Consolidated Annual Report and Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2016

Company Registration nº 08818211
Atlantica Yield Plc

Company Registration No. 08818211

Consolidated Annual Report and Financial Statements

For the year ended 31 December 2016

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Atlantica Yield plc Consolidated Annual Report and Financial Statements

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Strategic Report

This Strategic Report has been prepared to provide additional 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 Great Britain, 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 "ABY".

We are a total return company that owns, manages, and acquires renewable energy, conventional power, electric transmission lines and water assets, focused on North America (the United States and Mexico), South America (Peru, Chile, Brazil 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, 2016, we own or have interests in 21 assets, comprising 1,442 MW of renewable energy generation, 300 MW of conventional power generation, 10.5 M ft3 per day of water desalination and 1,099 miles of electric transmission lines, as well as an exchangeable preferred equity investment in Abengoa Concessoes Brasil Holding S.A. ("ACBH"). ACBH is a subsidiary holding company of Abengoa engaged in the development, construction, investment and management of contracted concessions in Brazil, comprised mainly of transmission lines. See Section "Events during the period" for an update on ACBH investment. 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 21 years as of December 31, 2016. Most of the assets we own have a project-finance agreement in place.

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 from Abengoa S.A. ("Abengoa"), from third parties and from potential new future sponsors.

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, conventional 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.

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.

The Company creates value for its shareholders by seeking to (i) achieve recurrent and growing dividends to investors valuing long-term contracted assets and (ii) to grow our cash available for distribution ("CAFD") and its cash dividends paid to shareholders by acquiring new contracted assets from Abengoa, from third parties and from potential new future sponsors.

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

On November 27, 2015, Abengoa, our largest shareholder, filed a communication pursuant to article 5 bis of the Spanish Insolvency Law 22/2003 with the Mercantile Court of Seville nº 2 which granted Abengoa a deadline of March 28, 2016 to reach an agreement with its main financial creditors. On March 28, 2016, Abengoa filed an application for judicial approval of a standstill agreement which had the support of 75.04% of the financial creditors and on April 6, 2016, the judge issued judicial approval and extended the effects of the stay of the obligations referred to in the standstill agreement until October 28, 2016, to all creditors. On September 24, 2016, Abengoa announced that it had signed a restructuring agreement with a group of investors and creditors and opened an accession period for the rest of its creditors. On October 28, 2016, Abengoa filed an application for judicial approval of the restructuring agreement which, according to the announcement, had received support of 86% of its financial creditors, above the 75% legally required limit. On November 8, 2016, the judge declared the judicial approval extending the agreement terms to the rest of the creditors. On November 22, 2016, Abengoa obtained the approval of its shareholders for the restructuring agreement and measures required to implement its restructuring. On December 16, 2016, Abengoa obtained the approval of the Chapter 11 plan for its U.S. subsidiaries and on December 20, 2016, Abengoa announced the insolvency proceeding of Abengoa Mexico. On February 3, 2017, Abengoa announced they have obtained approval from 94% of its financial creditors after opening an extraordinary accession period. On February 14, 2017, Abengoa announced that it launched a waiver request in order to approve certain amendments to the restructuring agreement and opened a voting period ending on February 28, 2017. The implementation of Abengoa's restructuring is subject to a series of conditions precedent which have not been fully completed as of the date of this report.

The financing arrangements of some of our project subsidiaries contain 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 arrangements. These cross-default provisions expire progressively over time, remaining in place until the termination of the obligations of Abengoa under such project financing arrangements. During the year 2016, we have secured waivers or forbearances for most of the projects which contained these clauses. We still have cross-default provisions in Kaxu and we are currently in discussions with its project finance lenders to secure a waiver or forbearance. In addition, the financing agreements of some of the projects contain change of ownership provisions, such that they require that Abengoa maintains a minimum ownership on Atlantica Yield. During the year 2016, we have also obtained waivers and forbearances for most of the projects and we are currently in discussions with the lenders of ACT and Kaxu. In the case of Solana and Mojave, the forbearance we

obtained from the U.S. Department of Energy, or the DOE, with respect to these assets covers reductions of Abengoa's ownership resulting from (i) a court-ordered or lender-initiated foreclosure pursuant to the existing pledge over Abengoa's shares of the Company that occurs prior to March 31, 2017, (ii) a sale or other disposition at any time pursuant to a bankruptcy proceeding by Abengoa, (iii) changes in the existing Abengoa pledge structure in connection with Abengoa's restructuring process, aimed at pledging the shares under a new holding company structure, and (iv) capital increases by us. In the event of other reductions of Abengoa's ownership below the minimum ownership threshold resulting from sales of shares by Abengoa, DOE remedies will not include debt acceleration, but DOE remedies available would include limitations on distributions to us from our subsidiaries. In addition, the minimum ownership threshold for Abengoa in us has been reduced from 35% to 30%. We continue to work on obtaining waivers or forbearances for Kaxu and ACT.

In addition, on January 29, 2016, Abengoa informed us that several indirect subsidiaries of Abengoa in Brazil, including ACBH, have initiated an insolvency procedure under Brazilian law ("reorganizaçao judiciaria") as a "Pedido de processamento conjunto", which means the substantial 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 the expected dividend payments from ACBH and, as included in the agreements related to the preferred equity investment in ACBH, management has executed our rights in retaining the dividends payable to Abengoa. In the third quarter of 2016, we signed an agreement with Abengoa on 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 are the legal owner of the dividends we withheld from Abengoa, amounting to $28.0 million;
- Abengoa recognized a non-contingent credit for €300 million (approximately $316 million), corresponding to the guarantee provided by Abengoa, S.A. regarding the preferred equity investment in ACBH, subject to restructuring and subject to adjustments for dividends retained after the agreement. On October 25, 2016, we signed Abengoa's restructuring agreement and accepted, subject to implementation of the restructuring, to receive 30% of the amount (approximately $95 million nominal value) of this credit in the form of tradable notes to be issued by Abengoa. Upon completion of the restructuring, this debt, or Restructured Debt, would have a junior status within Abengoa's debt structure post-restructuring. The remaining 70% (approximately $221 million nominal value) would be received in the form of equity in Abengoa. As of the date of this report, there is a high degree of uncertainty on the value of this debt and equity;
- In order to convert this junior debt into senior debt, Atlantica Yield has agreed, subject to implementation of the restructuring, to participate in Abengoa's issuance of asset-backed notes, or the New Money 1 Tradable Notes, with up to €48 million (approximately $51 million), subject to scale-back following the allocation process contemplated in Abengoa's restructuring. In the fourth quarter of 2016, we have reached an agreement with an investment fund to sell them approximately 50% of the New Money Notes we are assigned, as a result we expect the final investment to be less than €24 million (approximately $25 million). The New Money 1 Tradable Notes are backed by a ring-fenced structure including Atlantica Yield's shares and A3T, a cogeneration plant in Mexico. The New Money 1 Tradable Notes offer the highest level of seniority in Abengoa's debt structure post-restructuring. Upon our purchase of the New Money 1 Tradable Notes, the Restructured Debt would be converted into senior debt;
- Upon receipt of the Restructured Debt and Abengoa equity, we would waive our rights under the ACBH agreements, including our right to retain the dividends payable to Abengoa.

Asset portfolio

We own a diversified portfolio of contracted assets across the renewable energy, conventional power, electric transmission line and water sectors in North America (the United States and Mexico), South

America (Peru, Chile, Uruguay and Brazil) 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 off-takers and collectively have a weighted average remaining contract life of approximately 21 years as of December 31, 2016.

The following table provides an overview of our current assets as of December 31, 2016:

Assets	Type	Ownership	Location	Currency[1]	Capacity (Gross)	Off-taker	Counterparty Credit Rating [2]	COD	Contract Years Left
Solana	Renewable (Solar)	100% Class B[3]	Arizona (USA)	U.S. dollar	280 MW	APS	A-/A3/BBB+	4Q 2013	27
Mojave	Renewable (Solar)	100%	California (USA)	U.S. dollar	280 MW	PG&E	BBB/Baa1/ A-	4Q 2014	23
Solaben 2/3[4]	Renewable (Solar)	70%[5]	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB/Baa2/ BBB+	2Q 2012 & 4Q 2012	21 / 20
Solacor 1/2[6]	Renewable (Solar)	74%[7]	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	2Q 2012 & 4Q 2012	20 / 20
PS10/20[8]	Renewable (Solar)	100%	Spain	Euro	31 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	1Q 2007 & 2Q 2009	15 / 17
Helioenergy 1/2[9]	Renewable (Solar)	100%	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	3Q 2011 & 4Q 2011	20 / 20
Helios 1/2[10]	Renewable (Solar)	100%	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	2Q 2012 & 3Q2012	21 / 21
Solnova 1/3/4[11]	Renewable (Solar)	100%	Spain	Euro	3x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	2Q 2010 & 2Q 2010 & 3Q 2010	18 / 18 / 19
Solaben 1/6[12]	Renewable (Solar)	100%[19]	Spain	Euro	2x50 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	3Q 2013	22 / 22
Seville PV	Renewable (Solar)	80%[20]	Spain	Euro	1 MW	Wholesale market/ Spanish Electric System	BBB+/Baa2/ BBB+	3Q 2006	19
Kaxu	Renewable (Solar)	51%[13]	South Africa	Rand	100 MW	Eskom	BBB- /Baa2/BBB[14]	1Q 2015	18
Palmatir	Renewable (Wind)	100%	Uruguay	U.S. dollar	50 MW	Uruguay	BBB-/Baa2/ BBB-[15]	2Q 2014	17
Cadonal	Renewable (Wind)	100%	Uruguay	U.S. dollar	50 MW	Uruguay	BBB-/Baa2/ BBB-[15]	4Q 2014	18
ACT	Conventional Power	100%	Mexico	U.S. dollar	300 MW	Pemex	BBB+/Baa1/ BBB+	2Q 2013	16
ATN	Transmission Line	100%	Peru	U.S. dollar	362 Miles	Peru	BBB+/A3/ BBB+	1Q 2011	24
ATS	Transmission Line	100%	Peru	U.S. dollar	569 Miles	Peru	BBB+/A3/ BBB+	1Q 2014	27
ATN2	Transmission Line	100%	Peru	U.S. dollar	81 miles	Las Bambas	Not rated	2Q 2015	16
Quadra 1	Transmission Line	100%	Chile	U.S. dollar	43 Miles	Sierra Gorda	Not rated	2Q 2014	18
Quadra 2	Transmission Line	100%	Chile	U.S. dollar	38 Miles	Sierra Gorda	Not rated	1Q 2014	18
Palmucho	Transmission Line	100%	Chile	U.S. dollar	6 Miles	Endesa Chile[16]	BBB+/Baa2/ BBB+	4Q 2007	21
Honaine	Water	25.5%[17]	Algeria	U.S. dollar	7 M ft^3/day	Sonatrach	Not rated	3Q 2012	21
Skikda	Water	34.2%[18]	Algeria	U.S. dollar	3.5 M ft^3/day	Sonatrach	Not rated	1Q 2009	17

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) Refers to Empresa Nacional de Electricidad, S.A., or Endesa Chile, which is owned by the Enel Group.
(17) Algerian Energy Company, SPA owns 49% of Honaine and Sadyt owns the remaining 25.5%.
(18) Algerian Energy Company, SPA owns 49% of Skikda and Sadyt owns the remaining 16.8%.
(19) Instituto para la Diversificacion y Ahorro de la Energia, or Idea, a Spanish state-owned company holds 20% of the shares in Seville PV.

Business model, strategy and objectives

Atlantica Yield is a total return company that owns, manages, and acquires renewable energy, conventional power, electric transmission lines and water assets, focused on North America (the United States and Mexico), South America (Peru, Chile, Brazil 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.

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 signed 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, conventional 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.

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, which 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.

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, ideally longer than 20 years.
- Project financing for each individual project.
- Operations and maintenance contract in place at each project.
- Management and operational systems and processes at our 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, as well as selected countries in Africa.
- Preference for U.S. dollar-denominated revenues, in the absence of which, we will implement a cost-effective, ad-hoc hedging policy that will support stability of cash flows.

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

- Focus on stable, long-term contracted assets in renewable energy, conventional power generation and electric transmission lines. 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 main markets, North America, South America and Europe, helps to ensure exposure to markets in which we believe the renewable energy, conventional power and electric transmission sectors will continue growing significantly.
- Increase cash available for distribution by optimizing our existing assets. Some of our assets are newly operational 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, conventional 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 sponsors. We plan to sign 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 a very limited portion of our cash in assets under development. 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.
- Foster a low-risk approach. We intend to maintain, over time, a portfolio of contracted assets with a low-risk profile due to creditworthy off-take counterparties, long-term contracted revenues, 90% of cash available for distribution in, indexed or hedged to the U.S. dollar and proven technologies in which we have deep expertise and significant experience, located in countries where we believe conditions to be stable and safe. 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.

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 three first 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 2017 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 have also focused our efforts in eliminating risks associated to our sponsor's insolvency process and in becoming an independent company.

In this sense, during 2016 we have built our own back-office independent from Abengoa and we have separated our IT systems.

In addition, we have obtained waivers and forbearances for most of our projects. Some of our projects contained cross-default provisions and change of ownership provisions with Abengoa, such that debt defaults by Abengoa, subject to certain threshold amounts and/or a restructuring process, could trigger defaults under such project financing arrangements. Some of our projects also included change of ownership that would be triggered if Abengoa ceases to own at least 35% of Atlantica Yield's shares. During the year 2016, after obtaining waivers and forbearances for most of our projects, we are still working in securing waivers or forbearances for Kaxu for cross-default and change of ownership and ACT for change of ownership.

In 2016, the Company and its subsidiaries reported revenues of $971.8 million (2015: $790.9 million) and a loss for the year attributable to the parent company of $4.9 million (2015: loss of $209.0 million).

$ in millions	2016	2015
Revenue	971.8	790.9
Operating Profit	402.4	344.5
Profit / (Loss) for the Year	1.6	(198.2)
Loss for the Year Attributable to the Parent Company	(4.9)	(209.0)

As of 31 December 2016, our cash and cash equivalents at the project company level were 472.6 million as compared with $469.2 million as of 31 December 2015. In addition, our cash and cash equivalents at the Atlantica Yield level were $122.2 million as of 31 December 2016 compared with $45.5 million as of 31 December 2015.

We expect our on-going 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, subject to market conditions. Our financing agreements consist mainly of the project-level financings for our various assets, the 2019 Notes and the Credit Facility. In addition, on 10 February 2017, we signed a Note Issuance Facility that we intend to use to repay and cancel Tranche B of our Revolving Credit Facility.

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 2016, we paid total dividends of $0.453 per share to our shareholders 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. In 2015, we paid $1.4292 per share and from that amount we retained $9.0 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 of our assets have contracted revenues with low-risk off-takers and collectively have a weighted-average remaining contract life of approximately 21 years as of December 31, 2016. 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, 2016 and 2015:

$ in millions	2016	2015
Revenue	$ 971.8	$ 790.9
Other operating income	65.5	68.8
Raw materials and consumables used	(26.9)	(23.2)
Employee benefit expenses	(14.7)	(5.8)
Depreciation, amortization and impairment charges	(332.9)	(261.3)
Other operating expenses	(260.3)	(224.9)
Operating profit	**$ 402.4**	**$ 344.5**
Financial income	3.3	3.5
Financial expense	(408.0)	(333.9)
Net exchange differences	(9.6)	3.9
Other financial income/(expense), net	8.5	(200.2)
Financial expense, net	**$ (405.8)**	**$ (526.7)**
Share of profit/(loss) of associates carried under the equity method	6.7	7.8
Profit/(Loss) before income tax	**$ 3.3**	**$ (174.4)**
Income tax	(1.7)	(23.8)
Profit/(Loss) for the year	**$ 1.6**	**$ (198.2)**
Profit/(loss) attributable to non-controlling interests	(6.5)	(10.8)
Loss for the year attributable to the parent company	**$ (4.9)**	**$ (209.0)**

Revenues

Revenues increased by 22.9% to $971.8 million in the year ended 31 December 2016, compared with $790.9 million for the year ended 31 December 2015. The increase is largely attributable to the acquisitions of Helioenergy 1/2, Helios 1/2, Solnova 1/3/4, ATN2 in the second quarter of 2015 as well as Kaxu and Solaben 1/6 in the third quarter of 2015. Additionally, production at Mojave increased as the project entered into its second year of operations. These resulted in a net electricity production of 5,503 GWh in operation for the year ended December 31, 2016, compared with 5,001 GWh produced during the year ended December 31, 2015.

Other operating income

The following table sets forth our other operating income for the years ended December 31, 2016 and 2015:

	Year ended December 31,	
	2016	**2015**
Other operating income	**$ in millions**	
Grants	59.1	67.8
Income from various services	6.4	1.0
Total	**65.5**	**68.8**

Other operating income decreased by 4.8% to $65.5 million for the year ended December 31, 2016, compared with $68.8 million for the year ended December 31, 2015. The decrease was mainly due to the decrease in Grants to $59.1 million for the year ended December 31, 2016 from $67.8 million in the same period of 2015. Income classified as grant represents the financial support provided by the U.S. Administration to Solana and Mojave and consists of ITC Cash Grants and an implicit grant related to the below market interest rates of the project loans with the Federal Financing Bank. The decrease relates to the implicit grant of Mojave and is driven by the October 2015 repayment of the short-term tranche of its loans. Income from various services for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 due to the $5.1 million insurance income recorded at Solana.

Raw materials and consumables used

Raw materials and consumables used increased by $3.7 million to $26.9 million for the year ended December 31, 2016, compared with $23.2 million for the year ended December 31, 2015, primarily due to the higher volume of spare parts and consumables at Solana and raw materials used at the projects acquired during 2015.

Employee benefits expenses

Employee benefit expenses increased by $9.0 million to $14.8 million for the year ended December 31, 2016, compared with $5.8 million for the year ended December 31, 2015. The increase is mainly due to the transfer of employees previously employed by subsidiaries of Abengoa who were providing services to Atlantica Yield under the Support Services Agreement to subsidiaries of Atlantica Yield. The transfer occurred over the first six months of 2016 and the Support Service Agreement was terminated in the second quarter of 2016. Additionally, during 2015, Management employees of Atlantica Yield were transferred to companies within the perimeter of Atlantica Yield and the Executive Services Agreement was terminated, which has also caused an increase in employee benefits expenses.

