December 3 1, 2016
Assets			
Non-current assets			
Contracted concessional assets	12	9,084,270	8,924,272
Investments carried under the equity method	13	55,784	55,009
Financial investments	22	45,242	69,773
Deferred tax assets	10	165,136	202,891
Total non-current assets		9,350,432	9,251,945
Current assets			
Inventories		17,933	15,384
Trade and other receivables	14&22	244,449	207,621
Financial investments	22	210,138	228,038
Cash and cash equivalents	15&22	669,387	594,811
Total current assets		1,141,907	1,045,854
Total assets		10,492,339	10,297,799
Equity			
Share capital		10,022	10,022
Parent company reserves		2,163,229	2,268,457
Other reserves		80,968	52,797
Accumulated currency translation reserve		(18,147)	(133,150)
Retained earnings		(477,214)	(365,410)
Equity attributable to the Company		1,758,858	1,832,716
Non-controlling interests		136,595	126,395
Total equity	20	1,895,453	1,959,111
Non-current liabilities			
Long-term corporate debt	16	574,176	376,340
Long-term project debt	17	5,228,917	4,629,184
Grants and other liabilities	18	1,636,060	1,612,045
Related parties	26	141,031	101,750
Derivative liabilities	23	329,731	349,266
Deferred tax liabilities	10	186,583	95,037
Total non-current liabilities		8,096,498	7,163,622
Current liabilities			
Short-term corporate debt	16	68,907	291,861
Short-term project debt	17	246,291	701,283
Trade payables and other current liabilities	19	155,144	160,505
Income and other tax payables		30,046	21,417
Total current liabilities		500,388	1,175,066
Total equity and liabilities		10,492,339	10,297,799

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

The consolidated financial statements of Atlantica Yield plc, company registration no. 08818211, were approved by the board of directors and authorised for issue on 27 February 2018.

They were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Santiago Seage', written in a cursive style.

Chief Executive Officer

Santiago Seage

27 February 2018

Notes to the consolidated financial statements
31 December 2017

Consolidated Statement of changes in equity

Amounts in thousands of U.S. dollars

	Share Capital	Parent company reserve	Other reserves	Retained earnings	Accumulated currency translation differences	Total equity attributable to the Company	Non- controlling interest	Total equity
Balance as of January 1, 2017	10,022	2,268,457	52,797	(365,410)	(133,150)	1,832,716	126,395	1,959,111
Profit/(loss) for the year after taxes	-	-	-	(111,804)	-	(111,804)	6,917	(104,887)
Change in fair value of cash flow hedges	-	-	41,242	-	-	41,242	1,176	42,418
Currency translation differences	-	-	-	-	115,003	115,003	6,921	121,924
Tax effect	-	-	(13,071)	-	-	(13,071)	(241)	(13,312)
Other comprehensive income	-	-	28,171	-	115,003	143,174	7,856	151,030
Total comprehensive income	-	-	28,171	(111,804)	115,003	31,370	14,773	46,143
Dividend distribution	-	(105,228)	-	-	-	(105,228)	(4,573)	(109,801)
Balance as of December 31, 2017	10,022	2,163,229	80,968	(477,214)	(18,147)	1,758,858	136,595	1,895,453
Balance as of January 1, 2016	10,022	2,313,885	24,831	(356,524)	(109,582)	1,882,602	140,899	2,023,501
Profit/(loss) for the year after taxes	-	-	-	(4,855)	-	(4,855)	6,522	1,667
Change in fair value of cash flow hedges	-	-	32,944	-	-	32,994	2,350	35,294
Currency translation differences	-	-	-	-	(23,568)	(23,568)	1,418	(22,150)
Tax effect	-	-	(4,978)	-	-	(4,978)	(661)	(5,639)
Other comprehensive income	-	-	27,966	-	(23,568)	4,398	3,107	7,505
Total comprehensive income	-	-	27,966	(4,855)	(23,568)	(457)	9,629	9,172
Acquisition of non-controlling interest in Solacor 1&2 (a)	-	-	-	(4,031)	-	(4,031)	(15,894)	(19,925)
Asset acquisition (Sevilla PV) (a)	-	-	-	-	-	-	713	713
Dividend distribution	-	(45,398)	-	-	-	(45,398)	(8,952)	(54,350)
Balance as of December 31, 2016	10,022	2,268,457	52,797	(365,410)	(133,150)	1,832,716	126,395	1,959,111

(a) See Note 5 for further details.

Notes 1 to 30 are an integral part of the consolidated financial statements

Notes to the consolidated financial statements
31 December 2017

Consolidated Cash flow statement

Amounts in thousands of U.S. dollars	Note (1)	For the year ended	
		2017	2016
Profit/(Loss) for the year		(104,887)	1,667
Non-monetary adjustments			
Depreciation, amortization and impairment charges	12	310,960	332,925
Finance costs		443,517	397,966
Fair value (gains)/losses on derivative financial instruments		759	(1,761)
Shares of (profits)/losses from associates		(5,351)	(6,646)
Income tax	10	119,837	1,666
Changes in consolidation and other non-monetary items		(20,882)	(59,375)
Profit for the year adjusted by non-monetary items		743,953	666,442
Variations in working capital			
Inventories		(2,548)	(729)
Trade and other receivables		(23,799)	(15,001)
Trade payables and other current liabilities		22,474	11,422
Financial investments and other current assets/liabilities		(4,924)	6,341
Variations in working capital		(8,797)	2,033
Income tax received/(paid)		(4,779)	(1,953)
Interest received		4,139	3,342
Interest paid		(348,893)	(335,446)
Net cash provided by operating activities		385,623	334,418
Investments in entities under the equity method		3,003	4,984
Investments in contracted concessional assets*		30,058	(5,952)
Other non-current assets/liabilities		8,183	(3,637)
(Acquisitions) / Sales of subsidiaries and other financial instruments		30,124	(21,754)
Net cash (used in) / provided by investing activities		71,368	(26,359)
Proceeds from Project & Corporate debt		296,398	11,113
Repayment of Project & Corporate debt		(613,242)	(182,636)
Dividends paid to Company's shareholders		(99,483)	(35,509)
Purchase of shares to non-controlling interests		-	(19,071)
Net cash provided by/(used in) financing activities		(416,327)	(226,103)
Net increase in cash and cash equivalents		40,664	81,956
Cash, cash equivalents and bank overdrafts at beginning of the year	15	594,811	514,712
Translation differences cash or cash equivalent		33,912	(1,857)
Cash and cash equivalents at the end of the year	15	669,387	594,811

* Includes proceeds for \$42.5 million (See Note 12)

(1) Notes 1 to 30 are an integral part of the consolidated financial statements

Notes to the consolidated financial statements

31 December 2017

Notes to the consolidated financial statements

1. General information

Atlantica Yield plc. ('Atlantica Yield' or the Company) is a company incorporated in the United Kingdom under the Companies Act. The Company is a public Company limited by shares and is registered in England and Wales. The address of the registered office is Great West Road, Brentford TW8 9DF, Greater London (United Kingdom). The nature of the Group's operations and its principal activities are set out in the strategic report on pages 3 to 50.

These financial statements are presented in US Dollars because that is the primary currency in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 3.

On November 27, 2015 Abengoa, reported that, it filed a communication pursuant to article 5 bis of the Spanish Insolvency Law 22/2003 with the Mercantile Court of Seville nº 2. On November 8, 2016, the Judge of the Mercantile Court of Seville declared judicial approval of Abengoa's restructuring agreement, extending the terms of the agreement to those creditors who had not approved the restructuring agreement.

On February 3, 2017, Abengoa announced it obtained approval from creditors representing 94% of its financial debt after the supplemental accession period. On March 31, 2017 Abengoa announced the completion of the restructuring. As a result, Atlantica received Abengoa debt and equity instruments in exchange of the guarantee previously provided by Abengoa regarding the preferred equity investment in ACBH. In addition, the Company invested in Abengoa's issuance of asset-backed notes (the "New Money 1 Tradable Notes") in order to convert the junior status of the Abengoa debt received into senior debt (See Note 22).

The financing arrangement of Kaxu contained as of December 31, 2016 cross-default provisions related to Abengoa, such that debt defaults by Abengoa, subject to certain threshold amounts and/or a restructuring process, could trigger defaults under such project financing arrangement. In March 2017, the Company signed a waiver which gives clearance to cross-default that might have arisen from Abengoa insolvency and restructuring up to that date but does not extend to potential future cross-default events.

The financing arrangement of Cadonal also contained cross-default provisions with Abengoa and a waiver was obtained in 2016, subject to certain conditions. These conditions were met in October 2017.

In addition, as of December 31, 2016 the financing arrangements of Kaxu, ACT, Solana and Mojave contained a change of ownership clause that would be triggered if Abengoa ceased to own at least 35% of Atlantica's shares (30% in the case of Solana and Mojave). Based on the most recent public information, Abengoa currently owns 41.47% of Atlantica shares and 41.44% of the outstanding shares have been pledged as guarantee of the New Money 1 Tradable Notes and loans. On November 1, 2017 Abengoa announced it has reached an agreement with

Notes to the consolidated financial statements

31 December 2017

Algonquin Power & Utilities Corp. ("Algonquin") to sell a 25% stake in Atlantica subject to conditions precedent. Additionally, Abengoa has communicated that it intends to sell its remaining 16.5% stake over the upcoming months in a private transaction subject to approval by the U.S. Department of Energy (the "DOE"). Algonquin has an option to purchase this remaining stake until March 2018. If Abengoa ceases to comply with its obligation to maintain its 30% ownership of Atlantica's shares, such reduced ownership would put the Company in breach of covenants under the applicable project financing arrangements.

In the case of Solana and Mojave, a forbearance agreement signed with the DOE in 2016 with respect to these assets allows reductions of Abengoa's ownership of our shares if it results from (i) a sale or other disposition at any time pursuant and in connection with a subsequent insolvency proceeding by Abengoa, or (ii) capital increases by us. In other events of reduction of ownership by Abengoa below the minimum ownership threshold such as sales of shares by Abengoa, the available DOE remedies will not include debt acceleration, but DOE remedies available could include limitations on distributions to us from Solana and Mojave. In addition, the minimum ownership threshold for Abengoa's ownership of our shares has been reduced from 35% to 30%. In November 2017, in the context of the agreement reached between Abengoa and Algonquin for the acquisition by Algonquin of 25% of our shares and based on the obligations of Abengoa under the EPC contract the Company signed a consent with the DOE which reduces this minimum ownership required by Abengoa in Atlantica to 16%, subject to certain conditions precedent most of which are beyond the control of Atlantica (see Note 9). Conversations between the DOE, Abengoa and the Company are ongoing regarding the waiver from the DOE to allow Abengoa to sell Atlantica shares below 16%.

In the case of Kaxu, in March 2017 the Company signed a waiver, which allows reduction of ownership by Abengoa below the 35% threshold if it is done in the context of the restructuring plan. Additionally, the Company obtained in October 2017 the waiver for ACT.

Additionally, on February 10, 2017, the Company issued senior secured notes ("the "Note Issuance Facility") with a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €275 million (approximately \$330 million as of December 31, 2017). The proceeds of the Note Issuance Facility were used to fully repay Tranche B under the Company's Credit Facility, which was then cancelled (See Note 16).

2. Adoption of new and revised Standards

- a) Standards, interpretations and amendments effective from January 1, 2017 under IFRS-IASB, applied by the Company in the preparation of these consolidated financial statements:
- IAS 7 (Amendment) 'Disclosure Initiative'. Requirements for additional disclosures in order to provide users with improved financial information.

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- IAS 12 (Amendment) 'Recognition for Deferred Tax for Unrealized Losses'. Clarification of recognition of deferred tax assets for unrealized losses.
- Annual Improvements to IFRSs 2014-2016 cycles. Amendments to IFRS 12.

The applications of these amendments have not had any material impact on these consolidated financial statements except for the reconciliation of liabilities arising from financial activities that has been included in Note 16 and 17.

b) Standards, interpretations and amendments published by the IASB that will be effective for periods beginning on or after January 1, 2018:

- IFRS 9 'Financial Instruments'. This Standard is applicable for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- IFRS 9 (Amendments to IFRS 9): Prepayment Features with Negative Compensation. This Standard is applicable for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.
- IFRS 15 'Revenues from Contracts with Customers'. This Standard is applicable for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- IFRS 15 (Clarifications) 'Revenues from Contracts with Customers'. This amendment is mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- IFRS 16 'Leases'. This Standard is applicable for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.
- IFRS 17 'Insurance Contracts'. This Standard is applicable for annual periods beginning on or after January 1, 2021 under IFRS-IASB, earlier application is permitted.
- IFRS 2 (Amendment) 'Classification and Measurement of Share-based Payment Transactions'. This amendment is mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- IFRS 4 (Amendment). Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. This amendment is mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.

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- IAS 40 (Amendment). Transfers of Investment Property. This amendment is mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- IAS 19 (Amendment). Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. This amendment is mandatory for annual periods beginning on or after January 1, 2019 under IFRS-IASB, earlier application is permitted.
- IAS 28 (Amendment). Long-term Interests in Associates and Joint Ventures. This amendment is mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.
- Annual Improvements to IFRSs 2014-2016 cycles. Other minor amendments and modifications different from the aforementioned on IFRS 12. This Standard is applicable for annual periods beginning on or after January 1, 2018 under IFRS-IASB.
- Annual Improvements to IFRSs 2015-2017 cycles. This Standard is applicable for annual periods beginning on or after January 1, 2018 under IFRS-IASB.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This Standard is applicable for annual periods beginning on or after January 1, 2018 under IFRS-IASB.
- IFRIC 23 Uncertainty over Income Tax Treatments. This Standard is applicable for annual periods beginning on or after January 1, 2019 under IFRS-IASB.
- IFRS 10 and IAS 28. Parent disposes of (or contributes) its controlling interest in a subsidiary to an existing associate or joint venture. Effective date beginning on or after a date to be determined by the IASB.

The application of these accounting standards is not expected to have a material impact on the consolidated financial statements of the Company.

The analysis performed by the Company, relating to the impact of the new relevant accounting standards is as follows:

IFRS 15 'Revenues from contracts with Customers'

In May 2014, the IASB (International Accounting Standards Board) published IFRS 15 "Recognition of Revenue from Contracts with Customers". This Standard brings together all the applicable requirements and replaces the current standards for recognizing revenue: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Program, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

Notes to the consolidated financial statements

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The new requirements may lead to changes in the current revenue profile, since the Standard's main principle is that the Company must recognize its revenue in accordance with the transfer of goods or services to the customers in an amount which reflects the consideration that the Company expects to receive in exchange for these goods or services. The model laid out by the Standard is structured in five steps:

- Step 1: Identifying the contract with the customer.
- Step 2: Identifying the performance obligations.
- Step 3: Determining the transaction price.
- Step 4: Assigning the transaction price in the performance obligations identified in the contract.
- Step 5: Recognition of revenue when (or as) the Company performs the performance obligations.

Contracted concessional assets and price purchase agreements (PPAs) include fixed assets financed through project debt, related to service concession arrangements recorded in accordance with International Financial Reporting Interpretations Committee 12 ("IFRIC 12"), except for Palmucho, which is recorded in accordance with IAS 17 and PS10, PS20 and Seville PV, which are recorded as tangible assets in accordance with IAS 16. The infrastructures accounted for by the Company as concessions are related to the activities concerning electric transmission lines, solar electricity generation plants, cogeneration plants, wind farms and water plants.

Currently, assets recorded in accordance with IFRIC 12 are classified as intangible assets or as financial assets, depending on the nature of the payment entitlements established in the contracts.

According to IFRS 15, the Company should assess the goods and services promised in the contracts with the customers and shall identify as a performance obligation each promise to transfer to the customer a good or service (or a bundle of goods or services).

In the case of contracts related to financial assets, the Company has identified two performance obligations (construction and operation of the asset). The contracts state that each service (construction and operation) has its own transaction price. For this reason, both performance obligations are separately identifiable in the context of the contract. The Company must allocate the total consideration to be received by the contract to each performance obligation. As mentioned above, the different services performed have been identified as two different performance obligations (construction and operation). Each performance obligation has its own transaction price stated in the contract. Such transaction prices are agreed in the contract by the parties in an orderly transaction, with no interrelation between both transaction prices and therefore correspond to the fair value of the goods and services provided in each case. As a

Notes to the consolidated financial statements

31 December 2017

result, for IFRS 15 purposes, the total transaction price will be allocated to each performance obligation in accordance with the two transaction prices stated within the contract, as they represent the respective fair values of the identified performance obligations.

For the assets classified as intangible assets, the Company has identified the same performance obligations, (construction and operation), but in this case the consideration received by the Company for the construction services is a license. The grantor makes a non-cash payment for the construction services by giving the operator an intangible asset. When allocating fair value for IFRS 15 purposes, the Company will recognize as revenue for the first performance obligation the fair value of the construction services, and the amount corresponding to the sales of energy as the fair value of second performance obligation (operation).

Additionally, in both cases, the services are satisfied over time. Therefore, the Company satisfies the performance obligations and recognizes revenue over time. The same conclusion applies to concessional assets that are classified as tangible assets or leases.

IFRS 15 also incorporates specific criteria to determine which costs relating to a contract should be capitalized by distinguishing between incremental costs of obtaining a contract and costs associated with fulfilling a contract. No significant costs of obtaining a contract or compliance (other than those that are already capitalized) have been identified.

As the current practice for revenue recognition is consistent with the analysis above under IFRS 15, the Company considers that the adoption of this standard will not have impact in the consolidated financial statements of the Company.

Also, the Company has the intention to adopt IFRS 15 applying the full retrospective method to each prior reporting period presented, but without changes in the comparative reporting periods as the adoption of the standard has no effect in the financial statements.

IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Company will be adopting the standard as of January 1, 2018, including the new requirements for hedge accounting (which application is voluntary for 2018). The Company will be adopting retrospectively without re-stating comparative periods. The analysis performed by the Company is as follows:

- Classification and measurement of financial instruments:
 - a) Financial assets IFRS 9 classifies all financial assets that are currently in the scope of IAS 39 into two categories: amortized cost and fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (fair value through profit or loss, "FVTPL"), or recognized in other comprehensive income (fair

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value through other comprehensive income, "FVTOCI"). The new guidance has no significant impact on the classification and measurement of the financial assets of the Company as the vast majority of financial assets (except for derivatives) are currently measured at amortized cost and meet the conditions for classification at amortized cost under IFRS9. The Company has the intention of maintaining this classification.

