



INTERVIEW WITH THE CHAIRMAN

Welcome to ACCIONA's 2017 Integrated Report, which sets out, concisely and transparently, the company's purpose and the context in which it operates. The goal of this document is not only to describe the outcome of the last year but also, above all, to set out how the company understands its opportunities and challenges and how it addresses them to create value and contribute to meeting the global challenges, which require a determined sustainable position.

José Manuel Entrecanales

Chairman of ACCIONA

WHAT DO YOU THINK IS THE MOST OUTSTANDING FEATURE OF THE 2017 RESULTS?

The 2017 results were solid, and actually exceeded our expectations. ACCIONA's strategic decisions in recent years have contributed to strengthening its value generation model and fulfilling the financial objectives, not only in terms of growth, but also in terms of the strength and efficiency of the balance sheet.

This is confirmed by the figures, with 7 % EBITDA growth compared to 2016 despite lower power generation by the Energy division — attributable to events of force majeure such as over wind and rain, and the earthquakes in Mexico — which was offset by the good results in the Infrastructure division, with EBITDA up 33 % on the previous year.

It was also an important year for divestments. The recent completion of the sale of solar thermal energy assets in Spain marked the conclusion of the divestment process that commenced in 2013. That transaction released capital for more profitable new projects around the world, which will help to balance the company's geographical footprint. I would also like to mention the sale of Trasmediterranea, currently pending the final administrative authorisations, which was very well timed, after work to enhance the company's efficiency and competitiveness.

As a result, we strengthened our balance sheet and improved our leverage projections, reaching our debt target one year ahead of schedule, with lower funding costs and better interest cover.

Moreover, in line with the commitment made during 2016, gross capital expenditure amounted to 900 million euros in 2017, concentrated mainly in the Energy and Infrastructure divisions.

WHAT ARE THE GROWTH PROSPECTS FOR ENERGY AND INFRASTRUCTURE IN THE SHORT AND MEDIUM TERM? WHAT CHALLENGES DO THEY FACE?

In the field of energy, demand for renewables continues to grow, which translates into a solid short-term order book driven by the global will to contain the effects of climate change and by renewable energy's growing competitiveness in comparison with conventional energy sources.

However, we must be cautious and look for profitable alternatives to auctions, where competition has intensified in recent years due to the surplus liquidity in the financial markets and the entrance of new actors applying a speculative model that undermines the market's profitability.

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Companies' greater sensitivity to the consequences of global warming and raising social awareness are driving the market in renewable power purchase agreements in the private sector. ACCIONA Energy's current client portfolio covers the most strategic markets, including important corporate and institutional clients from a broad range of industries, and that trend is expected to continue in the coming years.

Moreover, microgrid technology hints at the possibility of realistically affordable storage.

As for the Infrastructure division, internationalisation in the last ten years has enabled us to continue expanding. The year 2017 was a milestone not only because of the good results, including sizeable growth in construction volumes, but also in terms of new contracts that contribute to strengthening ACCIONA Infrastructure's position in markets where the division is already firmly established.

Some global trends are contributing to demand growth, such as significant expansion by urban and metropolitan areas; the need to adapt to social and environmental requirements, as extreme climate events create a demand for greater resilience; not to mention the growth of the middle class and rising living standards in developing markets.

In this context, ACCIONA is adopting a selective approach to opportunities, focusing on large contracts that are more demanding in technology terms and require high levels of specialisation but offer more attractive returns and better risk profiles.

IN 2017, THE COMPANY'S STRATEGY EMPHASISED FOCUSED GROWTH. HOW DO THE OTHER BUSINESSES FIT IN?

Our mission has not changed: ACCIONA is positioned as a developer of infrastructure — both energy and infrastructure — that is essential for society, taking a long view in pursuit of durability over time. We are also entrepreneurial and constantly seeking new opportunities that are in line with our track record.

Beyond the field of renewable energies and infrastructure development, we are involved in a range of other businesses which, while requiring less capital investment and debt, make a contribution to the Group's consolidated bottom line.

Their growth potential also enables us to maximise their value through strategic transactions. Here I would like to note the contribution of rental properties to Testa Residencial, in line with our strategy of crystallising the value of the rental portfolio. In this way, ACCIONA Inmobiliaria will focus on residential development in a market that is rebounding after several years of recession; apart from being the most profitable segment of this business, it also enables us to monetise our land bank and reap synergies with our construction business. Bestinver has also firmly established itself as Spain's leading independent asset manager.

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ACCIONA is ready to meet the future. Our highly specialised teams of committed professionals work determinedly to offer sustainable solutions where there are opportunities with a balanced risk/return trade-off. Our focus on innovation enables us to handle the most demanding projects and makes us the best choice.

The commitment to sustainability that is a hallmark of ACCIONA is materialised in the Sustainability Master Plan 2020. We are also involved in the main sustainable initiatives worldwide and we participate in the dialogues and debates where decisions are made and major global commitments to the planet and future generations are adopted. We do this out of conviction, and we will continue in this line, encouraged by the progress that has been made in recent years and convinced that we will be part of the solution.

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