Depreciation, amortization and impairment charges

Depreciation, amortization and impairment charges increased by 27.4% to $332.9 million for the year ended December 31, 2016, compared with $261.3 million for the year ended December 31, 2015. The increase was largely attributable to the depreciation and amortization expenses of Helios 1/2, Solnova 1/3/4 and Helioenergy 1/2 acquired in the second quarter of 2015 as well as Kaxu and Solaben 1/6 acquired in the third quarter of 2015. Additionally, in the fourth quarter of 2016, we recognized $20.3 million of impairment in our wind assets mainly due to lower than expected wind resource in the previous two years (see Note 13 to our Consolidated Financial Statements).

Other operating expenses

The following table sets forth our other operating expenses for the years ended December 31, 2016 and 2015:

Other operating expenses	Year ended December 31, 2016 $ in millions	2016 % of revenue	2015 $ in millions	2015 % of revenue
Leases and fees	5.3	0.5%	3.9	0.5%
Operation and maintenance	133.3	13.7%	116.5	14.7%
Independent professional services	30.5	3.2%	19.0	2.4%
Supplies	17.2	1.8%	18.0	2.3%
Insurance	23.4	2.4%	20.2	2.6%
Levies and duties	44.5	4.6%	32.4	4.1%
Other expenses	6.2	0.6%	14.9	1.9%
Total	**260.3**	**26.8%**	**224.9**	**28.4%**

Other operating expenses increased by 15.8% to $260.3 million for the year ended December 31, 2016, compared with $224.9 million for the year ended December 31, 2015. This was primarily due to the other operating expenses of the companies acquired in the second and third quarter of 2015. Levies and duties correspond largely to the electricity tax of our Spanish solar assets and the increase is mainly attributable to the acquisition of Helios 1/2, Solnova 1/3/4, Helioenergy 1/2 and Solaben 1/6.

We have changed our presentation of "Other operating expenses" to better reflect the nature of our business and costs. Prior period amounts have been reclassified to conform to the new classification presented in the table above.

Operating profit/(loss)

As a result of the above factors, operating profit increased by 16.8% to $402.4 million for the year ended December 31, 2016, compared with $344.5 million for the year ended December 31, 2015.

Financial income and financial expense

Financial income and financial expense	Year ended December 31, 2016	2015
	$ in millions	
Financial income	3.3	3.5
Financial expense	(408.0)	(333.9)
Net exchange differences	(9.6)	3.9
Other financial income/(expense), net	8.5	(200.2)
Financial expense, net	**(405.8)**	**(526.7)**

Net financial expense decreased to $405.8 million for the year ended December 31, 2016, compared with $526.7 million for the year ended December 31, 2015, mainly due to the impairment of the preferred equity investment in ACBH recognized in 2015 partially offset by the increase in the financing expense in 2016. Both effects are analysed below.

Financial expense

The following table sets forth our financial expense for the years ended December 31, 2016 and 2015:

Financial expense	Year ended December 31, 2016	2015
	$ in millions	
Expenses due to interest:		
Loans with credit entities	(242.9)	(197.9)
Other debts	(91.0)	(81.9)
Interest rates losses derivatives: cash flow hedges	(74.1)	(54.1)

Total	(408.0)	(333.9)

Financial expense increased by 22.2% to $408.0 million for the year ended December 31, 2016, compared with $333.9 million for the year ended December 31, 2015. This increase was largely attributable to interest expenses from loans and credits of the assets acquired in the second (Helios 1/2, Solnova 1/3/4, Helioenergy 1/2 and ATN2) and third quarter (Kaxu and Solaben 1/2) of 2015. Interest expense also increased due to the interest corresponding to the Tranche B of the Credit Facility closed on June 26, 2015 and fully drawn in September 2015.

Interest on other debt is primarily interest on the notes issued by ATS, Solaben 1/6 and ATN, and the 2019 Notes, as well as interest related to the investment from Liberty in Solana. The increase is mainly due to the acquisition of Solaben 1/6 in the third quarter of 2015.

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 Consolidated Financial Statements. The increase is principally due to the acquisition of solar assets in Spain that usually hedge interest rate risk with swaps.

Other financial income/(expense), net

	Year ended December 31,	
Other financial income/(expenses)	**2016**	**2015**
	$ in millions	
Dividend ACBH (Brazil)	28.0	18.4
Other financial income	13.0	1.5
Impairment preferred equity investment in ACBH	(22.1)	(210.4)
Other financial losses	(10.4)	(9.7)
Total	**8.5**	**(200.2)**

Other financial income, net increased to $8.5 million income for the year ended December 31, 2016, compared with a $200.2 million financial expense, net for the year ended December 31, 2015.

On January 29, 2016, Abengoa informed us that several indirect subsidiaries of Abengoa in Brazil, including ACBH, initiated an insolvency procedure under Brazilian law ("reorganizaçao judiciaria"), including ACBH. According to the agreement reached with Abengoa in the third quarter of 2016, they have acknowledged that Atlantica Yield is the legal owner of the dividends retained from Abengoa amounting to $28.0 million. As a result, we have recorded $28.0 million in our Consolidated Financial Statements, in accordance with the accounting treatment given previously to the ACBH dividend.

Additionally, taking into account the agreement signed with Abengoa regarding the ACBH preferred equity investment, we have performed a valuation of the instrument as of 31 December 2016 using a probability weighted average method. This valuation method considers the probability of the restructuring agreement being made effective and has resulted in an impairment of $22.1 million (see Note 23 to the Annual Consolidated Financial Statements). This impairment is a non-cash item.

The increase in other financial income corresponds principally to $7.7 million of subordinated debt with the EPC contractor of one of our assets which has been cancelled in the third quarter of 2016 and financial income from the early payment of payables with Abengoa.

Other financial losses mainly 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 $6.7 million for the year ended December 31, 2016, compared with a $7.8 million for the year ended December 31, 2015. The decrease is

mainly due to the results of Helioenergy 1/2 which were recorded under the equity method from the acquisition of the initial 29.6% stake in February 2015 until May 2015 when we gained control of the asset and started consolidating it.

Profit/(loss) before income tax

As a result of the above factors, we reported a profit amounting to $3.3 million for the year ended December 31, 2016, compared with a loss before income taxes of $174.4 million for the year ended December 31, 2015.

Income tax

Income tax expense amounted to $1.7 million for the year ended December 31, 2016, compared with an income tax expense of $23.8 million for the year ended December 31, 2015. 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.

Income tax expense amounted to $23.8 million for the year ended December 31, 2015. Our effective tax rate differed from the average nominal tax rate mainly due to permanent differences resulting primarily from inflationary effects in Mexico and incentives related mainly to the tax exemption of ACBH dividends.

Loss/(profit)) attributable to non-controlling interest

Profit attributable to non-controlling interest decreased by 39.7% to $6.5 million in the year ended December 31, 2016, compared with $10.8 million in the year ended December 31, 2015 mainly due to lower results in most of the projects in which we have partners.

Profit/(loss) attributable to the parent company

As a result of the above factors, loss attributable to the parent company decreased to $4.9 million for the year ended December 31, 2016, compared with a loss attributable to the parent company of $209.0 million for the year ended December 31, 2015.

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
- Capital expenditures
- Interest rates
- Exchange rates

In addition, the comparability of our results of operations is affected by the acquisitions we closed during the year 2015.

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, third parties or new potential future sponsors.

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	
	2016	2015
Renewable Energy		
MW in operation[1]	1,442	1,441
GWh produced	3,087	2,536
Conventional Power		
MW in operation[1]	300	300
GWh produced[2]	2,416	2,465
Availability (%)[3]	99.1%	101.7%
Electric Transmission		
Miles in operation	1,099	1,099
Availability (%)[3]	100.0%	99.9%
Water		
Mft³ in operation	10.5	10.5
Availability (%)[3]	101.8%	101.5%

[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] Conventional production and availability were impacted by a periodic scheduled major maintenance in February 2016.

[3] Availability refers to actual availability divided by contracted availability.

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.	Operational risks are higher in younger assets than in more mature ones and likely to remain similar in the next few years.	▪ 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.
▪ 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. During the first half of 2016, access to financing has been curtailed by market conditions and other factors.	▪ Maintain ROFO agreement with current sponsor. ▪ 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.
▪ 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	Although there have been no material changes for the underlying assets in 2016, there may be risks in the future due to events during the period, in	▪ Investment grade ratings in most of our assets. ▪ Strong power purchase agreement or

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
	our ability to refinance projects.	particular: ▪ In the US, 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. In addition, the current US administration has made public statements regarding reducing the corporate tax rate and limiting interest expense deductibility. ▪ In addition, we may be exposed to political, social and macroeconomic risks relating to the United Kingdom's potential exit from the European Union.	concession contracts in most assets. ▪ 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.	▪ Additional risks derived from the Company's acquisitions. ▪ Cross-default provisions and change of ownership provisions related to Abengoa (see below).	▪ 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, outstanding debt, cross-default provisions, minimum ownership provisions, existing guarantees and other risks.	▪ Cross-default provisions related to Abengoa could trigger defaults under project financing arrangements (Kaxu). ▪ Change of ownership provisions related to Abengoa could trigger defaults under project financing arrangements in case Abengoa ownership of Atlantica Yield decreased below the minimum levels defined in the financing agreements (ACT, Kaxu and under non-forborne limited circumstances Solana and Mojave). ▪ Reputational relation to Abengoa is lower but it still exists in some areas. ▪ We have set up our own independent back office and our own IT systems separate from Abengoa.	▪ Contingency plan in each key area. ▪ Corporate governance. ▪ New corporate brand and new legal name. ▪ Cross-default provisions expire progressively over time. ▪ Current discussions with our project finance lenders.
▪ Liquidity risk.	▪ Not being able to meet our financial obligations as they fall due.	We have signed a note issuance facility for €275 million (approximately $294 million) the proceeds of which, we intend to use towards repayment and cancellation of the Tranche B of the Credit Facility which matures in December 2017. The new note issuance facility has three series maturing in 2022 (€92 million), in 2023 (€91.5 million) and 2024 (€91.5 million)	▪ Processes and systems in place. ▪ Cash in hand. ▪ At least 10% of cash flows generated by our project companies and distributed to the holding company retained. ▪ Possibility to change dividend policy. ▪ Refinancing of bullet-maturity corporate debt
▪ Interest rate and foreign currency exchange rate.	▪ Increases in rates would raise our finance expenses at project companies or corporate level.	▪ In addition to the existing Currency Swap Agreement entered with Abengoa for distributions from Spanish assets, we signed two currency options with a leading financial institution to guarantee minimum Euro-U.S. dollar exchange rates ▪ No material changes for the underlying assets related to interest rates.	▪ Policy to hedge in order to have a 90% at least of cash flows generated by our project companies in USD or hedged to USD. ▪ 91% of our total interest risk exposure is fixed or hedged.

Risk	Impact	Assessment of change in risk year-on-year	Mitigation of risk
▪ 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 31 December 2016 and 2015, we did not have trade receivables outstanding for more than three months.

The directors have considered the Group's relationship with its shareholder, Abengoa S.A, and the events that have taken place in the year as discussed in Note 1 to the Consolidated Financial Statements.

Corporate and social responsibility

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

Atlantica Yield 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, clean conventional (cogeneration technology) and water assets and transmissions lines. In 2016 we incorporated to our portfolio of renewable assets a photovoltaic asset, consolidating Atlantica Yield efforts to continue promoting a low-carbon energy industry and a business model based on a sustainable development. Atlantica Yield 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 Yield 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.

The main milestones and figures for 2016 are:

Management System

We have established a management system that guarantees that the Company complies with 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. Every year we set improvement targets in order to achieve higher quality, environmental standards.

Throughout the year 2016 we have been able to renovate the certifications obtained in 2015 by the Company regarding the following recognized standards:

- ISO 9001: Certification for Quality Management System.
- ISO 14001: Certification for Environmental Management System.
- OHSAS 18001: Certification for Occupational Health and Safety.

Greenhouse gas emissions

As a Company based in the United Kingdom, Atlantica Yield complies with the requirements from the Climate Change Act 2008. Companies in compliance with the greenhouse gas reporting regulation, a requirement contained in this framework law, must report their greenhouse gas emissions. Additionally, our greenhouse gas emissions management fulfill with the requirements of the Commission Regulation (EU) No 601/2012.

Our focus in renewables and sustainable technologies allows Atlantica Yield to have greenhouse gas emissions rates significantly lower than fossil fuels power generators.

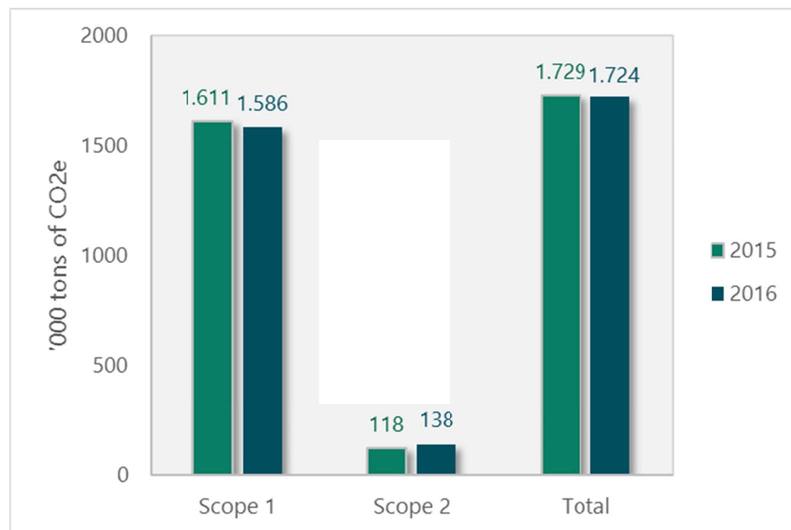
Emissions figures on this report are quantified and reported according to the guidelines of the ISO 14064. Regarding this international standard, which was compiled according to the Green House Gas Protocol, we classified our emissions into 2 groups:

- 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, which are the emissions associated to the supply chain or to transport, are not required to be reported according to the United Kingdom regulation. Besides, they suppose a negligible share of the total of our emissions, therefore we do not include them in this report.

The total emissions of carbon dioxide equivalent generated by the Company and the Group during 2016 reached 1,724 thousands of tons, a 0.3% lower than 2015 values. We consider it as a notable reduction taking into account the maturity of the assets in our portfolio.

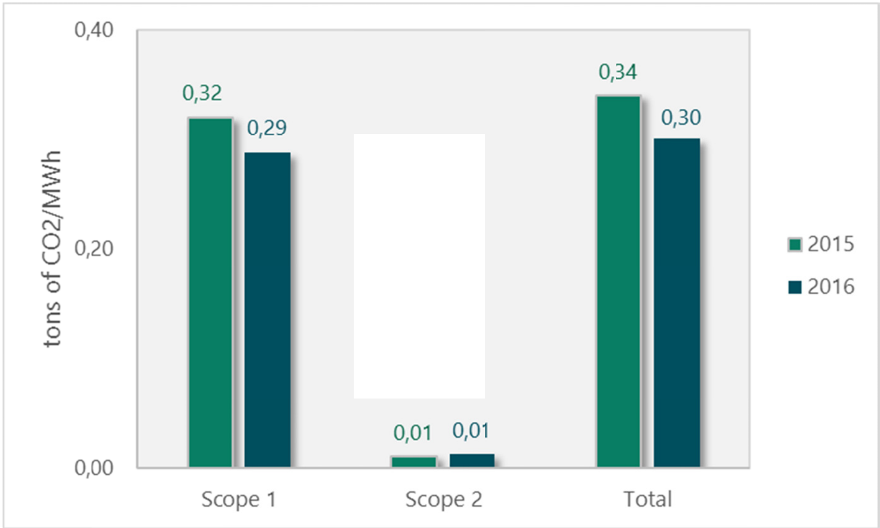
Graph 1 shows the tons of carbon dioxide equivalent generated in 2015 and 2016, corresponding to each of the previously described scopes.



Graph 1: Greenhouse Gas emissions breakdown by Scope*

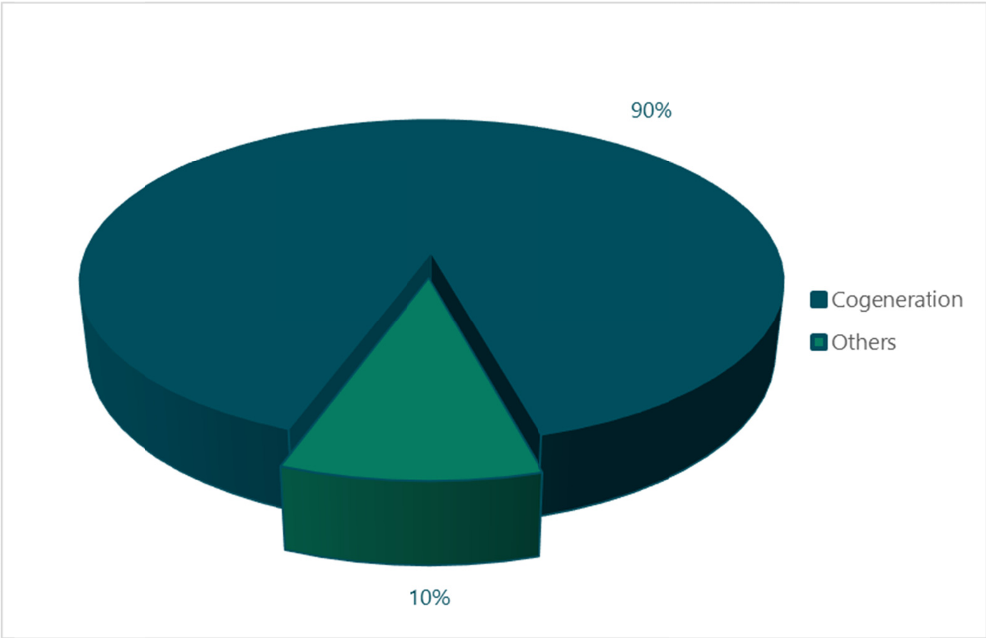
* Emissions are considered since acquisition date of each asset and for assets that are consolidated.

As shown on the following graph, the rate of emissions per energy generation has decreased, from 0.34 equivalent tons of Carbon Dioxide (“CO2”) per megawatt hour in 2015 to 0.30 in 2016. This decrease is explained by the higher generation from renewables assets in 2016.