- b) Financial liabilities: IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39. Two measurement categories continue to exist: FVTPL and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. As a result, the Company concluded that there will be no significant impact on the consolidated financial statements.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The Company reviewed its portfolio of financial assets subject to the new model of impairment under the new methodology (using credit default swaps, rating from credit agencies and other external inputs in order to estimate the probability of default), and concluded that initial impact on the consolidated financial statements is not significant.
 - The accounting for certain modifications and exchanges of financial liabilities measured at amortized cost (e.g. bank loans and issued bonds) will change on transition from IAS 39 to IFRS 9. This change arises from a clarification by the IASB in the Basis for Conclusions of IFRS 9. Under IFRS 9 it is now clear that there can be an effect in the income statement for modification and exchanges of financial liabilities that are considered "non-substantial" (when the net present value of the cash flows, including any fees paid net of any fees received, is lower than 10% different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate). The Company reviewed retrospectively these transactions and concluded that the impact is not significant.
 - IFRS 9 also introduces changes in hedge accounting. The hedge accounting requirements in IFRS 9 are optional and tend to facilitate the use of hedge accounting by preparers of financial statements. As a result, the Company reviewed its portfolio of derivatives and concluded that there will not be significant impact on its consolidated financial statements as a result of applying IFRS 9.
 - The new standard will require some new disclosures, in particular regarding hedge accounting, credit risk and ECLs that will be presented in future periods.

Notes to the consolidated financial statements

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IFRS 16 'Leases'

The IASB issued a new lease accounting standard, IFRS 16, in January 2016, which will require the recognition of lease contracts on the consolidated statement of financial position.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalized' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use of assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments.

In the income statement, IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17, with a depreciation charge for the lease asset (included within operating expenses) and an interest expense on the lease liability (included within finance expenses). IFRS 16 will also have an effect on the presentation of cash flows related to former off-balance sheet leases.

The Company performed its assessment of the impact on its consolidated financial statements. The most significant impact identified is that the Company will recognize new assets and liabilities for its existing operating leases of land rights, buildings, offices and equipment.

The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Company decided to early adopt the standard as of January 1, 2018.

An entity shall apply this standard using one of the following two methods: full retrospectively approach or a modified retrospective approach. The Company has chosen the latter and will account for assets as an amount equal to liability at the date of initial application. The Company estimates the impact on the consolidated statement of financial position as of January 1, 2018, is not significant (less than 1% of total assets).

3. Significant accounting judgements

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB, and on a basis consistent with the prior year.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the consolidated financial statements

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Basis of consolidation

a) Controlled entities

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company uses the acquisition method to account for business combinations of companies controlled by a third party. According to this method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any contingent consideration is recognized at fair value at the acquisition date and subsequent changes in its fair value are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Acquisition related costs are expensed as incurred. The Company recognizes any non-controlling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquirer's net assets on an acquisition by acquisition basis.

Acquisitions of businesses from Abengoa were until December 31, 2015 not considered business combinations, as Atlantica Yield was a subsidiary controlled by Abengoa. The assets acquired constituted an acquisition under common control by Abengoa and accordingly, were recorded using Abengoa's historical basis in the assets and liabilities of the Predecessor.

Abengoa has no control over the Company since December 31, 2015. Therefore, any purchase from Abengoa is accounted for in the consolidated accounts of Atlantica Yield since December 31, 2015, in accordance with IFRS 3, Business Combination.

All assets and liabilities between entities of the group, equity, income, expenses, and cash flows relating to transactions between entities of the group are eliminated in full.

b) Investments accounted for under the equity method

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company share of the profit or loss and other comprehensive income of the associate.

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Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further detail is contained in the Strategic Report on page 49.

Critical accounting judgements and estimates

The critical judgements which have been made in the process of applying the accounting policies are detailed below:

- Contracted concessional assets and purchase price agreements

The application of IFRIC 12 requires judgement to (i) the identification of certain infrastructures and contractual agreements in the scope of IFRIC 12; (ii) the understanding of the nature of the payments in order to determine the classification as a financial asset or as an intangible asset, and (iii) the timing and recognition of the revenue for construction and concessional activity.

Key sources of estimation uncertainty

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Contracted concessional Assets and price purchase agreements

Contracted concessional assets and price purchase agreements (PPAs) include fixed assets financed through project debt, related to service concession arrangements recorded in accordance with International Financial Reporting Interpretations Committee 12 ("IFRIC 12"), except for Palmucho, which is recorded in accordance with IAS 17 and PS10, PS20 and Seville PV, which are recorded as tangible assets in accordance with IAS 16. The infrastructures accounted for by the Company as concessions are related to the activities concerning electric transmission lines, solar electricity generation plants, cogeneration plants, wind farms and water plants. The useful life of these assets is approximately the same as the length of the concession arrangement. The infrastructure used in a concession can be classified as an intangible asset or a financial asset, depending on the nature of the payment entitlements established in the agreement.

The application of IFRIC 12 requires extensive judgment in relation with, among other factors, (i) the identification of certain infrastructures and contractual agreements in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of

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the infrastructure as a financial asset or as an intangible asset and (iii) the timing and recognition of the revenue from construction and concessionary activity.

Under the terms of contractual arrangements within the scope of this interpretation, the operator shall recognize and measure revenue in accordance with IAS 11 and 18 for the services it performs. If the operator performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

a) Intangible assets

The Company recognizes an intangible asset to the extent that it receives a right to charge final customers for the use of the infrastructure. This intangible asset is subject to the provisions of IAS 38 and is amortized linearly, taking into account the estimated period of commercial operation of the infrastructure which coincides with the concession period.

Once the infrastructure is in operation, the treatment of income and expenses is as follows:

- Revenues from the updated annual revenue for the contracted concession, as well as operations and maintenance services are recognized in each period according to IAS 18 "Revenue".
- Operating and maintenance costs and general overheads and administrative costs are recorded in accordance with the nature of the cost incurred (amount due) in each period.
- Financing costs are expensed as incurred.

b) Financial assets

The Company recognizes a financial asset when demand risk is assumed by the grantor, to the extent that the concession holder has an unconditional right to receive payments for the asset. This asset is recognized at the fair value of the construction services provided, considering upgrade services in accordance with IAS 11, if any.

The financial asset is subsequently recorded at amortized cost calculated according to the effective interest method. Revenue from operations and maintenance services is recognized in each period according to IAS 18 "Revenue". The remuneration of managing and operating the asset resulting from the valuation at amortized cost is also recorded in revenue.

Financing costs are expensed as incurred.

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c) Property, plant and equipment

Property, plant and equipment includes property, plant and equipment of companies or project companies. Property, plant and equipment is measured at historical cost, including all expenses directly attributable to the acquisition, less depreciation and impairment losses, with the exception of land, which is presented net of any impairment losses. Once the infrastructure is in operation, the treatment of income and expenses is the same as the one described above for intangible assets.

Borrowing costs

Interest costs incurred that are directly attributable to the construction of any qualifying asset are capitalized over the period required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its internal use or sale, which is considered to be more than one year. Remaining borrowing costs are expensed in the period in which they are incurred.

Asset impairment

Atlantica Yield reviews its contracted concessional assets to identify any indicators of impairment at least annually.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the estimated future cash flows to be generated by the asset. In the event that the asset does not generate cash flows independently of other assets, the Company calculates the recoverable amount of the Cash Generating Unit ('CGU') to which the asset belongs. When the carrying amount of the CGU to which these assets belong is lower than its recoverable amount, the assets are impaired.

Assumptions used to calculate value in use include a discount rate, growth rate and projections considering real data based in the contracts terms and projected changes in both selling prices and costs. The discount rate is estimated by Management, to reflect both changes in the value of money over time and the risks associated with the specific CGU. For contracted concessional assets, with a defined useful life and with a specific financial structure, cash flow projections until the end of the project are considered and no terminal value is assumed.

Contracted concessional assets have a contractual structure that permits the Company to estimate quite accurately the costs of the project (both in the construction and in the operations periods) and revenue during the life of the project.

Projections take into account real data based on the contract terms and fundamental assumptions based on specific reports prepared by experts, assumptions on demand and assumptions on production. Additionally, assumptions on macro-economic conditions are taken into account, such as inflation rates, future interest rates, etc. and sensitivity analyses are

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performed over all major assumptions which can have a significant impact in the value of the asset.

Cash flow projections of CGUs are calculated in the functional currency of those CGUs and are discounted using rates that take into consideration the risk corresponding to each specific country and currency. Taking into account that in most CGUs the specific financial structure is linked to the financial structure of the projects that are part of those CGUs, the discount rate used to calculate the present value of cash-flow projections is based on the weighted average cost of capital (WACC) for the type of asset, adjusted, if necessary, in accordance with the business of the specific activity and with the risk associated with the country where the project is performed.

In any case, sensitivity analyses are performed, especially in relation to the discount rate used and fair value changes in the main business variables, in order to ensure that possible changes in the estimates of these items do not impact the possible recovery of recognized assets.

Accordingly, the following table provides a summary of the discount rates used (WACC) and growth rates to calculate the recoverable amount for CGUs with the operating segment to which it pertains:

Operating segment	Discount Rate	Growth Rate
EMEA	4% - 6%	0%
North America	4% - 6%	0%
South America	5% - 7%	0%

In the event that the recoverable amount of an asset is lower than its carrying amount, an impairment charge for the difference would be recorded in the income statement under the item "Depreciation, amortization and impairment charges". Pursuant to IAS 36, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate.

Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments, not listed on an active market. In accordance with IFRIC 12, certain assets under concessions qualify as financial assets and are recorded as is described in note 12. Pursuant to IAS 36, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. Loans and accounts receivable are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost in accordance with the effective interest rate method. Interest calculated using the effective interest rate method is recognized under other financial income within financial income.

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Derivative financial instruments and hedging activities

Derivatives are recorded at fair value. The Company applies hedge accounting to all hedging derivatives that qualify to be accounted for as hedges under IFRS-IASB.

When hedge accounting is applied, hedging strategy and risk management objectives are documented at inception, as well as the relationship between hedging instruments and hedged items. Effectiveness of the hedging relationship needs to be assessed on an ongoing basis. Effectiveness tests are performed prospectively and retrospectively at inception and at each reporting date, following the dollar offset method or the regression method, depending on the type of derivatives and the type of tests performed.

Atlantica Yield applies cash flow hedging. Under this method, the effective portion of changes in fair value of derivatives designated as cash flow hedges are recorded temporarily in equity and are subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Any ineffective portion of the hedged transaction is recorded in the consolidated income statement as it occurs.

When interest rate options are designated as hedging instruments, the intrinsic value and time value of the financial hedge instrument are separated. Changes in intrinsic value which are highly effective are recorded in equity and subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Changes in time value are recorded as financial income or expense, together with any ineffectiveness.

When the hedging instrument matures or is sold, or when it no longer meets the requirements to apply hedge accounting, accumulated gains and losses recorded in equity remain as such until the forecast transaction is ultimately recognized in the income statement. However, if it becomes unlikely that the forecast transaction will actually take place, the accumulated gains and losses in equity are recognized immediately in the income statement.

Fair value estimates

Financial instruments measured at fair value are presented in accordance with the following level classification based on the nature of the inputs used for the calculation of fair value:

- Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value is measured based on unobservable inputs for the asset or liability.

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In the event that prices cannot be observed, the management shall make its best estimate of the price that the market would otherwise establish based on proprietary internal models which, in the majority of cases, use data based on observable market parameters as significant inputs (Level 2) but occasionally use market data that is not observed as significant inputs (Level 3). Different techniques can be used to make this estimate, including extrapolation of observable market data. The best indication of the initial fair value of a financial instrument is the price of the transaction, except when the value of the instrument can be obtained from other transactions carried out in the market with the same or similar instruments or valued using a valuation technique in which the variables used only include observable market data, mainly interest rates. Differences between the transaction price and the fair value based on valuation techniques that use data that is not observed in the market, are not initially recognized in the income statement.

Atlantica Yield derivatives correspond primarily to the interest rate swaps designated as cash flow hedges which are classified as Level 2:

Description of the valuation method

Interest rate swap valuations are made by valuing the swap part of the contract and valuing the credit risk. The methodology used by the market and applied by Atlantica Yield to value interest rate swaps is to discount the expected future cash flows according to the parameters of the contract. Variable interest rates, which are needed to estimate future cash flows, are calculated using the curve for the corresponding currency and extracting the implicit rates for each of the reference dates in the contract. These estimated flows are discounted with the swap zero curve for the reference period of the contract.

The effect of the credit risk on the valuation of the interest rate swaps depends on the future settlement. If the settlement is favourable for the Company, the counterparty credit spread will be incorporated to quantify the probability of default at maturity. If the expected settlement is negative for the Company, its own credit risk will be applied to the final settlement.

Classic models for valuing interest rate swaps use deterministic valuation of the future of variable rates, based on future outlooks. When quantifying credit risk, this model is limited by considering only the risk for the current paying party, ignoring the fact that the derivative could change sign at maturity. A payer and receiver swaption model is proposed for these cases. This enables the associated risk in each swap position to be reflected. Thus, the model shows each agent's exposure, on each payment date, as the value of entering into the 'tail' of the swap, i.e. the live part of the swap.

Variables (Inputs)

Interest rate derivative valuation models use the corresponding interest rate curves for the relevant currency and underlying reference in order to estimate the future cash flows and to

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discount them. Market prices for deposits, futures contracts and interest rate swaps are used to construct these curves. Interest rate options (caps and floors) also use the volatility of the reference interest rate curve.

To estimate the credit risk of the counterparty, the credit default swap (CDS) spreads curve is obtained in the market for important individual issuers. For less liquid issuers, the spreads curve is estimated using comparable CDSs or based on the country curve. To estimate proprietary credit risk, prices of debt issues in the market and CDSs for the sector and geographic location are used.

The fair value of the financial instruments that results from the aforementioned internal models takes into account, among other factors, the terms and conditions of the contracts and observable market data, such as interest rates, credit risk and volatility. The valuation models do not include significant levels of subjectivity, since these methodologies can be adjusted and calibrated, as appropriate, using the internal calculation of fair value and subsequently compared to the corresponding actively traded price. However, valuation adjustments may be necessary when the listed market prices are not available for comparison purposes.

Trade and other receivables

Trade and other receivables are amounts due from customers for sales in the normal course of business. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less allowance for doubtful accounts. Trade receivables due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

An allowance for doubtful accounts is recorded when there is objective evidence that the Company will not be able to recover all amounts due as per the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in bank and other highly-liquid current investments with an original maturity of three months or less which are held for the purpose of meeting short-term cash commitments.

Grants

Grants are recognized at fair value when it is considered that there is a reasonable assurance that the grant will be received and that the necessary qualifying conditions, as agreed with the entity assigning the grant, will be adequately complied with.

Grants are recorded as liabilities in the consolidated statement of financial position and are recognized in "Other operating income" in the consolidated income statement based on the period necessary to match them with the costs they intend to compensate. In addition, grants correspond also to loans with interest rates below market rates, for the initial difference between the fair value of the loan and the proceeds received.

Loans and borrowings

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Loans and borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost and any difference between the proceeds initially received (net of transaction costs incurred in obtaining such proceeds) and the repayment value is recognized in the consolidated income statement over the duration of the borrowing using the effective interest rate method.

Loans with interest rates below market rates are initially recognized at fair value in liabilities and the difference between proceeds received from the loan and its fair value is initially recorded within "Grants and Other liabilities" in the consolidated statement of financial position, and subsequently recorded in "Other operating income" in the consolidated income statement when the costs financed with the loan are expensed.

Bonds and notes

The Company initially recognizes ordinary notes at fair value, net of issuance costs incurred. Subsequently, notes are measured at amortized cost until settlement upon maturity. Any other difference between the proceeds obtained (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the term of the debt using the effective interest rate method.

Income taxes

Current income tax expense is calculated on the basis of the tax laws in force as of the date of the consolidated statement of financial position in the countries in which the subsidiaries and associates operate and generate taxable income.

Deferred income tax is calculated in accordance with the liability method, based upon the temporary differences arising between the carrying amount of assets and liabilities and their tax base. Deferred income tax is determined using tax rates and regulations which are expected to apply at the time when the deferred tax is realized.

Deferred tax assets are recognized only when it is probable that sufficient future taxable profit will be available to use deferred tax assets.

Trade payables and other liabilities

Trade payables are obligations arising from purchases of goods and services in the ordinary course of business and are recognized initially at fair value and are subsequently measured at their amortized cost using the effective interest method. Other liabilities are obligations not arising in the normal course of business and which are not treated as financing transactions. Advances received from customers are recognized as "Trade payables and other current liabilities".

Foreign currency transactions

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The consolidated financial statements are presented in U.S. dollars, which is Atlantica Yield functional and reporting currency. Financial statements of each subsidiary within the Company are measured in the currency of the principal economic environment in which the subsidiary operates, which is the subsidiary's functional currency.

Transactions denominated in a currency different from the subsidiary's functional currency are translated into the subsidiary's functional currency applying the exchange rates in force at the time of the transactions. Foreign currency gains and losses that result from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency at the year-end rates are recognized in the consolidated income statement, unless they are deferred in equity, as occurs with cash flow hedges and net investment in foreign operations hedges.

Assets and liabilities of subsidiaries with a functional currency different from the Company's reporting currency are translated to U.S. dollars at the exchange rate in force at the closing date of the financial statements. Income and expenses are translated into U.S. dollars using the average annual exchange rate, which does not differ significantly from using the exchange rates of the dates of each transaction. The difference between equity translated at the historical exchange rate and the net financial position that results from translating the assets and liabilities at the closing rate is recorded in equity under the heading "Accumulated currency translation differences".

Results of companies carried under the equity method are translated at the average annual exchange rate.

Equity

The Company has recyclable balances in its equity, corresponding mainly to hedge reserves and translation differences arising from currency conversion in the preparation of these consolidated financial statements. These balances have been presented separately in Equity.

Non-controlling interest represents interest from other partners in entities included in these consolidated financial statements which are not fully owned by Atlantica Yield as of the dates presented. Parent company reserves together with the Share capital represent the Parent's net investment in the entities included in these consolidated financial statements.

Provisions and contingencies

Provisions are recognized when:

- there is a present obligation, either legal or constructive, as a result of past events;
- it is more likely than not that there will be a future outflow of resources to settle the obligation; and
- the amount has been reliably estimated.

Provisions are initially measured at the present value of the expected outflows required to settle the obligation and subsequently valued at amortized cost following the effective interest method. The balance of Provisions disclosed in the Notes reflects management's best estimate of the potential exposure as of the date of preparation of the consolidated financial statements.

