

Integrated Report

2016

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ACCIONA's 2016 Integrated Report is available online. You can access it by scanning the above QR code using various devices.

ABOUT THIS REPORT

ACCIONA presents its fifth consecutive Integrated Report since 2012, drawn up in line with the conceptual framework established by the International Integrated Reporting Council¹ (IIRC).

This report is the outcome of a process of internal reflection that seeks to provide the reader with a simple and coherent picture of the company's reality, emphasising the key factors for value creation and the importance of situational factors in the short, medium and long term, and showing how the company's strategy is capable of responding to some of the main global challenges facing humanity.

As in previous years, with the goal of advancing in the integration of the information, ACCIONA again took account of the opinions of its stakeholders when defining the structure and content of this report.

IDENTIFICATION OF MATERIAL ISSUES

ACCIONA constantly monitors global context and trends in the markets where it operates so as to identify issues that impact its business. This report was elaborated on the basis of this analysis and some other nuances that the company views as important.

ACCIONA also provides detailed information on issues that are of interest to its stakeholders. The 2016 report not only reflects opinions and assessments from the company's senior management — who are conversant with the business, the strategy and the context — but also the concerns expressed by investors with respect to events during the year and the company's prospects.

Consultations with leading industry associations regarding sustainability matters were also taken into account.

REPORTING SCOPE

The quantitative data in the report are those for 2016 and refer to the entire company or the specific line of business, as indicated in each case.

To facilitate understanding of the business and its development over time, the content does not confine itself to the organisation's current performance but also contains figures and events from the past so as to offer a broader perspective.

Any forward-looking information contained in this document is the result of an analysis of the current context and its expected evolution; no assurance is given that such goals will be achieved, since they are subject to risk and uncertainty.

KEY REPORTING ISSUES

Analyses have identified a number of key issues that will be dealt with in the report. Some are related to exogenous factors (external context and trends) that have an impact on the company's performance and strategy. Others are related to ACCIONA itself, its processes, management style and future prospects.

↑ Exogenous factors

- International commitments to limit global warming.
- Stability and profitability of international markets.
- Suitable regulatory frameworks in the contexts in which the company operates.
- Outlook for the electricity market: variability of energy prices, auctions, etc.
- Applied technologies in the fields of energy, infrastructure and services.
- Global challenges: infrastructure gap, demographic growth, urbanisation, resource scarcity, digitisation and technology.

↻ Internal issues

- Equilibrium between capital expenditure and the balance sheet structure.
- Strategy in connection with the complementary businesses.
- Share performance and dividend policy.
- Ability to fulfil commitments.
- Innovation.
- Human resources management.
- Relations with stakeholders.

CONNECTIVITY

In line with the principle of information connectivity, the Integrated Report may be supplemented with the other corporate reports together with the content of ACCIONA's websites.

Corporate reports

ANNUAL ACCOUNTS	SUSTAINABILITY REPORT	ANNUAL CORPORATE GOVERNANCE REPORT	QUARTERLY REPORTS

<https://www.acciona.com/shareholders-investors/financial-information/>

Websites

- | | |
|--|---|
| CORPORATE
www.acciona.com | BESTINVER
www.bestinver.es |
| ACCIONA ENERGY
www.acciona-energia.com | TRASMEDITERRANEA
www.trasmediterranea.es/en |
| ACCIONA INFRASTRUCTURE
www.acciona-infraestructuras.com | GRUPO BODEGAS PALACIO 1894
http://www.grupobodegaspalacio.com/ |
| ACCIONA INMOBILIARIA
www.acciona-inmobiliaria.es | |

(1) Website of the International Integrated Reporting Council (IIRC): <http://integratedreporting.org/>

INTERVIEW WITH THE CHAIRMAN

José Manuel Entrecanales, Chairman of ACCIONA, discusses the way in which the company generates value in the medium and long term.



José Manuel Entrecanales
Chairman of ACCIONA

ACCIONA's 2016 Integrated Report offers a horizontal vision of the company in a concise and transparent manner, emphasising not only the organisation's performance during the year but also its vision going forward, through its strategies and businesses and the way for generating value and sustainable development.

How do you rate the results obtained in 2016?

ACCIONA's results are very positive from a strategic viewpoint and demonstrate the strength of our business model and its capacity to generate value.

We believe that 2016 consolidated the change in the cycle, which began in 2015, towards a new stage of growth that, without relinquishing rigorous control over the balance sheet, will support greater levels of investment during the next few years.

From the economic and financial viewpoint, despite weak electricity prices in Spain and the deconsolidation of ACCIONA Windpower, EBITDA increased slightly compared to last year thanks to the growth experienced by the Infrastructure division. This was due to the improvement in the international construction business and full consolidation of ATLL, as well as the good results from the company's other businesses.

Financial leverage improved substantially compared to 2015, keeping us within the comfort range targeted by the company and consolidating the trend of continuous improvement in our balance sheet.

This improvement in debt ratios was accompanied by strong progress in transforming the company's funding model. Transactions during the year to refinance project debt with corporate debt have given us greater flexibility in managing debt and cash flow and will significantly reduce capital costs, with sizeable savings from 2017 onwards.

Intensive investment was one of the highlights of the year, as net investment cash flow amounted to around 720 million euros. This was led by the Energy division and the delivery of new installed capacity in Chile and the United States, as well as investment by the Infrastructure division in executing major projects in international markets.

To summarise, these results point to a very positive outlook for our business and enable us to offer our shareholders an attractive and durable dividend.

How will ACCIONA and its main businesses evolve in the short term?

We are looking forward to 2017 and beyond with prudent optimism in a favourable international context. This will feature moderate growth in EBITDA, driven by the Energy and Infrastructure businesses, which will continue to seek new long-term opportunities in strategic and profitable markets.

Capital expenditure will be kept stable with respect to 2016 to take advantage of these new opportunities, maintaining proactive management of the balance sheet without compromising the bottom line.

Performance of the energy business in Spain will be determined by the evolution of electricity prices and the increase in regulatory revenues following the latest triennial review.

We are looking forward to 2017 and beyond with prudent optimism

In the international arena, ACCIONA's success in the auctions for new capacity and in the corporate PPA market guarantees significant profitable growth, with a total of almost 750 MW to be built in the next few years. This will require another round of investment focused strategically on technological innovation.

With respect to infrastructure, short-term forecasts also remain optimistic in line with the level of awards in recent years, which have expanded the division's pipeline, as well as the promising start to 2017. Our efforts will also focus on strengthening margins in the international business to consolidate the change of cycle begun in 2016.

How have Other Businesses evolved over time and what is the forecast for them?

We are often asked for data on the present and future contribution by the company's Other Businesses. Historically, ACCIONA has supplemented its activity in the areas of renewable energy and infrastructure development with a significant presence in other sectors, such as shipping, real estate, finance and wine production, exploiting business opportunities and helping diversify our offer.

Although these businesses are not comparable in size or turnover with ACCIONA's more strategic activities, they represent a great opportunity to generate value, through organic growth or their potential to enhance management, not to mention the scope for mergers and acquisitions. Managing and materialising this value is a priority for ACCIONA.

These businesses played an important role in the Group's results in 2016, with double-digit growth, contributing over 10% of Group EBITDA with very limited investment and debt needs.

What value can the company contribute in the future?

We are a company with a long-term vision in activities that will continue to expand in the future.

Growing population and rising living standards will drive demand for new infrastructure, mainly energy-related, and create new needs associated with the growth of cities. Moreover, no one now doubts that renewable energies are the key to tackling climate change and containing the growth in greenhouse gas emissions.

In this context, ACCIONA is fully able to respond to global challenges through innovative renewable energy and infrastructure projects, leading the transition to a carbon-free energy model while contributing to better living standards for the communities in which we operate.

This will be possible thanks to the more than 32,000 professionals who form part of the company and share our commitment to sustainable development.

Meanwhile, our long-term vision drives our constant focus on innovation as a synonym for sustainability, helping us build the immediate and longer-term future.

This across-the-board commitment to sustainable development is expressed in our Sustainability Master Plan 2020, which crystallises our aspirations in the form of objectives for the whole organisation and each of the business lines. In this respect, I am delighted to be able to say that in 2016 we achieved our most ambitious goal: to become carbon-neutral.

Finally, our positioning as a sustainable company is recognised thanks to our active participation in international forums and debates, to which we turn constantly in the quest for joint solutions – public and private – to the challenges that arise in the course of our activities.

We are a company with a long-term vision in activities that will continue to expand in the future

A business with a purpose

VALUE CREATION BUSINESS MODEL

ACCIONA is a world leader in sustainable infrastructure solutions and renewable energy projects. Its services cover the entire value chain including design, construction, operation and maintenance.

The company, with its reported revenues of 5.977 billion euros in 2016 and presence on the five continents, is committed to contributing to the economic and social development of the communities in which it operates.

ACCIONA is at the forefront when it comes to mitigating the effects of climate change, resource scarcity and environmental impacts, as well as dealing with the challenges posed by population growth, economic development and new social needs. It is optimistic about the future as regards its mission to promote sustainable development through its renewable energy and infrastructure businesses, in addition to the other activities that diversify and complement its core businesses.

This long-term growth model efficiently combines tangible and intangible resources to generate a positive impact in terms of business sustainability which, in turn, creates further value in those communities in which the company operates, resulting finally in a sustained return for shareholders over time.

With a highly specialised team, a reputable brand and a focused and sustainable growth strategy, ACCIONA's business structure makes sense in the medium and long term as its core businesses — renewable energies and infrastructure, in a broad sense — are precisely those that are best suited to meeting the needs of government and society.



MISSION

To tackle the challenge of achieving sustainable development in all of our business areas so that the generations of today and tomorrow will have a better life.



VISION

To be leaders in building, developing and managing infrastructure, energy, water and services; and to contribute actively to social well-being, sustainable development and value creation for our stakeholders.



VALUES

- Honesty
- Leadership
- Excellence
- Environmental concern
- Social responsibility
- Long-term focus
- Financial strength
- Customer focus
- Innovation
- Care for people

i More information in the following chapters:

- We respond to the challenges of the future [page 32]
- A strategy focused on leveraging the change in trend [page 35]
- ACCIONA Energy [page 45]
- ACCIONA Infrastructure [page 68]
- Other businesses [page 90]

A DIVERSIFIED BUSINESS MODEL THAT SATISFIES CITIZENS' NEEDS

ACCIONA's businesses generate value and tackle the challenges of sustainable development



* ACCIONA ENERGY

100% renewable

- 9 GW OPERATIONAL
- 14 COUNTRIES ON 5 CONTINENTS
- LEADER OF THE TOP 100 GREEN UTILITIES (according to Energy Intelligence)

Focused on the most competitive technologies

- 86% OF THE PORTFOLIO IS WIND AND SOLAR PHOTOVOLTAIC
- >300 ASSETS IN THE MAIN RENEWABLE TECHNOLOGIES



Broad experience

- >20 YEARS IN THE INDUSTRY
- THROUGHOUT THE VALUE CHAIN



Profitable growth

- ~1 GW UNDER CONSTRUCTION AND ~4.5 GW IN THE PIPELINE
- STRATEGIC MARKETS AND NEW MARKETS
- NEW BUSINESS MODELS



ACCIONA INFRASTRUCTURE

CONSTRUCTION

100 years of experience with megaprojects

SPECIALISED IN:

- BRIDGES, ROADS AND SPECIAL STRUCTURES
- RAILWAYS AND TUNNELS
- BRIDGES AND HYDRAULIC WORKS



CONCESSIONS

Development of social and transport infrastructure

6 HOSPITALS
14 ROADS

2 RAILWAYS
2 CANALS AND PORTS



WATER

Managing the entire water cycle

> 75 DESALINATION PLANTS
> 300 WASTE WATER TREATMENT PLANTS
115 WATER TREATMENT PLANTS



INDUSTRIAL

Industrial projects with a strong technology component

- THERMAL, HYDROELECTRIC AND PV POWER GENERATION
- OIL&GAS
- TRANSMISSION GRIDS AND SUBSTATIONS
- INSTALLATIONS



SERVICES

End-to-end services associated with assets in:

- INFRASTRUCTURE
- INDUSTRY
- CITIES



OTHER BUSINESSES

TRASMEDITERRANEA

A shipping company with a century of history

32 ROUTES AND 23 SHIPS carrying over:
2.5 M PASSENGERS AND
5.8 M LINEAR METRES



ACCIONA INMOBILIARIA

> 9,000 homes developed in 25 years

- IN SPAIN, MEXICO, POLAND, PORTUGAL
- UNDER THE PRINCIPLE OF SUSTAINABILITY



BESTINVER

Spain's leading independent asset manager

VALUE INVESTING PHILOSOPHY
5.2 B€ IN ASSETS UNDER MANAGEMENT
AND OVER 41,800 CLIENTS



GRUPO BODEGAS PALACIO 1894

5 wineries in Spain's most prestigious wine-growing areas:

400 ha OF COMPANY-OWNED VINEYARDS
40% OF REVENUE FROM OTHER COUNTRIES
16 M BOTTLES SOLD



ACCIONA around the world

The company is committed to the internationalisation of its businesses, with a presence in over 40 countries on the five continents.