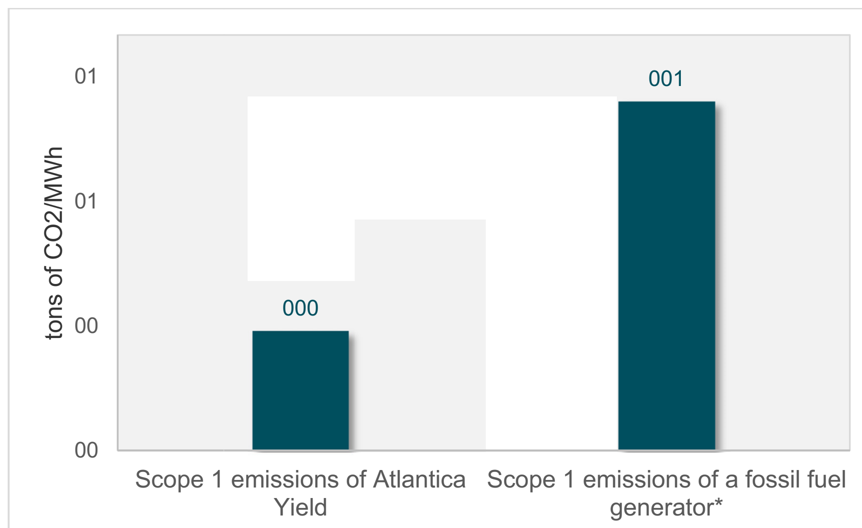
Graph 2: Tons of CO2 emissions per MWh by Scope

Around 90% of the emissions generated in 2016 come from our conventional power plant 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 much lower emission rate than pure fossil fuels generators as shown on Graph 4. This fact implies a total of 3,036 tons of CO2 equivalent saved to the atmosphere compared with a 100% fossil fuels based generation.



* Source: Average value of carbon dioxide produced per kilowatt-hour for different sources. Data from the U.S. Energy Information Administration

Graph 4: Atlantica Yield versus Fossil fuel generation GHG emissions

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 Yield 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. 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 Yield 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 deep capability and a safe operating culture across Atlantica Yield and encourages 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. These efforts resulted in the certification for Occupational Health and Safety (OHSAS 18001) obtained in 2015 and successfully renovated in 2016.

We actively monitor a broad range of occupational health and safety key performance indicators such as days without accidents, number of near misses and drills, not only to closely track down this area but to encourage employees in our assets to continuously improve on this matter.

Business ethics

Atlantica Yield is building a sustainable and successful business for our customers, colleagues, partners and investors. We are committed to promote ethical business practice and comply with all relevant laws and regulations.

Atlantica Yield subscribes and assumes 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.

We have specific quality norms, which are the result of carrying out activities with knowledge, common sense, rigor, order and responsibility. 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 Yield business.

In accordance with our policies, Atlantica Yield provides to its employees, shareholders and the rest of our stakeholders a specific channel of communication with management and the governing bodies, that serves as an instrument to report any suspected or actual irregularities, instances of non-compliance with the code of conduct, as well as unethical or unlawful behaviour that is against the rules and regulations which govern our Company. Our whistleblower disclosure channel meets the requirements of the Sarbanes Oxley Act.

In addition to the provisions of our code of conduct, the business activities of Atlantica Yield 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 Yield’s policy even if the refusal to make them may cause Atlantica Yield to lose business.

Furthermore, Atlantica Yield 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 Yield'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, 2016, we had 166 employees compared to 88 employees as of December 31, 2015. During 2016, we finished the process of transferring and employing directly our back office personnel to achieve full autonomy from Abengoa. The number of employees is now aligned with the right-size of our organization and our business activities. We do not expect significant changes throughout 2017.

The following table shows the number of employees as of December 31, 2016 and 2015 on a consolidated basis:

	Year ended December 31,	
	2016	**2015**
Geography		

EMEA	47	34
North America	26	7
South America	6	6
Corporate	87	41
Total	**166**	**88**

Per gender, 1 of our 8-member board of directors, or 13%, 1 of our 8-member senior management team, or 13%, and 66 of 166 employees, or 40% as of 31 December 2016 are women. As of 31 December 2015, there was 1 woman in our 8-member board, representing 13%, 1 woman in our 7-member senior management team, representing 14%, and 33 women among our 88 employees, representing 38% of the Group personnel.

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 aim to develop the talents of our workforce. The executive team members hold regular meetings with employees around the countries in which we operate. Team and one-to one meetings are carried out recurrently and are complemented by formal processes to evaluate the performance of each employee.

Atlantica Yield code of conduct

Our Board of Directors has adopted a code of conduct for our employees, officers and directors 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 Yield 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 our code of conduct is addressed to Atlantica Yield's VP Risks & Compliance department.

Our code of conduct is publicly available on our website at www.atlanticayield.com.

Occupational Health and Safety

Atlantica Yield 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 deep capability and a safe operating culture across the Company and the Group 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. These efforts resulted in

the certification for Occupational Health and Safety (O0048SAS 18001) obtained in 2015 and successfully renewed in 2016.

We actively monitor a broad range of occupational health and safety key performance indicators such as days without accidents, number of near-misses and drills, not only to closely track down this area but to encourage employees at our assets to continuously improve on this matter.

Future Developments

As previous described in this Consolidated Annual Report, 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.

Research and Development

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

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 formalised 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 disclosed in Note 17 in our Consolidated Financial Statements, Tranche B of the Credit Facility is classified as current for $288.3 million as of 31 December 2016 as it matures in December 2017. As a result, current liabilities in the consolidated statement of financial position are higher than current assets. Subsequent to year-end, on 10 February 2017, the Company 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 $294 million), with three series of notes. Series 1 notes for €92 million mature in 2022, series 2 notes for €91.5 million mature in 2023, and series 3 notes for €91.5 million mature in 2024. Interest on all three series accrues at a rate per annum equal to the sum of EURIBOR plus 4.90%. The proceeds of the Note Issuance Facility will be used for the repayment of Tranche B under our Credit Facility, which will be terminated, as well as for general corporate expenses incurred as part of this transaction. As a result, maturities of the corporate debt have been extended beyond 2017.

In addition, as of 31 December 2016, the project debt agreements for the projects Kaxu and Cadonal did not have what International Accounting Standards define as an unconditional right to defer the settlement of the debt for at least twelve months after that date, as the cross-default provisions make that right not totally unconditional, and therefore the debt has been presented as current in financial statements. Maturities according to the terms of the contracts are longer than twelve months and we do not expect the acceleration of debt to be declared by the credit entities.

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 $334.4 million from operating activities, invested $26.4 million and used $226.1 million in financing activities. All of these resulted in a $82.0 million increase on our cash position by the year end, with a closing cash position of $594.8 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 being used as a significant part of the cash required to make future acquisitions.

Approval

This Strategic Report was approved by the board and signed on its behalf by Santiago Seage, Chief Executive Officer on 24th February, 2017.

Chief Executive Officer
Santiago Seage

24th February, 2017

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 2016.

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.

Dividends

We expect to distribute a quarterly dividend to 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 8 May 2015, our board of directors approved a quarterly dividend corresponding to the first quarter of 2015 amounting to $0.34 per share, which was paid on 15 June 2015. On 29 July 2015, our board of directors approved a quarterly dividend corresponding to the second quarter of 2015 amounting to $0.40 per share, which was paid 15 September 2015. On 5 November 2015, our board of directors approved a quarterly dividend corresponding to the third quarter of 2015 amounting to $0.43 per share. The dividend was paid on 16 December 2015, and from that amount we retained $9 million from the dividend payable to Abengoa in accordance with the provisions of the parent support agreement.

In February 2016, taking into consideration the uncertainties resulting from the situation of our sponsor, the board of directors decided to postpone the decision whether to declare a dividend in respect of the fourth quarter of 2015 until the second quarter of 2016. In May 2016, considering the uncertainties that remained in our sponsor's situation, our board of directors decided not to declare a dividend in respect of the fourth quarter of 2015 and to postpone the decision on whether to declare a dividend in respect of the first quarter 2016 until we had obtained greater clarity on cross default and change of ownership issues. In August 2016, based on the secured waivers and forbearances, our board of directors decided to declare a dividend of $0.145 per share for the first quarter of 2016 and a dividend of $0.145 per share for the second quarter of 2016, which were paid on 15 September 2016. From that amount, we retained $12.2 million of the dividend attributable to Abengoa. On 11 November 2016, our board of directors, based on waivers or forbearances obtained to that date, decided to declare a dividend of $0.163 per share, which was paid on 15 December 2016. From that amount, we retained $6.7 million of the dividend attributable to Abengoa. On 24th February, 2017, our board of directors approved a dividend of $0.25 per share which is expected to be paid on or about March 15th March, 2017 to shareholders of record on February 28th, 2017.

We intend to distribute a significant portion 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 (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 carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

On 22 January 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 14 May 2015, Atlantica Yield issued 20,217,260 new shares at $33.14 per share, which was based on a 3% discount compared to prices on 7 May 2015. Abengoa subscribed for 51% of the newly-issued shares and maintained its previous stake in Atlantica Yield.

On 14 July 2015, Abengoa sold 2,000,000 shares of Atlantica Yield under Rule 144, reducing its stake to 49.1%.

On 5 March 2015, Abengoa sold an aggregate of $279 million of principal amount of exchangeable notes due 2017, or the Exchangeable Notes. The Exchangeable Notes are exchangeable, at the option of their holders, for ordinary shares of Atlantica Yield. As of 23 September 2016, the date of the most recent public information, according to publicly available information, Abengoa had delivered an aggregate of 7,595,639 shares of the Company to holders that exercised their option to exchange Exchangeable Notes. As a result, Abengoa holds 41.47% of our ordinary shares as of that date. In addition, as of 23 September 2016, there were 16,475.61 shares of the Company subject to delivery to holders of the Exchangeable Notes upon exchange of the outstanding Exchangeable Notes.

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 themselves 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 on request.

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 Director, independent: appointed 13 June 2014
▪ Santiago Seage	Chief Executive Officer	Appointed 27 November 2015 as Managing Director [1] Appointed 17 December 2013
▪ William B. Richardson	Director	Appointed 13 June 2014, resigned 11 November 2016
▪ Joaquin Fernandez de Pierola	Director	Appointed 11 November 2016

[1] Santiago Seage was named Chief Executive Officer by the Shareholders' Annual Meeting held on 11 May 2016. Prior to that, he served as the Managing Director.

- María J. Esteruelas | Director | Appointed 13 June 2014
- Eduardo Kausel | Director, independent | Appointed 13 June 2014
- Jack Robinson | Director, independent | Appointed 13 June 2014
- Enrique Alarcon | Director, independent | Appointed 13 June 2014
- Juan del Hoyo | Director, independent | Appointed 13 June 2014

Our board of directors is responsible for, among other things, overseeing the conduct of our business; reviewing and, where appropriate, approving, our long-term strategic, financial and organizational goals and plans; and reviewing the performance of our Chief Executive Officer and other members of senior management.

Under English law, the board of directors of an English corporation is responsible for the management, administration and representation of all matters concerning the relevant business, subject to the provisions of the relevant constitution, statutes and resolutions adopted at general shareholder's meetings by a majority vote of the shareholders. Under English law, the board of directors may 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 of directors and have not approved the board of director's delegation to others.

Currently the board has three standing committees which are the Audit Committee, the Nominating and Corporate Governance Committee and Compensation Committee. The latter two committees replaced the previous Appointments and Remuneration Committee in February 2016. Each committee operates under a written charter that sets forth the purposes, goals and responsibilities of the committee as well as qualifications for committee membership. Committees report regularly to the full Board with respect to their activities.

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.

Political contributions

No political donations were made during 2016 nor 2015.

Substantial shareholdings

Name	Ordinary Shares Beneficially Owned	Percentage
5% Beneficial Owners		
Abengoa Concessions Investments Limited[1]..	41,557,663	41.47%
Jennison Associates LLC[2]	7,597,607	7.58%
Prudential Financial, Inc.[3]..	7,734,537	7.72%
Appaloosa L.P.[4]	5,820,326	5.81%

Notes:—

(1) This information is based solely on the Schedule 13D filed with the U.S. Securities and Exchange Commission on September 26, 2016 with by Abengoa, S.A., a corporation incorporated under the laws of Spain. The direct beneficial

owner of the shares is Abengoa Concessions Investments Limited. The registered address of Abengoa, S.A. is Campus Palmas Altas, C/ Energia Solar, 41014, Seville, Spain.

(2) This information is based solely on the Schedule 13G filed with the U.S. Securities and Exchange Commission on February 2, 2017 by Jennison Associates LLC, or Jennison, a Delaware limited liability company. Prudential Financial, Inc. indirectly owns 100% of equity interests of Jennison. As a result, Prudential Financial, Inc. may be deemed to have the power to exercise or to direct the exercise of such voting and/or dispositive power that Jennison may have with respect to the ordinary shares held in portfolios for which it furnishes investment advice. Jennison does not file jointly with Prudential, as such, ordinary shares reported on Jennison's Schedule 13G may be included in the shares reported on the Schedule 13G filed by Prudential Financial, Inc. The address of Jennison is 466 Lexington Avenue, New York, New York 10017.

(3) This information is based solely on the Schedule 13G filed with the U.S. Securities and Exchange Commission on January 30, 2017 by Prudential Financial, Inc., or Prudential, a New Jersey corporation. The shares beneficially owned by Prudential represent (i) 7,597,607 shares beneficially owned by Jennison Associates LLC and (ii) 136,930 shares beneficially owned by Quantitative Management Associates LLC. Prudential is a parent holding company and the indirect parent of Jennison Associates LLC and Quantitative Management Associates LLC. The address of Prudential is 751 Broad Street, Newark, New Jersey 07102-3777.

(4) This information is based solely on the Schedule 13G filed on February 14, 2017 by Appaloosa L.P., or ALP, a Delaware limited partnership, Appaloosa Investment Limited Partnership I, or AILP, a Delaware limited partnership, Palomino Master Ltd., a British Virgin Islands company, or Palomino Master, Appaloosa Management L.P., or AMLP, a Delaware limited partnership, Appaloosa Partners Inc., a Delaware corporation, or API, and David A. Tepper, or Mr. Tepper. ALP serves as investment adviser to AILP and Palomino Master and may be deemed to beneficially own 5,820,326 ordinary shares. AILP may be deemed to beneficially own 2,513,197 shares (inclusive of the shares beneficially owned by ALP). Palomino Master may be deemed to beneficially own 3,307,129 shares (inclusive of the shares beneficially owned by ALP). AMLP is the general partner of AILP and may be deemed to beneficially own 2,513,197 shares. API is the general partner of, and Mr. Tepper owns a majority of the limited partnership interest in, AMLP. API may be deemed to beneficially own 2,513,197 shares. Mr. Tepper is the sole stockholder and president of API and the controlling stockholder and president of Appaloosa Capital, Inc., or ACI, and may be deemed to beneficially own 5,820,326 shares. ACI is the general partner of, and Mr. Tepper owns a majority of the limited partnership interests in, ALP. The business address of ALP is 51 John F. Kennedy Parkway, Short Hills, New Jersey 07078. The business address of each of AILP and Palomino Master is c/o Appaloosa LP, 51 John F. Kennedy Parkway, Short Hills, New Jersey 07078. The business address of AMLP is Appaloosa Management L.P., 404 Washington Avenue, Suite 810, Miami, Florida 33139. The business address of each of API and Mr. Tepper is c/o Appaloosa Management L.P., 404 Washington Avenue, Suite 810, Miami, Florida 33139.

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 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 preselected audit firm will be proposed in the forthcoming Annual General Meeting.

Events after the balance sheet date

In February 2017, we signed a letter of intent for the acquisition of a 12.5% interest in a 114-mile transmission line in the U.S, from Abengoa. The asset will receive a FERC regulated rate of return, and is currently under development, with COD expected in 2020. We expect our total investment to be up to $10 million in the coming three years including an initial amount invested at cost. We would also gain certain rights to acquire an additional 12.5% interest in the same project.

Additionally, on February 10, 2017, we signed a Note Issuance Facility, a senior secured note facility with U.S. Bank as agent and a group of funds managed by Westbourne Capital as purchasers of the notes issued thereunder for a total amount of €275 million (approximately $294 million), with three series of notes. Series 1 notes for €92 million mature in 2022; series 2 notes for €91.5 million mature in 2023; and series 3 notes for €91.5 million mature in 2024. Interest on all three series accrues at a rate per annum equal to the sum of EURIBOR plus 4.90%. The proceeds of the Note Issuance Facility will be used for the repayment and subsequent termination of Tranche B under our Credit Facility. We intend to fully hedge the Note Issuance Facility with a swap to fix the interest rate as soon as possible after funding of the notes.

On 24th February, 2017, our board of directors approved a dividend of $0.25 per share which is expected to be paid on or about 15th March, 2017 to shareholders of record on 28th February, 2017.

This report was approved by the board of directors on 24th February, 2017 and signed on its behalf by Santiago Seage, Chief Executive Officer.

Chief Executive Officer
Santiago Seage

24th February, 2017

Director’s Remuneration Report

Introduction

This report is on the remuneration of the directors of Atlantica Yield for the period to 31 December 2016. 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 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.

At the commencement of 2016, Atlantica Yield had an Appointments and Remunerations Committee. Then in February 2016, the board approved the creation of two separate committees instead. One of them, named the Nominating and Corporate Governance Committee, focuses on nominations and appointments and the other, named the Compensation Committee, focuses on remunerations.

Statement by the Chair of the Compensation Committee

I am pleased to present the remuneration report for 2016. 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 in accordance with the 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 the Company and the members of the Company as whole in the medium to long term.

During 2016, the Committee supported the Board of Directors in achieving a far-reaching review of the Company’s remuneration policy, with particular reference to management´s remuneration. This activity was guided by the priority objective of reinforcing further the link between remuneration and performance which would be sustainable over time, consistent with the strategic plan approved by the Board of Directors in 2016.

During 2016, the Compensation Committee convened three times and 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 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;
- Amendment of the Committee's terms of reference following the implementation of the changes to the structure of the committees approved by the Board of Directors on February 2016.

During the year 2016, the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 100% of the potential variable compensation, which will be payable in 2017. 2015 was the first year when our Chief Executive Officer was employed by the Company. He did not receive any bonus payments for 2015.

It is proposed to make a change to the remuneration policy as explained below. Consequently, the new policy will be submitted to shareholders for approval at the 2017 annual general meeting.

The change to the policy relates to certain termination payments to key executives, including the Chief Executive Officer. In order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, under the new policy, the Company may agree 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.

No other changes are to be made to the remuneration policy.

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 €90.4 thousand). As the chairman of the board of directors, Mr. Villalba received $135 thousand (approximately €122.0 thousand) per year. Appointees of Abengoa 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 2016 and 2015 is set forth in the table below.

