

ACCIONA Australia

Tax Transparency Report

For the year ended 31 December 2017



Introduction

ACCIONA welcomes moves around the world to improve openness and transparency in business. We believe it is important to contribute to society through the payment of taxes in all of the territories in which we operate, thereby promoting economic, social and environmental development from our own activities as well as those of our stakeholders.

Further to ACCIONA Australia formally signing up to the Australian Government's voluntary Tax Transparency Code, I am very pleased to present this Tax Transparency Report for the financial year ended 31 December 2017. We have applied all principles and details of the Code in this report, which is publicly available on our website.

ACCIONA Group has long been proactive in the area of tax transparency, having signed up to Spain's Code of Good Tax Practices in September 2011. In fact, Spain was one of the first countries to produce a code of this kind.

ACCIONA is also participating in the OECD's International Compliance Assurance Programme (ICAP) pilot. This voluntary scheme aims to facilitate open and cooperative multilateral engagements between multinational groups and tax administrations, with a view to providing early tax certainty and assurance.

It is therefore a natural step for ACCIONA to be a part of tax transparency initiatives in Australia, and we will continue working with all relevant stakeholders in this important area of business activity.

David Gutierrez Abarquero
Head of Tax – ACCIONA Group
ACCIONA S.A.

ACCIONA Group Overview

ACCIONA is a leading supplier of sustainable infrastructure solutions and renewable energy projects worldwide. Its range of services covers the entire design, construction, operation and maintenance value chain.

The group posted turnover of €7.25 billion in 2017; it has a presence in more than 40 countries and carries out its activities within a commitment to contribute to the economic and social development of the communities where it operates.

ACCIONA's aim is to lead the transition to a low-carbon economy, by applying criteria of quality and innovation processes to all its projects with a view to achieving efficient use of resources and caring for the environment. Find out more at www.acciona.com

ACCIONA Australia

ACCIONA began operating in Australia in 2002, building its business to become an industry leader in renewable energy, infrastructure, construction and water.

The group has successfully delivered large-scale projects including new and upgraded road and rail infrastructure, tunnels, bridges, desalination and water treatment plants, as well as wind and solar farms.

ACCIONA is a significant contributor to the Australian economy, with equity positions in several projects and a major investment in Geotech, a leading infrastructure and construction company.

ACCIONA employs around 1,100 staff in Melbourne, Sydney, Brisbane, Adelaide and Perth, as well as regional locations, and continually invests in Australian skills and jobs.

Tax Strategy and Governance

Tax risk management is seen as an integral component of good corporate governance at ACCIONA.

Globally, the ACCIONA Group manages its tax framework and strategy in accordance with the Group's Tax Governance Policy ('Tax Policy') which has been approved by the Board at a Group level. All updates to the Tax Policy must be proposed to Audit, Risk and Committee of the Group for their endorsement and approved by the Board at a Group level.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. ACCIONA's tax risk appetite is 'low' – the company does not engage in any tax avoidance schemes or aggressive tax positions, nor does it implement corporate structures that are artificial or opaque. From a tax perspective, all transactions align with underlying business performance.

The company is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates.

ACCIONA maintains a productive and transparent relationship with revenue authorities, as reflected in the voluntary disclosure of tax information contained in this report. Globally, the ACCIONA Group signed up to Spain's Code of Good Tax Practices in September 2011. This Code was created by the Large Companies Forum in Spain, and is strongly promoted by the Spanish Tax Agency. The aim of the Code is to improve the application of Spain's tax system by enhancing legal certainty, reciprocal cooperation based on good faith and legitimate trust between the Tax Agency and companies, and the application of responsible tax policies by the Board of Directors.

Income Tax Position for 2017

ACCIONA companies in Australia are included in three separate tax consolidated groups. The ACCIONA Agua Australia Pty Ltd tax consolidated group comprises all of ACCIONA's wholly owned entities in Australia. The other consolidated groups, being the ACCIONA Energy Oceania Pty Ltd Tax Consolidated Group and the ACCIONA Geotech Holdings Tax Consolidated Group, have minority shareholder interests and thus must be consolidated separately under tax legislation. The figures included in this report contain the aggregated position of the tax consolidated groups mentioned above.

Reconciliation of accounting profit to income tax expense and income tax paid

	31 December 2017 '000
Accounting profit before tax	24,736
Tax expense at 30%	7,421
Permanent tax adjustments	303
Income tax expense	7,724
<i>Temporary tax adjustments:</i>	
Tax law partnership accounting results – Excluded (profit)	(8,896)
Tax law partnership taxable results – Included (profit)	2,785
Accounting expenditure subject to R&D incentive - Excluded	3,063
Customer contract accounting amortisation - Excluded	2,707
Unrealised foreign exchange differences - Excluded	1,305
Other items including provisions and accruals	721
Sub total	9,409
Franking credits, R&D credits and tax losses applied	(2,260)
Income tax paid	7,149

Note: Consolidated figures shown above including the ACCIONA Agua Australia tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.

EXPLANATION OF MATERIAL ITEMS

Tax law partnerships – ACCIONA has interests in numerous infrastructure design and construct joint venture partnerships. These partnerships often have 30 June year reporting periods, compared to ACCIONA Group's 31 December reporting period. This results in a timing mismatch, because under tax rules the net income or loss of a partnership is not attributable to a partner until the end of a partnership income year. For example, ACCIONA's tax return for the year ended 31 December 2017 includes its result from 30 June 2017 year end partnerships. Further to these differences in reporting period, there are also accounting versus tax timing differences in partnership revenue recognition.

Customer contract amortisation – The amortisation of certain intangible assets are not deductible under Australian tax rules.

EXPLANATION OF MATERIAL ITEMS (continued)

Research and development credits – This tax incentive encourages companies to engage in R&D activities in Australia. The incentive, as it applies to ACCIONA, provides a 38.5% tax offset on eligible expenditure, but a tax deduction on the expenditure is not allowed. R&D credits may be carried forward until utilised.

Unrealised foreign exchange – Foreign exchange gains and losses are taxable only when realised.

Income tax expense effective tax rate comparison

	31 December 2017
ACCIONA Australia effective tax rate	31%
ACCIONA worldwide effective tax rate	30%

Note: Effective rate calculated using income tax expense per accounting concepts divided by accounting profit.

Tax Contribution Summary

The below table summarises Federal and State taxes that ACCIONA had paid pertaining to the year ended 31 December 2017 in Australia.

	31 December 2017 '000
Corporate income tax	7,149
Net GST	19,357
Payroll taxes	8,263
Employee PAYG and superannuation	68,528
Other withholding taxes and State based taxes	788
TOTAL TAX CONTRIBUTION IN AUSTRALIA	104,085

Note: Consolidated figures shown above including the ACCIONA Agua Australia tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.

International Related Party Dealings

The ultimate parent company of ACCIONA's companies in Australia is ACCIONA S.A., a company domiciled in Spain. Common international related party dealings include, among others: interest expense on shareholder loans; management fees; and cost recharges. These related party dealings do not have a material impact on ACCIONA's taxable income.

All related party dealings are priced at an arm's length basis. More specifically, shareholder loans are priced using a comparable uncontrolled price method, management fees at a fixed mark-up to cost, and cost recharges at no mark-up.