Key indicators 2016

USA, CANADA AND MEXICO

Revenue (M€)	740
Energy produced (GWh)	4,837
Water managed (hm³)	1.3
R&D&I spending (M€)	12.1
Average workforce (FTE)	2,468

Key indicators 2016

CENTRAL AND SOUTH AMERICA

Revenue (M€)	673
Energy produced (GWh)	388
Water managed (hm³)	14.4
R&D&I spending (M€)	34.3
Average workforce (FTE)	5,141

-  Energy
-  Construction
-  Concessions
-  Water
-  Service
-  Industrial
-  Trasmediterranea
-  Real estate
-  Other businesses

Key indicators 2016

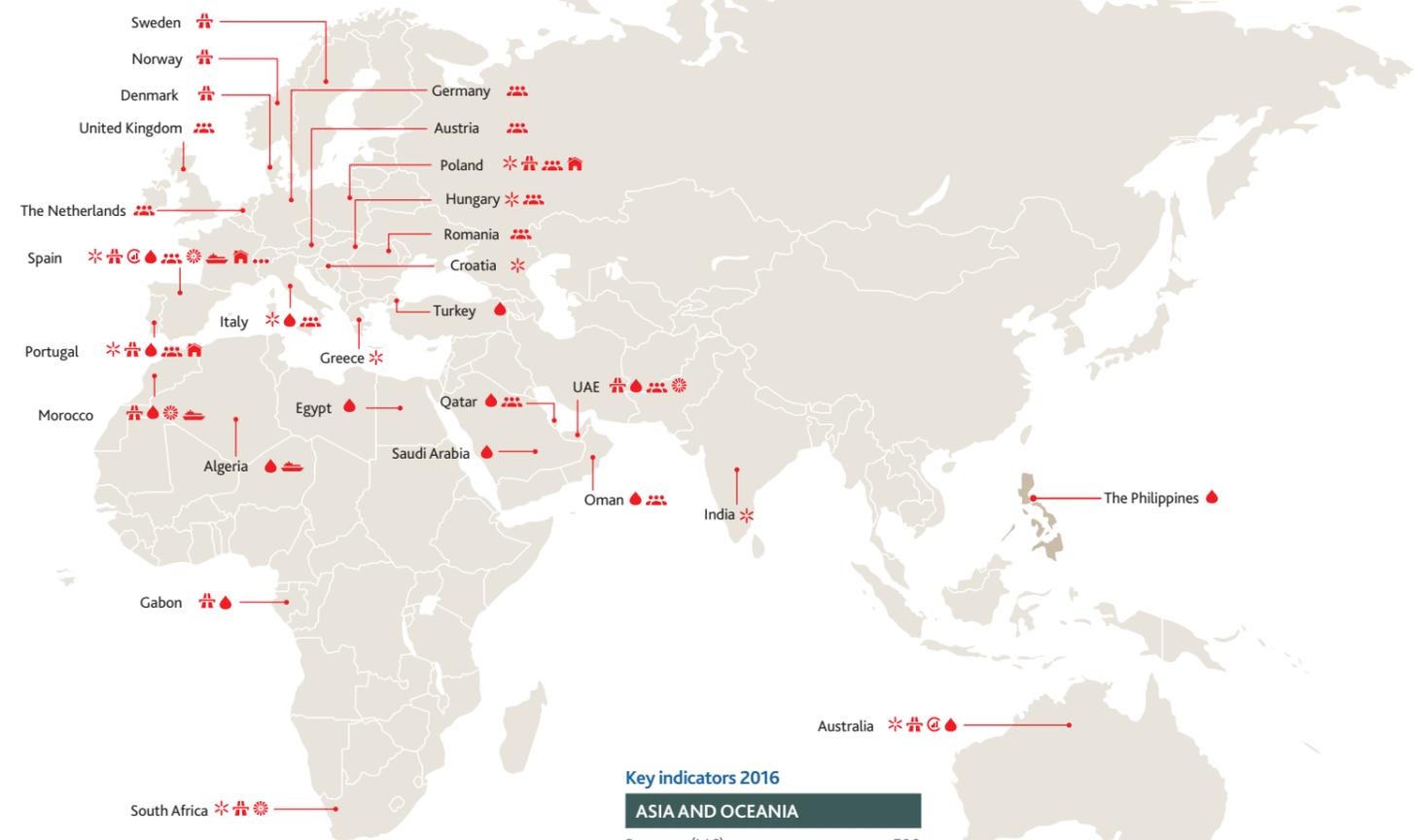
SPAIN

Revenue (M€)	3,087
Energy produced (GWh)	12,847
Water managed (hm³)	535.2
R&D&I spending (M€)	55.2
Average workforce (FTE)	19,908

Key indicators 2016

EUROPE EXCLUDING SPAIN

Revenue (M€)	705
Energy produced (GWh)	1,042
Water managed (hm³)	145.2
R&D&I spending (M€)	35.9
Average workforce (FTE)	4,223



Key indicators 2016

AFRICA

Revenue (M€)	182
Energy produced (GWh)	526
Water managed (hm³)	20.6
R&D&I spending (M€)	25.8
Average workforce (FTE)	266

Key indicators 2016

ASIA AND OCEANIA

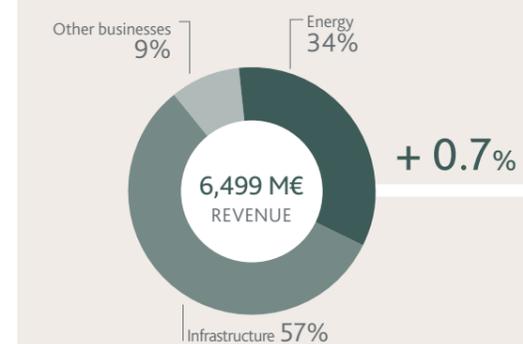
Revenue (M€)	590
Energy produced (GWh)	1,191
Water managed (hm³)	55.7
R&D&I spending (M€)	30.6
Average workforce (FTE)	480

2016 MILESTONES

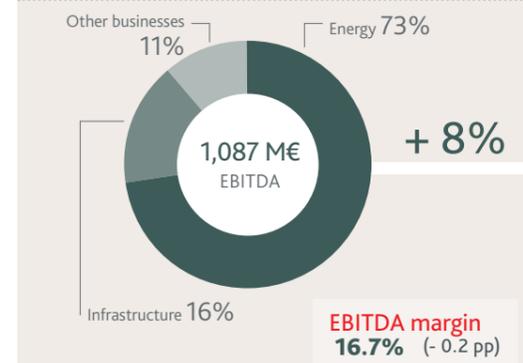
Consolidation of results

2014

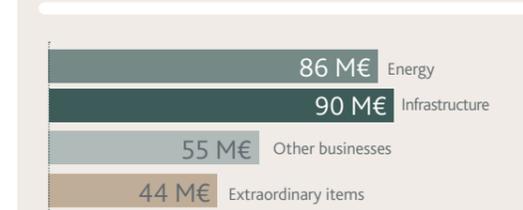
Successful execution of the Action Plan 2013-2014



Note: Includes consolidation adjustments amounting to -120 M€.



233 M€ ORDINARY EBT + 41.5%

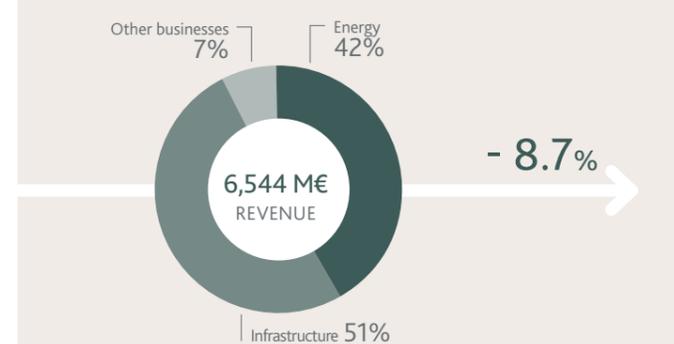


277 M€ TOTAL EBT + 15%

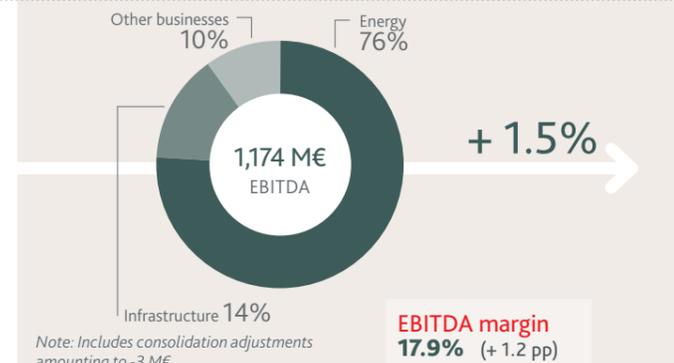
185 M€ ATTRIBUTABLE NET PROFIT + 12.1%

2015

Solid foundations for sustained growth



Note: Includes consolidation adjustments amounting to -95 M€.



330 M€ ORDINARY EBT - 5.3%

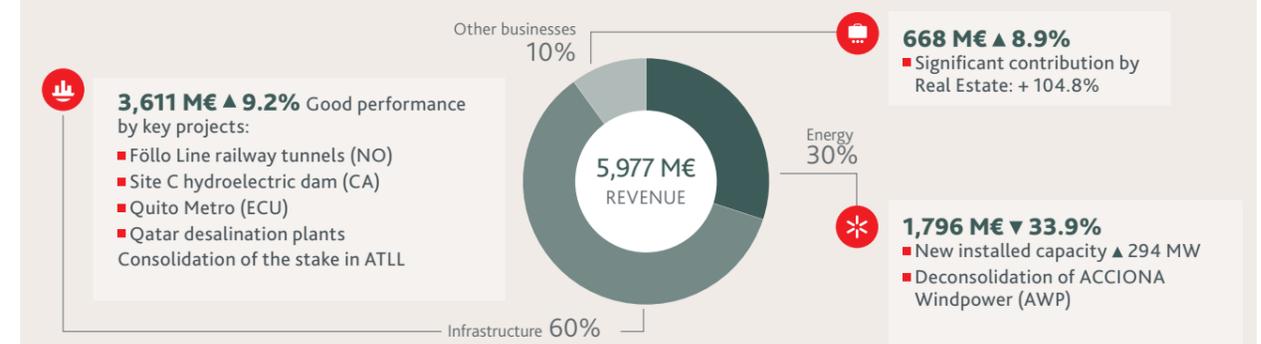


319 M€ TOTAL EBT + 28%

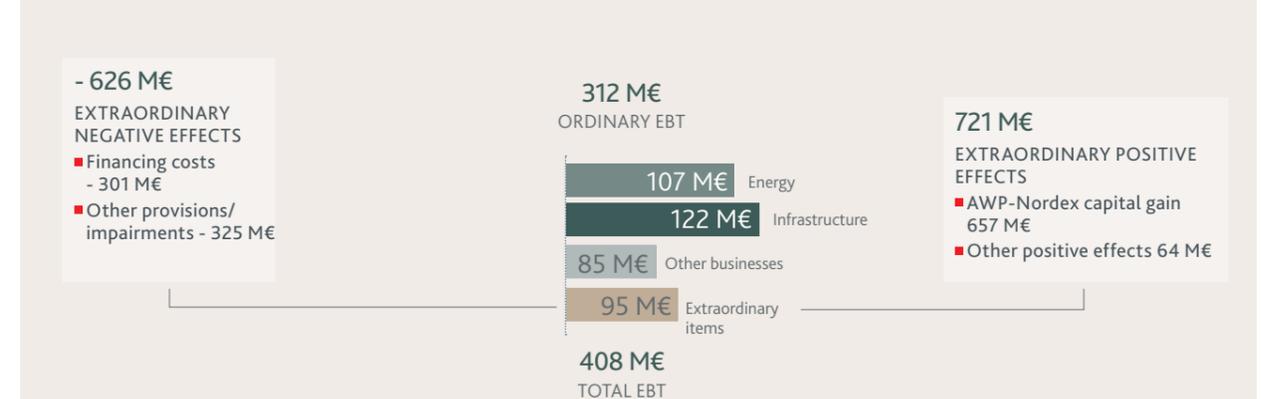
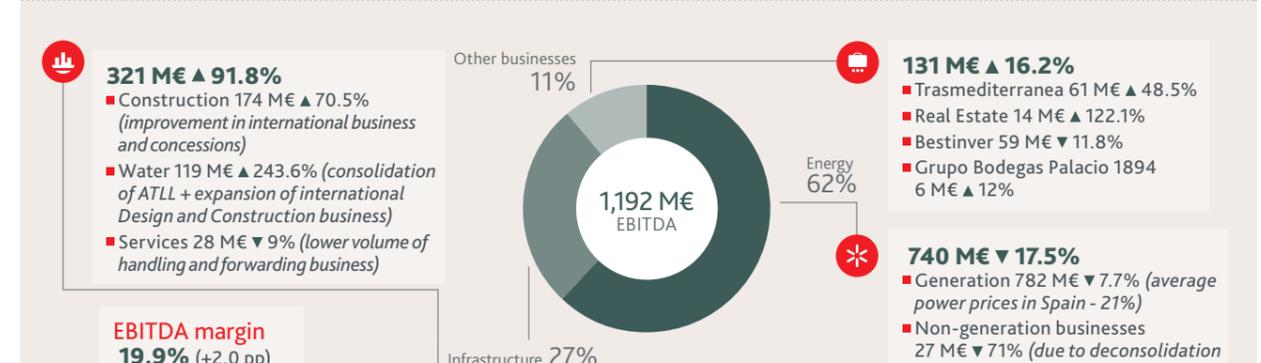
207 M€ ATTRIBUTABLE NET PROFIT + 69.8%

2016

Decisions taken in the past have led to sound results that mark a change in trend supported by investment drive

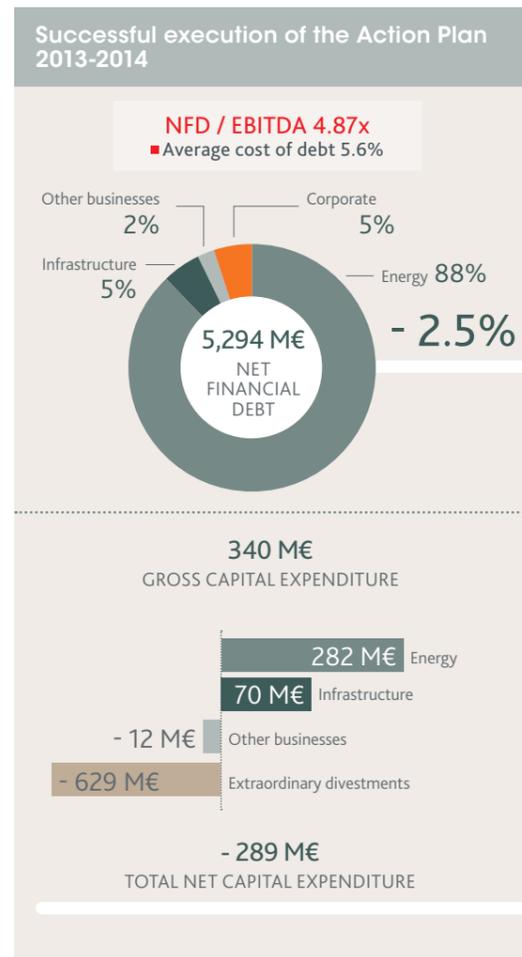


Note: Includes adjustments amounting to -98 M€.