Director's remuneration as a single figure (2016)						
Name	Salary and fees €´000	All taxable benefits €´000	Annual bonuses €´000	LTIP €´000	Pension €´000	Total for 2016 €´000
Santiago Seage	505.0	0.1	850.0	-	-	1,355.1
Daniel Villalba	122.0	-	-	-	-	122.0
Jackson Robinson	90.4	-	-	-	-	90.4
Enrique Alarcon	90.4	-	-	-	-	90.4
Eduardo Kausel	90.4	-	-	-	-	90.4
Juan del Hoyo	90.4	-	-	-	-	90.4
Total	**988.6**	**0.1**	**850.0**	**-**	**-**	**1,838.7**

Director's remuneration as a single figure (2015)						
Name	Salary and fees €´000	All taxable benefits €´000	Annual bonuses €´000	LTIP €´000	Pension €´000	Total for 2015 €´000
Santiago Seage	151.3	0.1	-	-	-	151.4
Javier Garoz *	1,289.6	0.1	-	-	-	1,289.7
Daniel Villalba	121.8	-	-	-	-	121.8
Jackson Robinson	90.2	-	-	-	-	90.2
Enrique Alarcon	90.2	-	-	-	-	90.2
Eduardo Kausel	90.2	-	-	-	-	90.2
Juan del Hoyo	90.2	-	-	-	-	90.2
Total	**1,923.5**	**0.2**	**-**	**-**	**-**	**1,923.6**

* Includes a €1,189.5 thousand termination payment received after leaving the Company on 25 November 2015 as per his employment contract.

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

During the year 2016, the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 100% of the potential variable compensation, which will be payable in 2017. 2015 was the first year when our Chief Executive Officer was employed by the Company. He did not receive any bonus payments for 2015.

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.

Mr. Garoz held the position of the Chief Executive Officer between May and November 2015, when he left the Company.

Mr. Seage served as a director since our formation in 2014 and was the Chairman from June until November 2015. Mr. Seage also served as our Chief Executive Officer from our formation until he was appointed the Chief Executive Officer of Abengoa in May 2015, a capacity, in which he served until 27 November 2015, when he was appointed as our Managing Director. In May 2016, he was appointed as the Chief Executive Officer again after the approval by the shareholders at the Annual General Meeting.

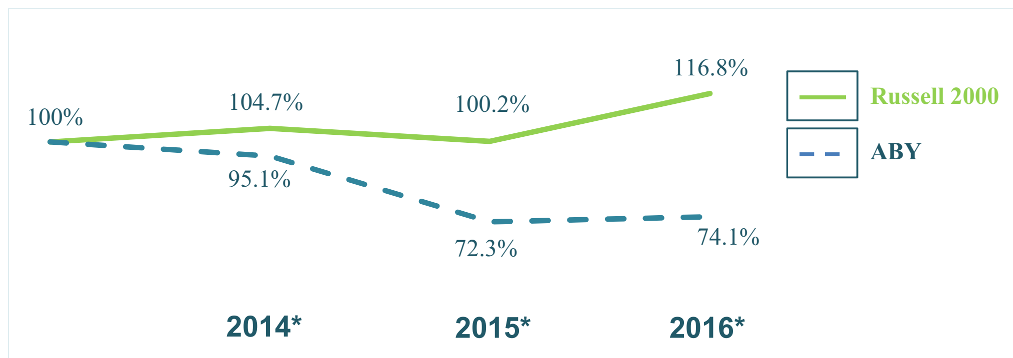
2015 was the first year when Mr. Seage was employed by the Company. He did not receive or accrue any bonus payments for 2015. In 2016, he accrued €850 thousand as a bonus payment in accordance with his services agreement, payable in 2017.

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 2016 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 not assumed to have been re-invested.

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 and 2016

The table below shows the 2016 and 2015 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*
2016	1,355.1	100%	850	-	-
2015	1,440.9*	-	-	-	-

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

As previously stated, Mr. Seage occupied the office between January and May 2015, and again since late November 2015. Meanwhile, Mr. Garoz held that position from May to November 2015, when he left the Company.

The Chief Executive Officer did not receive any variable remuneration for services provided to the Company for the year ended 31 December 2015. In 2016, the Company accrued €850 thousand of the bonus payable to the Chief Executive Officer in 2017, in accordance with his services agreement.

During the year 2016, the objectives defined for the Chief Executive Officer's variable bonus were met and the Compensation Committee decided to approve a bonus corresponding to 100% of the potential variable compensation, which will be payable in 2017, since all objectives have been met:

	Percentage weight
• CAFD (cash available for distribution)	(50%)
• Ebitda	(10%)
• Implementing a risk management plan	(10%)
• Obtaining waiver/forbearance for Solana and Mojave	(10%)
• Implement new processes and systems on time	(20%)

1. Chief Executive Officer Pay vs. Employee Pay

The table below sets out the percentage change between the year 2015 and 2016 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 2015, we had 88 employees. During the year 2016, in addition to new hires, we completed the transfer of the staff previously employed by Abengoa's subsidiaries to our payroll as part of our separation efforts from Abengoa. As of December 2016, we had 166 employees.

Element of remuneration	Percentage change for Chief Executive Officer	Percentage change for employees
Salary	(64.9%)*	37.1%**
Benefits	0%	n/a
Bonus	n/a	n/a

* The salary in 2015 includes the termination payment received by Mr. Garoz after leaving the Company on 25 November 2015.
** The average number of employees was 76 in 2015 and 140 in 2016.

2. Relative Importance of Spend on Pay

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

€ in million	Amount in 2016	Amount in 2015	Difference
Spend on pay for all employees of the group	13.3	5.2	8.0
Total remuneration of directors	1.9	1.9	-
Dividends paid (*)	24.04*	116.1*	(89.5)

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

The Group's personnel headcount increased from 88 employees as of 31 December 2015 to 166 employees as of 31 December 2016.

Directors' shareholdings

The following table includes information with respect to beneficial ownership of our ordinary shares as of the date of this Consolidated Annual Report 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	Shares
	31st December 2016	31st December 2015
Santiago Seage	20,000	20,000
Daniel Villalba	60,000	60,000
Jackson Robinson	5,412	5,281

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

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

3. Termination Payments

Mr. Garoz was paid, in accordance with his employment contract, a cash termination payment of €1,189,500, when he left the Company on 25 November 2015.

It is proposed to make a change to the remuneration policy regarding certain termination payments to key executives, including the Chief Executive Officer. Consequently, the new policy will be submitted to shareholders for approval at the 2017 annual general meeting.

In order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, under the new policy, the Company may agree 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.

4. Statement of Implementation of Policy in 2016

This section of the Remuneration Report provides a description of the remuneration policies implemented in 2015,

The targets for bonuses and LTIPs are detailed under the section "The 2016 Remuneration Policy" of this report.

We expect to obtain approval for this remuneration policy at 2017 Annual Shareholders Meeting.

5. Compensation Committee

The Compensation Committee, which until February 2016 was named the "Appointment and Remuneration Committee', was established for the first time by the Board of Directors in 2014. Committee membership and appointments, its tasks and its operating procedures are regulated by a specific term of references, which was approved by the Board of Directors and published on the Company website. Since February 2016, the Compensation Committee is composed of independent and non-executive directors: Jackson Robinson, Daniel Villalba, Eduardo Kausel and Juan del Hoyo.

The Committee meets as often as necessary to perform its duties. In 2016, the Committee convened on a total of three (3) times with a member attendance of 100%.

The Committee focused its activities on the following key remuneration topics: (i) periodically reviewing the remuneration policy implemented in 2016, (ii) reviewing the Company's 2015 results, defining 2016 performance targets in connection with the variable remuneration; (iii) amendment of the Committee's terms of reference following the implementation of the changes to the structure of the committees of the board of directors; and (iii) assessing proposals for initiatives to retain managerial figures.

The Company has used the services of external advisors to determine appropriate compensation levels according to market practices and data, however the committee did not use the services of any advisors.

6. Voting at the 2016 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 2016 Annual General Meeting, votes in relation to the directors' remuneration policy and the remuneration report were as follows:

	Remuneration Policy	Remuneration Report
▪ Votes for	76,317,399 (97.3%)	76,305,144 (97.3%)
▪ Votes against	149,090 (0.2%)	2,110,545 (2.7%)
▪ Votes withheld	1,956,413(2.5%)	7,213 (0.0%)

The 2017 Remuneration Policy

The current policy was approved at our 2016 Annual General Meeting, held in May 2016. If this remuneration policy is approved at 2017 Annual General Meeting, the remuneration policy will take effect from the date of our Annual General Meeting, currently expected to be 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, maybe 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

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.

The Company has a Long-Term Incentive Plan for the period 2016-2019 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 achieved its Total Annual Shareholders' Return (TSR) objectives in the 2016-2019 period. The committee and the board have considered this metric as the best measure to align management and shareholders' interests
- An annual bonus 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
- 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.

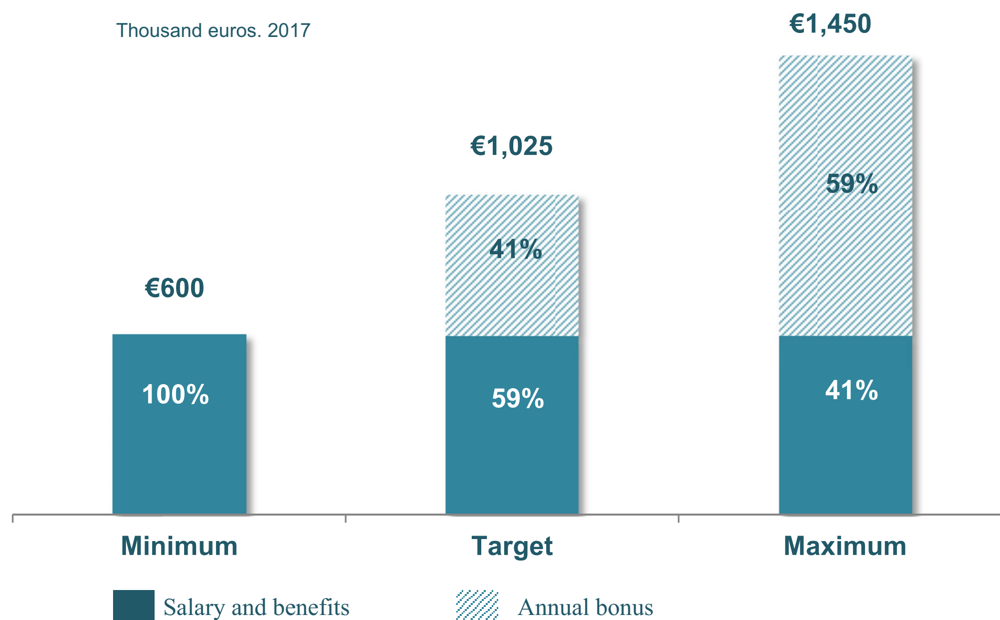
None of the non-executive directors receive bonuses, long-term incentive awards, pension or other benefits in respect of their services to the Company.

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

Total remuneration of the only executive director for a minimum, target and maximum performance in 2017 is presented in the chart below.

Chief Executive Officer remuneration policy

The Compensation Committee approved an increase of the fixed remuneration of the Chief Executive Officer for 2017 from €550 thousand to €600 thousand.



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 2017 the bonus objectives are the following:

	Percentage weight
CAFD	(50%)
Ebitda	(10%)
Technical improvement plan	(15%)
Waiver for last assets	(5%)
Launch new health and safety plan	(10%)
Implement improvement plan on key processes and systems	(10%)

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

It is proposed to make a change to the remuneration policy in respect of the policy for loss of office as explained below. Consequently, the new policy will be submitted to shareholders for approval at the 2017 Annual General Meeting.

The change to the policy relates to certain termination payments to key executives, including the Chief Executive Officer.

In order to protect the Company's know-how and to ensure continuity in terms of attainment of business objectives, under the new policy, the Company may agree 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 June 2017.

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 2014.

It is proposed to make a change to the remuneration policy regarding certain termination payments to key executives, including the Chief Executive Officer, as described in this remuneration policy. Consequently, the new policy will be submitted to shareholders for approval at the 2017 annual general meeting.

In accordance with the changes proposed and in respect of the executives, the Company may agree with the executives to make payments for loss of office or employment in addition to the severance payment under the prevailing labour and legal conditions in theirs contract or countries where they may be 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 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.

In respect of the Chief Financial Officer and in accordance with his services agreement, he is entitled to a 12-month, or period established by the labour law, compensation if he leaves the Company, voluntarily or otherwise, after a change of control.

The Company may lawfully terminate the executive director's employment without compensation in circumstances where the employer is entitled to be terminated for cause, as defined by applicable law. In the event of the termination by the Company, each executive director may have an entitlement to compensation in respect of his statutory rights under the employment protection legislation in the UK, Spain or elsewhere.

Employee Benefit Trusts

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

Key Management Compensation for 2016

€ in thousands	2016	2015
• Short-term employee benefits	3,439.8	2,851.9
• Post-employment benefits		
• Other long-term benefits		
• Termination benefits		
• Share-based payment		
• **Total**	**3,439.8**	**2,851.9**

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 2017.

Approval

This report was approved by the board of directors on 24th February, 2017 and signed on its behalf by Santiago Seage, Chief Executive Officer.

Chief Executive Officer
Santiago Seage

24th February, 2017

Directors' Responsibilities Statement

The directors are responsible for preparing the Consolidated Annual Report and the 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 24th February, 2017 and is signed on its behalf by:

By order of the Board

Chief Executive Officer
Santiago Seage
24th February, 2017

Chief Financial Officer
Francisco Martinez-Davis
24th February, 2017

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

We have audited the financial statements of Atlantica Yield Plc for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity and the related notes 1 to 31 to the Consolidated financial statements and notes 1 to 7 to the Company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the group financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 the Companies Act 2006.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Makhan Chahal (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 March 2017

Consolidated Income Statement

Amounts in thousands of U.S. dollars

	Note (1)	For the year ended December 31, 2016	2015
Revenue	4	971,797	790,881
Other operating income	9	65,538	68,857
Raw materials and consumables used		(26,919)	(23,243)
Employee benefit expenses	8	(14,736)	(5,848)
Depreciation, amortization, and impairment charges	13	(332,925)	(261,301)
Other operating expenses		(260,318)	(224,828)
Operating profit		**402,437**	**344,518**
Finance income	10	3,298	3,464
Finance expenses	10	(408,007)	(333,921)
Net exchange gains/(losses)		(9,546)	3,852
Net other finance (expenses)/income	10	8,505	(200,153)
Net finance costs		**(405,750)**	**(526,758)**
Share of profit/(loss) of associates carried under the equity method	14	6,646	7,844
Profit/ (Loss) before income tax		**3,333**	**(174,396)**
Income tax	11	(1,666)	(23,790)
Profit/ (Loss) for the year		**1,667**	**(198,186)**
Profit attributable to non-controlling interests		(6,522)	(10,819)
Profit/ (Loss) for the year attributable to owners of the Company		**(4,855)**	**(209,005)**
Weighted average number of ordinary shares outstanding (thousands)	30	100,217	92,795
Basic and diluted earnings per share (U.S. dollar per share) (*)	30	(0.05)	(2.25)

(*) Earnings per share has been calculated for the period subsequent to the initial public offering, considering Net profit/(loss) attributable to equity holders of Atlantica Yield plc. generated after the initial public offering divided by the number of shares outstanding.

(1) Notes 1 to 31 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 2016	Year ended 2015
Profit / (Loss) for the year	**1,667**	**(198,186)**
Items that may be reclassified subsequently to profit or loss:		
Gains / (losses) arising during the year	(37,480)	56
Less: reclassification adjustments for gains / (losses) transferred to profit or loss	72,774	55,841
Exchange differences on translation of foreign operations	(22,150)	(91,405)
Income tax relating to items that may be reclassified subsequently to profit or loss	(5,639)	(12,010)
Other comprehensive income/(loss) for the year net of tax	**7,505**	**(47,518)**
Total comprehensive income/(loss) for the year	**9,172**	**(245,704)**
Total comprehensive income/ (loss) attributable to:		
Owners of the Company	(457)	(249,254)
Non-controlling interests	9,629	3,550

Consolidated Balance Sheet

Amounts in thousands of U.S. dollars	Note (1)	As of December 31, 2016	As of December 31, 2015
Assets			
Non-current assets			
Contracted concessional assets	13	8,924,272	9,300,897
Investments carried under the equity method	14	55,009	56,181
Financial investments	23&24	69,773	93,791
Deferred tax assets	11	202,891	191,314
Total non-current assets		**9,251,945**	**9,642,183**
Current assets			
Inventories		15,384	14,913
Trade and other receivables	15&23	207,621	197,308
Financial investments	23	228,038	221,358
Cash and cash equivalents	16&23	594,811	514,712
Total current assets		**1,045,854**	**948,291**
Total assets		**10,297,799**	**10,590,474**
Equity			
Share capital		10,022	10,022
Parent company reserves		2,268,457	2,313,855
Other reserves		52,797	24,831
Accumulated currency translation reserve		(133,150)	(109,582)
Retained earnings		(365,410)	(356,524)
Equity attributable to the Company		1,836,576	1,882,602
Non-controlling interests		126,395	140,899
Total equity	21	**1,959,111**	**2,023,501**
Non-current liabilities			
Long-term corporate debt	17	376,340	661,341
Long-term project debt	18	4,629,184	3,574,464
Grants and other liabilities	19	1,612,045	1,646,748
Related parties	27	101,750	126,860
Derivative liabilities	24	349,266	385,095
Deferred tax liabilities	11	95,037	79,654
Total non-current liabilities		**7,163,622**	**6,474,162**
Current liabilities			
Short-term corporate debt	17	291,861	3,153
Short-term project debt	18	701,283	1,896,205
Trade payables and other current liabilities	20	160,505	178,217
Income and other tax payables		21,417	15,236
Total current liabilities		**1,175,066**	**2,092,811**
Total equity and liabilities		**10,297,799**	**10,590,474**

(1) Notes 1 to 31 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 24th February, 2017.