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Contingent liabilities are possible obligations, existing obligations with low probability of a future outflow of economic resources and existing obligations where the future outflow cannot be reliably estimated. Contingences are not recognized in the consolidated statements of financial position unless they have been acquired in a business combination.

Some companies included in the group have dismantling provisions, which are intended to cover future expenditures related to the dismantlement of the solar plants and it will be likely to be settled with an outflow of resources in the long term (over 5 years).

Such provisions are accrued when the obligation for dismantling, removing and restoring the site on which the plant is located, is incurred, which is usually during the construction period. The provision is measured in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and is recorded as a liability under the heading "Grants and other liabilities" of the Financial Statements, and as part of the cost of the plant under the heading "Contracted concessional assets."

4. Financial information by segment

Atlantica Yield's segment structure reflects how management currently makes financial decisions and allocates resources. Its operating and reportable segments are based on the following geographies where the contracted concessional assets are located:

- North America
- South America
- EMEA

Based on the type of business, as of December 31, 2017 the Company had the following business sectors:

Renewable energy: Renewable energy assets include two solar plants in the United States, Solana and Mojave, each with a gross capacity of 280 MW and located in Arizona and California, respectively. The Company owns eight solar platforms in Spain: Solacor 1 and 2 with a gross capacity of 100 MW, PS10 and PS20 with a gross capacity of 31 MW, Solaben 2 and 3 with a gross capacity of 100 MW, Helioenergy 1 and 2 with a gross capacity of 100 MW, Helios 1 and 2 with a gross capacity of 100 MW, Solnova 1, 3 and 4 with a gross capacity of 150 MW, Solaben 1 and 6 with a gross capacity of 100 MW and Seville PV with a gross capacity of 1 MW. The Company also owns a solar plant in South Africa, Kaxu with a gross capacity of 100 MW. Additionally, the Company owns two wind farms in Uruguay, Palmatir and Cadonal, with a gross capacity of 50 MW each.

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Efficient natural gas: The Company's sole efficient natural gas asset is ACT, a 300 MW cogeneration plant in Mexico, which is party to a 20-year take-or-pay contract with Pemex for the sale of electric power and steam.

Electric transmission lines: Electric transmission assets include (i) three lines in Peru, ATN, ATS and ATN2, spanning a total of 1,012 miles; and (ii) three lines in Chile, Quadra 1, Quadra 2 and Palmucho, spanning a total of 87 miles.

Water: Water assets include a minority interest in two desalination plants in Algeria, Honaine and Skikda with an aggregate capacity of 10.5 M ft³ per day.

Atlantica's Chief Operating Decision Maker (CODM) assesses the performance and assignment of resources according to the identified operating segments. The CODM considers the revenues as a measure of the business activity and the Further Adjusted EBITDA as a measure of the performance of each segment. Further Adjusted EBITDA is calculated as profit/(loss) for the period attributable to the parent company, after adding back loss/(profit) attributable to non-controlling interests from continued operations, income tax, share of profit/(loss) of associates carried under the equity method, finance expense net, depreciation, amortization and impairment charges of entities included in these consolidated financial statements, and dividends received from the preferred equity investment in ACBH. Further adjusted EBITDA for 2016 and 2017 includes compensation received from Abengoa in lieu of ACBH dividends.

In order to assess performance of the business, the CODM receives reports of each reportable segment using revenues and Further Adjusted EBITDA. Net interest expense evolution is assessed on a consolidated basis. Financial expense and amortization are not taken into consideration by the CODM for the allocation of resources.

In the years ended December 31, 2017 and December 31, 2016, Atlantica Yield had three customers with revenues representing more than 10% of the total revenues, i.e., two in the renewable energy (45% and 11% of total revenues respectively) and one in the efficient natural gas business sectors (12% of total revenues).

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a) The following tables show Revenues and Further Adjusted EBITDA by operating segments and business sectors for the years 2017 and 2016:

Geography	Revenue \$'000		Further Adjusted EBITDA \$'000	
	For the twelve- month period ended December 31,		For the twelve- month period ended December 31,	
	2017	2016	2017	2016
North America	332,705	337,061	282,328	284,691
South America	120,797	118,764	108,766	124,599
EMEA	554,879	515,972	388,216	354,020
Total	1,008,381	971,797	779,310	763,310

Business sector	Revenue \$'000		Further Adjusted EBITDA \$'000	
	For the twelve- month period ended December 31,		For the twelve- month period ended December 31,	
	2017	2016	2017	2016
Renewable energy	767,226	724,325	569,193	538,427
Efficient natural gas	119,784	128,046	106,140	106,492
Electric transmission lines	95,096	95,137	87,695	104,795
Water	26,275	24,288	16,282	13,596
Total	1,008,381	971,797	779,310	763,310

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The reconciliation of segment Further Adjusted EBITDA with the loss attributable to the parent company is as follows:

	For the twelve-month period ended December 31,	
	2017	2016
	\$'000	\$'000
Loss attributable to the Company	(111,804)	(4,855)
Profit attributable to non-controlling interests	6,917	6,522
Income tax	119,837	1,666
Share of profits/(losses) of associates	(5,351)	(6,646)
Dividend from exchangeable preferred equity investment in ACBH	10,383	27,948
Financial expense, net	448,368	405,750
Depreciation, amortization, and impairment charges	310,960	332,925
Total segment Further Adjusted EBITDA	779,310	763,310

- b) The assets and liabilities by operating segments (and business sector) at the end of 2017 and 2016 are as follows:

Assets and liabilities by geography as of December 31, 2017:

	North America	South America	EMEA	Balance as of December 31, 2017
Assets allocated				
Contracted concessional assets	3,770,169	1,100,778	4,213,323	9,084,270
Investments carried under the equity method	-	-	55,784	55,784
Current financial investments	116,451	59,831	31,263	207,545
Cash and cash equivalents (project companies)	149,236	42,548	329,078	520,862
Subtotal allocated	4,035,856	1,203,157	4,629,448	9,868,461
Unallocated assets				
Other non-current assets				210,378
Other current assets (including cash and cash equivalents at holding company level)				413,500
Subtotal unallocated				623,878
Total assets				10,492,339

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	North America	South America	EMEA	Balance as of December 31, 2017
Liabilities allocated				
Long-term and short-term project debt	1,821,102	876,063	2,778,043	5,475,208
Grants and other liabilities	1,593,048	810	42,202	1,636,060
Subtotal allocated	3,414,150	876,873	2,820,245	7,111,268
Unallocated liabilities				
Long-term and short-term corporate debt				643,083
Other non-current liabilities				657,345
Other current liabilities				185,190
Subtotal unallocated				1,485,618
Total liabilities				8,596,886
Equity unallocated				1,895,453
Total liabilities and equity unallocated				3,381,071
Total liabilities and equity				10,492,339

Assets and liabilities by geography as of December 31, 2016:

	North America	South America	EMEA	Balance as of December 31, 2016
Assets allocated				
Contracted concessional assets	3,920,106	1,144,712	3,859,454	8,924,272
Investments carried under the equity method	-	-	55,009	55,009
Current financial investments	136,665	62,215	29,158	228,038
Cash and cash equivalents (project companies)	185,970	40,015	246,671	472,656
Subtotal allocated	4,242,741	1,246,942	4,190,291	9,679,975
Unallocated assets				
Other non-current assets				272,664
Other current assets (including cash and cash equivalents at holding company level)				345,160
Subtotal unallocated				617,824
Total assets				10,297,799

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	North America	South America	EMEA	Balance as of December 31, 2016
Liabilities allocated				
Long-term and short-term project debt	1,870,861	895,316	2,564,290	5,330,467
Grants and other liabilities	1,575,303	1,512	35,230	1,612,045
Subtotal allocated	3,446,164	896,828	2,599,520	6,942,512
Unallocated liabilities				
Long-term and short-term corporate debt				668,201
Other non-current liabilities				546,053
Other current liabilities				181,922
Subtotal unallocated				1,396,176
Total liabilities				8,338,688
Equity unallocated				1,959,111
Total liabilities and equity unallocated				3,355,287
Total liabilities and equity				10,297,799

Assets and liabilities by business sectors as of December 31, 2017:

	Renewable energy	Efficient natural gas	Electric transmission lines	Water	Balance as of December 31, 2017
Assets allocated					
Contracted concessional assets	7,436,362	660,387	897,269	90,252	9,084,270
Investments carried under the equity method	12,419	-	-	43,365	55,784
Current financial investments	17,249	116,430	59,289	14,577	207,545
Cash and cash equivalents (project companies)	452,792	39,064	15,325	13,681	520,862
Subtotal allocated	7,918,822	815,881	971,883	161,875	9,868,461
Unallocated assets					
Other non-current assets					210,378
Other current assets (including cash and cash equivalents at holding company level)					413,500
Subtotal unallocated					623,878
Total assets					10,492,339

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	Renewable energy	Efficient natural gas	Electric transmission lines	Water	Balance as of December 31, 2017
Liabilities allocated					
Long-term and short-term project debt	4,162,596	579,173	698,346	35,093	5,475,208
Grants and other liabilities	1,635,508	552	-	-	1,636,060
Subtotal allocated	5,798,104	579,725	698,346	35,093	7,111,268
Unallocated liabilities					
Long-term and short-term corporate debt					643,083
Other non-current liabilities					657,345
Other current liabilities					185,190
Subtotal unallocated					1,485,618
Total liabilities					8,596,886
Equity unallocated					1,895,453
Total liabilities and equity unallocated					3,381,071
Total liabilities and equity					10,492,339

Assets and liabilities by business sectors as of December 31, 2016:

	Renewable energy	Efficient natural gas	Electric transmission lines	Water	Balance as of December 31, 2016
Assets allocated					
Contracted concessional assets	7,255,308	646,927	929,005	93,032	8,924,272
Investments carried under the equity method	12,953	-	-	42,056	55,009
Current financial investments	13,661	136,644	62,215	15,518	228,038
Cash and cash equivalents (project companies)	420,215	30,295	11,357	10,789	472,656
Subtotal allocated	7,702,137	813,866	1,002,577	161,395	9,679,975
Unallocated assets					
Other non-current assets					272,664
Other current assets (including cash and cash equivalents at holding company level)					345,160
Subtotal unallocated					617,824
Total assets					10,297,799

Notes to the consolidated financial statements
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	Renewable energy	Efficient natural gas	Electric transmission lines	Water	Balance as of December 31, 2016
Liabilities allocated					
Long-term and short-term project debt	3,979,096	598,256	711,517	41,598	5,330,467
Grants and other liabilities	1,611,067	239	739	-	1,612,045
Subtotal allocated	5,590,163	598,495	712,256	41,598	6,942,512
Unallocated liabilities					
Long-term and short-term corporate debt					668,201
Other non-current liabilities					546,053
Other current liabilities					181,922
Subtotal unallocated					1,396,176
Total liabilities					8,338,688
Equity unallocated					1,959,111
Total liabilities and equity unallocated					3,355,287
Total liabilities and equity					10,297,799

c) The amount of depreciation, amortization and impairment charges recognized for the years ended December 31, 2017 and 2016 are as follows:

	For the twelve-month period ended December 31, \$'000	
Depreciation, amortization and impairment by geography	2017	2016
North America	(123,726)	(129,478)
South America	(40,880)	(62,387)
EMEA	(146,354)	(141,060)
Total	(310,960)	(332,925)

	For the twelve-month period ended December 31, \$'000	
Depreciation, amortization and impairment by business sectors	2017	2016
Renewable energy	(282,376)	(304,235)
Electric transmission lines	(28,584)	(28,690)
Total	(310,960)	(332,925)

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5. Changes in the scope of the consolidated financial statements

For the year ended December 31, 2017

There is no change in the scope of the consolidated financial statement in the year 2017.

For the year ended December 31, 2016

On January 7, 2016, the Company closed the acquisition of a 13% stake in Solacor 1/2 from JGC, which reduced JGC's ownership in Solacor 1/2 to 13%. The total purchase price for these assets amounted to \$19,923 thousand.

The difference between the amount of Non-Controlling interest representing the 13% interest held by JGC accounted for in the consolidated accounts at the purchase date, and the purchase price has been recorded in equity in these consolidated financial statements, pursuant to IFRS 10, Consolidated Financial Statements.

On August 3, 2016, the Company completed the acquisition of an 80% stake in Seville PV. Total purchase price paid for this asset amounted to \$3,214 thousand. The purchase has been accounted for in the consolidated accounts of Atlantica Yield, in accordance with IFRS 3, Business Combinations.

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6. Auditor's fees

The analysis of the auditor's fees is as follows:

	Year ended 2017 \$'000	Year ended 2016 \$'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	871	758
Fees payable to the company's auditor and their associates for other services to the group		
–The audit of the company's subsidiaries	833	798
Total audit fees	1,704	1,556
- Audit-related services	303	118
- Other services	25	-
Total non-audit fees	328	118
	2,032	1,674

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7. Staff costs

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Executives	16	16
Middle Managers	31	19
Engineers and Graduates	101	80
Assistants and Professionals	11	6
Interims	22	20
	181	141

Their aggregate remuneration comprised:

	Year ended 2017 \$'000	Year ended 2016 \$'000
Wages and salaries	(16,685)	(13,102)
Social security costs	(1,877)	(1,410)
Other staff costs	(292)	(224)
	(18,854)	(14,736)

8. Other operating income

Other Operating income	For the twelve- month period ended December 31, 2017 \$'000	For the twelve- month period ended December 31, 2016 \$'000
Grants	59,707	59,085
Income from various services and insurance proceeds	21,137	6,453
Total	80,844	65,538

Grants income mainly relate to ITC cash grants and implicit grants recorded for accounting purposes in relation to the FFB loans with interest rates below market rates in Solana and Mojave projects (see Note 18).

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The increase in other operating income relates primarily to insurance proceeds from claims in respect of some assets of the Company.

9. Finance income and expenses

The following table sets forth our financial income and expenses for the years ended December 31, 2017 and 2016:

	For the twelve-month period ended December 31, 2017 \$'000	For the twelve-month period ended December 31, 2016 \$'000
Finance income		
Interest income from loans and credits	325	286
Profit on interest rate derivatives: cash flow hedges	682	3,012
TOTAL	1,007	3,298

	For the twelve-month period ended December 31, 2017 \$'000	For the twelve-month period ended December 31, 2016 \$'000
Finance expenses		
Expenses due to interest:		
- Loans from credit entities	(253,660)	(242,919)
- Other debts	(137,562)	(90,995)
Losses on interest rate derivatives: cash flow hedges	(72,495)	(74,093)
TOTAL	(463,717)	(408,007)

Interest from other debts are primarily interest on the notes issued by ATS, ATN, ATN2, Atlantica and Solaben Luxembourg and interest related to the investment from Liberty. The increase in 2017 is primarily due to the higher increase in the amortized cost of the Liberty debt by \$50 million compared to the year 2016 (see Note 18). Losses from interest rate derivatives designated as cash flow hedges correspond primarily to transfers from equity to financial expense when the hedged item is impacting the consolidated income statement.

Notes to the consolidated financial statements
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	For the twelve-month period ended December 31, 2017 \$'000	For the twelve-month period ended December 31, 2016 \$'000
Other finance income / (expenses)		
Dividend from ACBH (Brazil)	10,383	27,948
Other finance income	28,809	13,027
Impairment preferred equity investment in ACBH (see Note 22)	-	(22,076)
Other finance losses	(20,758)	(10,394)
TOTAL	18,434	8,505

According to the agreement reached with Abengoa in the third quarter of 2016, Abengoa acknowledged that Atlantica is the legal owner of the dividends declared on February 24, 2017. As a result, the Company retained dividends payable to Abengoa amounting to \$10.4 million. As a result, the Company recorded \$10.4 million which is reflected in the profit and loss account as in accordance with the accounting treatment previously given to the ACBH dividend.

Other financial losses for the year ended December 31, 2017 consist primarily of a loss resulting from the derecognition of the fair value assigned to ACBH preferred equity investment and recognition of the Abengoa Debt and Equity Instruments for \$5.8 million (see Note 22). Residual items presented as Other financial losses are guarantees and letters of credit, wire transfers, other bank fees and other minor financial expenses.

Other financial income consists primarily of \$16.2 million income as a result of the termination of the currency swap agreement with Abengoa (see Note 23) and the profit of \$6.5 million resulting from the sale of the majority of the Abengoa Debt and Equity instruments (see Note 22).

10. Tax

All the companies included in the Company file income taxes according to the tax regulations in force in each country on an individual basis or under consolidation tax regulations.

The consolidated income tax has been calculated as an aggregation of income tax expenses of each individual company. In order to calculate the taxable income of the consolidated entities individually, the accounting profit is adjusted for temporary and permanent differences, recording the corresponding deferred tax assets and liabilities. At each consolidated income statement date, a current tax asset or liability is recorded, representing income taxes currently refundable or payable. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates.

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Income tax payable is the result of applying the applicable tax rate in force to each tax-paying entity, in accordance with the tax laws in force in the country in which the entity is registered. Additionally, tax deductions and credits are available to certain entities, primarily relating to inter-company trades and tax treaties between various countries to prevent double taxation.

As of December 31, 2017, and 2016, the analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 2017 \$'000	Year ended 2016 \$'000
Net tax credits for operating losses carryforwards	71,219	102,804
Temporary differences derivatives financial instruments	93,719	99,930
Other temporary differences	198	157
Total deferred tax assets	165,136	202,891

Most of the net tax credits for operating losses carryforwards corresponds to Peru, Kaxu and solar plants in Spain as of December 31, 2017.

The balance as of December 31, 2016 also included significant net deferred tax assets for Solana and Mojave, which are now net deferred tax liabilities as of December 31, 2017, due to the following:

- In December 2017 a tax reform, the Tax Cuts and Jobs Act, was enacted in the U.S., consisting mainly in a decrease in the corporate tax rate from 35% to 21% effective 1st of January 2018. The Company therefore adjusted the deferred tax assets and liabilities of its U.S. entities using the new enacted corporate tax rate as of December 31, 2017, resulting in a loss of \$19 million recorded in the consolidated income statement for the year ended December 31, 2017;
- In addition, the U.S Internal Revenue Code ("IRC") Section 382 establishes an annual limitation on the use of U.S. Net Operating Losses ("NOLs") as a result of an ownership change. An "ownership change" would occur if the direct and indirect "5-percent shareholders", as defined under Section 382 of the IRC, collectively increased their ownership in the Company by more than 50 percentage points over a rolling three-year period. The Company experienced during 2017 an ownership change due to Abengoa's restructuring and changes in its shareholders' base. As a result, the U.S. NOLs carryforwards generated through the date of change are subject to an annual limitation under Section 382, which resulted in a

Notes to the consolidated financial statements
31 December 2017

derecognition of deferred tax assets previously recognized amounting to \$96 million corresponding to an amount of \$387 million of NOLs and also taking into consideration the newly enacted corporate tax rate of 21%. This loss has been recorded in the consolidated income statement for the year ended December 31, 2017.