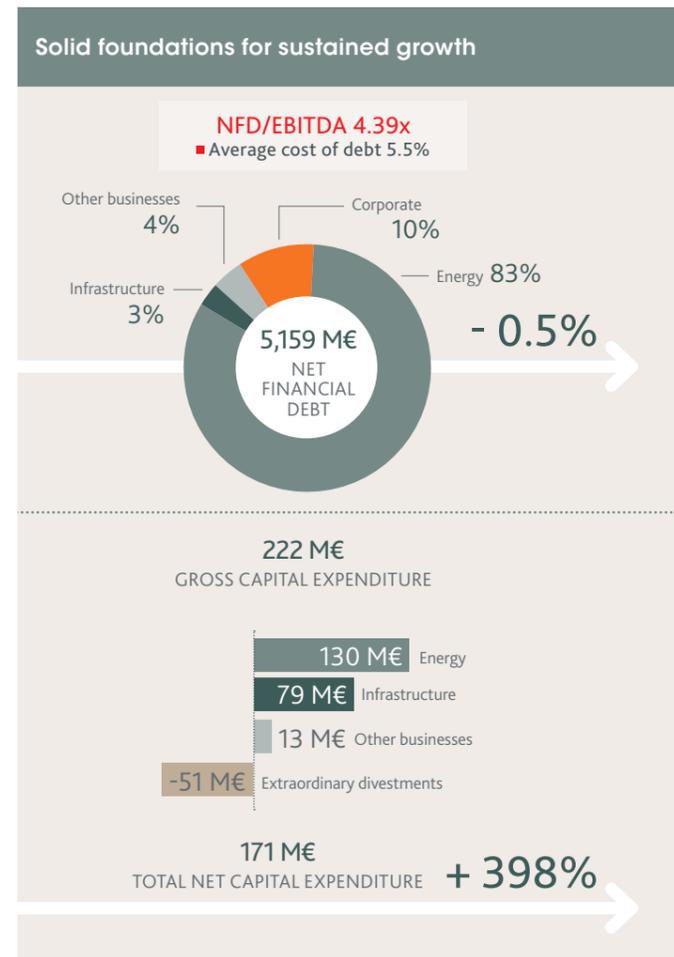


352 M€ ATTRIBUTABLE NET PROFIT

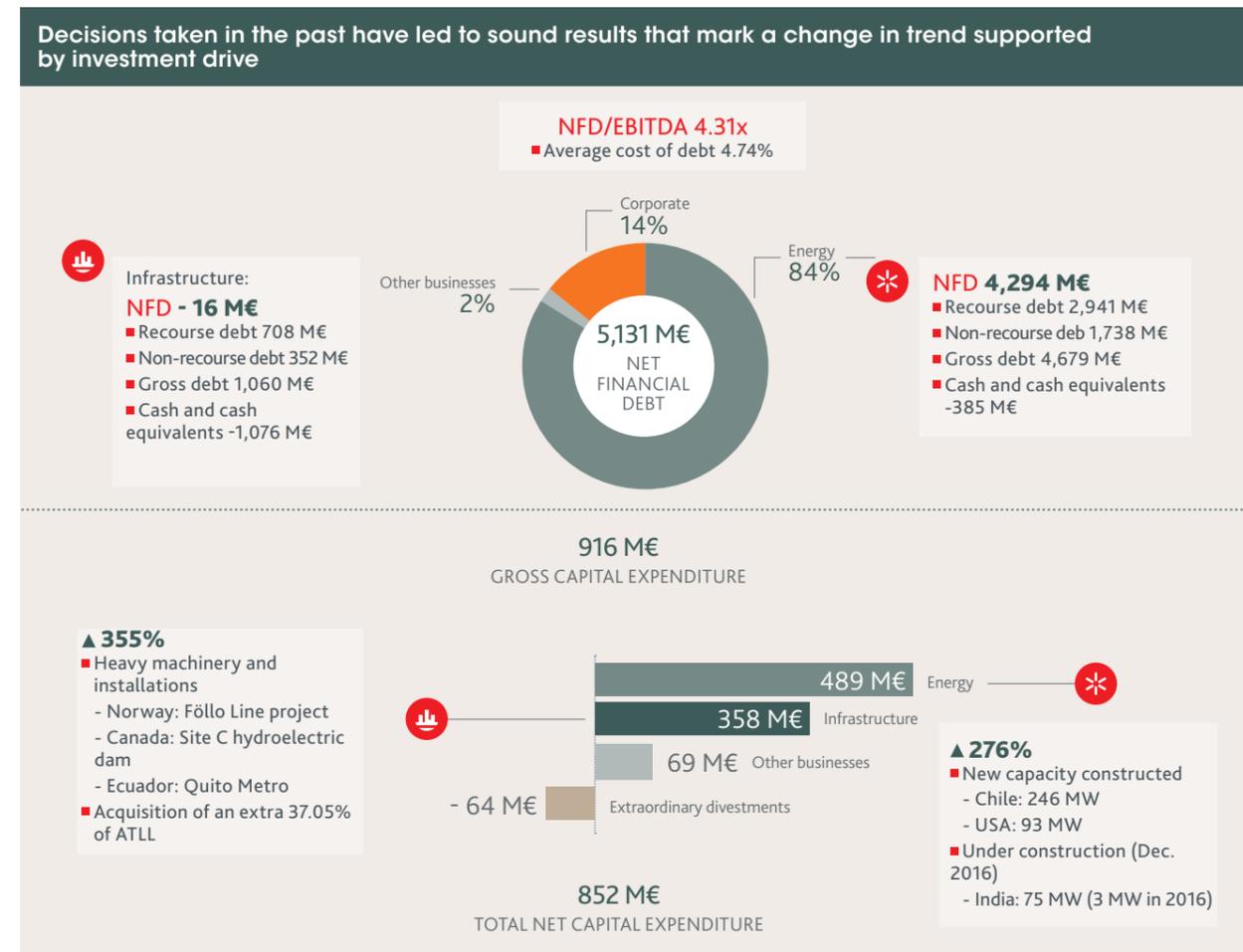
2014



2015



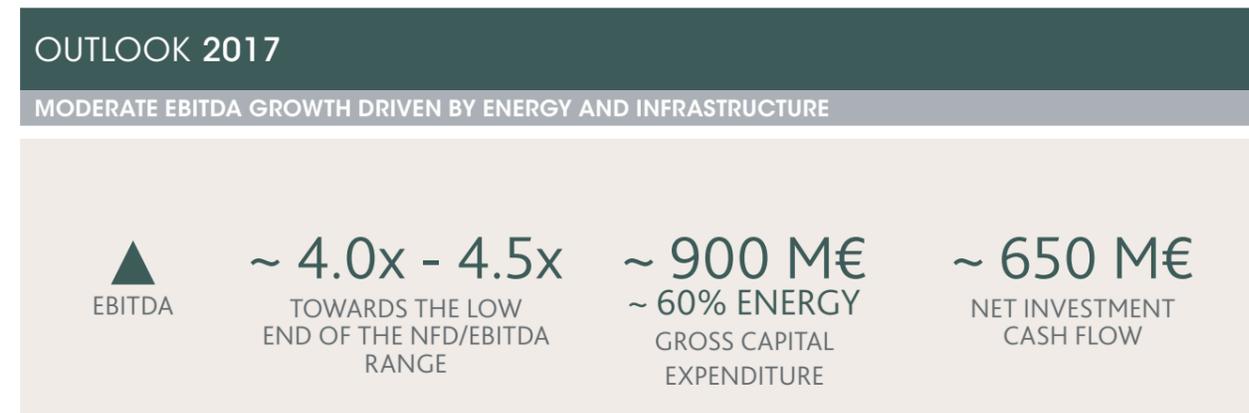
2016



SUSTAINABILITY MASTER PLAN 2020

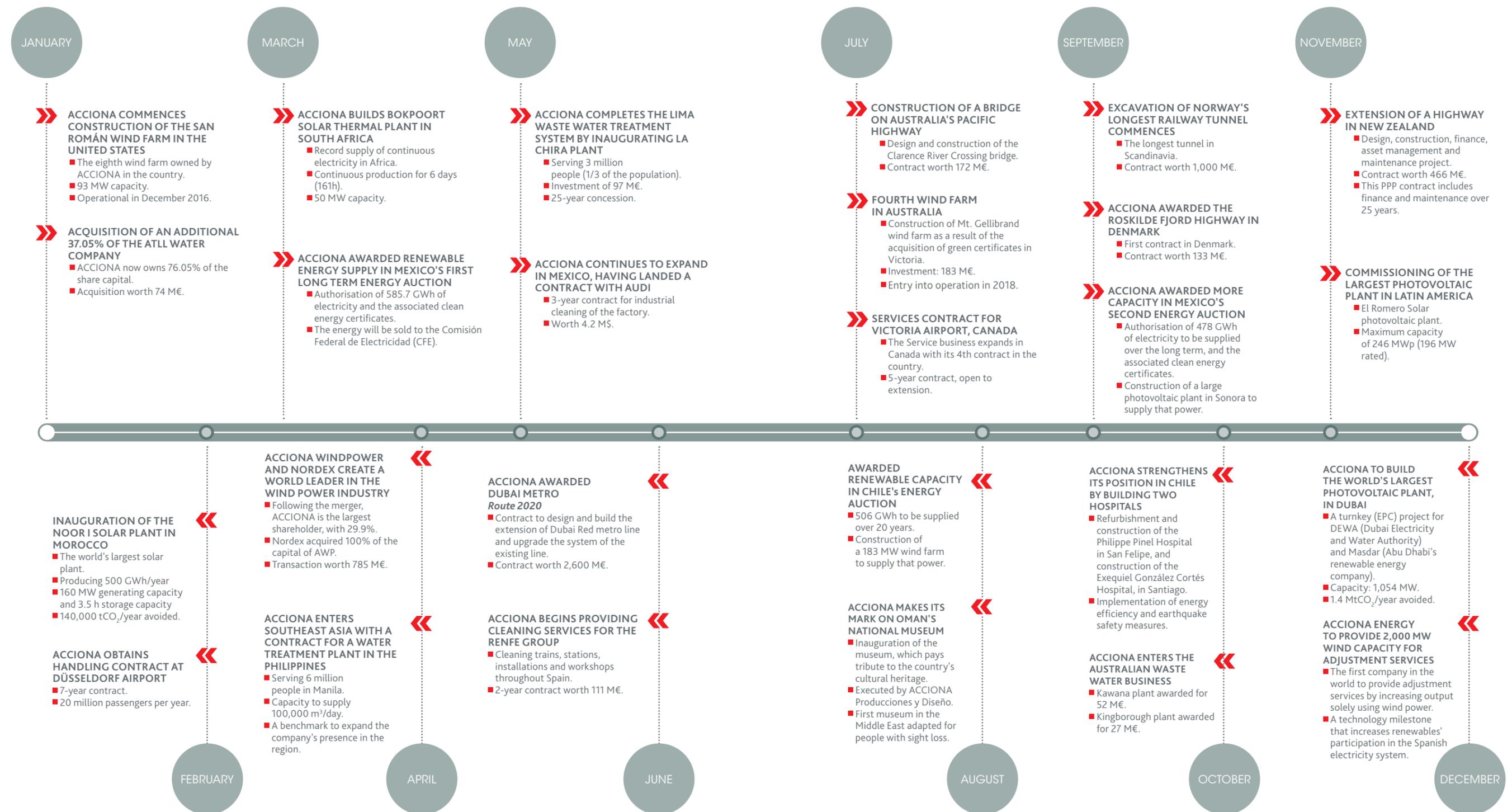
PROGRESS 2016

SOCIETY	CLIMATE CHANGE	ENVIRONMENT	CORPORATE GOVERNANCE	PEOPLE	VALUE CHAIN	INNOVATION
Social Impact Management in 82 projects in 23 countries (5 more than in 2015)	Carbon-neutral company: net balance of CO ₂ equivalent emissions = 0	Water footprint: net positive contribution of 510 hm ³	Creation of anti-corruption training for managers and executives (60% have completed it)	Reduction in employee accident frequency rate by 4.7% (vs. 2015)	> 10,000 suppliers with risk map	Innovation intensity amounts to 3.2% of revenue, above the European average
OBJECTIVE 2020	Carbon neutrality: reduce and offset our emissions	Cooperate in managing water sustainably	Progress with fulfilment of goals in the areas of human rights, ethics, corporate governance, risk management and transparency	Reduce the accident frequency rate by 15% with respect to 2015	Mitigate the environmental, social and corporate governance risk in the supply chain	Maintain innovation spending as a percentage of revenue above the European average



32,835 people contribute to these results every day through their work

Key events in 2016



Share price and shareholder return

Share performance and outlook

	2015	2016
Share price at year-end (€/share)	79.08	69.93
Share price at beginning of year (€/share)	56.20	79.08
Appreciation (%)	40.7	-11.57
Low in FY (€/share)	54.24 (06/01/15)	61.99 (11/02/16)
High in FY (€/share)	80.19 (30/12/15)	79.08 (01/01/16)
Average daily trading (shares)	246,695	213,129
Average daily trading (€)	17,294,957	14,433,468
Number of shares	57,259,550	57,259,550
Market capitalisation at year-end (M€)	4,528	4,004
Dividend (€/share)	2.5	2.875*

* Proposal made by the Board of Directors to the 2017 General Meeting of Shareholders.

After appreciating by over 40% in 2015 on the back of the successful adaptation to regulatory changes in Spain, good business performance and a significant improvement in the Group's leverage ratio, the share price performed less favourably in 2016, falling by 11.6%. The share price was affected by the sharp fall in wholesale prices in the Spanish electricity market and its impact on the Energy division's EBITDA which, together with considerably higher investment expectations than in 2015, created concern among investors about ACCIONA's ability to further improve its leverage.

However, ACCIONA met its financial commitments to the market in 2016, showing slight growth in EBITDA, despite low electricity prices, and an improved leverage ratio that is now in the middle of the comfort range, resulting in very positive share performance in the first few months of 2017.

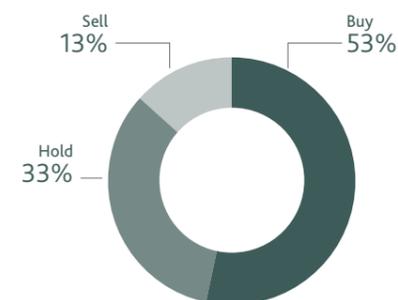
ACCIONA share performance vs. IBEX 35 in 2016



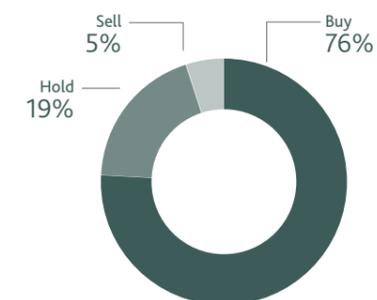
Analysts have a very favourable view of the stock, with 76% of recommendations being buy at December 2016 versus 53% the previous year. The average target price was 83 euros per share.

Analyst recommendations

Recommendations in December 2015



Recommendations in December 2016



THE DIVIDEND INCREASED BY 15% WITH RESPECT TO THE PREVIOUS YEAR

The Board of Directors of ACCIONA has proposed that the General Shareholders' Meeting approve the payment in 2017 of a dividend of 2.875 euros per share against the previous year's earnings, i.e. 15% more than the dividend paid out in the previous year. This increase reflects the company's good position and outlook:

- 2016 was positive for ACCIONA from a strategic point of view
- It has a strong financial and strategic position
- The portfolio pipeline ensures growth in coming years
- Global megatrends underpin long-term visibility

Dividend (€/share)



A significant increase in investment

ACCIONA drove growth in 2016 by investing more heavily than in previous years in order to take advantage of opportunities in international markets.