They were signed on its behalf by:

Chief Executive Officer

Santiago Seage

24th February, 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, 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**
Balance as of January 1, 2015	**8,000**	**1,790,135**	**(15,539)**	**(2,031)**	**(28,963)**	**1,751,602**	**88,029**	**1,839,631**
Profit/(loss) for the year after taxes	-	-	-	(209,005)	-	(209,005)	10,819	(198,186)
Change in fair value of cash flow hedges	-	-	51,215	-	-	51,215	4,682	55,897
Currency translation differences	-	-	-	-	(80,619)	(80,619)	(10,786)	(91,405)
Tax effect	-	-	(10,845)	-	-	(10,845)	(1,165)	(12,010)
Other comprehensive income	-	-	40,370	-	(80,619)	(40,249)	(7,269)	(47,518)
Total comprehensive income	-	-	40,370	(209,005)	(80,619)	(249,254)	3,550	(245,704)
Asset acquisition under the Rofo (a)	-	-	-	(145,488)	-	(145,488)	57,627	(87,861)
Dividend distribution	-	(137,995)	-	-	-	(137,995)	(8,307)	(146,302)
Capital Increase	2,022	661,715	-	-	-	663,737	-	663,737
Balance as of December 31, 2015	**10,022**	**2,313,885**	**24,831**	**(356,524)**	**(109,582)**	**1,882,602**	**140,899**	**2,023,501**

(a) See Note 5 for further details.

Notes 1 to 31 are an integral part of the consolidated financial statements

Consolidated Cash flow statement

Amounts in thousands of U.S. dollars	Note (1)	For the year ended 2016	2015
Profit/(Loss) for the year		**1,667**	**(198,186)**
Non-monetary adjustments			
Depreciation, amortization and impairment charges	13	332,925	261,301
Finance costs		397,966	553,300
Fair value (gains)/losses on derivative financial instruments		(1,761)	(4,292)
Shares of (profits)/losses from associates		(6,646)	(7,844)
Income tax	11	1,666	23,790
Changes in consolidation and other non-monetary items		(59,375)	(91,410)
Profit for the year adjusted by non-monetary items		**666,442**	**536,659**
Variations in working capital			
Inventories		(729)	(1,198)
Trade and other receivables		(15,001)	14,845
Trade payables and other current liabilities		11,422	9,994
Financial investments and other current assets/liabilities		6,341	49,420
Variations in working capital		**2,033**	**73,061**
Income tax received/(paid)		(1,953)	522
Interest received		3,342	1,600
Interest paid		(335,446)	(312,357)
Net cash provided by operating activities		**334,418**	**299,485**
Investments in entities under the equity method		4,984	4,417
Investments in contracted concessional assets		(5,952)	(106,007)
Other non-current assets/liabilities		(3,637)	5,714
Acquisitions of subsidiaries	5	(21,754)	(833,974)
Net cash used in investing activities		**(26,359)**	**(929,850)**
Proceeds from Project & Corporate debt		11,113	459,366
Repayment of Project & Corporate debt		(182,636)	(175,389)
Dividends paid to Company´s shareholders		(35,509)	(137,166)
Proceeds from capital increase		-	664,120
Purchase of shares to non-controlling interests		(19,071)	-
Net cash provided by/(used in) financing activities		**(226,103)**	**810,931**
Net increase in cash and cash equivalents		**81,956**	**180,566**
Cash, cash equivalents and bank overdrafts at beginning of the year	16	514,712	354,154
Translation differences cash or cash equivalent		(1,857)	(20,008)
Cash and cash equivalents at the end of the year	16	**594,811**	**514,712**

(1) Notes 1 to 31 are an integral part of the consolidated financial statements

Notes to the consolidated financial statements

1. General information

Atlantica Yield plc. ('Atlantica Yield' or the Company) is a company incorporated in Great Britain under the Companies Act. 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 17.

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. The filing by Abengoa was intended to initiate a process to try to reach an agreement with its main financial creditors, aimed to ensure the right framework to carry out such negotiations and provide Abengoa with financial stability in the short and medium term.

The Mercantile Court set a deadline of March 28, 2016 for Abengoa to reach an agreement with its main financial creditors. On such date, Abengoa filed with the Mercantile Court of Seville nº 2 an application for the judicial approval ("homologación judicial") of a standstill agreement which obtained the support of 75.04 per cent of the financial creditors to which it was addressed. On April 6, 2016, the Judge of the Mercantile Court of Seville nº 2 issued a resolution declaring the judicial approval ("homologación judicial") of the standstill agreement and extending the effect of the stay of the obligations referred to in the standstill agreement until October 28, 2016, to creditors of financial liabilities who had not signed the agreement or have otherwise expressed their disagreement.

On September 24, 2016, Abengoa announced that it had signed a restructuring agreement with a group of investors and creditors, which included a commitment from investors and banks to contribute new money to the company. On the same date, Abengoa opened the accession period for the rest of its financial creditors. On October 28, 2016, Abengoa announced the filing of the request for judicial approval ("homologación judicial") of its restructuring agreement to the Judge of the Mercantile Court of Seville. According to the announcement, Abengoa had previously obtained approval from creditors representing 86% of its financial debt, above the 75% limit required by the law. 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. The implementation of Abengoa's restructuring is subject to a series of conditions precedent. On February 14, 2017, Abengoa announced that it launched a waiver request in order to approve certain amendments to the restructuring agreement and opened a voting period ending on February 28, 2017 (see note 23).

The financing arrangements of some of the project subsidiaries of the Company (Solana, Mojave, Kaxu and Cadonal) contain 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 arrangements. These cross-default provisions expire progressively over time, remaining in place until the termination of the obligations of Abengoa under such project financing arrangements. The Company has signed a forbearance agreement in Solana and Mojave in December 2016 according to which, such defaults will no longer trigger acceleration remedies or limitations on distributions remedies in both financing arrangements. In the case of Cadonal, the waiver obtained is subject to certain conditions. The only project for which waivers or forbearances have not been obtained yet is Kaxu. The company is currently in discussions with its project finance

lenders.

Although the Company does not expect the acceleration of debt to be declared by the credit entities, Kaxu and Cadonal did not have contractually as of December 31, 2016 what International Accounting Standards define as an unconditional right to defer the settlement of the debt for at least twelve months after that date, as the cross-default provisions make that right not totally unconditional, and therefore the debt of Kaxu and Cadonal has been presented as current in these consolidated financial statements in accordance with International Accounting Standards 1 ("IAS 1"), "Presentation of Financial Statements".

As of December 31, 2015, all the project financing arrangements except for ATN, ATS, Skikda and Honaine contained a change of ownership clause that would be triggered if Abengoa would cease to own at least 35% of Atlantica Yield´s shares. Based on the most recent public information, Abengoa currently owns 41.47% of the ordinary shares of the Company. In connection with various financing agreements, Abengoa has disclosed that as of today, 41,530,843 of Atlantica Yield shares, representing approximately 41.44% of the outstanding shares of the Company, have been pledged as collateral. If Abengoa defaults on any of these or future financing arrangements or sell or transfer enough ABY shares before obtaining the waivers, such lenders may foreclose on the pledged shares and, as a result, Abengoa could eventually own less than 35% of Atlantica Yield´s outstanding shares. As a result, the Company would be in breach of covenants under the applicable project financing arrangements. Additionally, if Abengoa sells, transfers or signs new financing arrangements considered a transfer of ABY shares, the Company could be as well in breach of covenants under the applicable project financing arrangements.

During 2016 waivers and forbearances have been obtained for most of our project financing agreements from all the parties of these project financing arrangements containing the minimum ownership covenants previously explained (Palmatir, Quadra 1 and Quadra 2, Cadonal, Helioenergy 1&2, Solana, Mojave, Solnova 1, 3&4, Solacor 1&2 and Solaben 2&3). As of this date, waivers or forbearances are still required for ACT and Kaxu and the Company is working on obtaining them. In the case of Solana and Mojave, the forbearance agreement signed with the U.S. Department of Energy, or the DOE, with respect to these assets, covers reductions of Abengoa's ownership resulting from (i) a court-ordered or lender-initiated foreclosure pursuant to the existing pledge over Abengoa's shares of the Company that occurs prior to March 31, 2017, (ii) a sale or other disposition at any time pursuant to a bankruptcy proceeding by Abengoa, (iii) changes in the existing Abengoa pledge structure in connection with Abengoa's restructuring process, aimed at pledging the shares under a new holding company structure, and (iv) capital increases by us. In the event of other reductions of Abengoa's ownership below the minimum ownership threshold resulting from sales of shares by Abengoa, DOE remedies will not include debt acceleration, but DOE remedies available would include limitations on distributions to the Company from its subsidiaries. In addition, the minimum ownership threshold for Abengoa in the Company has been reduced from 35% to 30%.

In addition, the Credit Facility entered into by the Company on December 3, 2014 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") does not include cross-default provisions related to Abengoa. Nevertheless, the Company is required to comply with (i) a maintenance leverage ratio of the indebtedness at Atlantica Yield level to the cash available for distribution and (ii) an interest coverage ratio of cash available for distribution to debt service payments. A potential payment default in several of the project companies or potential restrictions to distributions from several of the project companies may adversely affect compliance with these covenants. The Credit Facility also includes a cross-default provision related to a default by the project

subsidiaries of the Company in their financing arrangements, such that a payment default in one or more of the non-recourse subsidiaries of the Company representing more than 20% of the cash available for distribution distributed in the previous four fiscal quarters could trigger a default under the Credit Facility. A payment default in several of our project companies or restrictions in distributions from several of our project companies may trigger these covenants. Considering all the progress in obtaining waivers and forbearances obtained, the Company considers that scenario as remote. Additionally, in such remote scenario, the Company would undertake initiatives including, but not limited to, asset disposals or changes in the dividend policy.

Additionally, on February 10, 2017, the Company 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 $294 million). The proceeds of the Note Issuance Facility will be used for the repayment of Tranche B under our Credit Facility, which will be cancelled, as well as for general corporate expenses incurred as part of this transaction.

The Company has significantly reduced the level of services received from Abengoa, terminating the Support Services Agreement, although it continues to rely on Abengoa for operation and maintenance services at most of its facilities and for minimum local support services in certain geographies. The Company has separated its IT systems from Abengoa during 2016 and has prepared plans to replace existing operation and maintenance suppliers if required.

These consolidated financial statements were approved by the Board of Directors on 24th February 2017.

2. Adoption of new and revised Standards

a) Standards, interpretations and amendments effective from January 1, 2016 under IFRS-IASB, applied by the Company in the preparation of these consolidated financial statements:

- IFRS 10 (Amendment) ‘Consolidated financial statements, IFRS 12 ‘Disclosure of interests in Other Entities’ and IAS 28 ‘Investments in associates and joint ventures’ regarding the exemption from consolidation for investment entities.

- Annual Improvements to IFRSs 2012-2014 cycles.

- IAS 1 (Amendment) ‘Presentation of Financial Statements’ under the disclosure initiative.

- IAS 27 (Amendment) ’Separate financial statements’ regarding the reinstatement of the equity method as an accounting option in separate financial statements.

- IAS 16 (Amendment) ’Property, Plant and Equipment’ and IAS 38 ’Intangible Assets’, regarding acceptable methods of amortization and depreciation.

- IFRS 11 (Amendment) ‘Joint Arrangements’ regarding acquisition of an interest in a joint operation.

- IAS 16 ‘Property, Plant and Equipment’ and 41 ‘Agriculture’ (Amendment) regarding bearer plants.

The applications of these amendments have not had any material impact on these consolidated financial statements.

b) Standards, interpretations and amendments published by the IASB that will be effective for periods beginning on or after January 1, 2017:

• IFRS 9 'Financial Instruments'. This Standard will be effective from January 1, 2018 under IFRS-IASB, earlier application is permitted.

• IFRS 15 'Revenues from contracts with Customers'. IFRS 15 is applicable 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, but conditioned to the application of IFRS 15.

• IAS 12 (Amendment) 'Recognition for Deferred Tax for Unrealised Losses'. This amendment is mandatory for annual periods beginning on or after January 1, 2017 under IFRS-IASB, earlier application is permitted.

• IAS 7 (Amendment) 'Disclosure Initiative'. This amendment is mandatory for annual periods beginning on or after January 1, 2017 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 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.

• IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration', mandatory for annual periods beginning on or after January 1, 2018 under IFRS-IASB, earlier application is permitted.

• 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.

The Company does not anticipate any significant impact on the consolidated financial statements derived from the application of the new standards and amendments that will be effective for annual periods beginning after December 31, 2016, although it is currently still in process of evaluating such application.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

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 previously not considered business combinations, as Atlantica Yield was a subsidiary controlled of 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. The difference between the cash paid and historical value of the net assets was recorded in equity. Results of operations of the assets acquired have been recorded in Atlantica Yield's consolidated income statement since the date of the acquisition.

Abengoa has no control over the Company since December 31, 2015. Therefore, any purchase to 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.

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 27.

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.

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.

Consequently, in accordance with the provisions of IFRIC 12, the Company recognizes and measures revenue and costs for providing construction services during the period of construction of the infrastructure in accordance with IAS 11 “Construction Contracts”. This applies in the same way to the two models.

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.

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 in 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 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 13. 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.

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.

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.

a) Level 2 valuation

Atlantica Yield derivatives correspond mainly to the interest rate swaps designated as cash flow hedges.

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 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 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.

c) Level 3 valuation

Level 3 includes the preferred equity investment in ACBH and the Put/Call option (see Note 23).

Detailed information on fair values is included in Note 23.

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

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

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.
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, 2016 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 Sevilla 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.

Conventional power: Conventional power asset consists of 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. In addition, the Company owns a preferred equity investment in ACBH, a subsidiary holding company of Abengoa that is engaged in the development, construction, investment and management of contracted concessions in Brazil, consisting mostly of electric transmission lines.

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 Yield'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 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 year ended December 31, 2016, Atlantica Yield had two customers with revenues representing more than 10% of the total revenues, i.e., one in the renewable energy and one in the conventional power business sectors. In the year ended December 31, 2015, Atlantica Yield had three customers

with revenues representing more than 10% of the total revenues, i.e., two in the renewable energy and one in the conventional power business sectors.

a) The following tables show Revenues and Further Adjusted EBITDA by operating segments and business sectors for the years 2016 and 2015:

	Revenue $'000		Further Adjusted EBITDA $'000	
	For the twelve-month period ended December 31,		For the twelve-month period ended December 31,	
Geography	**2016**	**2015**	**2016**	**2015**
North America	337,061	328,139	284,691	279,559
South America	118,764	112,480	124,599	110,905
EMEA	515,972	350,262	354,020	233,755
Total	**971,797**	**790,881**	**763,310**	**624,219**

	Revenue $'000		Further Adjusted EBITDA $'000	
	For the twelve-month period ended December 31,		For the twelve-month period ended December 31,	
Business sector	**2016**	**2015**	**2016**	**2015**
Renewable energy	724,325	543,012	538,427	413,933
Conventional power	128,046	138,717	106,492	107,671
Electric transmission lines	95,137	86,393	104,795	89,047
Water	24,288	22,759	13,596	13,568
Total	**971,797**	**790,881**	**763,310**	**624,219**

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,	
	2016	2015
	$'000	$'000
Loss attributable to the Company	(4,855)	(209,005)
Profit attributable to non-controlling interests	6,522	10,819
Income tax	1,666	23,790
Share of profits/(losses) of associates	(6,646)	(7,844)
Dividend from exchangeable preferred equity investment in ACBH	27,948	18,400
Financial expense, net	405,750	526,758
Depreciation, amortization, and impairment charges	332,925	261,301
Total segment Further Adjusted EBITDA	**763,310**	**624,219**

b) The assets and liabilities by operating segments (and business sector) at the end of 2016 and 2015 are as follows:

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**

	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 geography as of December 31, 2015:

	North America	South America	EMEA	Balance as of December 31, 2015
Assets allocated				
Contracted concessional assets	4,054,093	1,206,693	4,040,111	9,300,897
Investments carried under the equity method	-	-	56,181	56,181
Current financial investments	129,349	61,973	30,036	221,358
Cash and cash equivalents (project companies)	136,950	41,525	290,548	469,023
Subtotal allocated	**4,320,392**	**1,310,191**	**4,416,876**	**10,047,459**
Unallocated assets				
Other non-current assets				285,105
Other current assets (including cash and cash equivalents at holding company level)				257,910
Subtotal unallocated				**543,015**
Total assets				**10,590,474**

	North America	South America	EMEA	Balance as of December 31, 2015
Liabilities allocated				
Long-term and short-term project debt	1,891,597	888,304	2,690,769	5,470,670
Grants and other liabilities	1,611,724	799	34,225	1,646,748
Subtotal allocated	**3,503,321**	**889,103**	**2,724,994**	**7,117,418**
Unallocated liabilities				
Long-term and short-term corporate debt				664,494
Other non-current liabilities				591,608
Other current liabilities				193,453
Subtotal unallocated				**1,449,555**
Total liabilities				**8,566,973**
Equity unallocated				**2,023,501**
Total liabilities and equity unallocated				**3,473,056**
Total liabilities and equity				**10,590,474**

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

	Renewable energy	Conventional power	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**

	Renewable energy	Conventional power	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**

Assets and liabilities by business sectors as of December 31, 2015:

	Renewable energy	Conventional power	Electric transmission lines	Water	Balance as of December 31, 2015
Assets allocated					
Contracted concessional assets	7,597,771	649,479	957,235	96,412	9,300,897
Investments carried under the equity method	14,064	-	-	42,117	56,181
Current financial investments	14,892	128,999	61,807	15,660	221,358
Cash and cash equivalents (project companies)	437,455	784	17,755	13,029	469,023
Subtotal allocated	**8,064,182**	**779,262**	**1,036,797**	**167,218**	**10,047,459**
Unallocated assets					
Other non-current assets					285,105
Other current assets (including cash and cash equivalents at holding company level)					257,910
Subtotal unallocated					**543,015**
Total assets					**10,590,474**

	Renewable energy	Conventional power	Electric transmission lines	Water	Balance as of December 31, 2015
Liabilities allocated					
Long-term and short-term project debt	4,108,166	617,082	697,922	47,500	5,470,670
Grants and other liabilities	1,646,637	111	-	-	1,646,748
Subtotal allocated	**5,754,803**	**617,193**	**697,922**	**47,500**	**7,117,418**
Unallocated liabilities					
Long-term and short-term corporate debt					664,494
Other non-current liabilities					591,608
Other current liabilities					193,453
Subtotal unallocated					**1,449,555**
Total liabilities					**8,566,973**
Equity unallocated					**2,023,501**
Total liabilities and equity unallocated					**3,473,056**
Total liabilities and equity					**10,590,474**

c) The amount of depreciation, amortization and impairment charges recognized for the years ended December 31, 2016 and 2015 are as follows:

	For the twelve-month period ended December 31, $'000	
Depreciation, amortization and impairment by geography	**2016**	**2015**
North America	(129,478)	(129,091)
South America	(62,387)	(41,274)
EMEA	(141,060)	(90,936)
Total	**(332,925)**	**(261,301)**

	For the twelve-month period ended December 31, $'000	
Depreciation, amortization and impairment by business sectors	**2016**	**2015**
Renewable energy	(304,235)	(232,699)
Electric transmission lines	(28,690)	(28,602)
Total	**(332,925)**	**(261,301)**

5. Changes in the scope of the consolidated financial statements

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.