Temporary differences for derivatives financial instruments are mainly due to ACT (\$18 million) and solar plants in Spain (\$69 million).

In relation to tax loss carryforwards and deductions pending to be used recorded as deferred tax assets, the entities evaluate its recoverability projecting forecasted taxable income for the upcoming years and taking into account their tax planning strategy. Deferred tax liabilities reversals are also considered in these projections, as well as any limitation established by tax regulations in force in each tax jurisdiction.

	Year ended 2017 \$'000	Year ended 2016 \$'000
Temporary differences tax/book amortization	113,432	28,810
Other temporary differences tax/book value of contracted concessional assets	66,247	61,818
Other temporary differences	6,904	4,409
Total deferred tax liabilities	186,583	95,037

As of December 31, 2017, temporary differences as a result of accelerated tax amortization resulted in a net deferred tax liability position. These are primarily due to Solana and Mojave (\$63 million) and solar plants in Spain (\$51 million). The increase is primarily due to an impact on the U.S. entities as a result of the tax reform and U.S Internal Revenue Code Section 382 as previously described.

Other temporary differences tax/book value of contracted concessional assets, which resulted in a net deferred tax liability position relates primarily to ACT in both periods.

Notes to the consolidated financial statements
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The movements in deferred tax assets and liabilities during the years ended December 31, 2017 and 2016 were as follows:

Deferred tax assets

As of January 1, 2016	191,314
Increase/decrease through the consolidated income statement	16,033
Increase/decrease through other consolidated comprehensive income (equity)	(5,701)
Other movements	1,245

As of December 31, 2016	202,891
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Increase/decrease through the consolidated income statement	(31,421)
Increase/decrease through other consolidated comprehensive income (equity)	(13,312)
Other movements	6,978

As of December 31, 2017	165,136
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Deferred tax liabilities

As of January 1, 2016	79,654
Increase/decrease through the consolidated income statement	16,681
Increase/decrease through other consolidated comprehensive income (equity)	(62)
Other movements	(1,236)

As of December 31, 2016	95,037
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Increase/decrease through the consolidated income statement	86,418
Increase/decrease through other consolidated comprehensive income (equity)	-
Other movements	5,128

As of December 31, 2017	186,583
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Notes to the consolidated financial statements
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Details for income tax for the years ended December 31, 2017 and 2016 are as follows:

	Year ended 2017 \$'000	Year ended 2016 \$'000
Current tax	(1,998)	(1,018)
Deferred tax	(117,839)	(648)
- relating to the origination and reversal of temporary differences	(98,508)	(648)
- relating to changes in tax rates	(19,331)	-
Total income tax benefit/(expense)	(119,837)	(1,666)

The reconciliation between the theoretical income tax resulting from applying an average statutory tax rate to income/(loss) before income tax and the actual income tax expense recognized in the consolidated income statements for the years ended December 31, 2017 and 2016 are as follows:

Notes to the consolidated financial statements
31 December 2017

	Year ended 2017 \$'000	Year ended 2016 \$'000
Profit before tax	14,950	3,333
Tax at the average statutory tax rate of 30% (2016: 30 %)	(4,485)	(1,000)
Tax effect of share of results of associates	1,765	2,110
Permanent differences	19,324	11,121
Incentives, deductions, and unrecognized tax losses carryforwards	(20,994)	(11,110)
Change in corporate income tax	(19,331)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,304	(4,930)
U.S Internal Revenue Code Section 382	(96,328)	
Other non-taxable income/ (expense)	(3,092)	2,143
Tax charge for the year	(119,837)	(1,666)

Permanent differences in 2017 and 2016 are mainly due to ACT (Mexico).

The main implications derived from the Tax Cuts and Jobs Act in the U.S. entities are:

- A reduction of the Federal income tax rate from 35% to 21%, effective since January 1, 2018. This measure will imply a reduction of the tax burden of the Company. The effect on the deferred tax assets and liabilities has resulted in a \$19 million loss;
- A limitation of the deduction for net interest expense of all businesses in the U.S. The new limitation is imposed on net interest expense that exceeds 30% of EBITDA from 2018 to 2021, and 30% of EBIT from 2022 onwards. Interests disallowed would be deducted in the future in the event that those limits are not exceeded. After having considered the impacts of Section 382 commented above, the Company does not expect significant negative effects from this net interest expense limitation;
- NOLs arising in tax years beginning after 2017 would be limited to 80% of taxable income. For new NOLs recognized after 2017, an indefinite carryforward would be allowed. The limitation of 80% is not applicable for NOLs generated before 2018. For existing NOLs before 2018, a carryforward of 20 years is still applicable. The new limitation does not trigger adverse tax effects to the U.S. subsidiaries of the Company considering the amount

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of NOLs to be generated in upcoming years and the projected amount of taxable income of these entities after having considered the impacts of Section 382;

- Base erosion anti-abuse tax (BEAT): The BEAT applies to certain U.S. corporations that make relevant deductible payments to foreign affiliates. The excess of 10% of a corporation's taxable income increased by those payments to foreign related parties over its regular tax liability, will be the base erosion tax due. BEAT provisions do not trigger adverse tax consequences for the U.S. subsidiaries of the Company considering the amount of payments made to foreign affiliates for management and support services;
- Potential tax erosion in the U.S.: The Company does not expect to have material adverse tax consequences in the U.S. subsidiaries as a result of the measures previously described.

11. Dividends

	Year ended 2017 \$'000	Year ended 2016 \$'000
Amounts recognised as distributions to equity holders in the period:	(109,801)	(54,350)

The dividends indicated above primarily relate to the dividends declared by Atlantica Yield Plc. to its shareholders. These have been declared as follows:

- On February 27, 2017, the Board of Directors declared a dividend of \$0.25 per share corresponding to the four quarter of 2016. The dividend was paid on March 15, 2017. From that amount, the Company retained \$10.4 million of the dividend attributable to Abengoa;
- On May 15, 2017, the Board of Directors declared a dividend of \$0.25 per share corresponding to the first quarter of 2017. The dividend was paid on June 15, 2017;
- On August 3, 2017, the Board of Directors declared a dividend of \$0.26 per share corresponding to the second quarter of 2017. The dividend was paid on September 15, 2017;
- On November 13, 2017, the Board of Directors declared a dividend of \$0.29 per share corresponding to the third quarter of 2017. The dividend was paid on December 15, 2017.

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12. Contracted concessional assets

- a) The following table shows the movements of contracted concessional assets included in the heading "Contracted Concessional assets" for 2017:

	2017 \$'000
Cost	
At 1 January 2017	10,067,596
Additions	15,426
Subtractions	(42,500)
Translation differences	593,247
At 31 December 2017	10,633,769
Accumulated amortization losses	
At 1 January 2017	(1,143,324)
Charge	(309,846)
Translation differences	(96,329)
At 31 December 2017	(1,549,499)
Carrying amount	
At 1 January 2017	8,924,272
At 31 December 2017	9,084,270

During 2017 contracted concessional assets increased primarily due to the effect of appreciation of the Euro against the U.S. dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016, this effect has been partially compensated by "the amortization charge for the year".

The decrease fully relates to the indemnity received from Abengoa by Solana in December 2017 further to Abengoa's obligation as EPC Contractor (see Note 26).

No losses from impairment of contracted concessional assets were recorded during the year ended December 31, 2017.

The Company identified a triggering event of impairment for Solana as a result of the generation of the plant having been lower than expected during 2017 related to an incident with electric transformers which took place in July 2017. This project is within the Renewable energy sector

Notes to the consolidated financial statements
31 December 2017

and North America geography. The Company therefore performed an impairment test as of December 31, 2017, which resulted in the recoverable amount (value in use) exceeding the carrying amount of the asset by 6%. To determine the value in use of the asset, a specific discount rate has been used in each year considering changes in the debt/equity leverage ratio over the useful life of this project, resulting in the use of a range of discount rates between 4.7% and 5.0%.

An adverse change in the key assumptions which are individually used for the valuation would not lead to future impairment recognition; neither in case of a 5% decrease in generation over the entire remaining useful life (PPA) of the project nor in case of an increase of 50 basis points in the discount rate.

- b) The following table shows the movements of contracted concessional assets included in the heading "Contracted Concessional assets" for 2016:

	2016 \$'000
Cost	
At 1 January 2016	10,126,023
Additions	6,346
Translation differences	(68,199)
Changes in scope of the consolidated financial statements	5,876
Reclassification and other movements	(2,450)
At 31 December 2016	10,067,596
Accumulated amortization losses	
At 1 January 2016	(825,126)
Charge	(332,925)
Translation differences	17,108
Changes in scope of the consolidated financial statements	(2,381)
At 31 December 2016	(1,143,324)
Carrying amount	
At 1 January 2016	9,300,897
At 31 December 2016	8,924,272

During 2016 contracted concessional assets decreased primarily due to the amortization charge for the year.

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Considering the low level of wind resources recorded since COD in Palmatir and Cadonal projects and the uncertainty around such level in the future, the Company identified a triggering event of impairment during the year 2016 in compliance with IAS 36, Impairment of Assets. As a result, impairment tests have been performed resulting in the recording of an impairment loss of \$17,229 thousand and \$3,101 thousand for the Cadonal and Palmatir projects, respectively, as of December 31, 2016.

The impairment has been recorded within the line "Depreciation, amortization and impairment charges" of the consolidated income statement, decreasing the amount of "Contracted concessional assets" pertaining to the Renewable energy sector and South America geography. The recoverable amount considered is the value in use and amounts to \$91,795 thousand and \$123,912 thousand for Cadonal and Palmatir, respectively, as of December 31, 2016. A specific discount rate has been used in each year considering changes in the debt/equity leverage ratio over the useful life of this project, resulting in the use of a range of discount rates between 6.7% and 7.0% for both projects.

An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition; especially, a 5% decrease in generation over the entire remaining useful life (PPA) of the project would generate an additional impairment of approximately \$5 million for Cadonal and \$7 million for Palmatir. An increase of 50 basis points in the discount rate would lead to an additional impairment of approximately \$3 million for Cadonal and \$4 million for Palmatir.

In addition, the Company identified a triggering event of impairment for Solana as a result of the generation of the plant having been lower than expected during its first years of operation. This project pertains to the Renewable energy sector and North America geography. The Company therefore performed an impairment test as of December 31, 2016, which resulted in the recoverable amount (value in use) exceeding the carrying amount of the asset by 3%. To determine the value in use of the asset, a specific discount rate has been used in each year considering changes in the debt/equity leverage ratio over the useful life of this project, resulting in the use of a range of discount rates between 4.1% and 5.1%.

An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition; especially, a 5% decrease in generation over the entire remaining useful life (PPA) of the project would generate an impairment of approximately \$40 million. An increase of 50 basis points in the discount rate would lead to an impairment of approximately \$30 million.

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13. Investments carried under the equity method

The table below shows the breakdown and the movement of the investments held in associates for 2017 and 2016:

Investments in associates	2017 \$'000	2016 \$'000
Initial balance	55,009	56,181
Share of profit/(loss)	5,351	6,646
Dividend distribution	(2,454)	(3,954)
Equity distribution	(549)	(3,099)
Currency translation differences	(1,573)	(765)
Final balance	55,784	55,009

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest / voting rights held by the Group	
			31/12/2017	31/12/2016
Evacuación Valdecaballero s, S.L.	Connection Facilities	Caceres (Spain)	57.16%	57.16%
Myah Bahr Honaine, S.P.A.	Water plant	Dély Ibrahim (Algeria)	25.50%	25.50%
Pectonex, R.F. Proprietary Limited	Connection Facilities	Pretoria (South Africa)	50.00%	50.00%
Evacuación Villanueva del Rey, S.L	Connection Facilities	Sevilla (Spain)	40.02%	40.02%

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies in note 3.

There are no significant movement in the investments held in associates during the years 2017 and 2016.

Notes to the consolidated financial statements

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The tables below show a breakdown of stand-alone amounts of assets, revenues and profit and loss as well as other information of interest for the years 2017 and 2016 for the associated companies:

	% Shares	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Operating profit / (loss)	Net profit / (loss)	Investment under equity method
Evacuación Valdecaballeros, S.L.	57.16	21,306	841	373	451	298	(708)	(730)	9,175
Myah Bahr Honaine, S.P.A. (*)	25.50	195,275	64,114	91,205	12,649	46,767	28,468	24,464	43,365
Pectonex, R.F. Proprietary Limited	50.00	3,904	-	-	2	-	(206)	(206)	3,244
Evacuación Villanueva del Rey, S.L.	40.02	3,526	53	2,265	190	-	37	-	-
As of December 31, 2017		240,011	65,008	93,843	13,292	47,065	27,591	23,528	55,784

	% Shares	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Operating profit/ (loss)	Net profit/ (loss)	Investment under the equity method
Evacuación Valdecaballeros, S.L.	57.16	19,283	931	306	532	537	(545)	(565)	9,528
Myah Bahr Honaine, S.P.A. (*)	25.50	202,150	67,120	104,704	14,158	52,770	34,247	29,990	42,056
Pectonex, R.F. Proprietary Limited	50.00	3,730	-	-	1	-	(187)	(187)	3,425
Evacuación Villanueva del Rey, S.L.	40.02	3,251	17	2,118	142	-	31	-	-
As of December 31, 2016		228,684	68,068	107,128	14,833	53,307	33,546	29,238	55,009

The Company has no control over Evacuación Valdecaballeros, S.L. as all relevant decisions of this company require the approval of a minimum of shareholders accounting for more than 75% of the shares.

None of the associated companies referred to above is a listed company.

(*) Myah Bahr Honaine, S.P.A., the project entity, is 51% owned by Geida Tlemcen, S.L. which is accounted for using the equity method in these consolidated financial statements. Share of profit of Myah Bahr Honaine S.P.A. included in these consolidated financial statements amounts to \$6,238 thousand in 2017 and \$7,647 thousand in 2016.

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14. Trade and other receivables

Trade and other receivables as of December 31, 2017 and 2016, consist of the following:

	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Trade receivables	186,728	151,199
Tax receivables	39,607	29,705
Prepayments	6,375	10,261
Other accounts receivable	11,739	16,456
Total	244,449	207,621

As of December 31, 2017, and December 31, 2016, the fair value of clients and other accounts receivable does not differ significantly from its carrying value.

The Group has not provided for these debtors as there are all considered to be fully recoverable.

Trade receivables in foreign currency as of December 31, 2017 and 2016, are as follows:

	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Euro	109,165	98,798
Rand	23,792	12,807
Other	7,363	7,151
Total	140,320	118,756

The following table shows the maturity of Trade receivables as of December 31, 2017 and 2016:

	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Up to 3 months	186,728	151,199
Total	186,728	151,199

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15. Cash and cash equivalents

The following table shows the detail of cash and cash equivalents as of December 31, 2017 and 2016:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	669,387	594,811
	669,387	594,811

Cash includes funds held to satisfy the customary requirements of certain non-recourse debt agreements within the Company's projects amounting to \$263 million.

The following breakdown shows the main currencies in which cash and cash equivalent balances are denominated:

	2017	2016
	\$'000	\$'000
US Dollar	319,400	343,954
Euro	288,625	196,382
Algerian Dinar	13,628	10,736
South African Rand	40,999	39,689
Others	6,735	4,050
	669,387	594,811

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16. Corporate debt

The breakdown of the corporate debt as of December 31, 2017 and 2016 is as follows:

Non-current	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Credit Facilities with financial entities	320,783	123,804
Notes and Bonds	253,393	252,536
Total Non-current	574,176	376,340
Current	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Credit Facilities with financial entities	65,833	289,035
Notes and Bonds	3,074	2,826
Total Current	68,907	291,861

On November 17, 2014, the Company issued the Senior Notes due in 2019 in an aggregate principal amount of \$255,000 thousand (the "2019 Notes"). The 2019 Notes accrue annual interest of 7.00% payable semi-annually beginning on May 15, 2015 until their maturity date of November 15, 2019.

On December 3, 2014, the Company entered into a credit facility of up to \$125,000 thousand with Banco Santander, S.A., Bank of America, N.A., Citigroup Global Markets Limited, HSBC Bank plc and RBC Capital Markets, as joint lead arrangers and joint bookrunners (the "Credit Facility Tranche A"). On December 22, 2014, the Company drew down \$125,000 thousand under the Credit Facility Tranche A. Loans accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus 2.75% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus 1/2 of 1.00%, (ii) the U.S. prime rate and (iii) LIBOR plus 1.00%, in any case, plus 1.75%. The interest rate on the Credit Facility Tranche A is fully hedged by an interest rate swap contracted with HSBC Bank with maturity date December 24, 2018, resulting in the Company paying a net fixed interest rate of 4.7%. Loans under the Credit Facility Tranche A will mature in December

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2018. Loans prepaid by the Company may be reborrowed. The Credit Facility Tranche A is secured by pledges of the shares of the guarantors which the Company owns.

\$8 million of the loans under the Credit Facility Tranche A were partially repaid on September 25, 2017 and for \$63 million on December 27, 2017. As of December 31, 2017, the remaining \$54 million of nominal of the Tranche A has been classified as Current (Non-Current as of December 31, 2016), as its maturity is in December 2018.

On June 26, 2015, the Company increased its existing \$125 million Credit Facility with a revolver tranche B for an amount of \$290,000 thousand (the "Credit Facility Tranche B"). On September 9, 2015, Credit Facility Tranche B was fully drawn down and the proceeds were used for the acquisition of Solaben 1/6. Loans under the Tranche B Credit Facility accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus 2.50% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus 1/2 of 1.00%, (ii) the U.S. prime rate and (iii) LIBOR plus 1.00%, in any case, plus 1.50%. Tranche B of the Credit Facility was signed for a total amount of \$290,000 thousand with Bank of America, N.A., as global coordinator and documentation agent and Barclays Bank plc and UBS AG, London Branch as joint lead arrangers and joint bookrunners. The Credit Facility Tranche B was classified as Current for \$288,317 thousand as of December 31, 2016 (Non-Current as of December 31, 2015) as it matured in December 2017. Loans under the Credit Facility Tranche B were fully repaid and cancelled on February 28, 2017.