In 2016 gross capital expenditure amounted to 916 million euros. This significant increase (from 222 million euros in 2015) was partly financed by the sale of 64 million euros of third-party real estate assets belonging to ACCIONA Inmobiliaria —specifically, 50% of a shopping centre together with an adjoining building and a hotel in Barcelona — resulting in a net capital expenditure

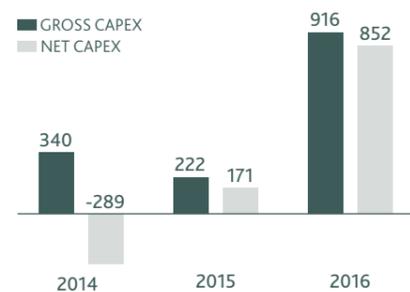
of 852 million euros, i.e. some 719 million euros in terms of net investment cash flow².

These investments were staggered flexibly throughout the year, in line with business performance and with the aim of maintaining a strong balance sheet and keeping debt ratios within their target range.

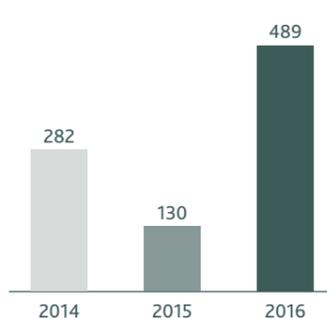
The **bulk of investment**, 489 M€, was made by ACCIONA Energy, particularly in Chile, the United States and India

Capital expenditure (CAPEX) 2014-2016

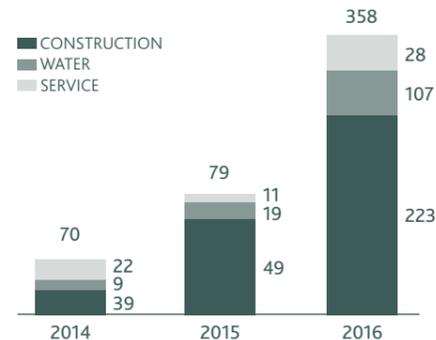
ACCIONA: Gross vs. net CAPEX (M€)



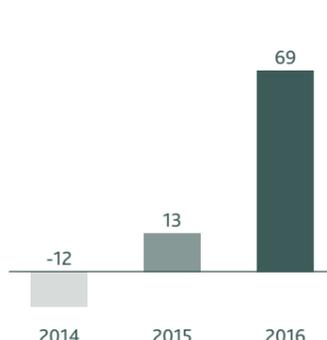
ACCIONA Energy CAPEX (M€)



ACCIONA Infrastructure CAPEX (M€)



Other businesses CAPEX (M€)



By division, the greatest share of the investment effort during the period was made by ACCIONA Energy — 489 million euros, most of which was for new installed capacity in Chile, the United States and India. The Infrastructure division's investment (358 million euros) focused on heavy machinery and facilities in the Construction and Industrial businesses (which account for over 60% of the division's investment) for the execution of the Fóllo Line project in Norway, the Site C hydroelectric dam in Canada and the Quito Metro in Ecuador.

As regards non-recurrent investments, in 2016 the company also acquired a further 37.05% of the ATLL water company for 74 million euros and purchased two ships for Trasmediterranea for a total of 50 million euros, reflecting the recovery of the company's maritime transport business.

In 2017, ACCIONA aims to maintain gross capital expenditure at similar levels to 2016, but with increased divestments.

(2) Net investment cash flow calculated as gross capital expenditure minus divestments and +/- other investment flows (in connection with deferred capex payments).

Current and projected debt

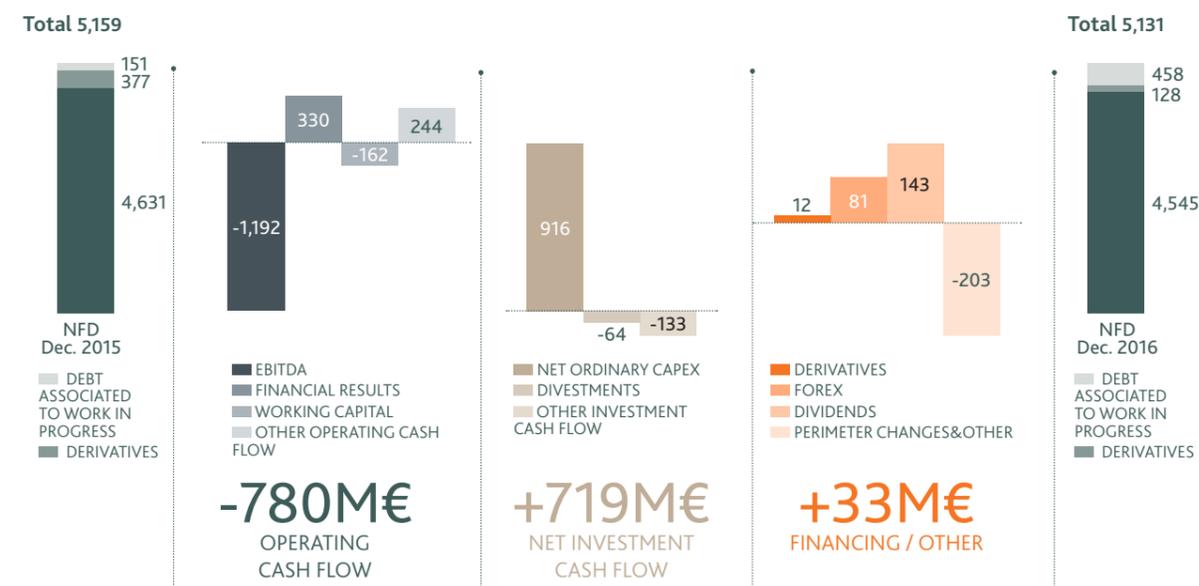
In 2016, net financial debt (NFD) totalled 5,131 million euros, 0.5% less than the previous year, with the net financial debt/EBITDA ratio improving to 4.31x, remaining within the target comfort range³.

The leverage ratio also improved on the previous year to 125% (12 basis points less than in 2015) thanks to the increase in equity. In 2017, ACCIONA aims to further reduce leverage, taking the net financial debt/EBITDA ratio towards the lower end of the 4.0x-4.5x range.

Factors shaping the performance of debt in 2016 included the increase in operating cash flow to 780 million euros and greater investment activity during the period, with a net flow of 719 million euros at the end of the year, and payment of the 2015 dividend in the third quarter of 2016.

Net financial debt amounted to 5,131 M€ in 2016, 0.5% less than in 2015

Net debt reconciliation 2016 (M€)



(3) ACCIONA's targeted comfort range is ~4.0x-4.5x.

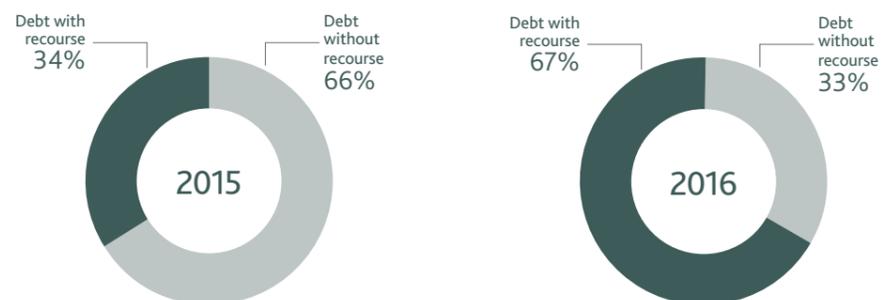
TRANSFORMATION OF THE FINANCING MODEL AND REDUCTION OF THE AVERAGE COST

In 2016, ACCIONA carried out major refinancing operations with the aim of reducing the average cost of debt, optimising cash management and enhancing flexibility.

Specifically, project finance deals associated with solar thermal and wind power assets were refinanced with corporate debt in 2016 in order to decouple the debt from management of the assets and thereby restructure the company's financing model, by increasing the weighting of corporate debt and reducing the share of non-recourse debt.

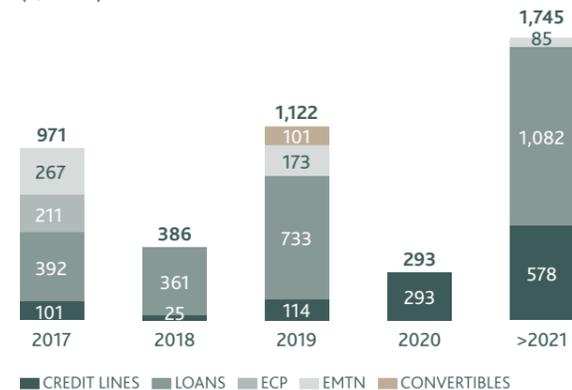
These operations enabled the company to obtain a significant reduction in the cost of debt, by 75 basis points in 2016 to 4.74% — with an estimated saving of 75 million euros from 2017 onwards — while helping to optimise cash management and increase flexibility.

Debt without recourse vs. debt with recourse

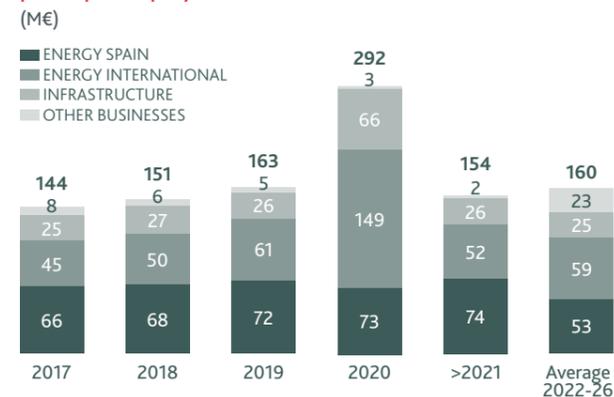


In terms of liquidity, the syndicated loan signed in 2015 for 1,800 million euros was increased to 2,200 million euros and its maturity was extended until 2021.

Maturity profile of debt with recourse (4,517M€)



Repayment of debt without recourse: principal repayments 2017-2026 (M€)



Active debt management and the reduction of financial costs strengthen ACCIONA's balance sheet and protect liquidity, putting the company in a very good position to undertake future investments.

DIVERSIFICATION OF FINANCING SOURCES: NEW OPPORTUNITIES IN THE CAPITAL MARKETS

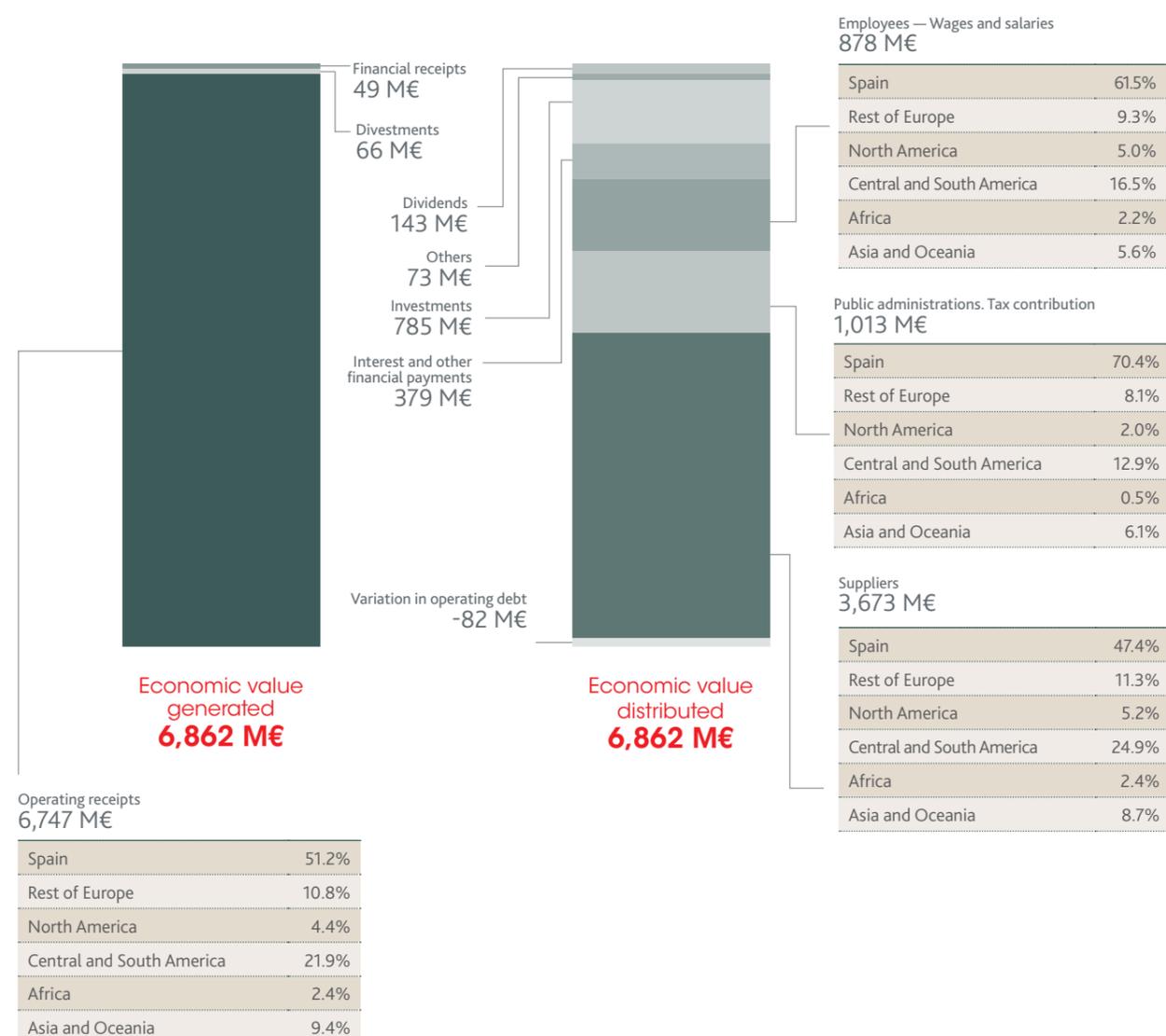
ACCIONA has continued to pro-actively explore new opportunities in capital markets. In 2016, the company made its first incursion into the German market, issuing 150 million euros via a *green schuldschein* (a kind of debt subject to German regulations and associated with green projects, in this case). This new source of liquidity for the company provides it with access to new markets and investors.

Furthermore, in 2017, ACCIONA signed a 100 million euro long-term "green loan" with BBVA to partially fund its photovoltaic and wind energy projects in Chile.

See Annex 2 of this report for further information about how these projects contribute to sustainability.

Social cash flow and tax contribution in 2016

Social cash flow is a way of calculating a company's real impact on, and contribution of value to, society through the cash flows generated by its activity. It takes into account all those items that represent real cash inflows and outflows with an impact on stakeholders*. Consequently, social cash flow represents the economic value generated and distributed by the company.



* The value contribution is measured in terms of both the cash flows generated by the company (from clients, divestments, financial transactions, etc.) and the cash flows it distributes via payments to suppliers, public administrations, shareholders and employees, among others.