For the year ended December 31, 2015

On February 3, 2015, the Company completed the acquisition of a 25.5% stake in Honaine and a 34.2% stake in Skikda and on February 23, 2015, the Company completed the acquisition of a 29.6% stake in Helioenergy 1/2. Total purchase price paid for these assets amounted to $94,009 thousand.

In addition, on May 13, 2015 and May 14, 2015, the Company completed the acquisition of Helios 1/2, a 100 MW solar complex, and Solnova 1/3/4, a 150 MW solar complex, respectively, both in Spain. On May 25, 2015, the Company completed the acquisition of the remaining 70.4% stake in Helioenergy 1/2, a 100 MW solar complex in Spain. On July 30, 2015, the Company completed the acquisition of Kaxu, a 100 MW solar plant in South Africa. Total purchase price paid for these assets amounted to $682,300 thousand.

On June 25, 2015 the Company completed the acquisition of ATN2, an 81-mile transmission line in Peru. On September 30, 2015, the Company completed the acquisition of Solaben 1/6, a 100 MW solar complex in Spain. The total purchase price agreed for these assets amounted to $359,104 thousand.

The Company has significant influence over Honaine therefore it is accounted for using the equity method as per IAS 28 Investments in Associates in these consolidated financial statements.

Under IFRS 10, Consolidated Financial Statements the Company had control over the rest of the assets acquired during the year 2015 and therefore they are fully consolidated in these financial statements. Given that Atlantica Yield was a subsidiary controlled by Abengoa at the time of acquisition, the assets acquired constituted an acquisition under common control by Abengoa and accordingly, they were recorded using Abengoa's historical basis in the assets and liabilities of the predecessor. The difference between the cash paid and historical value of the net assets was recorded in equity. Results of operations of the assets acquired have been recorded in Atlantica Yield's consolidated income statement since the date of the acquisition.

Impact of changes in the scope in the consolidated financial statements

The amount of assets and liabilities integrated at the effective acquisition date for the aggregated change in scope is shown in the following table:

	Asset Acquisition under ROFO Agreement for the year ended December 31, 2015
Concessional assets (Note 13)	3,140,457
Investments carried under the equity method (Note 14)	51,527
Deferred tax asset (Note 11)	107,227
Other non-current assets	10,137
Current assets	428,935
Project debt long term (Note 18)	(2,087,362)
Deferred tax liabilities (Note 11)	(9,589)
Project debt short term (Note 18)	(102,012)
Other current and non-current liabilities	(491,768)
Asset acquisition under Rofo – purchase price	(1,135,413)
Non-controlling interests	(57,627)
Net result of the asset acquisition	**(145,488)**

Had the Asset acquisition under ROFO Agreement performed during 2015 been consolidated from January 1, 2015, the consolidated statement of comprehensive income would have included additional revenue of $162.9 million and additional loss after tax of $25.8 million.

6. Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging/ (crediting):

	Year ended 2016 $'000	Year ended 2015 $'000
Net foreign exchange gains / (losses)	(9,546)	3,852
Depreciation, amortization and impairment charges	(332,925)	(261,301)
Impairment preferred equity investment in ACBH through finance costs (see Note 23)	(22,076)	(210,435)
Employee benefit / (expenses) (see Note 8)	(14,736)	(5,848)
	(379,283)	**(473,732)**

7. Auditor's remuneration

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

	Year ended 2016 $'000	Year ended 2015 $'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	758	808
Fees payable to the company's auditor and their associates for other services to the group		
–The audit of the company's subsidiaries	798	1,031
Total audit fees	**1,556**	**1,839**
- Audit-related assurance services	118	619
- Other services		78
Total non-audit fees	**118**	**697**
	1,674	**2,536**

8. Staff costs

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

	2016 Number	2015 Number
Executives	16	9
Middle Managers	19	8
Engineers and Graduates	80	30
Assistants and Profesionals	6	10
Interims	20	19
	141	**76**

Their aggregate remuneration comprised:

	Year ended 2016 $'000	Year ended 2015 $'000
Wages and salaries	(13,102)	(5,251)
Social security costs	(1,410)	(505)
Other staff costs	(224)	(92)
	(14,736)	**(5,848)**

9. Other operating income

Other Operating income	**For the twelve-month period ended December 31, 2016 $'000**	**For the twelve-month period ended December 31, 2015 $'000**
Grants	59,085	67,859
Income from various services and insurance proceeds	6,453	998
Total	**65,538**	**68,857**

Grants primarily relate to the ITC cash grant of Solana and Mojave, and the implicit grant recorded for accounting purposes in relation to the FFB Loans in Solana and Mojave projects with interest rates below market rates.

10. Finance income and expenses

The following table sets forth our financial income and expenses for the years ended December 31, 2016 and 2015:

	For the twelve-month period ended December 31, 2016 $'000	For the twelve-month period ended December 31, 2015 $'000
Finance income		
Interest income from loans and credits	286	933
Profit on interest rate derivatives: cash flow hedges	3,012	2,531
TOTAL	**3,298**	**3,464**

	For the twelve-month period ended December 31, 2016 $'000	For the twelve-month period ended December 31, 2015 $'000
Finance expenses		
Expenses due to interest:		
- Loans from credit entities	(242,919)	(197,929)
- Other debts	(90,995)	(81,853)
Losses on interest rate derivatives: cash flow hedges	(74,093)	(54,139)
TOTAL	**(408,007)**	**(333,921)**

Financial expenses increased in 2016 mainly due to the 2015 asset acquisitions under the ROFO Agreement. Interests from other debts are primarily interest on the notes issued by ATS, ATN, ATN2, Atlantica Yield, Solaben Luxembourg and interest related to the investment from Liberty (see Note 19). 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 consolidated income statement.

	For the twelve-month period	For the twelve-month period

	ended December 31, 2016 $'000	ended December 31, 2015 $'000
Other finance income / (expenses)		
Dividend from ACBH (Brazil)	27,948	18,400
Other finance income	13,027	1,520
Impairment preferred equity investment in ACBH (see Note 23)	(22,076)	(210,435)
Other finance losses	(10,394)	(9,638)
TOTAL	**8,505**	**(200,153)**

According to the agreement reached with Abengoa in the third quarter of 2016 (see Note 23), Abengoa acknowledged that Atlantica Yield is the legal owner of the dividends retained from Abengoa amounting to $28.0 million. As a result, the Company recorded $28.0 million as Other financial income in accordance with the accounting treatment given previously to the ACBH dividend.

Other financial income mainly includes the income further to the cancellation of the subordinated debt Solnova Electricidad S.A. owed to Abener, a subsidiary of Abengoa, and income for discounts received from Abengoa for the prepayment of payables (see Note 27).

Other finance losses mainly include guarantees and letters of credit, wire transfers and other bank fees and other minor finance expenses.

Refer to note 27 for further details on the impairment of the preferred equity investment in ACBH.

11. 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.

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.

	Year ended 2016 $'000	Year ended 2015 $'000
Corporation tax:		
Current year	(1,018)	(2,182)
	(1,018)	(2,182)
Deferred tax	(648)	(21,608)
	(1,666)	**(23,790)**

Taxation is calculated at the rates prevailing in the respective jurisdictions. The tax (charge)/income for the year can be reconciled to the profit/(loss) in the income statement as follows:

	Year ended 2016 $'000	Year ended 2015 $'000
Profit / (Loss) before tax	3,333	(174,396)
Tax at the average statutory tax rate of 30% (2015: 30 %)	(1,000)	52,319
Tax effect of share of results of associates	2,110	2,341
Permanent differences	11,121	(19,456)
Incentives, deductions, and tax losses carryforwards	(11,110)	(58,039)
Change in Spanish corporate income tax	-	884
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,930)	(2,389)
Other non-taxable income/ (expense)	2,143	550
Tax charge for the year	**(1,666)**	**(23,790)**

Permanent differences in 2016 and 2015 are mainly due to ACT (Mexico).

Incentives, deductions, and tax losses carryforwards for the year 2015 included the impact of not recognizing deferred tax assets on the impairment charge of the preferred equity investment in ACBH ($63.1 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. Most of the tax credits for net operating loss carryforwards correspond to Solana, Mojave, Peru, Kaxu and solar plants in Spain.

The movements in deferred tax assets and liabilities during the years ended December 31, 2016 and 2015 were as follows:

At 1 January 2015	**63,392**
Charge / (Credit) to profit or loss	(21,608)
Charge to other comprehensive income	(12,010)
Acquisition of subsidiary	97,638
Exchange differences and other	(15,752)
At 1 January 2016	**111,660**
Charge / (Credit) to profit or loss	(648)
Charge to other comprehensive income	(5,639)
Acquisition of subsidiary	-
Exchange differences and other	2,481
At 31 December 2016	**107,854**

12. Dividends

	Year ended 2016 $'000	Year ended 2015 $'000
Amounts recognised as distributions to equity holders in the period:	(54,350)	(146,302)

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

- On August 3, 2016, the Board of Directors declared a dividend of $0.29 per share corresponding to $0.145 per share for the first quarter of 2016 and to $0.145 per share for the second quarter of 2016. The dividend was paid on September 15, 2016. From that amount, the Company retained $12.2 million of the dividend attributable to Abengoa.

- On November 11, 2016, the Board of Directors declared a dividend of $0.163 per share corresponding to the third quarter of 2016. The dividend was paid on December 15, 2016. From that amount, the Company retained $6.6 million of the dividend attributable to Abengoa.

13. Contracted concessional assets

a) 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.

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 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 Cadonal and Palmatir, 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 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.

The decrease included in “Reclassification and other movements” is mainly due to the reclassification from the long to the short term of the current portion of the contracted concessional financial assets.

b) The following table shows the movements of contracted concessional assets included in the heading ‘Contracted Concessional assets for 2015:

	2015 $’000
Cost	
At 1 January 2015	7,025,576
Additions	13,426
Translation differences	(326,557)
Changes in scope of the consolidated financial statements	3,430,362
Reclassification and other movements	(16,784)
At 31 December 2015	**10,126,023**
Accumulated amortization losses	
At 1 January 2015	(300,398)
Charge	(261,301)
Translation differences	26,478
Changes in scope of the consolidated financial statements	(289,905)
At 31 December 2015	**(825,126)**
Carrying amount	
At 1 January 2015	6,725,178
At 31 December 2015	9,300,897

During 2015 contracted concessional assets increased mainly due to the asset acquisition under Rofo agreement ($3,140 million).

No losses from impairment of 'Contracted concessional assets' were recorded during 2015.

The decrease included in "Reclassification and other movements" is mainly due to the reclassification from the long to the short term, of the current portion of the contracted concessional financial assets.

14. Investments carried under the equity method

The table below shows the breakdown and the movement of the investments held in associates for 2016 and 2015:

Investments in associates	2016 $'000	2015 $'000
Initial balance	56,181	5,711
Change in the scope of the consolidated financial statements	-	51,528
Share of profit/(loss)	6,646	7,844
Dividend distribution	(3,954)	(4,845)
Equity distribution	(3,099)	-
Currency translation differences	(765)	(4,057)
Final balance	**55,099**	**56,181**

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	
			31/12/2016	31/12/2015
Evacuación Valdecaballeros, 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%	36.64%

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 year 2016.

The increase in 2015 is mainly due to the entrance of Geida Tlemcem, S.L., which owns 51% of Honaine desalination plant.

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 2016 and 2015 for the associated companies:

Company	% Shares	Non-	Current	Non-	Current	Revenue	Operating	Net	Investment

		current assets	assets	current liabilities	liabilities		profit/ (loss)	profit/ (loss)	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	14,066	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**	**13,314**	**55,009**

	% 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	20,552	2,402	296	580	458	(631)	(651)	10,475
Myah Bahr Honaine, S.P.A. (*)	25.50	201,997	73,965	116,610	11,945	52,767	39,336	15,607	42,117
Pectonex, R.F. Proprietary Limited	50.00	3,485	-	-	-	-	(54)	(54)	3,589
Evacuación Villanueva del Rey, S.L	36.64	3,526	100	2,467	96	-	25	-	-
As of December 31, 2015		**229,560**	**76,467**	**119,373**	**12,621**	**53,225**	**38,676**	**14,902**	**56,181**

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 statements. Share of profit of Myah Bahr Honaine S.P.A. included in these consolidated financial statements amounts to $7,647 thousand in 2016 and $7,821 thousand in 2015.

15. Trade and other receivables

Trade and other receivable as of December 31, 2016 and 2015, consist of the following:

	Balance as of December 31, 2016 $’000	Balance as of December 31, 2015 $’000
Trade receivables	151,199	126,844
Tax receivables	29,705	42,322
Prepayments	10,261	9,168
Other accounts receivable	16,456	18,974
Total	**207,621**	**197,308**

As of December 31, 2016 and 2015, the fair value of trade and other receivable accounts 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 according to foreign currency as of December 31, 2016 and 2015, are as follows:

	Balance as of December 31, 2016 $'000	**Balance as of December 31, 2015 $'000**
Euro	98,798	74,535
Rand	12,807	6,208
Other	7,151	6,646
Total	**118,756**	**87,389**

The following table shows the maturity of Trade receivables as of December 31, 2016 and 2015:

	Balance as of December 31, 2016 $'000	**Balance as of December 31, 2015 $'000**
Up to 3 months	151,199	126,844
Total	**151,199**	**126,845**

16. Cash and cash equivalents

	2016 $'000	**2015 $'000**
Cash and cash equivalents	594,811	514,712
	594,811	**514,712**

The following breakdown shows the main currencies in which cash and cash equivalent balances are denominated:

	2016 $'000	**2015 $'000**
US Dollar	343,954	219,172
Euro	196,382	251,778

Algerian Dinar	10,736	13,019
South African Rand	39,689	25,962
Others	4,050	4,781
	594,811	**514,712**

17. Corporate debt

The breakdown of the corporate debt as of December 31, 2016 and 2015 is as follows:

Non-current	**Balance as of December 31, 2016 $'000**	**Balance as of December 31, 2015 $'000**
Credit Facilities with financial entities	123,804	409,665
Notes and Bonds	252,536	251,676
Total Non-current	**376,340**	**661,341**

Current	Balance as of December 31, 2016 $'000	Balance as of December 31, 2015 $'000
Credit Facilities with financial entities	289,035	624
Notes and Bonds	2,826	2,529
Total Current	**291,861**	**3,153**

The Credit Facility Tranche B is classified as Current for $288,317 thousand as of December 31, 2016 (Non-Current as of December 31, 2015) as it matures in December 2017. As a result of this reclassification, current liabilities in the consolidated statement of financial position are higher than current assets.

On February 10, 2017, the Company 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 $294 million), with three series of notes. Series 1 Notes for €92 million mature in 2022; series 2 notes for €91.5 million mature in 2023; and series 3 notes for €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%. The proceeds of the Note Issuance Facility will be used for the repayment of Tranche B under our Credit Facility, which will be canceled, as well as for general corporate expenses incurred as part of this transaction. The Company intends to fully hedge the Note Issuance Facility with a swap to fix the interest rate as soon as possible after funding of the Notes.

Residual Current Corporate debt fully relates to the accrued interest of the Notes and Credit Facility as of December 31, 2016 and 2015.

The repayment schedule for the Corporate debt at the end of 2016 is as follows:

	2017	2018	2019	Total
Credit Facilities with financial entities	289,035	123,804	—	412,839
Notes and Bonds	2,826	—	252,536	255,362
	291,861	**123,804**	**252,536**	**668,201**

On November 17, 2014, the Company issued the Senior Notes due 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"). On December 22, 2014, the Company drew down $125,000 thousand under the Credit Facility. Loans under the Credit Facility 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%. Loans under the Credit Facility will mature on the fourth anniversary of the closing date of the Credit Facility. Loans prepaid

by the Company under the Credit Facility may be reborrowed. The Credit Facility is secured by pledges of the shares of the guarantors which the Company owns.

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%. Loans under the Credit Facility Tranche B will mature in December 2017. 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.

18. Project debt

The main purpose of the Company is the long-term ownership and management of contracted concessional assets, such as renewable energy, conventional power 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 13 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 a greater leverage period permitted and a clearly defined risk profile.

The movements for 2016 and 2015 of project debt have been as follows:

	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**

Main variations in Project debt during the year 2016 are the result of:

- Net decrease primarily due to repayment of debt; considering interests accrued are offset by a similar amount of interests paid during the year.

- A reclassification of the entire debt of Solana and Mojave projects from short term to long term as of December 31, 2016 considering that as a result of the forbearance signed in December, 2016, Abengoa cross-defaults will no longer trigger acceleration remedies in the Solana or Mojave financing agreements.

Debts of Kaxu and Cadonal projects remain classified as short term in accordance with International Accounting Standards 1 ("IAS 1"), "Presentation of Financial Statements" (see below for details). The waiver of the cross-default provisions related to Abengoa that has been obtained for Cadonal during 2016 is subject to the completion of certain conditions.

	Project debt - long term $'000	Project debt - short term $'000	Total $'000
Balance as of December 31, 2014	3,491,877	331,189	3,823,066
Increases	72,406	370,720	443,126
Repayments	-	(772,886)	(772,886)
Currency translation differences	(201,958)	(10,052)	(212,010)
Reclassifications	(1,875,223)	1,875,223	-
Changes in the scope of the consolidated financial statements	2,087,362	102,012	2,189,374
Balance as of December 31, 2015	**3,574,464**	**1,896,206**	**5,470,670**

During 2015 the increase in Project debt – short term is the result of:

- A decrease for the repayment of the short term tranche of the loan with the federal financing Bank by Mojave Solar LLC debt amounting to $334 million on October 2015;

- A reclassification of the entire debt of Solana, Mojave, Kaxu and Cadonal projects from long term to short term as of December 31, 2015 as a result of the cross-default provisions related to Abengoa further to the Insolvency Proceeding filed by Abengoa on November 25, 2015. Although the Company does not expect the acceleration of debt to be declared by the credit entities, the project entities did not have contractually as of December 31, 2015 an unconditional right to defer the settlement of the debt for at least twelve months after that date, and therefore the debt has been presented as current in these consolidated financial statements in accordance with International Accounting Standards 1 ("IAS 1"), "Presentation of Financial Statements".