On February 10, 2017, the Company issued Senior Notes due 2022, 2023, 2024 (the "Note Issuance Facility"), in an aggregate principal amount of €275,000 thousand. The 2022 to 2024 Notes accrue annual interest, equal to the sum of (i) EURIBOR plus (ii) 4.90%, as determined by the Agent. Interest on the Notes will be payable in cash quarterly in arrears on each interest payment date. The Company will make each interest payment to the holders of record on each interest payment date. The interest rate on the Note Issuance Facility is fully hedged by two interest rate swaps contracted with Jefferies Financial Services, Inc. with effective date March 31, 2017 and maturity date December 31, 2022, resulting in the Company paying a net fixed interest rate of 5.5% on the Note Issuance Facility. Changes in fair value of these interest rate swaps have been recorded in the consolidated income statement. The Note Issuance Facility is a € denominated liability for which the Company applies net investment hedge accounting. When converted to US\$ at US\$/€ closing exchange rate, it contributes to reduce the impact in translation difference reserves generated in the equity of these consolidated financial statements by the conversion of the net assets of the Spanish solar assets into US\$.

On July 20, 2017, the Company signed a credit facility (the "Credit Facility 2017") for up to €10 million, approximately \$11.9 million, which is available in euros or US dollars. Amounts drawn accrue interest at a rate per year equal to EURIBOR plus 2.25% or LIBOR plus 2.25%, depending on the currency. The credit facility has a maturity date of July 20, 2018. As of December 31, 2017, the Company drew down the credit facility in full and used the entire proceeds to prepay a part of the Tranche A of the Credit Facility.

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Current corporate debt corresponds to the accrued interest on the Notes, to the outstanding amount of the Tranche A and to the amount of the Credit Facility obtained in July 2017.

The repayment schedule for the Corporate debt at the end of 2017 is as follows:

	2018	2019	2020	2021	2022	Subsequent years	Total
Credit Facility Tranche A	53,778	—	—	—	—	—	53,778
Note Issuance Facility	107	—	—	—	107,316	213,467	320,890
Credit Facility 2017	11,948	—	—	—	—	—	11,948
2019 Notes	3,074	253,393	—	—	—	—	256,467
Total	68,907	253,393	—	—	107,316	213,467	643,083

The following table details the movement in Corporate debt for the year 2017, split between cash and non-cash items:

	January 1, 2017	Cash Flow	Non- cash changes	December 31, 2017
Corporate debt	668,201	(68,372)	43,254	643,083

17. Project debt

The main purpose of the Company is the long-term ownership and management of contracted concessional assets, such as renewable energy, efficient natural gas and electric transmission line assets, which are financed through project debt. This note shows the project debt linked to the contracted concessional assets included in note 12 of these consolidated financial statements.

Project debt is generally used to finance contracted assets, exclusively using as guarantee the assets and cash flows of the company or group of companies carrying out the activities financed. In most of the cases, the assets and/or contracts are set up as guarantee to ensure the repayment of the related financing.

Compared with corporate debt, project debt has certain key advantages, including greater leverage period permitted and a longer tenor.

The variations for 2017 and 2016 of project debt have been the following:

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	Project debt - long term \$'000	Project debt - short term \$'000	Total \$'000
Balance as of December 31, 2016	4,629,184	701,283	5,330,467
Increases	52,027	304,707	356,734
Decreases	(42,560)	(509,131)	(551,691)
Currency translation differences	316,646	23,052	339,698
Reclassifications	273,620	(273,620)	-
Balance as of December 31, 2017	5,228,917	246,291	5,475,208

	Project debt - long term \$'000	Project debt - short term \$'000	Total \$'000
Balance as of December 31, 2015	3,574,464	1,896,205	5,470,669
Increases	36,842	329,434	366,276
Repayments	-	(480,969)	(480,969)
Currency translation differences	(64,426)	38,917	(25,509)
Reclassifications	1,082,304	(1,082,304)	-
Balance as of December 31, 2016	4,629,184	701,283	5,330,467

The line "Increases" includes primarily accrued interest for the year.

Main variations in Project debt during the year 2017 are the result of:

- Net decrease primarily due to repayment of debt, considering that interest accrued are offset by a similar amount of interests paid during the year. Decrease in long-term debt primarily relates to the partial repayment of Solana debt using the indemnity received from Abengoa in December 2017 for Usd 42.5 million (see Note 26);
- A reclassification of the entire debt of Kaxu and Cadonal projects from short term to long term during the year 2017 as a result of the waiver obtained for Kaxu in March 2017 and the completion of certain pending conditions for Cadonal in October 2017.

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The repayment schedule for Project debt in accordance with the financing arrangements, at the end of 2017 is as follows and is consistent with the projected cash flows of the related projects.

	2018	2019	2020	2021	2022	Subsequent years	Total
Interest Repayment	Nominal repayment						
21,612	224,679	246,471	265,002	280,303	313,559	4,123,582	5,475,208

In 2017, the Company did not enter into any new project debt.

The following table details the movement in Project debt for the year 2017, split between cash and non-cash items:

	January 1, 2017	Cash Flow	Non-cash changes	December 31, 2017
Project debt	5,330,467	(248,472)	393,212	5,475,208

Current and non-current loans with credit entities include amounts in foreign currencies for a total of \$2,778,043 thousand as of December 31, 2017 (\$2,564,291 thousand as of December 31, 2016).

18. Grants and other liabilities

	Balances as of December 31, 2017 \$'000	Balances as of December 31, 2016 \$'000
Grants	1,225,877	1,297,755
Other liabilities	410,183	314,290
Grant and other non-current liabilities	1,636,060	1,612,045

As of December 31, 2017, the amount recorded in Grants corresponds primarily to the ITC Grant awarded by the U.S. Department of the Treasury to Solana and Mojave for a total amount of \$771 million (\$803 million as of December 31, 2016), which was primarily used to fully repay the Solana and Mojave short-term tranche of the loan with the Federal Financing Bank. The amount recorded in Grants as a liability is progressively released as other income over the useful life of the asset.

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The remaining balance of the "Grants" account corresponds to loans with interest rates below market rates for Solana and Mojave for a total amount of \$452 million (\$492 million as of December 31, 2016). Loans with the Federal Financing Bank guaranteed by the Department of Energy for these projects bear interest at a rate below market rates for these types of projects and terms. The difference between proceeds received from these loans and its fair value, is initially recorded as "Grants" in the consolidated statement of financial position, and subsequently recorded in "Other operating income" starting at the entry into operation of the plants. Total amount of income for these two types of grants for Solana and Mojave is \$59.8 million and \$57.0 million for the year ended December 31, 2017 and 2016, respectively.

Other liabilities mainly relate to the investment from Liberty Interactive Corporation ('Liberty') made on October 2, 2013 for an amount of \$300 million. The investment was made in class A shares of Arizona Solar Holding, the holding of Solana Solar plant in the United States. Such investment was made in a tax equity partnership which permits the partners to have certain tax benefits such as accelerated depreciation and ITC.

According to the stipulations of IAS 32 and although the investment of Liberty is in shares, it does not qualify as equity and has been classified as a liability as of December 31, 2017 and 2016. The liability is recorded in Grants and other liabilities for a total amount of \$352 million (\$263 million as of December 31, 2016) and its current portion is recorded in other current liabilities for the remaining amount (see Note 19). This liability has been initially valued at fair value, calculated as the present value of expected cash-flows during the useful life of the concession, and is then measured at amortized cost in accordance with the effective interest method, considering the most updated expected future cash-flows.

19. Trade and other payables

Item	Balance as of December 31,	Balance as of December 31,
	2017	2016
	\$'000	\$'000
Trade accounts payable	107,662	121,527
Down payments from clients	6,466	6,153
Suppliers of concessional assets	236	380
current		
Liberty (see Note 18)		21,461
Other accounts payable	40,780	10,984
Total	155,144	160,505

Trade accounts payables mainly relate to the operating and maintenance of the plants.

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Nominal values of Trade payable and other current liabilities are considered to approximately equal to fair values and the effect of discounting them is not significant.

Other account payable primarily include subordinated debt of Mojave with Abener Teyma Mojave General Partnership (Abener), a related party, with maturity date on October 2018. The repayment will occur if certain technical conditions are fulfilled.

20. Equity

On June 18, 2014, Atlantica Yield closed its initial public offering issuing 24,850,000 ordinary shares. The shares were sold at a price of \$29 per share and as a result the Company raised \$720,650 thousand of gross proceeds. The Company recorded \$2,485 thousand as Share Capital and \$682,810 thousand as Additional Paid in Capital, included in Atlantica Yield reserves as of December 31, 2016, corresponding to the total net proceeds of the offering. The underwriters further purchased 3,727,500 additional shares from the selling shareholder, a subsidiary wholly owned by Abengoa, at the public offering price less fees and commissions to cover over-allotments ("greenshoe") driving the total proceeds of the offering to \$828,748 thousand.

Atlantica Yield's shares began trading on the NASDAQ Global Select Market under the symbol "ABY" on June 13, 2014. The symbol changed to "AY" on November 11, 2017.

On January 22, 2015, Abengoa closed an underwritten public offering and sale in the United States of 10,580,000 of ordinary shares of the Company for total proceeds of \$327,980,000 (or \$31 per share). As a result of such offering, Abengoa reduced its stake in the Company from 64.3% to 51.1% of its shares.

On May 14, 2015 Atlantica Yield issued 20,217,260 new shares at \$33.14 per share, which was based on a 3% discount versus the May 7, 2015 closing price. Abengoa subscribed for 51% of the newly-issued shares and maintained its previous stake in Atlantica Yield.

On July 14, 2015, Abengoa sold 2,000,000 shares of Atlantica Yield under Rule 144, reducing its stake to 49.1%.

As of the date hereof, according to Abengoa's beneficial ownership reporting, Abengoa has delivered an aggregate of 7,595,639 Ordinary Shares to holders that exercised their option to exchange the \$279,000 thousand principal amount of exchangeable notes due 2017 issued by Abengoa on March 5, 2015 (the "Exchangeable Notes") for shares of Atlantica Yield. The Exchangeable Notes are exchangeable, at the option of their holders, for ordinary shares of Atlantica Yield. These operations reduced Abengoa's stake to 41.47% as of December 31, 2017.

As of December 31, 2017, the share capital of the Company amounts to \$10,021,726 represented by 100,217,260 ordinary shares completely subscribed and disbursed with a nominal value of \$0.10 each, all in the same class and series. Each share grants one voting right.

Atlantica Yield reserves as of December 31, 2017 are made up of share premium account and distributable reserves.

Retained earnings include results attributable to Atlantica Yield, the impact of the Asset Transfer in equity and the impact of the assets acquisition under the ROFO agreement in equity. The Asset

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Transfer and the acquisitions under the ROFO agreement were recorded in accordance with the Predecessor accounting principle, given that all these transactions occurred before December 2015, when Abengoa still had control over Atlantica Yield.

Other reserves relate to the after-tax result accumulated in equity in connection with derivatives designated as cash flow hedges.

Non-controlling interests fully relate to interests held by JGC in Solacor 1 and Solacor 2, by Idae in Seville PV, by Itochu Corporation in Solaben 2 and Solaben 3, by Algerian Energy Company, SPA and Valoriza Agua S.L. in Skikda and by Industrial Development Corporation of South Africa (IDC) and Kaxu Community Trust in Kaxu Solar One (Pty) Ltd.

Dividends declared during the year 2017:

- On February 27, 2017, the Board of Directors declared a dividend of \$0.25 per share corresponding to the four quarter of 2016. The dividend was paid on March 15, 2017. From that amount, the Company retained \$10.4 million of the dividend attributable to Abengoa;
- On May 15, 2017, the Board of Directors declared a dividend of \$0.25 per share corresponding to the first quarter of 2017. The dividend was paid on June 15, 2017;
- On August 3, 2017, the Board of Directors declared a dividend of \$0.26 per share corresponding to the second quarter of 2017. The dividend was paid on September 15, 2017;
- On November 13, 2017, the Board of Directors declared a dividend of \$0.29 per share corresponding to the third quarter of 2017. The dividend was paid on December 15, 2017.

In addition, as of December 31, 2017, there was no treasury stock and there have been no transactions with treasury stock during the period then ended.

21. Notes to the cash flow statement

Analysis of changes in net debt

	January 1, 2017 \$'000	Cash Flow \$'000	Non monetary items \$'000	December 31, 2017 \$'000
Cash and bank balances	594,811	40,664	33,912	669,387
Borrowings	5,998,668	(316,844)	436,467	6,118,291
Net debt	5,403,857	(357,508)	402,555	5,448,904

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22. Financial instruments by category

Financial instruments are primarily deposits, derivatives, trade and other receivables and loans. Financial instruments by category (current and non-current), reconciled with the statement of financial position as of December 31, 2017 and 2016 are as follows:

Category	Notes	Loans and receivables / payables \$'000	Available for sale financial assets \$'000	Hedging derivatives \$'000	Balance as of 12.31.17 \$'000
Derivative assets	23	-	-	8,230	8,230
Investment in Ten West Link		2,088	-	-	2,088
Abengoa debt and Equity instruments		-	1,715	-	1,715
Other financial investments		243,347	-	-	243,347
Trade and other receivables		244,449	-	-	244,449
Cash and cash equivalents	15	669,387	-	-	669,387
Total financial assets		1,159,271	1,715	8,230	1,169,216
Corporate debt	16	643,083	-	-	643,083
Project debt	17	5,475,208	-	-	5,475,208
Related parties – non-current	26	141,031	-	-	141,031
Trade and other current liabilities	19	155,144	-	-	155,144
Derivative liabilities	23	-	-	329,731	329,731
Total financial liabilities		6,414,466	-	329,731	6,744,197

Category	Notes	Loans and receivables / payables \$'000	Available for sale financial assets \$'000	Hedging derivatives \$'000	Balance as of 12.31.16 \$'000
Derivative assets	23	-	-	3,822	3,822
Preferred equity in ACBH		-	30,488	-	30,488
Other financial investments		263,501	-	-	263,501
Trade and other receivables		207,621	-	-	207,621
Cash and cash equivalents	15	594,811	-	-	594,811
Total financial assets		1,065,933	30,488	3,822	1,100,243
Corporate debt	16	668,201	-	-	668,201
Project debt	17	5,330,467	-	-	5,330,467
Related parties	26	101,750	-	-	101,750
Trade and other current liabilities	19	160,505	-	-	160,505
Derivative liabilities	23	-	-	349,266	349,266
Total financial liabilities		6,260,923	-	349,266	6,610,189

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Further to the completion of a series of conditions precedent that made Abengoa's restructuring effective as of March 31, 2017, the guarantee provided by Abengoa regarding the preferred equity investment in ACBH, which supported the fair value of this instrument of \$30.5 million as of December 31, 2016, was canceled, which reduced the fair value of this instrument to nil. In exchange for the guarantee provided by Abengoa being canceled, the Company received a certain amount of equity in Abengoa, and Corporate tradable bonds issued by Abengoa and subject to a 5.5-year period stay (extendable to a 2 additional years subject further to the senior old money creditors' consent) and with a 1.5% annual interest rate (0.25% cash, 1.25% PIK).

Further to the restructuring agreement of Abengoa being made effective, the Company was assigned an amount of New Money 1 Tradable Notes of \$44.5 million in exchange for contributing \$43.6 million of cash. As result of this contribution, the corporate tradable bonds detailed above are ranked as senior debt. The Company sold all the New Money 1 Tradable Notes it was assigned during the month of April 2017 for \$44.9 million.

New Money 1 Tradable Notes assigned to Atlantica, Corporate tradable bonds and shares in Abengoa received, together are further referred as "Abengoa Debt and Equity Instruments". These are all available for sale financial assets, of which major part has been sold during the second, third and fourth quarter of 2017. The fair value of the remaining portion as of December 31, 2017 amounts to \$1.7 million and is classified as current financial investments.

Derecognition of the fair value assigned to the ACBH preferred equity investment and recognition of the Abengoa Debt and Equity Instruments resulted in a loss of \$5.8 million. The sale of these instruments resulted in a profit of \$6.5 million. Both impacts are accounted for in these consolidated financial statements for the year ended December 31, 2017 as Other net financial income and expenses (see Note 9).

Prior to Abengoa's restructuring agreement being made effective, Abengoa acknowledged that it failed to fulfill its obligations under the agreements related to the preferred equity investment in ACBH and, as a result, Atlantica is the legal owner of the dividends amounting to \$10.4 million declared on February 24, 2017, that the Company retained from Abengoa. Upon receipt of Abengoa Debt and Equity Instruments, the Company waived its rights under the guarantee provided by Abengoa related to the ACBH agreements, including its right to retain the dividends payable to Abengoa.

Other financial investments include primarily the short-term portion of contracted concessional assets (see Note 12).

Investment in Ten West Link as of December 31, 2017, is a \$2.1 million investment, which was made by the Company accounting for a 12.5% interest in a 114-mile transmission line in the U.S.

As of December 31, 2017, and December 31, 2016, all the financial instruments measured at fair value have been classified as Level 2, except for the Abengoa Debt and Equity Instruments received further to the implementation of Abengoa's restructuring agreement on March 31st 2017. The unsold portion as of December 31st, 2017 is classified as Level 1.

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23. Derivative financial instruments

The breakdowns of the fair value amount of the derivative financial instruments as of December 31, 2017 and 2016 are as follows:

	Balance as of 12.31.17		Balance as of 12.31.16	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Derivatives - cash flow hedge	8,230	329,731	3,822	349,266

The derivatives are primarily interest rate cash-flow hedges. All are classified as non-current assets or non-current liabilities, as they hedge long-term financing agreements.

On May 12, 2015, the Company entered into a currency swap agreement with Abengoa which provided for a fixed exchange rate for the cash available for distribution from the Company's Spanish assets. The distributions from the Spanish assets are paid in euros and the currency swap agreement provided for a fixed exchange rate at which euros will be converted into U.S. dollars. The currency swap agreement had a five-year term and was valued by comparing the contracted exchange rate and the future exchange rate in the valuation scenario at the maturities dates. The instrument was valued by calculating the cash flow that would be obtained or paid by theoretically closing out the position and then discounting that amount. The Company terminated this agreement with Abengoa in October 2017.

Additionally, the Company signed during the year ended December 31, 2017, currency options with leading international financial institutions, which guarantee a minimum Euro-U.S. dollar exchange rates for the distributions expected from Spanish solar assets made in euros during the years 2017, 2018 and part of 2019.