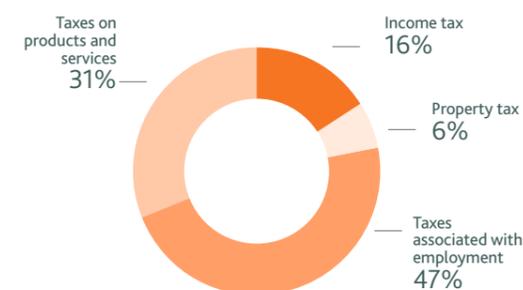
In 2016, the financial and social contribution made by ACCIONA to public administrations through tax payments totalled 1,013 million euros, of which 500 million euros correspond to taxes borne and 513 million euros to taxes collected.

The Group's tax contribution in 2016 represented 2.9 times Attributed After-Tax Earnings and 6.9 times Ordinary Net Profit. This means that, of every 100 euros of ACCIONA's revenue in 2016, 17 euros were used for tax payments, of which 8 euros

correspond to taxes borne and 9 euros to taxes collected, with Spain, Mexico, Australia, Poland, Chile and Portugal being the main countries.

The tax contribution increased 5.8% with respect to 2015; taxes associated with employment were still the most important item.

Taxes paid in 2016. Breakdown



Taxes collected in 2016. Breakdown



Total tax contribution in 2016. Breakdown by country

Country	Taxes paid (M€)	Taxes collected (M€)	Total (M€)	% of total
Spain	377.7	335.7	713.5	70.4%
Mexico	17.4	45.9	63.3	6.2%
Australia	18.9	36.7	55.5	5.5%
Poland	11.6	21.7	33.4	3.3%
Chile	5.3	20.7	26	2.6%
Portugal	7.1	12	19.1	1.9%
Brazil	14.1	2.7	16.8	1.7%
Germany	7.3	3.8	11.1	1.1%
Colombia	5.1	5.7	10.8	1.1%
USA	6.6	3.3	9.9	1%
Canada	2.9	7	9.9	1%
Italy	7.2	2.7	9.8	1%
Other countries	18.7	15.3	34	3.4%
Total	499.9	513.2	1,013.2	

FACING THE CHALLENGES OF THE FUTURE

Trends that represent an opportunity for ACCIONA

GLOBAL WARMING⁴

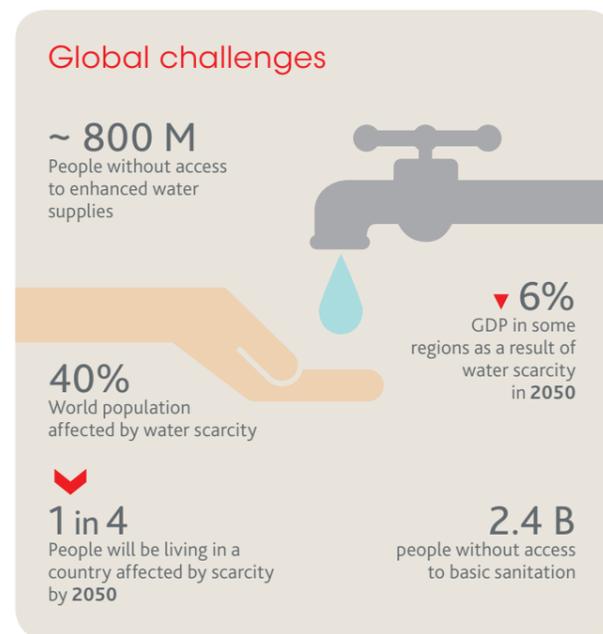
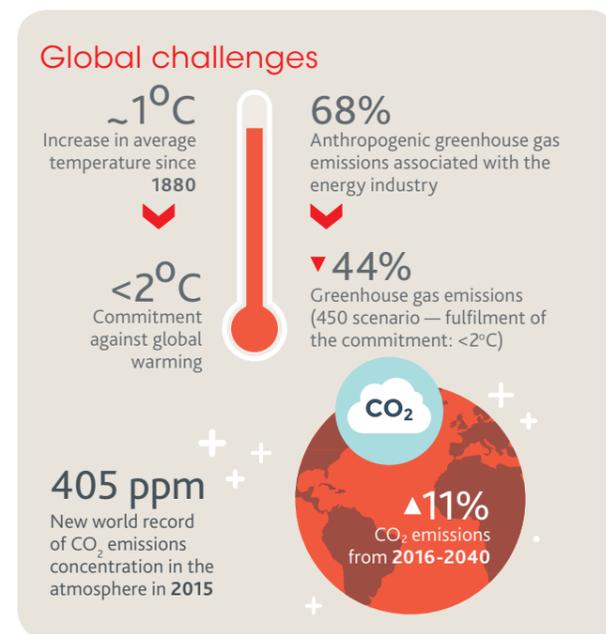
The ratification of the Paris Agreement represents a global commitment to combat climate change, restricting the increase in the temperature of the planet to less than 2°C.

The global challenge is to reduce greenhouse gas emissions below pre-industrial levels.

WATER SCARCITY^{5,6}

Water is a fundamental resource for the economic and social development of humanity.

One of the biggest challenges facing society is ensuring the protection and appropriate management of water resources.



Opportunity for ACCIONA

- Main focus on renewable energies, the only solution for a decarbonised energy model.
- Specialisation in the most competitive technologies, not only in terms of cost but also as regards the reliability and security of supply over the long term.
- Use of circular economy criteria, thereby reducing waste generation and promoting resource reutilisation.

Opportunity for ACCIONA

- Supply of high quality water on the five continents, especially in developing countries.
- Development of desalination, waste water treatment and potabilisation technology, based on sustainable management of water resources throughout the water cycle and on technological innovation.
- Implementation of renewable energies — with almost zero water consumption — in water stress areas.

(4) Scenario 450 refers to the concentration of CO₂ in the atmosphere, in parts per million (ppm), which, in an ideal scenario of environmental sustainability, should not be exceeded in order to keep the temperature increase below 2° C.

(5) United Nations. 2015. Sustainable Development Goals (Goal 6).

(6) World Bank Group. 2016. High and dry: climate change, water and the economy.

DEMOGRAPHIC GROWTH^{7,8,9}

The world's population will grow by around 26% in the next 25 years and purchasing power will increase across the board.

The challenge facing markets is to ensure the availability of sufficient resources and infrastructures to guarantee living standards for a growing population.



Opportunity for ACCIONA

- Development of infrastructure and services that meet the demand for quality water and energy supply in a secure, cost-competitive and environmentally friendly way.
- Greater energy planning based on the electrification of the economy and the empowerment of consumers to manage their demand.

(7) United Nations Department of Economic and Social Affairs: Population division. 2015. World Population Prospects: The 2015 Revision.

(8) International Energy Agency. 2016. World Energy Outlook 2016.

(9) World Bank. 2016. Water: Overview.

(10) McKinsey Global Institute. 2016. Urban World: meeting the demographic challenge.

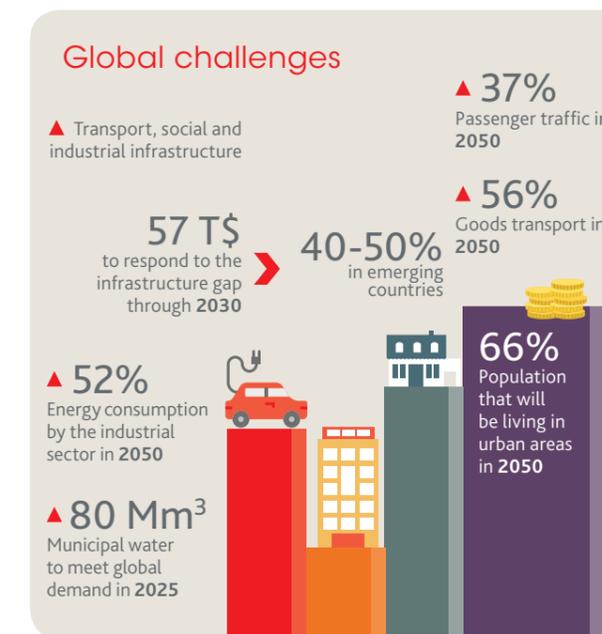
(11) Bloomberg New Energy Finance. 2016. Electric vehicles to be 35% of global new car sales by 2040. (12) United Nations. 2014. World Urbanization Prospects.

(13) Institute for Sustainable Development and International Relations. State of the Low-Carbon Energy Union: Assessing the EU's progress towards its 2030 and 2050 climate objectives.

URBAN CONCENTRATION^{10, 11, 12, 13}

66% of the world's population will live in cities by 2050.

As 80% of global GDP is generated by cities, the challenge lies in ensuring an intelligent urbanisation (smart cities) that meets the needs of the population and safeguards the well-being of citizens and the environment.



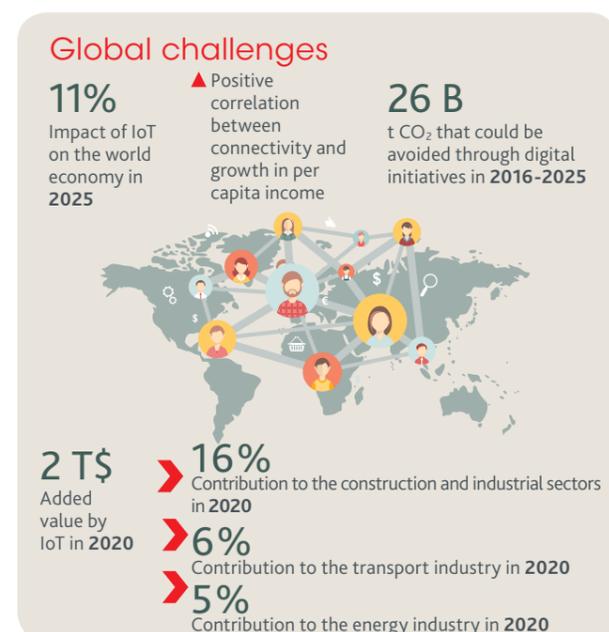
Opportunity for ACCIONA

- Design, construction and management of new infrastructure and the reconversion and adaptation of obsolete infrastructure (in mature markets).
- Development of innovative solutions related to municipal services such as public transport, hospital infrastructure, waste treatment, water management and other services associated with the needs of a city.

DIGITAL REVOLUTION^{14, 15, 16, 17, 18}

Consumer habits and business dynamic have been strongly influenced by technological progress and the Internet of Things.

The challenge lies in using the advantages provided by technology in favour of society.



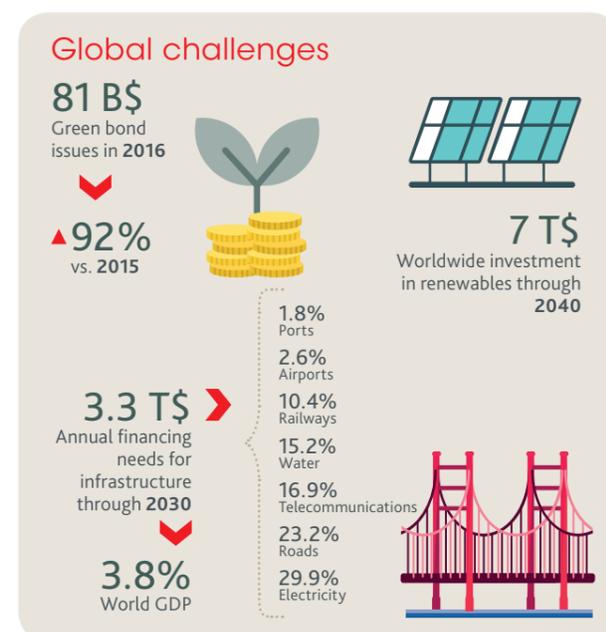
Opportunity for ACCIONA

- Strengthening competitive advantages such as higher productivity, improved efficiency and cost savings.
- Development of business models that are ready to respond to market needs.
- Critical infrastructure management due to the development of secure, reliable and robust systems.

INVESTMENT AVAILABILITY^{19, 20, 21}

Economic growth is tied to investment requirements in order to close the infrastructure gap (mainly in energy).

The challenge lies in ensuring the development of new financing models and instruments that drive the creation of sustainable projects.



Opportunity for ACCIONA

- Availability of financing to carry out infrastructure projects and favourable conditions for access to credit under new models.
- Issuing green bonds as a way of obtaining access to new capital markets and investors, guaranteeing the development of sustainable projects in line with the company's philosophy.
- Boosting infrastructure development through public-private partnerships (PPP).

A strategy focused on consolidating the change in trend

Having overcome the pressures of the recent past, ACCIONA is facing a new era in which it can look to the future with optimism thanks to a solid balance sheet that enables it to increase investment again — without losing its focus on selective growth and project profitability — and exploit the growth potential offered by its businesses.

A sound balance sheet

ACCIONA continues to restructure its credit profile to align its financing model with the nature and risk of the company's assets in the current context. Refinancing operations help transform the debt model by lowering funding costs and achieving a more flexible debt maturity profile. This new debt structure enables the company to maintain debt levels within the target range and guarantee liquidity in the short and medium term without detriment to its growth and investment plans, while allowing for a reasonable increase in the shareholder dividend, in line with earnings.

- #### In 2016
- Improved net financial debt/EBITDA ratio: 4.31x (vs 4.39x in 2015).
 - Refinancing of energy assets with corporate debt.
 - A proposed dividend per share of €2.875*.

- #### 2017 outlook
- Continue reducing leverage: net financial debt/EBITDA ratio in the lower part of the 4.0x-4.5x range.
 - Continue with pro-active balance sheet management.
 - Sustained dividend growth.

i More information about the company's balance sheet and the expected trends in debt and the credit profile can be found in the following sections of this Report:
 ■ 2016 milestones: pages 16-19
 ■ Current and projected debt - page 26

(14) Evers. 2016. Tech giants, corporations and disruptives. Start-ups: the truth of the IoT ecosystem.
 (15) Research Centre of Governance, Sustainability and Reputation, an initiative of Corporate Excellence and IE Business School. 2017. Approaching the future: tendencias en gestión de intangibles.
 (16) McKinsey Global Institute. 2015. The internet of things: Mapping the value beyond the hype.
 (17) World Economic Forum. 2016. Global Information Technology Report.
 (18) Gartner. Global Internet of Things Market Size – IoT Market Growth Analysis
 (19) Climate Bond Initiative. 2017. Green Bonds Highlights 2016.
 (20) McKinsey Global Institute. 2016. Bridging global infrastructure gap.
 (21) World Energy Outlook (WEO) 2016. International Energy Agency, IEA.

* Dividend proposed by the Board of Directors to the 2017 General Shareholders' Meeting.



Driving investment

ACCIONA's strategy is based on significant growth in investment in the coming years, in line with the expected development of the business and without compromising the balance sheet structure. This change in trend is the result of a new cycle of capital-intensive growth that has the aim of exploiting the opportunities offered by international markets in the areas of energy and infrastructure development.

Investment in energy assets favours the generation of stable long-term cash flows, enabling the Energy division to remain a solid core business with significant visibility for ACCIONA.