  The repayment schedule for Project debt in accordance with the financing arrangements, at the end of 2016 is as follows and is consistent with the projected cash flows of the related projects.

2017		2018	2019	2020	2021	Subsequent years	Total
Interest Repayment	Nominal repayment						
20,775	190,379	209,011	229,090	247,075	261,026	4,173,111	5,330,467

In 2016, the Company refinanced ATN2 debt. In 2015, the Company did not enter into any new project debt.

Current and non-current loans with credit entities include amounts in foreign currencies for a total of $2,564,291 thousand as of December 31, 2016 ($2,690,769 thousand as of December 31, 2015).

All of the Company's financing agreements have a carrying amount close to its fair value.

19. Grants and other long term payables

	Balances as of December 31, 2016	Balances as of December 31, 2015
	$'000	$'000
Grants	1,297,755	1,354,967
Other liabilities	314,290	291,781
Grant and other non-current liabilities	**1,612,045**	**1,646,748**

As of December 31, 2016, the amount recorded in Grants corresponds mainly to the ITC Grant awarded by the U.S. Department of the Treasury for Solana and Mojave for a total amount of $803,233 thousand ($835,430 thousand as of December 31, 2015), which was mainly 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 recorded as other income over the useful life of the asset.

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 $492,406 thousand ($517,165 thousand as of December 31, 2015). 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.

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 in spite of the fact that the investment of Liberty Interactive Corporation ('Liberty') is in shares, it does not qualify as equity and has been classified as a liability as of December 31, 2016 and 2015. The non-current portion of the liability is recorded in Grants and other liabilities for an amount of $263,885 thousand ($247,384 thousand as of December 31, 2015) and its current portion is recorded in other current liabilities for the remaining amount (see Note 20). 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.

20. Trade and other payables

Item	Balance as of December 31, 2016 $'000	Balance as of December 31, 2015 $'000
Trade accounts payable	121,527	110,495
Down payments from clients	6,153	6,398
Suppliers of concessional assets current	380	17,582
Liberty (see Note 19)	21,461	21,515
Other accounts payable	10,984	22,227
Total	**160,505**	**178,217**

Trade accounts payables mainly relate to the operating and maintenance of the plants.

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.

21. Equity

Transactions closed during the year 2015

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. The proceeds were primarily used by Atlantica Yield to finance asset acquisitions in May and June 2015.

On July 14, 2015, Abengoa sold 2,000,000 shares of Atlantica Yield under Rule 144, reducing its stake to 49.1%.

Transactions closed during the year 2016 and position as of December 31, 2016

As of December 31, 2016, 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.

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, 2016.

Atlantica Yield reserves as of December 31, 2016 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 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.

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 Sadyt 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 2016:

- On August 3, 2016, the Board of Directors declared a dividend of $0.29 per share corresponding to $0.145 per share for the first quarter of 2016 and to $0.145 per share for the second quarter of 2016. The dividend was paid on September 15, 2016. From that amount, the Company retained $12.2 million of the dividend attributable to Abengoa;
- On November 11, 2016, the Board of Directors declared a dividend of $0.163 per share corresponding to the third quarter of 2016. The dividend was paid on December 15, 2016. From that amount, the Company retained $6.6 million of the dividend attributable to Abengoa.

In addition, as of December 31, 2016, there was no treasury stock and there have been no transactions with treasury stock during the period then ended.

22. Notes to the cash flow statement

Analysis of changes in net debt

	January 1, 2016 $'000	Cash Flow $'000	Non monetary items $'000	December 31, 2016 $'000
Cash and bank balances	514,712	81,956	(1,857)	594,811
Borrowings	6,135,164	(488,206)	351,710	5,998,668
Net debt	**5,620,452**	**(570,162)**	**353,567**	**5,403,857**

23. 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, 2016 and 2015 are as follows:

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	24	-	-	3,822	3,822
Preferred equity in ACBH		-	30,488	-	30,488
Other financial accounts receivables		263,501	-	-	263,501
Trade and other receivables		207,621	-	-	207,621
Cash and cash equivalents	16	594,811	-	-	594,811
Total financial assets		**1,065,933**	**30,488**	**3,822**	**1,100,243**
Corporate debt	17	668,201	-	-	668,201
Project debt	18	5,330,467	-	-	5,330,467
Related parties	27	101,750	-	-	101,750
Trade and other current liabilities	20	160,505	-	-	160,505
Derivative liabilities	24	-	-	349,266	349,266
Total financial liabilities		**6,260,923**	**-**	**349,266**	**6,610,189**

	Notes	Loans and receivables / payables $'000	Available for sale financial assets $'000	Hedging derivatives $'000	Balance as of 12.31.15 $'000
Derivative assets	24	-	-	4,741	4,741
Preferred equity in ACBH		-	52,564	-	52,564

Financial accounts receivables		257,844	-	-	257,844
Trade and other receivables		197,308	-	-	197,308
Cash and cash equivalents	16	514,712	-	-	514,712
Total financial assets		**969,864**	**52,564**	**4,741**	**1,027,169**
Corporate debt	17	664,494	-	-	664,494
Project debt	18	5,470,670	-	-	5,470,670
Related parties	27	126,860	-	-	126,860
Trade and other current liabilities	20	178,217	-	-	178,217
Derivative liabilities	24	-	-	385,095	385,095
Total financial liabilities		**6,440,241**	**-**	**385,095**	**6,825,335**

As of December 31, 2016 and 2015, all the financial instruments measured at fair value have been classified as Level 2, except for the preferred equity investment in ACBH and the Put and Call Option agreement (see Note 24), classified as Level 3.

The preferred equity investment in ACBH is an available for sale financial asset that gives the following rights:

- During the five-year period commencing on July 1, 2014, Atlantica Yield has the right to receive, in four quarterly installments, a preferred dividend of $18,400 thousand per year. As of December 31, 2015, the Company received the dividend corresponding to 1.5 years and the portion corresponding to 3.5 years is pending to be received, as installment for the four quarters at 2016 hasn´t been paid to the Company yet;
- Following the initial five-year period, Atlantica Yield has the option to (i) remain as preferred equity holder receiving the first $18,400 thousand in dividends per year that ACBH is able to distribute or (ii) exchange the preferred equity for ordinary shares of specific project companies owned by ACBH.

On January 29, 2016, Abengoa informed the Company that several indirect subsidiaries of Abengoa in Brazil, including ACBH, initiated an insolvency procedure under Brazilian law (“reorganizaçao judiciaria”). The Company is currently assessing the potential impact of this event together with external advisors. Given that this process will likely negatively affect the value of the preferred equity investment and considering the high degree of uncertainty on its final outcome, the Company recorded an impairment of this preferred equity investment for a total amount of $210,435 thousand as of December 31, 2015. The valuation method used to calculate the value on the preferred equity investment in ACBH as of December 31, 2015 has been discounting the originally expected cash-flows from the instrument using a discount rate of 35%, based on the yields of bonds issued in Brazil by comparable companies with a rating indicating distress.

In addition, in the third quarter of 2016, the Company signed an agreement with Abengoa on ACBH preferred equity investment among other things, with the following main consequences:

- Abengoa acknowledged it failed to fulfill its obligations under the agreements related to the preferred equity investment in ACBH and, as a result, Atlantica Yield is the legal owner of the dividends amounting to $28.0 million, that the Company retained from Abengoa;
- Abengoa recognizes a non-contingent credit for an amount of €300 million (approximately $316 million), corresponding to the guarantee provided by Abengoa, S.A. regarding the preferred equity investment in ACBH, subject to restructuring and subject to adjustments for dividends retained after the agreement. On October 25 2016, Atlantica Yield signed Abengoa’s restructuring agreement and accepted, subject to implementation of the

restructuring, to receive 30% of the amount (approximately $95 million nominal value) in the form of tradable bonds to be issued by Abengoa. Upon completion of the restructuring, this debt ("Restructured Debt") would have a junior status within Abengoa debt structure post restructuring. The remaining 70% (approximately $221 million) would be received in the form of equity in Abengoa. As of the date of this report, there is a high degree of uncertainty on the value of this debt and equity;

- In order to convert this junior debt into senior debt, Atlantica Yield has agreed, subject to implementation of the restructuring, to participate in Abengoa's issuance of asset-backed notes (the "New Money 1 Tradable Notes") with up to €48 million (approximately $51 million), subject to scale-back following allocation process contemplated in Abengoa's restructuring. In the fourth quarter of 2016, the Company reached an agreement with an investment fund to sell them approximately 50% of the New Money Tradable Notes that the Company is assigned, and as a result expects the final investment to be less than €24 million (approximately $25 million). The New Money 1 Tradable Notes are backed by a ring-fenced structure including Atlantica Yield's shares and a cogeneration plant in Mexico (A3T). The New Money 1 Tradable Notes offer the highest level of seniority in Abengoa's debt structure post restructuring. Upon the purchase by the Company of the New Money 1 Tradable Notes, the Restructured Debt would be converted into senior debt;
- Upon receipt of the Restructured Debt and Abengoa equity, the Company would waive its rights under the ACBH agreements, including its right to retain the dividends payable to Abengoa.

Further to this agreement, the Company updated the valuation of the instrument as of December 31, 2016 using a probability weighted method. This valuation method considers the probability of the restructuring agreement of Abengoa being made effective. The fair value of the instrument as of December 31, 2016 is the result of estimating the value of the instrument in case the restructuring agreement is made effective and in case it is not. In case the restructuring agreement is not accepted, the value of the instrument would remain the same as the one calculated as of December 31, 2015. In case the restructuring agreements is made effective, value of the instrument has been obtained by discounting the expected cash-flows from the Restructured Debt (approximately $95 million), using a discount rate of 25% based on the yields of bonds issued in Spain by comparable companies involved in a similar restructuring process. Result of this updated valuation is an additional impairment of this preferred equity investment recorded as of December 31, 2016 for an amount of $22,076 thousand.

An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition; especially, an increase of 50 basis points in the discount rates used in the fair value exercise described above would lead to an additional impairment of approximately $1 million.

Other financial accounts receivables include the short-term portion of contracted concessional assets (see Note 13).

24. Derivative financial instruments

The breakdowns of the fair value amount of the derivative financial instruments as of December 31, 2016 and 2015 are as follows:

	Balance as of 12.31.16		Balance as of 12.31.15	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Derivatives - cash flow hedge	3,822	349,266	4,741	385,095

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 provides 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 provides for a fixed exchange rate at which euros will be converted into U.S. dollars. The currency swap agreement has a five-year term, and is valued by comparing the contracted exchange rate and the future exchange rate in the valuation scenario at the maturities dates. The instrument is valued by calculating the cash flow that would be obtained or paid by theoretically closing out the position and then discounting that amount.

On November 7, 2016, the Company entered into a Put and Call option agreement with an investment fund to sell them approximately 50% of the New Money Tradable Notes that the Company is assigned. The fair value of the Put and Call agreement has been assumed to be the sum of the intrinsic value of the options, due to the short time period, 5 days, in which the options can be executed and the absence of the subjacent volatility. The intrinsic value of the contract is the difference between the nominal value of the debt and the fair value of the debt. The latter has been estimated by discounting the projected contractual cash flows using a single discount rate. It has been assumed that the best estimate of the credit risk profile of the New Money Notes is 18,9% which is the one reflected by the Lenders in the debt pricing, meaning the Internal Rate of Return (IRR) of the debt cash flows and that results in a net fair value of the Put and Call option as of December 31, 2016 of 0. Modifying the assumption of the IRR and considering the yield to maturity of the quoted bonds and different rating assumptions like a 25,1% discount rate (which would be an approximate discount for CC rated debt) and a 12,5% discount rate (which would be an approximate discount for CCC rate debt), the fair value of the Put and Call agreement would result respectively in a derivative liability of $5 million and a derivative asset of $3.7 million. With this agreement, the objective of the Company is to be able to obtain liquidity from the New Money. The net price paid to enter into the Put and Call option was 0 (€1 collected for the put and €1 paid for the call) and there will be no cash effect with regards to the sensibilities discussed.

As stated in Note 25 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 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 Euros: the Company hedge between 75% and 100% of the notional amount, maturities until 2030 and average guaranteed interest rates of between 3.20 % and 4.87%.
- Project debt in U.S. dollars: the Company hedge between 75% and 100% of the notional amount, including maturities until 2043 and average guaranteed interest rates of between 2.52% and 6.88%.

The table below shows a breakdown of the maturities of notional amounts of interest rate derivatives designated as cash flow hedges as of December 31, 2016 and 2015.

Notionals	Balance as of 12.31.16		Balance as of 12.31.15	
	$'000		$'000	
	Cap	Swap	Cap	Swap
Up to 1 year	24,261	75,837	22,320	72,184
Between 1 and 2 years	25,934	199,832	25,018	77,193
Between 2 and 3 years	27,880	83,897	26,741	201,186
Subsequent years	400,239	1,500,789	441,766	1,611,035
Total	**$ 478,314**	**$ 1,860,355**	**$ 515,845**	**$ 1,961,598**

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, 2016 and 2015. 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 12.31.16		Balance as of 12.31.15	
	$'000		$'000	
	Cap	Swap	Cap	Swap
Up to 1 year	250	(12,383)	185	(15,741)
Between 1 and 2 years	262	(14,927)	201	(16,508)
Between 2 and 3 years	275	(13,957)	218	(16,580)
Subsequent years	3,035	(307,999)	4,137	(336,266)
Total	**$ 3,822**	**$ (349,266)**	**$ 4,741**	**$ (385,095)**

During 2016, fair value of derivatives increased mainly due to an increases 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 $72,774 thousand (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 statements for the years 2016 and 2015 has been a gain of $1,694 thousand and $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, 2016 and 2015, amount to a $52,797 thousand gain and a $24,831 thousand gain respectively.

25. 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 we do not carry out speculative operations. For the purpose of managing these risks, we use 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.

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 75% and 100% of the notional amount, maturities until 2043 average guaranteed interest rates of between 2.52% and 6.88%.
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, 2016, with the rest of the variables remaining constant, the effect in the consolidated income statement would have been a loss of $2,563 thousand (a loss of $1,795 thousand in 2015) and an increase in hedging reserves of $37,290 thousand ($41,702 thousand in 2015). 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, 2016 and 2015 is provided in Note 24.

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 relation to the Spanish solar plants, on May 12, 2015, the Company entered into a currency swap agreement with Abengoa which provides 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 provides for a fixed exchange rate at which euros will be converted into U.S. dollars. Therefore, in the event that the exchange rate of the Euro had risen by 10% against the US Dollar as of December 31, 2015, with the rest of the variables remaining constant, there would not be any effect in the cash received from these assets (neither as of December 31, 2015).

Additionally, to mitigate any potential risk that might arise from the current situation of Abengoa, the Company signed a currency option with a leading financial institution which guarantees a minimum Euro-U.S. dollar exchange rate for net distributions expected from Spanish solar assets.

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.

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 17 and 18 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, 2016 $'000	Balance as of December 31, 2015 $'000
Debt	5,998,668	6,135,163
Cash and cash equivalents	594,811	514,712
Net Debt	5,403,857	5,620,451
Equity	1,959,111	2,023,501
Net debt to equity ratio	276%	278%

26. Events after the balance sheet date

On February 10, 2017, the Company 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 $294 million), with three series of notes. Series 1 Notes for €92 million mature in 2022; series 2 notes for €91.5 million mature in 2023; and series 3 notes for €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%. The proceeds of the Note Issuance Facility will be used for the repayment of Tranche B under our Credit Facility, which will be canceled, as well as for general corporate expenses incurred as part of this transaction. The Company intends to fully hedge the Note Issuance Facility with a swap to fix the interest rate as soon as possible after funding of the Notes.

In February 2017, the Company signed a letter of intent for the acquisition of a 12.5% interest in a 114-mile transmission line in the U.S, from Abengoa. The asset will receive a FERC regulated rate of return, and is currently under development, with COD expected in 2020. The Company expects its total investment to be up to $10 million in the coming three years including an initial amount invested at cost. The Company would also gain certain rights to acquire an additional 12.5% interest in the same project.

On February 24, 2017, the Board of Directors of the Company approved a dividend of $0.25 per share, which is expected to be paid on or about March 15, 2017.

27. 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, mainly through loan contracts and advisory services. The transactions were completed at market rates.

Details of balances with related parties as of December 31, 2016 and 2015 are as follows:

	Balance as of December 31, 2016 $'000	Balance as of December 31, 2015 $'000
Credit receivables (current)	12,031	12,653
Total current receivables with related parties	**12,031**	**12,653**
Credit receivables (non-current)	30,505	52,774
Total non-current receivables with related parties	**30,505**	**52,774**
Trade payables (current)	61,338	73,813
Total current payables with related parties	**61,338**	**73,813**
Credit payables (non-current)	101,750	126,860

Total non-current payables with related parties	**101,750**	**126,860**

Receivables with related parties primarily correspond to the preferred equity investment in ACBH. The instrument was impaired and its fair value amounts to $30,488 thousand as of December 31, 2016 ($52,565 thousand as of December 31, 2015), classified as non-current (see Note 23).

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 Abengoa and with subsidiaries of Abengoa not included in the consolidated group during the twelve-month periods ended December 31, 2016 and 2015 have been as follows:

	For the twelve-month period ended December 31,	
	2016	**2015**
	$'000	**$'000**
Sales	-	44,260
Services rendered	1,220	523
Services received	(115,779)	(106,737)
Financial income	60	1,466
Financial expenses	(2,460)	(1,968)

During the period prior to the initial public offering, certain consolidated entities entered into one-year contractual arrangements with Abengoa from which the Company received certain administrative services. Such services included general services related to supporting functions such as financing, human resources management, and administration. The fee incurred by the operating companies was based on anticipated annual sales. During 2015 and 2016 the Company has internalized main support services cancelling the majority of these fees with Abengoa.

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 have been transferred to entities within the consolidation perimeter of Atlantica Yield and the Support Services Agreement has been cancelled. In addition, some external employees were hired. This resulted in the Company increasing its own employee benefit expenses as shown on the face of the consolidated income statement for the years 2015 and 2016.

The figures detailed in the table above do not include the following financial income recorded in these consolidated financial statements for the twelve-month period ended December 31, 2016 and resulting from the agreement signed with Abengoa in the third quarter of 2016 (see Note 23): 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 as of the date of the accession to the restructuring agreement Atlantica Yield 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.

Finally, the Company entered into a financial support agreement on June 13, 2014 under which Abengoa agreed to facilitate a new $50,000 thousand revolving credit line and maintain any guarantees and letters of credit that have been provided by it on behalf of or for the benefit of Atlantica Yield and its affiliates for a period of five years. As of December 31, 2016, the total amount of the credit line has remained undrawn since the IPO.

Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 of the Accounting Regulations were as follows:

	2016 $'000	2015 $'000
Salaries, fees, bonuses and benefits in kind	2,034	2,133
	2,034	**2,133**

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 35 to 49.

28. 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 2016.

29. Guarantees and commitments

Third-party guarantees

At the close of 2016 the overall sum of Bank Bond and Surety Insurance directly deposited by the Company as a guarantee to third parties (clients, financial entities and other third parties) amounted to $27,163 thousand attributed to operations of technical nature ($27,638 thousand as of December 31, 2015).

Contractual obligations

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2016 and 2015:

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

2015

$'000	Total	2016	2017 and 2018	2019 and 2020	Subsequent
Corporate debt	664,494	3,153	409,665	251,677	—
Loans with credit institutions (project debt)*	4,634,505	170,213	356,328	430,153	3,677,812
Notes and bonds (project debt)*	836,164	25,514	44,314	47,699	718,638
Purchase commitments	4,158,576	169,951	320,287	344,338	3,323,999
Accrued interest estimate during the useful life of loans	3,761,305	338,543	667,427	594,263	2,161,072

*According to contracted maturities.

30. Earnings per share

Basic earnings per share for the year 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. Basic earnings per share is only presented for periods subsequent to the initial public offering.

Item	For the twelve-month period ended December 31, 2016 $'000	For the twelve-month period ended December 31, 2015 $'000
Loss from continuing operations attributable to Atlantica Yield Plc.	(4,855)	(209,005)
Profit/(loss) from discontinuing operations attributable to Atlantica Yield Plc.		-
Average number of ordinary shares outstanding (thousands) - basic and diluted	**100,217**	**92,795**
Earnings per share from continuing operations (US dollar per share) - basic and diluted	(0.05)	(2.25)
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	**(0.05)**	**(2.25)**

31. 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 9 October, 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 1 December 2014.

Mojave has a 25-year, PPA with Pacific Gas & Electric Company, or PG&E, approved by the California Public Utilities Commission (CPUC). The PPA will begin 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 (Administracion Nacional de Usinas y Transmisiones Electricas), 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 Tacuarembo, 170 miles north of the city of Montevideo.

Palmatir signed a PPA with UTE on 14 September, 2011 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicos de Energia 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 (Administraction Nacional de Usinas y Trasmisiones Electricas), 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 28 December 2012 for 100% of the electricity produced, approved by URSEA (Unidad Reguladora de Servicios de Energia y Agua). UTE will pay a fixed tariff under the PPA 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

Solaben 2 and 3 are two 50 MW Concentrating Solar Power facilities located in Spain. Solaben 2 reached COD in June 2012 and Solaben 3 reached COD in 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 through a series of laws which guarantee the owners of the plants a reasonable remuneration for their investments. Solaben 2 and 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

remuneration 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 18 September 2009, ACT Energy Mexico 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 31 March 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 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 miles, 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 22 May 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 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 Transmision 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 22 July 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 Tranmisora Baquedano, or Quadra 2, is a 32-miles transmission line project, each connected to the Sierra Gorda substations.

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 remuneration 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.

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 remuneration 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, projects already owned by us.

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 remuneration 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

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 Sociedad Anonima Depuracion y Tratamientos, or Sadyt, 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 Sadyt 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.

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 on May 2011; construction is already completed and completed formalities for 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. Our 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 Paulpatus in the Nothern Cape Province of South Africa, approximately 30 km north east of the small town of Pofadder. Atlantica Yield, though 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%) & 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

with protects us from potential devaluation over the long term. Being the project COD February 2015, the PPA expires on February 2035.

Solaben 1&6

The Solaben is a 100MW Concetrated Solar Power facility part of the Extremadura Solar Platform, located in the municipality of Logrosán, Spain. Solaben 1/6 COD was reached in 3Q 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 remuneration 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 Comision Nacional de los Mercados y de la Competencia, or CNMC, the Spanish state-owned regulator.

Company balance sheet
31 December 2016

Amounts in thousands of U.S. dollars

	Notes (1)	2016	2015
Fixed assets			
Tangible assets		110	135
Investments in subsidiaries	3	2,035,598	2,014,487
Amounts owed by group undertakings	4	704,916	822,263
		2,740,624	**2,836,885**
Current assets			
Trade and other receivables		2,032	296
Amounts owed by group undertakings	4	15,795	173
Short-term financial investments		5,000	5,000
Derivatives assets		999	-
Cash and bank balances		122,154	45,487
		145,980	**50,956**
Total assets		**2,886,604**	**2,887,841**
Creditors: Amounts falling due within one year			
Trade and other payables	6	7,949	17,328
Amounts owed to group undertakings	4	9,704	9,214
Borrowings	5	291,861	3,152
Derivatives liabilities		-	95
		309,514	**29,789**
Net current assets/(liabilities)		**(163,534)**	**21,167**
Total assets less current liabilities		**2,577,090**	**2,858,052**
Creditors: Amounts falling due after more than one year			
Borrowings	5	376,340	661,341
Amounts owed to group undertakings	4	44,983	26,917
Derivatives liabilities		2,347	11,773
		423,670	**700,031**
Total liabilities		**733,184**	**729,820**
Net assets		**2,153,420**	**2,158,021**

(1) Notes 1 to 7 are an integral part of the financial statements

		2016	2015
Capital and Reserves			
Share capital		10,022	10,022
Share premium account		1,981,881	1,981,881
Distributable reserves		286,576	331,974
Other Reserves		13,879	4,345
Retained earnings	7	(138,938)	(170,201)
Shareholders' funds		**2,153,420**	**2,158,021**

Company balance sheet
31 December 2016

(1) Notes 1 to 7 are an integral part of the financial statements

The Company recorded a profit after tax of $31.3 million for the period ended 31 December 2016 (2015: loss after tax of $219.6 million).

The financial statements of Atlantica Yield plc, company registration no. 08818211, were approved by the board of directors and authorised for issue on 24th February 2017. They were signed on its behalf by:

Chief Executive Officer

Santiago Seage

24th February, 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 2015	8,000	1,313,903	476,233	49,414	-	1,847,550
Loss for the year	-	-	-	(219,615)	-	(219,615)
Issue of share capital and share premium	2,022	667,978	(6,264)	-	-	663,736
Dividends	-	-	(137,995)	-	-	(137,995)
Change in fair value of cash flow hedges (net of deferred taxation)	-	-	-	-	4,345	4,345
Balance at 31 December 2015	**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)	-	-	-
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**

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 (if any).

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 2016 of $31.3 million (2015: loss of $219.6 million).

The auditor's remuneration 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 2016 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/ Energía Solar nº 1 41014, 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	99.99%	99.99%	Av. Canaval y Moreyra, 562, San Isidro, Lima
ABY Concessions Infrastructure, S.L.U.	Spain	99.99%	99.99%	C/ Energía Solar nº 1 41014, 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 Upington 8801 (South Africa)
ATN 2, S.A.	Peru	100.00%	100.00%	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	99.98%	99.98%	Av. Canaval y Moreyra, 562, San Isidro, Lima
ABY Transmisión Sur, S.A.	Peru	99.99%	99.99%	Av. Canaval y Moreyra, 562, San Isidro, Lima

ACT Energy Mexico, S.A. de C.V.	Mexico	99.98%	99.98%	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/ Energía Solar nº 1 41014, Sevilla (Spain)
Solar Processes, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Palmatir, S.A	Uruguay	100.00%	100.00%	Avda. Uruguay, 1283, Montevideo
Cadonal, S.A.	Uruguay	100.00%	100.00%	Avda. Uruguay, 1283, Montevideo
Holding Eólica, S.A.	Uruguay	100.00%	100.00%	Avda. Uruguay, 1283, Montevideo
Ecija Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Helioenergy Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Helioenergy Electricidad, Dos, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Carpio Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solacor Electricidad Uno, S.A.	Spain	87.00%	87.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solacor Electricidad Dos, S.A.	Spain	87.00%	87.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Logrosán Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solaben Electricidad Dos, S.A.	Spain	70.00%	70.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Solaben Electricidad Tres, S.A.	Spain	70.00%	70.00%	Plataforma Solar Extremadura, Carretera EX-116 PK 17,560, 10120 Logrosán (Cáceres, Spain)
Hypesol Energy Holding, S.L.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Helios I Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Helios II Hyperion Energy Investments, S.L.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solnova Solar Inversiones, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solnova Electricidad Uno, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solnova Electricidad Tres, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Solnova Electricidad Cuatro, S.A.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, Sevilla (Spain)
Logrosan Solar Inversiones Dos, S.L.	Spain	100.00%	100.00%	C/ Energía Solar nº 1 41014, 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
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 - Algerie
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 - Algerie
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/ Energía Solar nº 1 41014, 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/ Energía Solar nº 1 41014, Sevilla (Spain)

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 2016, the carrying value of the direct investments was as follows:

	2016 $'000	2015 $'000

Palmucho, S.A.	-	-
ABY Servicios Corporativos, S.L.	5,483	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	868,281
ASHUSA, Inc	380,193	380,193
ATN, S.A. (*)	1,006	1,044
ABY Transmisión Sur, S.A. (*)	10,564	18,727
ABY South Africa (Pty) Ltd (*)	56,998	46,449
ATN 2, S.A.	15,897	15,897
ABY Infrastructure USA, Llc.	5	-
Total investments in subsidiaries	**2,035,598**	**2,014,487**

(*) 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 2016 and 2015 were as follows:

	$ ´000
As at 1st January 2016	2,014,487
Increase	21,111
As at 31st December 2016	**2,035,598**

	$ ´000
As at 1st January 2015	1,392,481
Acquisitions	647,074
Capital reduction	(25,068)
As at 31st December 2015	**2,014,487**

The increase in 2016 primarily relates to a capital increase in ABY Concessions Infrastructure, S.L.U. in January 2016 for $19 million.

The capital reduction in 2015 primarily relates to a capital reduction carried out in ACT Holding, S.A. de C.V. in April 2015 for $22 Million and in May 2015 for $3 Million.

The date and method of the acquisition of each subsidiary in 2015 and 2016 were as follows:

	Acquisition date	Acquisition method
ATN 2, S.A	25/06/2015	Purchase
ABY South Africa (Pty) Ltd	30/07/2015	Purchase

On June 25, 2015, the Company completed the acquisition of ATN2 an 81 miles transmission line in Peru from Abengoa and Sigma, a third-party financial investor in the project and on July 30, 2015, the Company completed the acquisition of Kaxu a 100 MW solar plant in South Africa.

4. Amounts owed by/to group undertakings

	2016 $'000	2015 $'000
Non-current receivables from group companies	674,427	769,698
Preferred equity investment in ACBH	30,489	52,565
Non-current amounts owed by group undertakings	**704,916**	**822,263**
Current amounts owed by group undertakings	15,795	173
Total amounts owed by group undertakings	**720,711**	**822,436**
Current amounts owed to group undertakings	9,704	9,214
Non-Current amounts owed to group undertakings	44,983	26,917
Total amounts owed to group undertakings	**54,687**	**36,131**

The preferred equity investment in ACBH is an available for sale financial asset that gives the following rights:

- During the five-year period commencing on July 1, 2014, Atlantica Yield has the right to receive, in four quarterly installments, a preferred dividend of $18,400 thousand per year. As of December 31, 2015, the Company received the dividend corresponding to 1.5 years and the portion corresponding to 3.5 years is pending to be received, as installment for the four quarters at 2016 hasn´t been paid to the Company yet;

- Following the initial five-year period, Atlantica Yield has the option to (i) remain as preferred equity holder receiving the first $18,400 thousand in dividends per year that ACBH is able to distribute or (ii) exchange the preferred equity for ordinary shares of specific project companies owned by ACBH.

On January 29, 2016, Abengoa informed the Company that several indirect subsidiaries of Abengoa in Brazil, including ACBH, initiated an insolvency procedure under Brazilian law ("reorganizaçao judiciaria"). The Company is currently assessing the potential impact of this event together with external advisors. Given that this process will likely negatively affect the value of the preferred equity investment and considering the high degree of uncertainty on its final outcome, the Company recorded an impairment of this preferred equity investment for a total amount of $210,435 thousand as of December 31, 2015. The valuation method used to calculate the value on the preferred equity investment in ACBH as of December 31, 2015 has been discounting the originally expected cash-flows from the instrument using a discount rate of 35%, based on the yields of bonds issued in Brazil by comparable companies with a rating indicating distress.

In addition, in the third quarter of 2016, the Company signed an agreement with Abengoa on ACBH preferred equity investment among other things, with the following main consequences:

- Abengoa acknowledged it failed to fulfill its obligations under the agreements related to the preferred equity investment in ACBH and, as a result, Atlantica Yield is the legal owner of the dividends amounting to $28.0 million, that the Company retained from Abengoa;

- Abengoa recognizes a non-contingent credit for an amount of €300 million (approximately $316 million), corresponding to the guarantee provided by Abengoa, S.A. regarding the preferred equity investment in ACBH, subject to restructuring and subject to adjustments for dividends retained after the agreement. On October 25 2016, Atlantica Yield signed Abengoa's restructuring agreement and accepted, subject to implementation of the restructuring, to receive 30% of the amount (approximately $95 million nominal value) in the form of tradable bonds to be issued by Abengoa. Upon completion of the restructuring, this debt ("Restructured Debt") would have a junior status within Abengoa debt structure post restructuring. The remaining 70% (approximately $221 million) would be received in the form of equity in Abengoa. As of the date of this report, there is a high degree of uncertainty on the value of this debt and equity;

- In order to convert this junior debt into senior debt, Atlantica Yield has agreed, subject to implementation of the restructuring, to participate in Abengoa's issuance of asset-backed notes (the "New Money 1 Tradable Notes") with up to €48 million (approximately $51 million), subject to scale-back following allocation process contemplated in Abengoa's restructuring. In the fourth quarter of 2016, the Company reached an agreement with an investment fund to sell them approximately 50% of the New Money Tradable Notes that the Company is assigned, and as a result expects the final investment to be less than €24 million (approximately $25 million). The New Money 1 Tradable Notes are backed by a ring-fenced structure including Atlantica Yield's shares and a cogeneration plant in Mexico (A3T). The New Money 1 Tradable Notes offer the highest level of seniority in Abengoa's debt structure post restructuring. Upon the purchase by the Company of the New Money 1 Tradable Notes, the Restructured Debt would be converted into senior debt;

- Upon receipt of the Restructured Debt and Abengoa equity, the Company would waive its rights under the ACBH agreements, including its right to retain the dividends payable to Abengoa.

Further to this agreement, the Company updated the valuation of the instrument as of December 31, 2016 using a probability weighted method. This valuation method considers the probability of the restructuring agreement of Abengoa being made effective. The fair value of the instrument as of December 31, 2016 is the result of estimating the value of the instrument in case the restructuring agreement is made effective and in case it is not. In case the restructuring agreement is not accepted, the value of the instrument would remain the same as the one calculated as of December 31, 2015. In case the restructuring agreements is made effective, value of the instrument has been obtained by discounting the expected cash-flows from the Restructured Debt (approximately $95 million), using a discount rate of 25% based on the yields of bonds issued in Spain by comparable companies involved in a similar restructuring process. Result of this updated valuation is an additional impairment of this preferred equity investment recorded as of December 31, 2016 for an amount of $22,076 thousand.

An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition; especially, an increase of 50 basis points in the discount rates used in the fair value exercise described above would lead to an additional impairment of approximately $1 million.

As at 31 December 2016, the detail of the non-current amounts owed by group undertakings was as follows:

	2016 $'000	2015 $'000
ATN, S.A..	4,905	6,641
ABY Concessions Infrastructure, S.L.U.	326,841	315,443
Carpio Solar Inversiones, S.A.	59,115	73,688
ABY Transmisión Sur, S.A.	47,855	54,033
Logrosán Solar Inversiones, S.A.	5,577	21,821
ACT Holdings, S.A. de C.V.	4,860	4,861
Ecija Solar Inversiones, S.A.	58,859	75,381
Solnova Solar Inversiones, S.A.	31,090	51,773
Hypesol Energy Holding, S.L.	11,645	22,503
ABY South Africa (Pty) Ltd.	62,652	59,562
ATN 2, S.A.	5,038	34,430
ASUSHA, Inc.	44,540	43,419
ABY Servicios Corporativos, S.L.	9,081	-
Other	2,369	6,143
Amounts owed by group undertakings	**674,427**	**769,698**

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.	7%	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 2016, the amounts owed to group undertakings primarily relate to ACT Energy Mexico, S.A. de C.V. for $45 million ($24 million as at 31 December 2015).

As at 31 December 2016, Trade and other receivables primarily relate to corporate fees the Company invoices to its subsidiaries.

5. Borrowings

As at 31 December 2016, the details of the amounts owed to group undertakings was as follow:

	2016 $'000	2015 $'000
Secured borrowing at amortised cost		
Bonds	255,362	254,205
Borrowings	412,839	410,288
Total borrowings	668,201	664,493
Amount due for settlement within 12 months	**291,861**	**3,152**
Amount due for settlement after 12 months	**376,340**	**661,341**

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 $255,000 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 book-runners (the "Credit Facility"). On December 22, 2014, the Company drew down $125,000 thousand under the Credit Facility. Loans under the Credit Facility 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%. Loans under the Credit Facility will mature on the fourth anniversary of the closing date of the Credit Facility. Loans prepaid by the Company under the Credit Facility may be re-borrowed. The Credit Facility is secured by pledges of the shares of the guarantors which the Company owns.

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%. Loans under the Credit Facility Tranche B will mature in December 2017. 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.

On February 10, 2017, the Company 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 $294 million), with three series of notes. Series 1 Notes for €92 million mature in 2022; series 2 notes for €91.5 million mature in 2023; and series 3 notes for €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%. The proceeds of the Note Issuance Facility will be used for the repayment of Tranche B under our Credit Facility, which will be canceled, as well as for general corporate expenses incurred as part of this transaction. The Company intends to fully hedge the Note Issuance Facility with a swap to fix the interest rate as soon as possible after funding of the Notes.

6. Trade and other payables

As at 31 December 2016, Trade and other payables primarily relate to independent professional services.

7. Retained earnings

Retained earnings	$'000
Balance at 1 January 2016	(170,201)
Net profit for the year	31,263
Balance at 31 December 2016	(138,938)

Retained earnings	
Balance at 1 January 2015	49,414
Net loss for the year	(219,615)
Balance at 31 December 2015	(170,201)