As stated in Note 24 to these consolidated financial statements, the general policy is to hedge variable interest rates of financing agreements purchasing call options (caps) in exchange of a

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premium to fix the maximum interest rate cost and contracting floating to fixed interest rate swaps.

As a result, the notional amounts hedged, strikes contracted and maturities, depending on the characteristics of the debt on which the interest rate risk is being hedged, can be diverse:

Project debt in U.S. dollars: the Company hedges between 70% and 100% of the notional amount, including maturities until 2032 and average guaranteed interest rates of between 2.32% and 5.27%.

Project debt in Euros: the Company hedges between 87% and 100% of the notional amount, maturities until 2030 and average guaranteed interest rates of between 3.20 % and 4.87%.

The table below shows a breakdown of the maturities of notional amounts of derivatives designated as cash flow hedges as of December 31, 2017 and 2016.

Notionals	Balance as of 12.31.17		Balance as of 12.31.16	
	\$'000		\$'000	
	Cap	Swap	Cap	Swap
Up to 1 year	42,324	139,939	24,261	75,837
Between 1 and 2 years	45,422	94,285	25,934	199,832
Between 2 and 3 years	48,215	103,536	27,880	83,897
Subsequent years	620,378	1,893,850	400,239	1,500,789
Total	<u>756,339</u>	<u>2,231,611</u>	<u>478,314</u>	<u>1,860,355</u>

The table below shows a breakdown of the maturity of the fair values of interest rate derivatives designated as cash flow hedges as of December 31, 2017 and 2016. The net position of the fair value of caps and swaps for each year end reconciles with the net position of derivative assets and derivative liabilities in the consolidated statement of financial position:

Fair value	Balance as of 12.31.17		Balance as of 12.31.16	
	\$'000		\$'000	
	Cap	Swap	Cap	Swap
Up to 1 year	347	(13,224)	250	(12,383)
Between 1 and 2 years	978	(14,378)	262	(14,927)
Between 2 and 3 years	396	(15,923)	275	(13,957)
Subsequent years	6,509	(286,206)	3,035	(307,999)
Total	<u>8,230</u>	<u>(329,731)</u>	<u>3,822</u>	<u>(349,266)</u>

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During 2017, fair value of derivatives increased mainly due to an increase in the fair value of interest rate cash-flow hedges resulting from the increase in future interest rates.

The net amount of the fair value of interest rate derivatives designated as cash flow hedges transferred to the consolidated income statement is a loss of \$70,953 thousand (loss of \$72,774 thousand in 2016 and a loss of \$55,841 thousand in 2015). Additionally, the net amount of the time value component of the cash flow derivatives fair value recognized in the consolidated income statement for the year 2017, 2016 and 2015 has been a loss of \$860 thousand, a gain of \$1,694 thousand and a gain of \$4,234 thousand respectively.

The after-tax result accumulated in equity in connection with derivatives designated as cash flow hedges at the years ended December 31, 2017 and 2016, amount to a \$80,968 thousand gain and a \$52,797 thousand gain respectively.

24. Financial risk management

Atlantica Yield's activities are exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk is managed by the Company's Risk Finance and Compliance Departments, which are responsible for identifying and evaluating financial risks quantifying them by project, region and company, in accordance with mandatory internal management rules. Written internal policies exist for global risk management, as well as for specific areas of risk. In addition, there are official written management regulations regarding key controls and control procedures for each company and the implementation of these controls is monitored through internal audit procedures.

a) Market risk

The Company is exposed to market risk, such as movement in foreign exchange rates and interest rates. All of these market risks arise in the normal course of business and the Company does not carry out speculative operations. For the purpose of managing these risks, it uses a series of swaps and options on interest rates. None of the derivative contracts signed has an unlimited loss exposure.

b) Interest rate risk

Interest rate risk arises when the Company's activities are exposed to changes in interest rates, which arises from financial liabilities at variable interest rates. The main interest rate exposure for the Company relates to the variable interest rate with reference to the Libor and Euribor. To minimize the interest rate risk, the Company primarily uses interest rate swaps and interest rate options (caps), which, in exchange for a fee, offer protection against an increase in interest rates. The Company does not use derivatives for speculative purposes.

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As a result, the notional amounts hedged, strikes contracted and maturities, depending on the characteristics of the debt on which the interest rate risk is being hedged, are very diverse, including the following:

1. Project debt in U.S. dollars: between 70% and 100% of the notional amount, maturities until 2032 average guaranteed interest rates of between 2.32% and 5.27%.
2. Project debt in euro: between 75% and 100% of the notional amount, maturities until 2030 and average guaranteed interest rates of between 3.20% and 4.87%.

In connection with the interest rate derivative positions of the Company, the most significant impacts on these consolidated financial statements are derived from the changes in EURIBOR or LIBOR, which represent the reference interest rate for the majority of the debt of the Company. In the event that Euribor and Libor had risen by 25 basis points as of December 31, 2017, with the rest of the variables remaining constant, the effect in the consolidated income statement would have been a loss of \$228 thousand (a loss of \$2,563 thousand in 2016) and an increase in hedging reserves of \$37,767 thousand (\$37,290 thousand in 2016). The increase in hedging reserves would be mainly due to an increase in the fair value of interest rate swaps designated as hedges.

A breakdown of the interest rates derivatives as of December 31, 2017 and 2016 is provided in Note 23.

c) Currency risk

The main cash flows in the entities included in these consolidated financial statements are cash collections arising from long-term contracts with clients and debt payments arising from project finance repayment. Given that financing of the projects is always closed in the same currency in which the contract with client is signed, a natural hedge exists for the main operations of the Company.

In addition, the Company policy is to contract currency options with leading financial institutions, which guarantee a minimum Euro-U.S. dollar exchange rate on the net distributions expected from Spanish solar assets. The net Euro exposure is 100% covered for the coming 12 months and 75% for the following 12 months on a rolling basis.

d) Credit risk

The Company considers that it has a limited credit risk with clients as revenues derive from power purchase agreements with electric utilities and state-owned entities. The Company has investment grade offtakers in all the assets except for Quadra 1&2, ATN2, Skikda and Honaine, which represent a low percentage of the cash available for distribution on a run-rate basis. In the case of Kaxu, the offtaker has a counter-guarantee from the Republic of South Africa.

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e) Liquidity risk

Atlantica Yield's liquidity and financing policy is intended to ensure that the Company maintains sufficient funds to meet our financial obligations as they fall due. Project finance borrowing permits the Company to finance the project through project debt and thereby insulate the rest of its assets from such credit exposure. The Company incurs in project-finance debt on a project-by-project basis. The repayment profile of each project is established on the basis of the projected cash flow generation of the business. This ensures that sufficient financing is available to meet deadlines and maturities, which mitigates the liquidity risk significantly.

f) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings disclosed in note 16 and 17 after deducting cash and bank balances) and equity of the group (comprising issued capital, reserves and retained earnings). The board of directors review the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the year-end is as follows:

	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Debt	6,118,291	5,998,668
Cash and cash equivalents	669,387	594,811
Net Debt	5,448,904	5,403,857
Equity	1,894,157	1,959,111
Net debt to equity ratio	288%	276%

25. Events after the balance sheet date

On February 27, 2018, the Board of Directors of the Company approved a dividend of \$0.31 per share, which is expected to be paid on or about March 27, 2018.

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26. Related party transactions

During the normal course of business, the Company has historically conducted operations with related parties consisting mainly of Abengoa's subsidiaries and non-controlling interests. The transactions were completed at market rates.

Details of balances with related parties as of December 31, 2017 and 2016 are as follows:

	Balance as of December 31, 2017 \$'000	Balance as of December 31, 2016 \$'000
Credit receivables (current)	11,567	12,031
Total current receivables with related parties	11,567	12,031
Credit receivables (non-current)	2,108	30,505
Total non-current receivables with related parties	2,108	30,505
Trade payables (current)	63,409	61,338
Total current payables with related parties	63,409	61,338
Credit payables (non-current)	141,031	101,750
Total non-current payables with related parties	141,031	101,750

Receivables from related parties as of December 31, 2017 include the remaining portion of Abengoa Debt and Equity Instruments received further to the implementation of Abengoa's restructuring agreement, pending to be sold. These instruments are accounted for at fair value for \$1,715 thousand as of December 31, 2017 and classified as current (see Note 22).

As of December 31, 2016, receivables with related parties primarily corresponded to the preferred equity investment in ACBH for a total amount of \$30,488 thousand, classified as non-current (see Note 22).

Trade payables (current) primarily relate to payables for Operation and Maintenance services. Credit payables (non-current) primarily relate to payables of projects companies with partners accounted for as non-controlling interests in these consolidated financial statements.

The transactions carried out by entities included in these consolidated financial statements with related parties not included in the consolidation perimeter of Atlantica, primarily with Abengoa

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and with subsidiaries of Abengoa, during the twelve-month periods ended December 31, 2017 and 2016 have been as follows:

	For the twelve-month period ended December 31,	
	2017	2016
	\$'000	\$'000
Services rendered	3,495	1,220
Services received	(114,416)	(115,779)
Financial income	74	60
Financial expenses	(1,154)	(2,460)

Services received primarily include operation and maintenance services received by some assets.

The figures detailed in the table above do not include the following financial income recorded in these consolidated financial statements for the year ended December 31, 2017: compensation received from Abengoa in lieu of dividends from ACBH for \$10.4 million resulting from the agreement signed with Abengoa in the third quarter of 2016 (see Note 22). As of December 31, 2016, the figures do not include the compensation received from Abengoa in lieu of dividends from ACBH for \$28.0 million, income for the cancellation of the subordinated debt Solnova Electricidad S.A. owed to Abener for \$7.6 million and income of \$1.7 million for discounts received from Abengoa for the prepayment of payables.

In addition, Abengoa maintains a number of obligations under EPC, O&M and other contracts, as well as indemnities covering certain potential risks. Additionally, Abengoa represented that further to the accession to the restructuring agreement, Atlantica would not be a guarantor of any obligation of Abengoa with respect to third parties and agreed to indemnify the Company for any penalty claimed by third parties resulting from any breach in such representations. The Company has contingent assets, which have not been recognized as of December 31, 2017, related to the obligations of Abengoa referred above, result and amounts of which will depend on the occurrence of uncertain future events.

As explained in Note 1, in November 2017 the Company signed a consent in relation to the Solana and Mojave projects which reduces the minimum ownership required by Abengoa in Atlantica to 16%, subject to certain conditions precedent most of which are beyond the control of the Company, including several payments by Abengoa to Solana before December 2017 and February 2018 (subsequently this date was postponed to May 2018). These payments for a total of \$120 million are related to Abengoa's obligations as EPC contractor in Solana and would be used to repay Solana project debt (\$80 million), for current and potential required additional repairs in the plant (\$25 million) and for covering other Abengoa obligations (\$15 million). Additionally, Abengoa has recognized other obligations with Solana for \$6.5 million per semester over 10 years starting in December 2018. In December 2017 Solana received \$42.5 million related to Abengoa's obligation as EPC contractor. The afore mentioned amounts are based on the EPC Contract guarantee for liquidated damages considering the average production during the first three years of ramp-up period of the plant which is a service-

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concession arrangement under IFRIC 12 (intangible asset). For the \$42.5 million collected before the end of December 2017, the Company reduced the value of the intangible asset since this amount was a variable consideration. The rest of the amounts to be paid by Abengoa after December 31, 2017 will be accounted for in the same manner, as a reduction of the value of the asset when the different installments are collected. In addition, the amortization of the plant will also be adjusted accordingly.

The Company entered into a Financial Support Agreement on June 13, 2014 under which Abengoa agreed to maintain any guarantees and letters of credit that have been provided by it on behalf of or for the benefit of Atlantica and its affiliates for a period of five years. As of December 2017, the aforementioned guarantees amounted to \$31.4 million. In the context of that agreement in which Atlantica agreed that it shall use commercially reasonable efforts to replace guarantees, on June 2017, it agreed to replace guarantees amounting to \$112 million previously issued by Abengoa. During the third quarter of 2017, the Company issued the aforementioned guarantees and received from Abengoa a payment of €7.8 million for existing debts.

At the date of the initial offering, the Company entered into a series of agreements to receive management, general and administrative services from Abengoa (the "Support Services Agreement" and "Executive Service Agreement"), and corresponding fees were properly accounted for as other operating expenses. The Executive Service Agreement was canceled in February 2015. During the year 2015 and 2016, some employees of Abengoa delivering services under the Support Services Agreement were transferred to entities within the Group and the Support Services Agreement was cancelled. In addition, some external employees were hired. This resulted in the Company increasing its employee benefit expenses as shown in the consolidated income statement for the years 2016 and 2017.

Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 of the Accounting Regulations were as follows:

	2017 \$'000	2016 \$'000
Salaries, fees, bonuses and benefits in kind	2,137	2,034
	<u>2,137</u>	<u>2,034</u>

The directors received no other benefits in respect of their services to the company, including any share option or pension schemes. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 65 to 82.

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27. Contingent liabilities

Contingent liabilities are possible obligations, existing obligations with low probability of a future outflow of economic resources and existing obligations where the future outflow cannot be reliably estimated. The Company had no contingent liabilities as of 31 December 2017.

28. Guarantees and commitments

Third-party guarantees

At the close of 2017 the overall sum of Bank Bond and Surety Insurance directly deposited by the subsidiaries of the Company as a guarantee to third parties (clients, financial entities and other third parties) amounted to \$32,428 thousand attributed to operations of technical nature (\$27,163 thousand as of December 31, 2016). In addition, in the third quarter of 2017 the Company issued the guarantees amounting to \$112 million previously issued by Abengoa related to operations of technical nature (see Note 26).

Contractual obligations

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2017 and 2016:

2017	\$'000	Total	2018	2019 and 2020	2021 and 2022	Subsequent
Corporate debt		643,083	68,907	253,393	107,316	213,467
Loans with credit institutions (project debt)		4,628,289	215,117	457,853	539,466	3,415,853
Notes and bonds (project debt)		846,919	31,174	53,620	54,395	707,730
Purchase commitments		3,149,813	141,867	230,014	259,845	2,518,087
Accrued interest estimate during the useful life of loans		3,129,321	340,481	630,108	559,856	1,598,876

2016	\$'000	Total	2017	2018 and 2019	2020 and 2021	Subsequent
Corporate debt		668,201	291,861	376,340	—	—
Loans with credit institutions (project debt)*		4,498,930	183,929	388,679	459,361	3,466,961
Notes and bonds (project debt)*		831,538	27,225	49,422	48,740	706,151
Purchase commitments		2,894,146	136,032	263,398	246,904	2,247,812
Accrued interest estimate during the useful life of loans		3,356,750	332,408	617,852	543,927	1,862,563

*According to contracted maturities.

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Legal Proceedings

On October 17, 2016, ACT received a request for arbitration from the International Court of Arbitration of the International Chamber of Commerce presented by Pemex. Pemex is requesting compensation for damages caused by a fire that occurred in their facilities during the construction of the ACT cogeneration plant in December 2012, for a total amount of approximately \$20 million. On July 5, 2017, Seguros Inbursa, the insurer of Pemex, joined as a second claimant in the process. The Company does not expect this proceeding to have a material adverse effect on their financial position, cash flows or results of operations. In the event that the arbitration results in a negative outcome, the Company expects these damages to be covered by the existing insurance policy.

A number of Abengoa's subcontractors and insurance companies that issued bonds covering such contracts in the United States have included subsidiaries of the Company as co-defendants in claims against Abengoa. Generally, the subsidiaries of the Company have been dismissed as defendants at early stages of the processes but there remain pending cases including Arb Inc. with a potential total claim of approximately \$33 million and a group of insurance companies with a potential total claim of approximately \$200 million. Based on the assessment of the Company with information currently available, the Company does not expect these proceedings, individually or in the aggregate, to have a material adverse effect on its financial position, cash flows or results of operations.

The Company is not a party to any other significant legal proceeding other than legal proceedings arising in the ordinary course of its business. The Company is party to various administrative and regulatory proceedings that have arisen in the ordinary course of business. While the Company does not expect these proceedings, either individually or in the aggregate, to have a material adverse effect on its financial position or results of operations, because of the nature of these proceedings the Company is not able to predict their ultimate outcomes, some of which may be unfavourable to the Company.

29. Earnings per share

Basic earnings per share for the years 2017 and 2016 has been calculated by dividing the Loss attributable to equity holders of the company by the number of shares outstanding. Diluted earnings per share equals basic earnings per share for the period presented.

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Item	For the twelve-month period ended December 31, 2017 \$'000	For the twelve- month period ended December 31, 2016 \$'000
Loss from continuing operations attributable to Atlantica Yield Plc.	(111,804)	(4,855)
Profit/(loss) from discontinuing operations attributable to Atlantica Yield Plc.	-	-
Average number of ordinary shares outstanding (thousands) - basic and diluted	100,217	100,217
Earnings per share from continuing operations (US dollar per share) - basic and diluted	(1.12)	(0.05)
Earnings per share from discontinuing operations (US dollar per share) - basic and diluted	-	-
Earnings per share from profit for the period (US dollar per share) - basic and diluted	(1.12)	(0.05)

30. Service concessional arrangements

Below is a description of the concessional arrangements of the Atlantica Yield group:

Solana

Solana is a 250 MW net (280 MW gross) solar electric generation facility located in Maricopa County, Arizona, approximately 70 miles southwest of Phoenix. Arizona Solar One LLC, or Arizona Solar, owns the Solana project. Solana includes a 22-mile 230kV transmission line and a molten salt thermal energy storage system. The construction of Solana commenced in December 2010 and Solana reached COD on October 9, 2013.

Solana has a 30-year, PPA with Arizona Public Service, or APS, approved by the Arizona Corporation Commission (ACC). The PPA provides for the sale of electricity at a fixed price per MWh with annual increases of 1.84% per year. The PPA includes limitations on the amount and condition of the energy that is received by APS with minimum and maximum thresholds for delivery capacity that must not be breached.

Mojave

Mojave is a 250 MW net (280 MW gross) solar electric generation facility located in San Bernardino County, California, approximately 100 miles northeast of Los Angeles. Abengoa commenced construction of Mojave in September 2011 and Mojave reached COD on December 1, 2014.

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Mojave has a 25-year, PPA with Pacific Gas & Electric Company, or PG&E, approved by the California Public Utilities Commission (CPUC). The PPA began on COD. The PPA provides for the sale of electricity at a fixed base price per MWh without any indexation mechanism, including limitations on the amount and condition of the energy that is received by PG&E with minimum and maximum thresholds for delivery capacity that must not be breached.