In Infrastructure, investment is focused mainly on injections of capital into the concessions the company builds and then operates, and on machinery and installations for executing large construction projects.

In 2016

- Gross capital expenditure of 916 M€
 - Energy: 489 M€
 - Infrastructure: 358 M€
 - Other businesses: 69 M€
- Divestments: -64 M€
- Net investment cash flow*: 719 M€

2017 outlook

- Gross capital expenditure similar to 2016:
 - Energy: ~60% investment.
 - Infrastructure: lower ordinary CAPEX.
- Partial divestment of concessions and real estate assets.
- Net investment cash flow*: ~650 M€

i More information about capital expenditure can be found in the following sections of this Report:
 ■ 2016 milestones pages 16-19
 ■ A significant increase in investment: page 24



Focused growth

ACCIONA pursues controlled profitable growth in the international markets where it is present, providing distinctive value to its customers while also being willing to seize new business opportunities that may arise in other markets involving specific projects that offer a high return or new opportunities for long-term business development.

Geographical diversification strengthens the company's international profile and reduces its vulnerability to adverse situations in any given country.

Each of ACCIONA's main divisions focuses expansion in line with strategic interests with the aim of maximising the potential of its activities.

In 2016

- ACCIONA Energy: significant profitable growth in the project portfolio thanks to the success in auctions and tenders in Chile, Mexico and Australia, with a total of 750 MW to be built in the next 3 years.
- ACCIONA Infrastructure: obtained large international projects with good prospects for profitability in the United Arab Emirates, New Zealand and the Philippines, among others.

2017 outlook

- ACCIONA Energy: expansion in markets with significant growth potential that combine an abundance of renewable resources with growing demand for energy.
- ACCIONA Infrastructure: taking advantage of strategic opportunities for each business, providing solutions to sector challenges.

i More information about the company's international presence and business growth strategy can be found in the following sections of this Report:
 ■ ACCIONA around the world – page 14-15
 ■ ACCIONA Energy – page 45
 ■ ACCIONA Infrastructure – page 68

* Net investment cash flow calculated as gross capital expenditure minus divestments and +/- other investment flows (in connection with deferred payments).

The Other businesses contribute significantly to the company's profitability and growth



Maximising the value of complementary businesses

The diversification of ACCIONA's activities beyond the energy and infrastructure areas provides new opportunities for the company, not just in terms of profitability and growth (they are less capital-intensive than the core businesses), but also as regards contributing to the overall bottom line. They may also favour new business operations in the future, given the optimistic outlook for the sectors in which ACCIONA is present.

In 2016

- ACCIONA Inmobiliaria: implementation of a new strategy.
- Bestinver: managed assets are significantly outperforming their benchmark indices.
- Trasmediterranea: significant increase in its contribution to earnings.
- Grupo Bodegas Palacio 1894: entering a new era of brand transformation.

2017 outlook

- ACCIONA Inmobiliaria: expand property development and rotate rental assets.
- Bestinver: ensure attractive long-term returns and growth by managed funds.
- Trasmediterranea: new opportunities and focus on customer services.
- Grupo Bodegas Palacio 1894: innovation and an improved positioning in Premium segments.

i More information about these businesses and the value they contribute to the company can be found in the following sections of this Report:

- 2016 milestones: pages 16-19
- Other businesses: page 90



SUSTAINABILITY MAKES US BETTER

ACCIONA has taken up the challenge of sustainability and incorporated it into its business models. The highest levels of the company's governance lead the way in this respect. Since 2009, ACCIONA has had a Sustainability Committee within the Board of Directors, charged with approving and monitoring targets and initiatives in respect of sustainability.

ACCIONA's sustainability strategy is implemented via the Sustainability Master Plan (SMP). After analysing the achievements and challenges in the five years of the previous Plan (2010-2015),

the company has established a new strategy for the period until 2020.

The Sustainability Master Plan 2020 (SMP 2020) is based on a number of strategic and operating targets in respect of society, climate change, the environment, corporate governance, people, the value chain and innovation. These targets are to be applied across the organisation while adapting to the specific features of each business area.

Among other commitments, ACCIONA is also working on:

- improving people's living standards;
- mitigating climate change, including the goal of becoming a carbon-neutral company (successfully achieved in 2016);
- providing sustainable environmental solutions and responding to challenges such as water stress.

i For more information, see the Sustainability Master Plan 2020 (<http://smp2020.acciona.com/>) and the Sustainability Report 2016.



A DISTINCTIVE APPROACH TO MANAGING HUMAN CAPITAL

A significant part of the company's success is due to fostering an environment in which employees have the freedom to create, contribute and innovate, and where equality of opportunity, meritocracy, diversity and transparency predominate.

ACCIONA has highly specialised personnel with technical, business and management skills that add high value to the company, helping to achieve its strategic objectives and to distinguish it from its competitors.

Given the importance for ACCIONA of attracting the best talent, both now and in the future, the company is working on the following areas:

- Revision of programmes for attracting and selecting the best professionals: actions aimed at strengthening the employer brand, and a revision of internal candidate selection procedures.
 - Strengthening processes for identifying and developing internal talent:
 - A new system to enhance the evaluation procedure, resulting in more efficient and flexible identification and management of internal talent throughout the company (Performance Status).
 - New initiatives so that each employee can manage their own development within the organisation.
 - Development of certain critical professional groups: technical leaders, project managers, and people with high management potential, among others.
 - A new system for setting and managing objectives.
- In 2016, the four priority areas were:
- Globalisation;
 - Simplification and optimisation of personnel management procedures;
 - Digitisation and digital transformation;
 - Improvement of information quality.

i For more information, see the 'People' section of ACCIONA's website (<https://www.acciona.com/people/>) and the Sustainability Report 2016.

An agent for change

ACCIONA presents itself as an agent for change, actively leading the response to the global challenges and trends that affect its businesses. ACCIONA's strategy, competitive edge and effective collaboration with stakeholders make it a global benchmark in energy, infrastructure, water and services.

In the energy field		
Working with governments and regulators	Collaboration with businesses and sectoral associations	Participation in fora and events
<p>ACCIONA works with governments and regulatory bodies to support and foster the growth and competitiveness of clean technologies.</p> <ul style="list-style-type: none"> In Spain, one of the group's main achievements in 2016 in relation to energy regulation was to ensure a greater role for wind power as a provider of system adjustment services. Within the EU, several of ACCIONA's petitions have been reflected in proposals within the European Commission's Clean Energy Package: to provide renewable energies with a secure and stable legal framework by prohibiting adverse retroactive changes, and the proposal for a market with a much greater focus on renewable energies. 	<p>ACCIONA continues to work, on an individual basis and through co-operation with businesses and sectoral associations, on drafting and presenting regulatory proposals aimed at improving the competitive position of renewable energies:</p> <ul style="list-style-type: none"> On a national and regional basis with: the Spanish Wind Energy Association (AEE), the Association of Spanish Renewable Energy Generators (APPA), the Spanish Photovoltaic Industry Association (UNEF) and the Spanish Solar Thermoelectric Industry Association (Protermosolar). On a European basis with: WindEurope, ESTELA (European Solar Thermoelectric Association) and EUROFES (the European Forum for Renewable Energy Sources). In the international arena with: GWEC (Global Wind Energy Council). 	<p>Top-level ACCIONA representatives have taken part in events held by Spanish organisations and media, including:</p> <ul style="list-style-type: none"> A conference on Business Commitment to sustainability. The debate about political proposals for renewable energies. <p>ACCIONA sponsors and promotes events for discussing the future of energy in the EU:</p> <ul style="list-style-type: none"> The public debate on Energy Costs and the Competitiveness of industry in the EU. Participation and collaboration with EUFORES on the 16th Interparliamentary Meeting.
In the field of infrastructure, water and services		
Working with governments and regulators	Collaboration with businesses and sectoral associations	Participation in fora and events
<p>ACCIONA is constantly engaging with public administrations and stakeholders to ensure that the transposition of EU directives results in a legal framework that is attractive to investors and facilitates a contract awarding process that generates sustained and sustainable growth in economic, social and environmental terms. ACCIONA's position is that bid selection criteria should always include quality, innovation and environmental and social aspects.</p>	<p>ACCIONA is a member of associations such as:</p> <ul style="list-style-type: none"> In the field of infrastructure, SEOPAN, the Association of Spanish Construction Companies and Infrastructure Concession Holders. In the area of railways, The Association of Spanish Private Railway Companies. In the area of water, the Association of Spanish Municipal Water Services Companies (AGA), and the Spanish Water Supply and Sanitation Association (AEAS), which promote and defend the common interests of companies that provide services related to the entire water cycle. 	<p>ACCIONA takes part in fora and events as a member of:</p> <ul style="list-style-type: none"> the Board of Directors of the Water Supply and Sanitation Technology Platform (WssTP). the Board of Directors of the European Desalination Society (EDS).

ACCIONA promotes a favourable environment capable of influencing governments, business and society actions in the transition towards a sustainable economic model

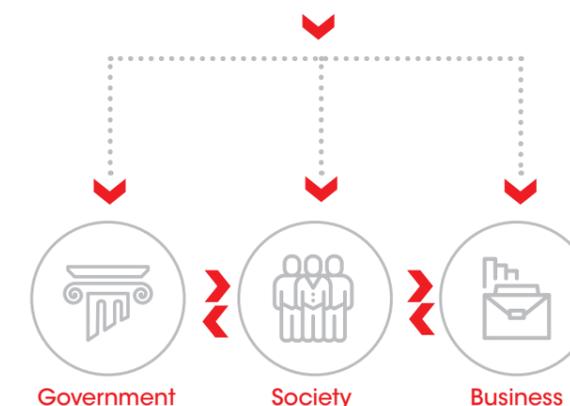
Aware of current challenges, ACCIONA is directing its businesses towards a model that ensures the transition to a decarbonised economy, thereby meeting the commitment to fight climate change adopted in the Paris Agreement.

In this context, ACCIONA promotes cooperation between the public and private sectors, as well as consensus among all political groups and the main industry players as essential drivers for effecting this change. The company also collaborates in establishing a stable, robust and transparent regulatory framework with a solid legal base in order to mobilise investment. Consequently, ACCIONA considers efficient carbon markets (which internalise pollution costs), innovation and the elimination of fossil fuel subsidies as key to transforming the economy.

In order for this message to be heard, ACCIONA fosters an environment of favourable social opinion capable of influencing government, the private sector and society. In this respect, ACCIONA seeks to encourage a change of attitude among consumers through the differentiation and promotion of renewable energies and energy efficiency, with the goal that they should set an example for policy makers.



ACCIONA
An agent for change
Raise awareness in society so as to drive the transition towards a decarbonised economy



ACCIONA, carbon-neutral since 2016

ACCIONA is already a carbon-neutral company, having fulfilled the commitment announced by the company Chairman, José Manuel Entrecanales, at the Paris Climate Summit held in December 2015.

As part of the 2020 Sustainability Master Plan, ACCIONA offset its emissions in 2016 with the acquisition of UN Certified Emission Reductions (CERs) from socially and environmentally responsible projects in emerging countries.

The main aim of this system of offsetting carbon emissions is to encourage businesses to make a commitment to reducing emissions through the implementation of energy efficiency measures.

The company achieved carbon neutrality by advancing in energy efficiency, increasing its use of electricity from renewable sources and offsetting emissions by purchasing CERs

In accordance with its global sustainability strategy, ACCIONA takes a leading role in initiatives, fora and organisations, and in collaboration with international bodies.



COP22 - MARRAKECH CLIMATE SUMMIT

The company took an active role in the Marrakech Climate Summit in November

2016. COP22 was considered the 'COP of action', giving rise to: The Marrakech Action Proclamation, the Marrakech Partnership for Global Climate Action, and the creation of the decision-making body of the Paris Agreement.



WORLD ECONOMIC FORUM

The Chairman of ACCIONA, José Manuel Entrecanales, attended the recent World Economic Forum in Davos,

taking part in the launch of the Carbon Pricing Corridors working group. This is an initiative promoted by CDP and the We Mean Business Coalition to set a price on carbon that encourages the transition towards a low-carbon economy.



UNITED NATIONS GLOBAL COMPACT

Since 2005, ACCIONA has been an active member of the United

Nations Global Compact, which fosters compliance with Ten Principles relating to human and labour rights, the environment and the fight against corruption. The company belongs to the Steering Committees of Global Compact LEAD and Caring for Climate, and the Advisory Board of the Sustainable Energy for All initiative.



WORLD BANK

Regarding climate change, the World Bank promotes initiatives aimed at setting a price on carbon, including

the Carbon Pricing Leadership Coalition (CPLC).

In 2016, ACCIONA took part in a high level assembly of the CPLC held in Washington (USA).

At the beginning of 2017, CPLC published the "Carbon Pricing Leadership report- carbon pricing stories", a document to which ACCIONA contributed its experience in carbon pricing within the company.



CORPORATE LEADERS GROUP (CLG)

CLG is a European group of business leaders whose aim is to promote

policies to fight climate change over the long term.

In 2016, the company took part in numerous working groups and in drafting publications such as the report entitled "21st century energy: Business reflections on renewables in Europe". It also hosted a general assembly meeting to discuss climate change mitigation strategies with the group.



SPANISH GREEN GROWTH PLATFORM (GECV)

ACCIONA has been a member of the GECV and its Management Board since

its inception in May 2015. This group promotes collaboration with companies and official bodies to create a roadmap towards a low-carbon economy with the aim of driving medium- and long-term initiatives and demonstrating a commitment to incorporate climate policies into corporate strategy. In 2016, ACCIONA participated actively in working groups on the circular economy, financing, climate change policies and energy transition.



WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

ACCIONA takes part in the Low Carbon Technology Partnerships initiative (LCTPi) aimed at accelerating the transition towards the use of low-carbon technologies. The company also takes part in the WISE Power project, which fosters the participation of local communities in the planning and development of wind power projects.

Business lines

- i. Energy
- ii. Infrastructure
- iii. Other businesses

ACCIONA ENERGY

Contributing to a sustainable energy model

ACCIONA Energy is the world's largest energy company devoted exclusively to producing electricity from renewable sources. As such, ACCIONA is responding to a commitment by society and governments to combat climate change by transforming the current energy model so as to guarantee a secure, cost-competitive and environmentally-friendly energy supply.

With over 20 years of experience throughout the value chain and a long-term business model, ACCIONA Energy is one of the best-positioned companies in the world to implement the agreement reached at the Paris Climate Summit, which have been ratified by over 140 parties²² to date.

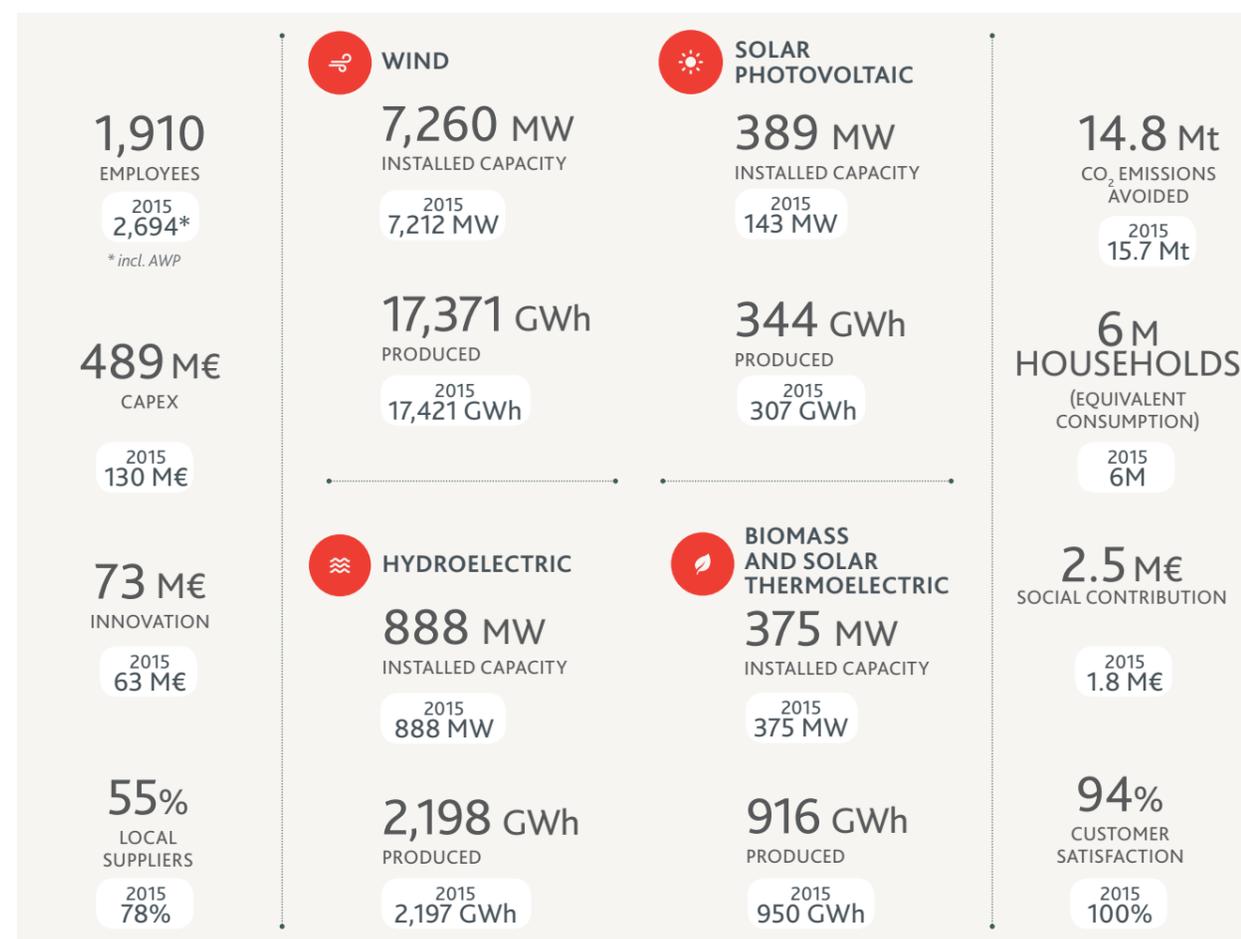
ACCIONA Energy is a leader in the development, engineering, construction, operation and maintenance of renewable energy assets, with solid experience in the main technologies and a focus on onshore wind and solar energy. It develops its own projects and also places its industry experience at the service of third parties through EPC (engineering, procurement and construction) and services contracts — for both operation and maintenance (O&M) — and energy sales.

ACCIONA Energy's strategy is based on excellence in operations, using innovation and continuous improvement as a competitive lever, and on selective growth in strategic markets that offer the greatest potential and returns, together with the search for new business opportunities in other markets.

ACCIONA Energy in 2016

ACCIONA Energy continues to expand thanks to its great team of professionals and the commercial efforts made during the year, choosing projects selectively with a view to the long term. Low prices in the Spanish electricity pool⁽²³⁾ in 2016 and deconsolidation of ACCIONA Windpower (AWP) had a negative

impact on EBITDA performance. The increase in portfolio did not have a significant impact on annual output in 2016, since the new capacity installed during the year did not become commercially operational until the end of the year.



Note: In 2016, ACCIONA Energy commissioned 246 MW of new photovoltaic capacity and 96 MW of new wind capacity. However, the impact on output is limited as the plant came into service at the end of the year. The effect will be significant in 2017.

(23) The average price of electricity in the Spanish electricity market was €39.67/MWh in 2016, 21% less than in 2015.

2016 milestones

A positive outcome in terms of installed capacity

ACCIONA Energy further expanded installed capacity in 2016 to achieve 8,913 MW of operational capacity.

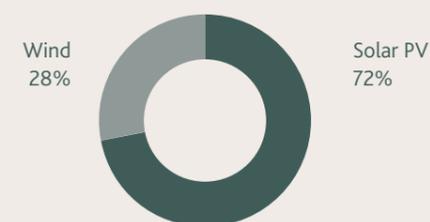
In the last twelve months, the portfolio has increased by 294 MW (3.4%) with respect to year-end 2015. In 2016, 246 MW of photovoltaic capacity was added in Chile, 93 MW of wind in the US, and 3 MW of wind in India⁽²⁴⁾.

This enhances the division's growth and its intention to continue adding capacity to the pipeline in future years.

Installed capacity trend (MW)



New capacity installed in 2016, by technology (%)



Future growth assured

During 2016, ACCIONA Energy locked in significant profitable growth in its pipeline for the coming years through successful bids in capacity auctions in Chile, Mexico and Australia, achieving over 650 MW to be built between 2016 and 2019. The division also took advantage of new business opportunities offered by the market in addition to those auctions, and signed important power purchase agreements (PPA) to supply renewable energy to corporate customers interested in obtaining safe energy that is competitive in cost terms and contributes to reducing their carbon footprint, such as the Google Data Center in Chile, to which the division began supplying power in 2016.

New awards and contracts in 2016

Mexico

- First CENACE auction: 586 GWh/year and the corresponding CECs

- Second CENACE auction: 478 GWh/+ cECs and 29 MW

- Private PPA with Tuto Energy for 112 MWp

Chile

- CNE 2015/01 supply auction in August 2016: 506 GWh/year

Australia

- Victoria State Government auction: 197,120 LGCs/year

The first company in the world to provide adjustment services exclusively with wind power

Early in 2016, ACCIONA became the first company in the world to provide adjustment services by increasing production solely with wind energy; until recently, these services had been reserved exclusively for conventional energies.

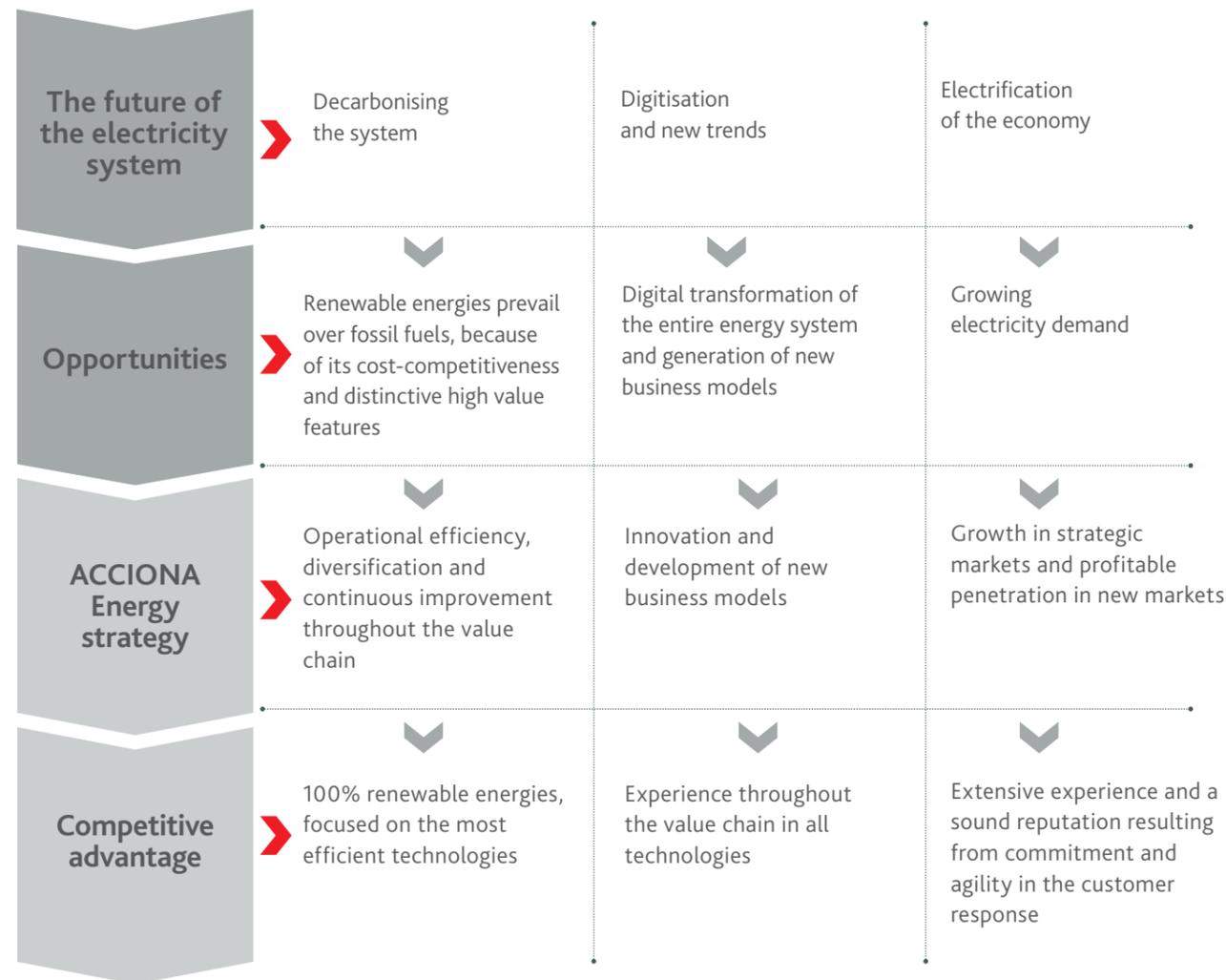
ACCIONA Energy achieved this milestone by attaining authorisation for 2,000 MW of wind capacity (42% of the division's wind capacity in Spain) to provide adjustment services to the electricity system so as to ensure a balance between energy generation and demand (essential to guarantee the quality of the electricity supply).

This demonstrates that renewable energies are fully capable of penetrating the system, since the authorisation, through a competition organised by Red Eléctrica de España⁽²⁵⁾, required renewables to meet the same requirements as conventional technologies.

(24) 48 MW in Greece were decommissioned during the year.

(25) Technical operator of the Spanish electricity system, which is responsible for network quality and security.

We are transforming the global energy model



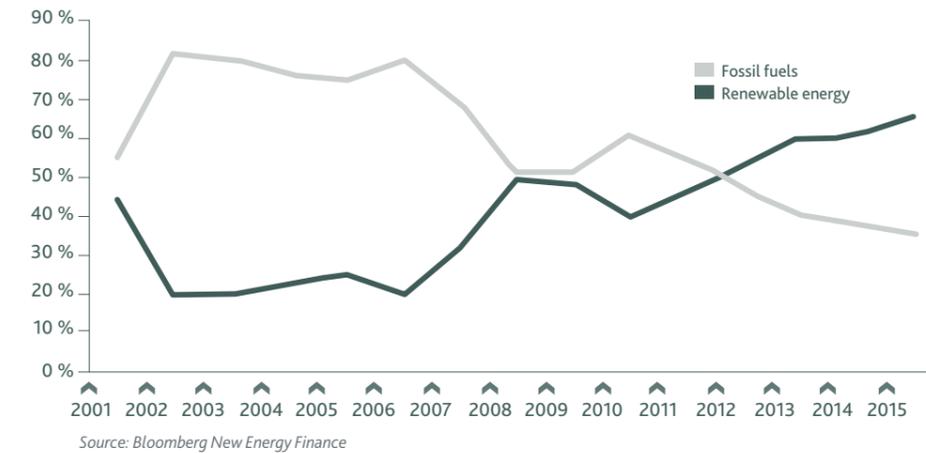
ACCIONA and the future of the electricity system

The electricity system is becoming much more dynamic: decarbonised, interconnected, decentralised and digitised.

DECARBONISATION OF THE ECONOMY: RENEWABLES ARE ALREADY THE FASTEST-GROWING TECHNOLOGY, AND THIS TREND WILL CONTINUE

Renewables have already achieved a high level of competitiveness compared with conventional energy, not only in terms of costs, but also in terms of technical capacity, reliability and quality; moreover, plant construction is faster, and creates more value. These characteristics mean that the worldwide commitment to combat climate change is an attainable goal.

Renewables are already the fastest-growing technology. Since 2012, more renewable capacity has been installed than fossil-fuel one. In the next 25 years, renewables will attract the most investment, exceeding seven trillion dollars through 2040, and will account for nearly two-thirds of total new installed capacity²⁶.



(26) International Energy Agency (IEA): World Energy Outlook, 2016.

DIGITISATION AND NEW TRENDS: A REVOLUTION APPLIED TO THE ENERGY SECTOR

The world is undergoing a revolution enabled by the enormous advances in technology and digitisation. In particular, the formerly linear functional model is transitioning to one that is much more flexible, distributed, dynamic, interconnected and automated.

As a result of the application of digital tools such as the Internet of Things (IoT), Big Data and other data processing, interpretation and automation technologies, the most innovative companies in the sector are optimising their operations, improving processes, response times, useful lives, etc. by developing technologies for remote asset operation and advanced maintenance. At the same time, technology development combined with advances in the digital area have made possible the commercialization, at competitive prices, of solutions that pave the way for the new energy model mentioned above: distributed generation, electricity storage, microgrids, etc.

The combination of these new technologies with digital advances and business innovation is giving rise to new opportunities in the sector that drive this revolution: Demand Response, Smart Grids, Smart Cities, Vehicle to Grid (V2G), etc.

ELECTRIFICATION OF THE ECONOMY: THE BEST SOLUTION FOR REDUCING EMISSIONS

Progressive electrification of the energy system will increase demand for electricity and its share of final energy consumption.

The electrification of the economy, accompanied by the decarbonisation of the electricity system based on renewable energies, is the only way to achieve the global goal of an energy system that is sustainable in terms of efficiency, safety, costs and respect for the environment.

Key sectors of the economy are already being electrified. One example is transport, a major source of air pollution, accounting for more than 20% of greenhouse gas emissions. Sales of electric vehicles are expected to grow exponentially in the coming years to account for 35%²⁷ of global vehicle sales by 2040, driving an approximately 10% increase in global electricity demand.