Palmatir

Palmatir is an on-shore wind farm facility in Uruguay with nominal installed capacity of 50 MW. Palmatir has 25 wind turbines and each turbine has a nominal capacity of 2 MW. UTE (Administración Nacional de Usinas y Transmisiones Eléctricas), Uruguay's state-owned electricity company, has agreed to purchase all energy produced by Palmatir pursuant to a 20-year PPA.

Palmatir reached COD in May 2014. The wind farm is located in Tacuarembó, 170 miles north of the city of Montevideo.

Palmatir signed a PPA with UTE on September 14, 2011 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicios de Energía y Agua). UTE will pay a fixed-price tariff per MWh under the PPA, which is denominated in U.S. dollars and will be partially adjusted in January of each year according to a formula based on inflation.

Cadonal

Cadonal is an on-shore wind farm facility in Uruguay with nominal installed capacity of 50 MW. Cadonal has 25 wind turbines and each turbine has a nominal capacity of 2 MW each. UTE (Administración Nacional de Usinas y Transmisiones Eléctricas), Uruguay's state-owned electricity company, has agreed to purchase all energy produced by Cadonal pursuant to a 20-year PPA.

Cadonal reached COD in December 2014. The wind farm is located in Flores, 105 miles north of the city of Montevideo.

Cadonal signed a PPA with UTE on December 28, 2012 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicios de Energía y Agua). UTE pays a fixed tariff per MWh under the PPA, which is denominated in U.S. dollars and will be adjusted every January considering both US and Uruguay's inflation indexes and the exchange rate between Uruguayan pesos and U.S. dollars.

Solaben 2 & 3

The Solaben 2 and Solaben 3 are two 50 MW Concentrating Solar Power facilities and are part of Abengoa's Extremadura Solar Complex. The Extremadura Solar Complex consists of four Concentrating Solar Power plants (Solaben 1, Solaben 2, Solaben 3 and Solaben 6), and is located in the municipality of Logroño, Spain. Abengoa commenced construction of Solaben 2 and Solaben 3 in August 2010. Solaben 2 reached COD in June 2012 and Solaben 3 reached COD in

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October 2012. Solaben Electricidad Dos, S.A., or SE2, owns Solaben 2 and Solaben Electricidad Tres, S.A., or SE3, owns Solaben 3.

Renewable energy plants in Spain, like Solaben 2 and Solaben 3, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Solaben 2 and Solaben 3 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

Solacor 1 & 2

The Solacor 1 and Solacor 2 are two 50 MW Concentrating Solar Power facilities and are part of Abengoa's El Carpio Solar Complex, located in the municipality of El Carpio, Spain. The Carpio Solar Complex consists in a conventional parabolic trough Concentrating Solar Power system to generate electricity. Abengoa commenced construction of Solacor 1 and Solacor 2 in September 2010. The COD was reached in two phases, the first one, Solacor 1, was reached in February 2012 and the second one, Solacor 2, was reached in March 2012. JGC Corporation holds 13% of Solacor 1 & Solacor 2, a Japanese engineering company.

Renewable energy plants in Spain, like Solacor 1 and Solacor 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Solacor 1 and Solacor 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

ACT

The ACT plant is a gas-fired cogeneration facility with a rated capacity of approximately 300 MW and between 550 and 800 metric tons per hour of steam. The plant includes a substation and an approximately 52 mile and 115-kilowatt transmission line.

On September 18, 2009, ACT Energy México entered into the Pemex Conversion Services Agreement, or the Pemex CSA, with Petroleos Mexicanos, or Pemex. Pemex is a state-owned oil and gas company supervised by the Comision Reguladora de Energía (CRE), the Mexican state agency that regulates the energy industry. The Pemex CSA has a term of 20 years from the in-service date and will expire on March 31, 2033.

According to the Pemex CSA, ACT must provide, in exchange for a fixed price with escalation adjustments, services including the supply and transformation of natural gas and water into thermal energy and electricity. Part of the electricity is to be supplied directly to a Pemex facility nearby, allowing the Comision Federal de Electricidad (CFE) to supply less electricity to that

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facility. Approximately 90% of the electricity must be injected into the Mexican electricity network to be used by retail and industrial end customers of CFE in the region. Pemex is then entitled to receive an equivalent amount of energy in more than 1,000 of their facilities in other parts of the country from CFE, following an adjustment mechanism under the supervision of CFE.

The Pemex CSA is denominated in U.S. dollars. The price is a fixed tariff and will be adjusted annually, part of it according to inflation and part according to a mechanism agreed in the contract that on average over the life of the contract reflects expected inflation. The components of the price structure and yearly adjustment mechanisms were prepared by Pemex and provided to bidders as part of the request for proposal documents.

ATN

ATN, or the ATN Project, in Peru is part of the SGT (Sistema Garantizado de Transmision), which includes all transmission line concessions allocated by a bidding process by the government and is comprised of the following facilities:

- (i) the approximately 356 miles, 220kV line from Carhuamayo-Paragsha-Conococha-Kiman-Ayllu-Cajamarca Norte;
- (ii) the 4.3 miles, 138kV link between the existing Huallanca substation and Kiman Ayllu substations;
- (iii) the 1.9 mile, 138kV link between the 138kV Carhuamayo substation and the 220kV Carhuamayo substation;
- (iv) the new Conococha and Kiman Ayllu substations; and
- (v) the expansion of the Cajamarca Norte, 220kV Carhuamayo, 138kV Carhuamayo and 220kV Paragsha substations.

Pursuant to the initial concession agreement, the Ministry of Energy, on behalf of the Peruvian Government, granted ATN a concession to construct, develop, own, operate and maintain the ATN Project. The initial concession agreement became effective on May 22, 2008 and will expire 30 years after COD of the first tranche of the line, which took place in January 2011. ATN is obliged to provide the service of transmission of electric energy through the operation and maintenance of the electric transmission line, according to the terms of the contract and the applicable law.

The laws and regulations of Peru establish the key parameters of the concession contract, the price indexation mechanism, the rights and obligations of the operator and the procedures that have to be followed in order to fix the applicable tariff, which occurs through a regulated bidding process. Once the bidding process is complete and the operator is granted the

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concession, the pricing of the power transmission service is established in the concession agreement. ATN has a 30-year concession agreement with a fixed-price tariff base denominated in U.S. dollars that is adjusted annually after COD of each line, in accordance with the U.S. Finished Goods Less Food and Energy Index published by the U.S. Department of Labor.

ATS

ABY Transmission Sur, or ATS Project, in Peru is part of the Guaranteed Transmission System, or (Sistema Garantizado de Transmisión) which includes all transmission line concessions allocated by a bidding process by the government, and is comprised of:

- (i) one 500kV electric transmission line and two short 220kV electric transmission lines, which are linked to existing substations;
- (ii) three new 500kV substations; and
- (iii) three existing substations (two existing 220kV substations and one existing 550/220kV substation), through the development of new transformers, line reactors, series reactive compensation and shunt reactions in some substations.

Pursuant to the initial concession agreement, the Ministry of Energy, on behalf of the Peruvian Government, granted ATS a concession to construct, develop, own, operate and maintain the ATS Project. The initial concession agreement became effective on July 22, 2010 and will expire 30 years after COD, which took place in January 2014. ATS is obliged to provide the service of transmission of electric energy through the operation and maintenance of the electric transmission line, according to the terms of the contract and the applicable law.

The laws and regulations of Peru establish the key parameters of the concession contract, the price indexation mechanism, the rights and obligations of the operator and the procedure that has to be followed in order to fix the applicable tariff, which occurs through a regulated bidding process. Once the bidding process is complete and the operator is granted the concession, the pricing of the power transmission service is established in the concession agreement. ATS has a 30-year concession agreement with fixed-price tariff base denominated in U.S. dollars that is adjusted annually after COD of each line, in accordance with the U.S. Finished Goods Less Food and Energy Index published by the U.S. Department of Labor.

Quadra 1 & Quadra 2

Transmisora Mejillones, or Quadra 1, is a 49-miles transmission line project and Transmisora Baquedano, or Quadra 2, is a 32-miles transmission line project, each connected to the Sierra Gorda substations.

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Both projects have concession agreements with Sierra Gorda SCM. The agreements are denominated in U.S. dollars and are indexed mainly to CPI. The concession agreements each have a 21-year term that began on COD, which took place in April 2014 and March 2014 for Quadra 1 and Quadra 2, respectively.

Quadra 1 and Quadra 2 belong to the Northern Interconnected System (SING), one of the two interconnected systems into which the Chilean electricity market is divided and structured for both technical and regulatory purposes.

As part of the SING, Quadra 1 and Quadra 2 and the service they provide are regulated by several regulatory bodies, in particular: the Superintendent's office of Electricity and Fuels (Superintendencia de Electricidad y Combustibles, SEC), the Economic Local Dispatch Center (Centro de Despacho Economico de Cargas, CDEC), the National Board of Energy (Comision Nacional de Energia, CNE) and the National Environmental Board (Comision Nacional de Medio Ambiente, CONAMA) and other environmental regulatory bodies.

In all these concession arrangements, the operator has all the rights necessary to manage, operate and maintain the assets and the obligation to provide the services defined above, which are clearly defined in each concession contract and in the applicable regulations in each country.

Helioenergy 1&2

The Helioenergy 1/2 project is located in Ecija, Spain. Abengoa started the construction of Helioenergy in 2010 and reached COD in 2011. Since COD, the projects have obtained good generation results achieving systematically year after year results aligned or above the target productions defined.

Helioenergy relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. Helioenergy evacuates its electricity through an aerial underground line 220 kV from the substation of the plant to a 220 kV line that ends in SET Villanueva del Rey (owned by Red Eléctrica de España), where the connection point of the plant is located.

Renewable energy plants in Spain, like Helionergy 1 and Helionergy 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Helionergy 1 and Helionergy 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

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Helios 1&2

The Helios 1/2 project is a 100 MW Concentrating Solar Power facility known as Plataforma Solar Castilla la Mancha, located in the municipality of Arenas de San Juan, Puerto Lápice and Villarta de San Juan, Spain. Helios 1 COD was reached in 2Q 2012, Helios 2 COD was reached in 3Q 2012. Since COD, the projects have obtained good generation results aligned or above the production targets.

Helios 1/2 relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2.

Renewable energy plants in Spain, like Helios 1 and Helios 2, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Helios 1 and Helios 2 sell the power they produce into the wholesale electricity market, where offer and demand are matched, and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

Solnova 1, 3&4

The Solnova 1/3/4 project is a 150 MW Concentrating Solar Power facility, part of the Sanlucar Solar Platform, located in the municipality of Sanlucar la Mayor, Spain. Solnova 1 COD was reached in 2Q 2010, Solnova 3 COD was reached in 2Q 2010 and Solnova 4 COD was reached in 3Q 2010. Since COD, the projects have obtained good generation results achieving results aligned with the target production numbers.

Solnova 1/3/4 relies on a Conventional parabolic trough Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2.

Solnova 1/3/4 evacuates its electricity through an aerial-underground line 66 kV from the substation of the plant to a 220 kV line that ends in SET Casaquemada, where the connection point of the plant is located.

Renewable energy plants in Spain, like Solnova 1, Solnova 3 and Solnova 4, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Solnova 1, Solnova 3 and Solnova 4 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

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Honaine

The Honaine project is a water desalination plant located in Taffsout, Algeria, near three important cities: Oran, to the northeast, and Sidi Bel Abbés and Tlemcen, to the southeast. Myah Bahr Honaine Spa, or MBH, is the vehicle incorporated in Algeria for the purposes of owning the Honaine project. Algerian Energy Company, SPA, or AEC, owns 49% and Valoriza Agua S.L., a subsidiary of Sacyr, S.A., owns the remaining 25.5% of the Honaine project.

AEC is the Algerian agency in charge of delivering Algeria's large-scale desalination program. It is a joint venture set up in 2001 between the national oil and gas company, Sonatrach, and the national gas and electricity company, Sonelgaz. Each of Sonatrach and Sonelgaz owns 50% of AEC.

The technology selected for the Honaine plant is currently the most commonly used in this kind of project. It consists of desalination using membranes by reverse osmosis. Honaine has a capacity of seven M ft³ per day of desalinated water and it is under operation since July 2012. The project represents approximately 9.0% of Algeria's total desalination capacity and serves a population of 1.0 million.

The water purchase agreement is a U.S. dollar indexed 25-year take-or-pay contract with Sonatrach / Algérienne des Eaux, or ADE. The tariff structure is based upon plant capacity and water production, covering variable cost (water cost plus electricity cost). Tariffs are adjusted monthly based on the indexation mechanisms that include local inflation, U.S. inflation and the exchange rate between the U.S. dollar and local currency.

Skikda

The Skikda project is a water desalination plant located in Skikda, Algeria. Skikda is located 510 km east of Alger. Aguas de Skikda, or ADS, is the vehicle incorporated in Algeria for the purposes of owning the Skikda project. AEC owns 49% and Valoriza Agua S.L. owns the remaining 16.83% of the Skikda project.

AEC is the Algerian agency in charge of delivering Algeria's large-scale desalination program. It is a joint venture set up in 2001 between the national oil and gas company, Sonatrach, and the national gas and electricity company, Sonelgaz. Each of Sonatrach and Sonelgaz owns 50% of AEC.

The technology selected for the Skikda plant is currently the most commonly used in this kind of project. It consists of the use of membranes to obtain desalinated water by reverse osmosis. Skikda has a capacity of 3.5 M ft³ per day of desalinated water and is in operation since February 2009. The project represents approximately 4.5% of Algeria's total desalination capacity and serves a population of 0.5 million.

Notes to the consolidated financial statements

31 December 2017

The water purchase agreement is a U.S. dollar indexed 25-year take-or-pay contract with Sonatrach / ADE. The tariff structure is based upon plant capacity and water production, covering variable cost (water cost plus electricity cost). Tariffs are adjusted monthly based on the indexation mechanisms that include local inflation, U.S. inflation and the exchange rate between the U.S. dollar and local currency.

ATN 2

ATN 2, in Peru, is part of the Complementary Transmission System, or Sistema Complementario de Transmision, SCT, and is comprised of the following facilities:

- (i) The approximately 130km, 220kV line from SE Cotaruse to Las Bambas;
- (ii) The connection to the gate of Las Bambas Substation
- (iii) The expansion of the Cotaruse 220kV substation (works assigned to Consorcio Transmantaro)

The Client is Las Bambas Mining Company, a company owned by a partnership conformed by a subsidiary of China Minmetals Corporation (62.5%), a wholly owned subsidiary of Guoxin International Investment Co. Ltd (22.5%) and CITIC Metal Co. Ltd (15.0%). China Minmetals Corporation is the fifth largest metals company included in the Fortune Global 500 list.

Abengoa started the permitting phase of ATN2 Project in May 2011; and the plant reached COD during May 2015.

The ATN2 Project has a 18-year contract period, after that, ATN2 assets will remain as property of the SPV and therefore it is likely a new contract could be negotiated. The ATN2 Project has a fixed-price tariff base denominated in U.S. dollars, partially adjusted annually in accordance with the U.S. Finished Goods Less Food and Energy Index as published by the U.S. Department of Labor. The receipt of the tariff base is independent from the effective utilization of the transmission lines and substations related to the ATN2 Project. The tariff base is intended to provide the ATN2 Project with consistent and predictable monthly revenues sufficient to cover the ATN2 Project's operating costs and debt service and to earn an equity return. Peruvian law requires the existence of a definitive concession agreement to perform electricity transmission activities where the transmission facilities cross public land or land owned by third parties. On May 31, 2014, the Ministry of Energy granted the project a definitive concession agreement to the transmission lines of the ATN2 Project.

Kaxu

Kaxu Solar One, or Kaxu, is a 100MW solar Conventional Parabolic Trough Project located in Paulputs in the Northern Cape Province of South Africa, approximately 30 km north east of the

Notes to the consolidated financial statements

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small town of Pofadder. Atlantica Yield, through Abengoa Solar South Africa (Pty) Ltd., owns 51% of the Kaxu Project. The Project Company, named Kaxu Solar One (Pty) Ltd., is owned by a consortium composed by Abengoa Solar South Africa (51%), Industrial Development Corporation of South Africa (29%) and Kaxu Community Trust (20%).

The project reached COD in February 2015.

Kaxu has a 20-year PPA with Eskom SOC Ltd., or Eskom, under a take or pay contract for the purchase of electricity up to the contracted capacity from the facility. Eskom purchases all the output of the Kaxu Plant under a fixed price formula in local currency subject to indexation to local inflation which protects the Company from potential devaluation over the long term. Being the project COD February 2015, the PPA expires on February 2035.

Solaben 1&6

The Solaben 1&6 is a 100MW Concentrated Solar Power facility part of the Extremadura Solar Platform, located in the municipality of Logrosán, Spain. Solaben 1/6 COD was reached on September 1, 2013. Since COD, the projects have obtained good generation aligned with the target production figures.

Solaben 1&6 relies on a Conventional Parabolic through Concentrating Solar Power system to generate electricity. The technology is identical to the one used at Solaben 2/3 and Solacor 1/2 projects.

Renewable energy plants in Spain, like Solaben 1 and Solaben 6, are regulated by the Government through a series of laws and rulings which guarantee the owners of the plants a reasonable consideration for their investments. Solaben 1 and Solaben 6 sell the power they produce into the wholesale electricity market, where offer and demand are matched and the pool price is determined, and also receive additional payments from the Comisión Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

Company balance sheet

31 December 2017

Amounts in thousands of U.S. dollars

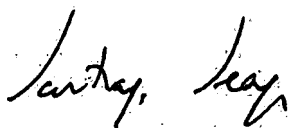
	Notes (1)	2017	2016
Non Current assets			
Tangible assets		85	110
Investments in subsidiaries	3	2,044,967	2,035,598
Amounts owed by group undertakings	4	647,911	704,916
Derivatives assets		605	-
		2,693,568	2,740,624
Current assets			
Trade and other receivables		244	2,032
Amounts owed by group undertakings	4	169	15,795
Short-term financial investments		1,723	5,000
Derivatives assets		878	999
Cash and bank balances		148,525	122,154
		151,539	145,980
Total assets		2,845,107	2,886,604
Creditors: Amounts falling due within one year			
Trade and other payables	6	9,015	7,949
Amounts owed to group undertakings	4	3,892	9,704
Borrowings	5	68,907	291,861
		81,814	309,514
Net current assets/(liabilities)		69,725	(163,534)
Total assets less current liabilities		2,763,293	2,577,090
Creditors: Amounts falling due after more than one year			
Borrowings	5	574,176	376,340
Amounts owed to group undertakings	4	99,904	44,983
Derivatives liabilities		2,154	2,347
		676,234	423,670
Total liabilities		758,048	733,184
Net assets		2,087,059	2,153,420
Capital and Reserves			
Share capital		10,022	10,022
Share premium account		1,981,881	1,981,881
Distributable reserves		181,348	286,576
Other Reserves		181	13,879
Retained earnings	7	(86,373)	(138,938)
Shareholders' funds		2,087,059	2,153,420

(1) Notes 1 to 7 are an integral part of the financial statements

Company balance sheet
31 December 2017

The Company recorded a profit after tax of \$52.6 million for the period ended 31 December 2017 (2016: profit after tax of \$31.3 million).

The financial statements of Atlantica Yield plc, company registration no. 08818211, were approved by the board of directors and authorised for issue on 27 February 2018. They were signed on its behalf by:



Chief Executive Officer

Santiago Seage

27 February 2018

Statement of changes in equity
31 December 2017

Company Statement of changes in equity

Amounts in thousands of U.S. dollars

	Share Capital	Share Premium Account	Distributable Reserves	Retained earnings	Other Reserves	Total Shareholder's funds
Balance at 1 January 2016	10,022	1,981,881	331,974	(170,201)	4,345	2,158,021
Profit for the year	-	-	-	31,263	-	31,263
Dividends	-	-	(45,398)	-	-	(45,398)
Change in fair value of cash flow hedges (net of deferred taxation)	-	-	-	-	9,534	9,534
Balance at 31 December 2016	10,022	1,981,881	286,576	(138,938)	13,879	2,153,420
Profit for the year	-	-	-	52,565	-	52,565
Dividends	-	-	(105,228)	-	-	(105,228)
Change in fair value of cash flow hedges (net of deferred taxation)	-	-	-	-	(13,698)	(13,698)
Balance at 31 December 2017	10,022	1,981,881	181,348	(86,373)	181	2,087,059

Notes to the Company financial statements

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries and impairment

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Critical accounting policies and estimates

The most critical accounting policies, which reflect significant management estimates and judgement to determine amounts in the Company's financial statements, are as follows:

- Impairment of investments; and
- Derivative financial instruments and fair value estimates.

2. Profit/(Loss) for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2017 of \$52.6 million (2016: profit of \$31.3 million).

The auditor's fees for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. Investments in subsidiaries

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name	Place of incorporation and principal place of business	Proportion of ownership interest %	Proportion of voting power held %	Registered office
Palmucho, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
ABY Servicios Corporativos, S.L.	Spain	99.99%	99.99%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Transmisora Baquedano, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
Transmisora Mejillones, S.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile
ASUSHI Inc.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ACT Holdings, S.A. de C.V.	Mexico	99.99%	99.99%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de México
ABY Concessions Perú, S.A.	Peru	100.00%	100.00%	Av. Canaval y Moreyra, 562, San Isidro, Lima
ABY Concessions Infrastructure, S.L.U.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
ASHUSA Inc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ABY South Africa (Pty) Ltd	South Africa	100.00%	100.00%	Office 103 Ancorley Building; 45Scott Street Upton

ATN 2, S.A.	Peru	100.00%	100.00%	8801 (South Africa) Av. Canaval y Moreyra, 562, San Isidro, Lima
Mojave Solar Holdings, Llc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
Mojave Solar, Llc	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ASO Holdings Company, LLC	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
Arizona Solar One, LLC (USA)	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ATN, S.A.	Peru	99.99%	99.99%	Av. Canaval y Moreyra, 562, San Isidro, Lima
ABY Transmisión Sur, S.A.	Peru	100.00%	100.00%	Av. Canaval y Moreyra, 562, San Isidro, Lima
ACT Energy Mexico, S.A. de C.V.	Mexico	99.99%	99.99%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina 1001, Col. Los Morales Polanco, 11510, Ciudad de México
Kaxu Solar One (Pty) Ltd	South Africa	51.00%	51.00%	Office 103 Ancorley Building; 45Scott Street Upington 8801 (South Africa)
Sanlucar Solar, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solar Processes, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Palmatir, S.A	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Cadonal, S.A.	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Banitod, S.A.	Uruguay	100.00%	100.00%	Avda. Luis Alberto de Herrera, 1248, Montevideo
Ecija Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Helioenergy Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Helioenergy Electricidad, Dos, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Carpio Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solacor Electricidad Uno, S.A.	Spain	87.00%	87.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solacor Electricidad Dos, S.A.	Spain	87.00%	87.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Logrosán Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solaben Electricidad Dos, S.A.	Spain	70.00%	70.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560,

Solaben Electricidad Tres, S.A.	Spain	70.00%	70.00%	10120 Logrosán (Cáceres, Spain) Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Hypesol Energy Holding, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Helios I Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Helios II Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solnova Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solnova Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solnova Electricidad Tres, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solnova Electricidad Cuatro, S.A.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Logrosan Solar Inversiones Dos, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
Solaben Luxembourg S.A.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg
Logrosan Equity Investment S.a.r.l.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg
Extremadura Equity Investment S.a.r.l.	Luxembourg	100.00%	100.00%	6, rue Eugène RuppertL-2453 Luxembourg Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Solaben Electricidad Uno, S.A.	Spain	100.00%	100.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Solaben Electricidad Seis, S.A.	Spain	100.00%	100.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Geida Tlemcen, S.L.	Spain	50.00%	50.00%	Francisco Silvela, 42 - 4th Floor, 28028 Madrid
Myah Bahr Honaine, S.P.A.	Algeria	25.50%	25.50%	162 Bois des Cars III DelyIbrahim — Alger - Algeria
Geida Skikda, S.L.	Spain	67.00%	67.00%	Paseo de la Castellana 83-85, 28046 Madrid (Spain)
Aguas de Skikda, S.P.A.	Algeria	34.17%	34.17%	162 Bois des Cars III DelyIbrahim — Alger - Algeria
ABY Infrastructures USA, LLC.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
Fotovoltaica Solar Sevilla, S.A.	Spain	80.00%	80.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
RRHH Servicios Corporativos	Mexico	100.00%	100.00%	Avda. Jaime Balmes, 11, Piso 10, Torre C, Fracción C, Oficina

				1001, Col. Los Morales Polanco, 11510, Ciudad de México
ABY Infraestructuras, S.L.	Spain	100.00%	100.00%	C/ Albert Einstein, s/n 41092, Sevilla (Spain)
ABY Holding USA, LLC.	USA	100.00%	100.00%	1553 West Todd Dr., Suite 204 Tempe, AZ 85283 (USA)
ABY Chile, S.P.A.	Chile	100.00%	100.00%	Avda. Apoquindo, 3600, Piso 5, Oficina 517, Las Condes, Santiago de Chile

The investments in subsidiaries are all stated at cost. Information on the investments acquired in the year is disclosed in Note 5 in the consolidated financial statements. As of 31 December 2017, the carrying value of the direct investments was as follows:

	2017 \$'000	2016 \$'000
Palmucho, S.A.	-	-
ABY Servicios Corporativos, S.L.	11,357	5,483
Transmisora Baquedano, S.A.	-	-
Transmisora Mejillones, S.A.	-	-
ASHUSHI Inc.	317,950	317,950
ACT Holdings, S.A. de C.V.	98,543	98,543
ABY Concessions Perú, S.A.	261,920	261,920
ABY Concessions Infrastructure, S.L.U.	887,039	887,039
ASHUSA, Inc	380,193	380,193
ATN, S.A. (*)	1,098	1,006
ABY Transmisión Sur, S.A. (*)	11,847	10,564
ABY South Africa (Pty) Ltd (*)	56,998	56,998
ATN 2, S.A.	15,897	15,897
ABY Infrastructure USA, LLC.	5	5
ABY Holding USA, LLC.	2,120	-
Total investments in subsidiaries	2,044,967	2,035,598

(*) Includes interest free loans accounted for at amortized cost (classified as amounts owed by group undertakings, see note 5) and initial difference with nominal value of the loans accounted for as capital contribution in accordance with IAS 39.

Movements in the carrying value of investments during the years 2017 and 2016 were as follows:

	\$ '000
As at 1 st January 2017	2,035,598
Increase	9,369
As at 31st December 2017	<u>2,044,967</u>

	\$ '000
As at 1 st January 2016	2,014,487
Increase	21,111
As at 31st December 2016	<u>2,035,598</u>

The increase in 2017 mainly relates to a capital increase in ABY Servicios Corporativos, S.L. in December 2017 for \$5.8 million and to the incorporation of ABY Holding USA, Llc for \$2.1 million in February 2017.

The increase in 2016 primarily related to a capital increase in ABY Concessions Infrastructure, S.L.U. in January 2016 for \$19 million.

4. Amounts owed by/to group undertakings

	2017 \$'000	2016 \$'000
Non-current receivables from group companies	647,911	674,427
Preferred equity investment in ACBH	-	30,489
Non-current amounts owed by group undertakings	647,911	704,916
Current amounts owed by group undertakings	169	15,795
Total amounts owed by group undertakings	648,080	720,711
Current amounts owed to group undertakings	3,892	9,704
Non-Current amounts owed to group undertakings	99,904	44,983
Total amounts owed to group undertakings	103,796	54,687

Further to the completion of a series of conditions precedent that made Abengoa's restructuring effective as of March 31, 2017, the guarantee provided by Abengoa regarding the preferred equity investment in ACBH, which supported the fair value of this instrument of \$30.5 million as of December 31, 2016, was cancelled, which reduced the fair value of this instrument to nil. In exchange for the guarantee provided by Abengoa being cancelled, the Company received a certain amount of equity in Abengoa, and Corporate tradable bonds issued by Abengoa and subject to a 5.5-year period stay (extendable to a 2 additional years subject further to the senior old money creditors' consent) and with a 1.5% annual interest rate (0.25% cash, 1.25% PIK).

Further to the restructuring agreement of Abengoa being made effective, the Company was assigned an amount of New Money 1 Tradable Notes of \$44.5 million in exchange for contributing \$43.6 million of cash. As a result of this contribution, the corporate tradable bonds detailed above are ranked as senior debt. The Company sold all the New Money 1 Tradable Notes it was assigned during the month of April 2017 for \$44.9 million.

New Money 1 Tradable Notes assigned to Atlantica, Corporate tradable bonds and shares in Abengoa received, together are further referred as "Abengoa Debt and Equity Instruments". These are all available for sale financial assets, of which major part has been sold during the second, third and fourth quarter of 2017. The fair value of the remaining

portion as of December 31, 2017 amounts to \$1.7 million and is classified as short-term financial investments.

The derecognition of the fair value assigned to the ACBH's preferred equity investment and recognition of the Abengoa Debt and Equity Instruments resulted in a loss of \$5.8 million in the year. Additionally, the sale of these instruments in Abengoa resulted in a profit of \$6.5 million, offsetting the loss recognised in the period for the derecognition of the preference shares of ACBH.

Prior to Abengoa's restructuring agreement being made effective, Abengoa acknowledged that it failed to fulfil its obligations under the agreements related to the preferred equity investment in ACBH and, as a result, Atlantica is the legal owner of the dividends amounting to \$10.4 million declared on February 24, 2017, that the Company retained from Abengoa. Upon receipt of Abengoa Debt and Equity Instruments, the Company waived its rights under the guarantee provided by Abengoa related to the ACBH agreements, including its right to retain the dividends payable to Abengoa.

As at 31 December 2017, the detail of the non-current amounts owed by group undertakings was as follows:

	2017 \$'000	2016 \$'000
ATN, S.A.	4,705	4,905
ABY Concessions Infrastructure, S.L.U.	311,629	326,841
Carpio Solar Inversiones, S.A.	61,284	59,115
ABY Transmisión Sur, S.A.	40,715	47,855
Logrosán Solar Inversiones, S.A.	235	5,577
ACT Holdings, S.A. de C.V.	4,860	4,860
Ecija Solar Inversiones, S.A.	55,782	58,859
Solnova Solar Inversiones, S.A.	25,841	31,090
Hypesol Energy Holding, S.L.	110	11,645
ABY South Africa (Pty) Ltd.	69,298	62,652
ATN 2, S.A.	4,307	5,038
ASUSHA, Inc.	49,590	44,540
ABY Servicios Corporativos, S.L.	17,101	9,081
Other	2,454	2,369
Amounts owed by group undertakings	647,911	674,427

The principal features of the main loans to subsidiary undertakings are as follows:

	Interest Rate	Maturity
ATN, S.A.	0%	Not applicable
ABY Concessions Infrastructure, S.L.	5%	Not applicable
ABY Servicios Corporativos, S.L.	5%	Not applicable
Carpio Solar Inversiones, S.A.	2.5% to Euribor 12 months	31 July 2031
ABY Transmisión Sur, S.A.	0%	Not applicable
Logrosán Solar Inversiones, S.A.	2.5% to Euribor 12 months	15 December 2030
Ecija Solar Inversiones, S.A.	4.25% to Euribor 12 months	Not applicable
Solnova Solar Inversiones, S.A.	4.25% to Euribor 12 months	Not applicable
Hypesol Energy Holding, S.L.	4.5% to Euribor 12 months	Not applicable
ATN 2, S.A.	8.96%	Not applicable
ABY South Africa (Pty) Ltd.	-	Not applicable
ASUSHI Inc.	5.9%	31 December 2024

As at 31 December 2017, the amounts owed to group undertakings primarily relate to ACT Energy Mexico, S.A. de C.V. for \$81 million (\$45 million as at 31 December 2016) and to ABY Servicios Corporativos S.A. for \$18.9 million (nil as at 31 December 2016).

As at 31 December 2017, Trade and other receivables primarily relate to corporate fees the Company invoices to its subsidiaries.

5. Borrowings

As at 31 December 2017, the details of the amounts owed to third parties were as follows:

	2017	2016
	\$'000	\$'000
Secured borrowing at amortised cost		
Bonds	256,468	255,362
Borrowings	386,615	412,839
Total borrowings	643,083	668,201
Amount due for settlement within 12 months	68,907	291,861
Amount due for settlement after 12 months	574,176	376,340

The principal features of the borrowings and bonds are as follows:

On November 17, 2014, the Company issued the Senior Notes due 2019 in an aggregate principal amount of \$255 million (the "2019 Notes"). The 2019 Notes accrue annual interest

of 7.00% payable semi-annually beginning on May 15, 2015 until their maturity date of November 15, 2019.

On December 3, 2014, the Company entered into a credit facility of up to \$125 million with Banco Santander, S.A., Bank of America, N.A., Citigroup Global Markets Limited, HSBC Bank plc and RBC Capital Markets, as joint lead arrangers and joint bookrunners (the "Credit Facility Tranche A"). On December 22, 2014, the Company drew down \$125 million under the Credit Facility Tranche A. Loans accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus 2.75% and (B) for base rate loans, the highest of (i) the rate per annum equal to the weighted average of the rates on overnight U.S. Federal funds transactions with members of the U.S. Federal Reserve System arranged by U.S. Federal funds brokers on such day plus 1/2 of 1.00%, (ii) the U.S. prime rate and (iii) LIBOR plus 1.00%, in any case, plus 1.75%. The interest rate on the Credit Facility Tranche A is fully hedged by an interest rate swap contracted with HSBC Bank with maturity date December 24, 2018, resulting in the Company paying a net fixed interest rate of 4.7%. Loans under the Credit Facility Tranche A will mature in December 2018. Loans prepaid by the Company may be reborrowed. The Credit Facility Tranche A is secured by pledges of the shares of the guarantors which the Company owns.

Loans under the Credit Facility Tranche A were partially repaid for \$8 million on September 25, 2017 and for \$63 million on December 27, 2017. Residual unpaid amount of nominal of the Tranche A has been classified as Current for \$ 54 million as of December 31, 2017 (Non-Current as of December 31, 2016), as it matures in December 2018.

On June 26, 2015, the Company increased its existing \$125 million Credit Facility with a revolver tranche B for an amount of \$290,000 thousand (the "Credit Facility Tranche B"). On September 9, 2015, Credit Facility Tranche B was fully drawn down and the proceeds were used for the acquisition of Solaben 1/6. Loans under the Tranche B Facility accrue interest at a rate per annum equal to: (A) for Eurodollar rate loans, LIBOR plus 2.50% and (B) for base rate loans, 1.50%. Tranche B of the Credit Facility was signed for a total amount of \$290 million with Bank of America, N.A., as global coordinator and documentation agent and Barclays Bank plc and UBS AG, London Branch as joint lead arrangers and joint bookrunners. The Credit Facility Tranche B was classified as Current for \$288,317 thousand as of December 31, 2016 (Non-Current as of December 31, 2015) as it matured in December 2017. Loans under the Credit Facility Tranche B were fully repaid and cancelled on February 28, 2017.

On February 10, 2017, the Company issued Senior Notes due 2022, 2023, 2024 (the "Note Issuance Facility"), in an aggregate principal amount of €275 million (Approximately \$330 million). The 2022 to 2024 Notes accrue annual interest, equal to the sum of (i) EURIBOR plus (ii) 4.90%, as determined by the Agent. Interest on the Notes will be payable in cash quarterly in arrears on each interest payment date. The Company will make each interest payment to the holders of record on each interest payment date. The interest rate on the Note Issuance Facility is fully hedged by two interest rate swaps contracted with Jefferies Financial Services, Inc. with effective date March 31, 2017 and maturity date December 31, 2022, resulting in the Company paying a net fixed interest rate of 5.5% on the Note Issuance

Facility. Changes in fair value of these interest rate swaps have been recorded in income statement.

On July 20, 2017, the Company signed a credit facility (the "Credit Facility 2017") for up to €10 million, approximately \$11.9 million, which is available in euros or US dollars. Amounts drawn accrue interest at a rate per year equal to EURIBOR plus 2.25% or LIBOR plus 2.25%, depending on the currency. The credit facility has a maturity date of July 20, 2018. As of December 31, 2017, the Company drew down the credit facility in full and used the entire proceeds to prepay a part of the Tranche A of the Credit Facility.

6. Trade and other payables

As at 31 December 2017, Trade and other payables primarily relate to independent professional services.

7. Retained earnings

Retained earnings	\$'000
Balance at 1 January 2017	(138,938)
Net profit for the year	52,565
Balance at 31 December 2017	(86,373)
Retained earnings	
Balance at 1 January 2016	(170,201)
Net profit for the year	31,263
Balance at 31 December 2016	(138,938)