Challenges in this context

It is necessary to favour an appropriate regulatory framework for fair competition between different energy sources, which will vary according to the situation of the electric market in each region.

In addition markets, which need energy infrastructure to respond to the significant growth in demand, the natural laws of the market favour the progressive expansion of renewable technology, thanks to its cost competitiveness, greater agility in plant installation, the creation of value at local level and the global determination to contain the consequences of global warming.

Competition is an effective mechanism for assigning resources, provided that there is orderly demand growth and proper long-term planning of the energy system.

In replacement markets, where there is no significant growth in electricity demand and where installed capacity is mainly fossil-fuel, it is essential to define an appropriate and attractive legal framework to encourage investment in the sector and to promote the replacement of obsolete capacity with competitive new sustainable power plants.

In these markets, regulators must ensure the orderly withdrawal of obsolete, idle and polluting capacity that can then be replaced by more appropriate new generation capacity, in line with regional and global energy planning, through well-designed auctions or other market mechanisms that foster free competition.

In the last decade, energy auctions have become widespread worldwide. However, in the absence of proper candidate pre-selection requirements, and given the cost reductions that have been experienced to date and are foreseeable in the future in wind and solar photovoltaic technology, auctions are leading to speculative short-term strategies by some companies, which enter artificially low bids and are then, on occasion, incapable of executing the projects to specification and within deadlines.

To avoid consequences of this type, which may negatively affect the credibility of the entire renewable sector, it is important that auction rules include appropriate mechanisms to ensure that projects awarded are actually executed. Auction design should be aligned with the country's energy policy and have mechanisms to favour economic efficiency in the selection phase so as to guarantee stable investment and avoid awarding projects to uncompetitive bids.

(27) Bloomberg New Energy Finance

ACCIONA Energy strategy

Strategy: operational efficiency, diversification and continuous improvement throughout the value chain

ACCIONA Energy constantly reviews internal processes in order to optimise and implement measures to improve its operational and management excellence, so as to consolidate its leading position in an increasingly competitive market. The division makes continuous efforts to reduce operating and maintenance costs and develops initiatives to improve asset availability and performance.

This approach ensures constant and profitable growth while developing new products and business models that, through diversification, reduce risk and guarantee the future of ACCIONA Energy beyond disruptions that may arise in the coming years. Experience in the sale of renewable energy in a range of markets worldwide, as well as the development of PPAs with private corporations, offer enormous opportunities on a global level.

Competitive advantage

ACCIONA Energy is a 100% renewable energy player, with a focus on the most efficient technologies and a unique, highly competitive profile in the industry.

The company is recognised as one of the most important global players in the renewable and energy sector, without legacy capacity weighing it down.

It has proven capacity in the main renewable technologies, and future growth of its portfolio is concentrated in wind and photovoltaic, the most mature and competitive technologies.

Performance

Milestones:

- Renewables Control Centre (CECOER, as per its Spanish acronym): provides remote supervision of over 12,700 MW (company- and client-owned) in 18 countries. Can handle 55% of incidents on a remote basis.
- Reduction in O&M cost: - 25% since 2010 and - 20% since 2013 (CoE - Cost of Energy project).
- Excellence in construction through application of the Lean Manufacturing methodology:
 - coordination between the procurement, engineering and construction areas
 - accelerated construction times to 100 MW/month
- Energy sales: 16 wholesale markets / 9 products:
 - constant search for new energy sales strategies, such as participation in adjustment services, intraday markets and deviation management
- 2,000 MW of wind capacity authorised to participate in adjustment systems in Spain in 2016.
- PPAs signed with Google and Cemex, and working on other opportunities.
- Improvements in occupational health and safety: the lost time injury frequency rate (company and subcontractor employees) fell by 14.41% with respect to 2015.
- Measurement of projects' socio-economic and environmental impacts*: in 2016, ACCIONA Energy calculated the socio-economic footprint of the El Romero Solar photovoltaic plant in Chile, and also compared the impact of renewables in Mexico and South Africa with other non-renewable technologies (coal and natural gas).
- Social Impact Management (SIM): during 2016, ACCIONA Energy applied its SIM methodology in 18 projects. This includes analysis and handling of the social consequences, both positive and negative, that projects have on people.



Objectives

- To increase the availability of assets to maximise output — a one-point increase in the availability of the installed capacity in 2016 is equivalent to a 90 MW plant.
- To find new mechanisms to increase sales volume through new products and services: short-term goal of achieving 3,500 MW of wind capacity authorised to deliver adjustment services.
- To seek opportunities in new markets and new businesses while ensuring profitability.

 For more information visit: <http://www.accion-energy.com/sustainability-innovation/cecoer/>

* Provides information on the benefits created by the company's projects over their entire life cycle in terms of job creation (direct, indirect and induced) and contribution to the country's GDP, as well as other positive effects on the environment and communities.



Strategy: innovation and development of new business models

ACCIONA Energy's innovation efforts are focused on obtaining results through a portfolio of projects that address business needs, with a balance between technology risk and expected return on innovation.

The division makes a continuous effort to be a pioneer in detecting and integrating the best available technology, and works with technology companies and other players that can contribute to maintaining the company's lead and project returns.

The company actively monitors new business opportunities that may arise from technological progress in the sector.



Competitive advantage

Experience throughout the value chain — project development, engineering and construction, wind turbine manufacturing, and energy production, management and sale — puts ACCIONA's Energy division in a unique position within the renewable energy industry to detect new opportunities, making horizontal use of technological innovation in all areas involved in project execution. It also enables the company to develop new business approaches in the short, medium and long term.

ACCIONA Energy has in-depth expertise in developing renewable projects in a range of regulatory and financial environments, with teams that combine technical skills and local knowledge with the application of innovative systems for the continuous optimisation of assets, with a strong technology component.



Performance

Notable lines of technology innovation:

Onshore wind

- **Turbine for Life:** agreement signed in 2016 with the company Sentient Science, whose technology makes it possible to predict potential failures and adopt O&M strategies that help to extend turbines' useful lives.

- **Remote Control** (to improve availability) and **Craneless** (optimisation of construction processes) projects.

Solar photovoltaic

- **Advanced-PV**, development of automatic operation, management and maintenance systems:
 - advanced production management (big data, machine learning, etc.).
 - automated systems for thermogram analysis and module cleaning.

Storage

ACCIONA Energy has developed its own tools for simulating and designing storage systems for integration and control within the following projects:

- **PV + Storage:** development of optimised strategies for energy control and a dynamic reserve of storage capacity at photovoltaic plants.

- **Wind + Storage:** development of a hybrid system (energy and power modules) with new converters and a control system.

Biomass + Solar thermoelectric

Projects to enhance the efficiency of combined biomass and solar thermoelectric plants.

Hydraulic

Control system for monitoring hydraulic components in power plants.

Big Data

Prediction tools based on data analysis make it possible to maximise production and minimise design, manufacturing, production and operation and maintenance costs.



Objectives

- **Short term** — more immediate returns: to improve the efficiency of renewable energy generation in the facilities that the company operates, reducing the cost of the energy that they produce and extending assets' useful lives.
- **Long term:** to advance with the implementation of electricity storage in commercial plants and with the digital transformation of the business, with the aim of maximising the capacity to integrate renewable energies into the system, guaranteeing quality and optimising energy management to offer new services that complement the electricity market. Ensure the current business's competitiveness in the future and penetrate new business segments that are born from industry advances and emerging trends.

Strategy: growth in strategic markets and profitable penetration in new markets

The division's global presence and geographical and technological diversification place the company in a privileged position to take advantage of worldwide investment in renewable energy.

The division selects opportunities on the basis of a multicriteria analysis model that considers over 120 variables — including macroeconomic factors and specific features of the electricity market and the renewable energy business — that enable it to rigorously and continuously track the analyzed markets in question and detect the most attractive opportunities that can provide greatest value to the company.

This growth is concentrated in Australia, Chile, the United States, India and Mexico, but ACCIONA Energy also seeks opportunities in other markets that may prove attractive.

Competitive advantage

As a result of the know-how accumulated over more than 20 years, ACCIONA Energy is an agile, reliable and competent player in the renewable energy business (in view of the transformation of the electricity industry) and is constantly seeking and analysing business opportunities that offer scope for new profit streams in the future.

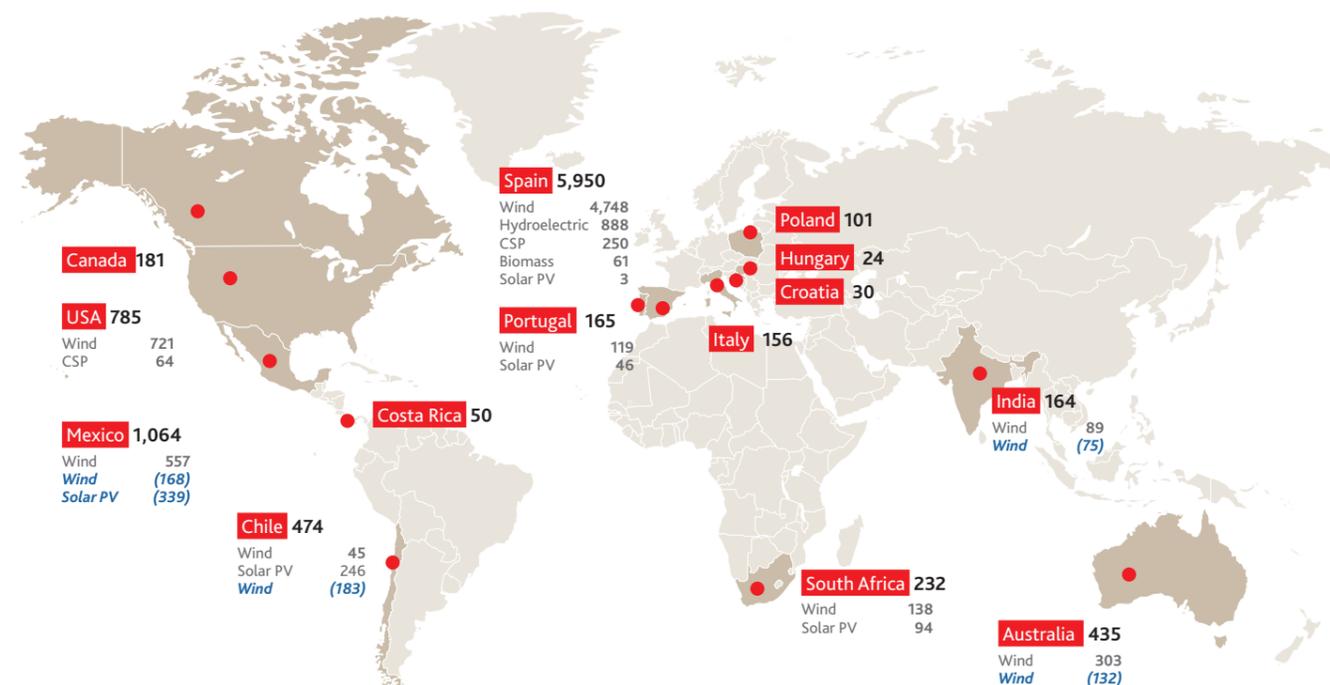
ACCIONA Energy designs specific solutions for each new project, adapting to customer requirements and needs, and achieving excellence in management to optimise resources and offer very competitive proposals.

Performance

- Over 130 markets and opportunities in the wind and photovoltaic business were monitored in 2016.
- Contracts signed in 2016 for construction in the next two to three years will add over 750 MW to ACCIONA's portfolio.
- A total of over 4.4 GW in the pipeline in 23 countries and constant analysis of business opportunities.

Assets in operation and approved (MW)

Operating 9 GW in 14 countries; almost 1 GW to build in 2017 (62% onshore wind, 38% solar photovoltaic)
(As of April 2017)

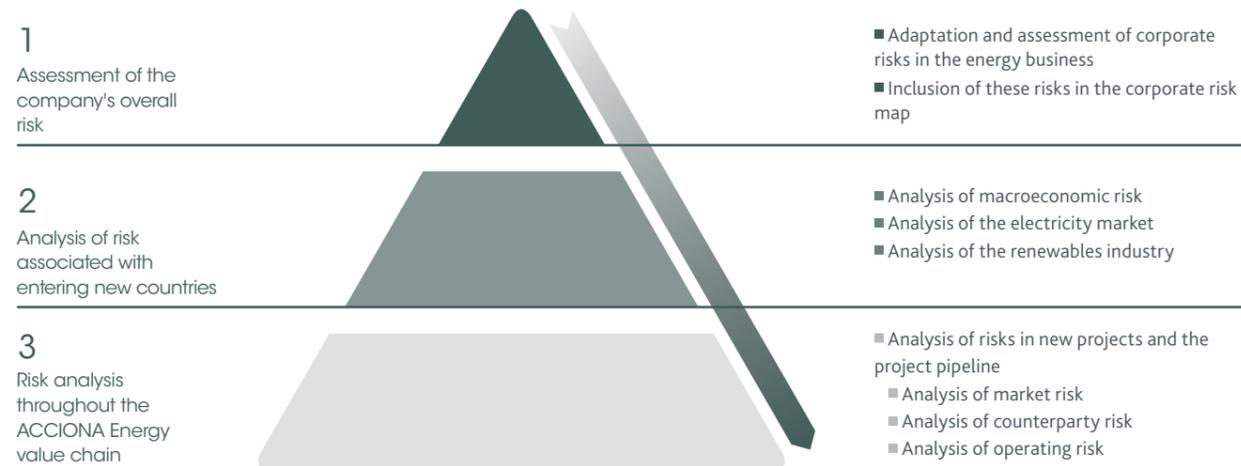


Where technology not stated, wind power.
(Projects under construction/approved)

Objectives To find and select new opportunities to fulfil the public commitment to invest over 2,500 million dollars in renewable energies by 2020, with the objective of reaching a total installed capacity of more than 10,500 MW.

Risk management at ACCIONA Energy

Risk management at ACCIONA Energy applies a three-tier approach: assessment of the company's overall risk, analysis of the risk of entering new countries and markets, and an analysis of each of the phases that make up the division's value chain, both for new projects and for projects in portfolio.



During 2016, the division's business areas — development, engineering, construction, procurement and energy management — worked on the development and implementation of specific procedures to identify and quantify risks, as well as mitigation and tracking mechanisms associated with the phases of a project life cycle, depending on the risk level.

During the various phases of a project, from acquisition to O&M, the company identifies strategic, financial, legal and operational risks, as well as those specific to each phase.

Strategic countries: the 'Big Five'

ACCIONA Energy in the United States



Market and growth prospects^{28, 29}

- In 2016, ACCIONA Energy achieved close to 800 MW in operation after inaugurating its 8th wind farm
- Second country in the world in terms of installed renewable capacity

1,078 GW total installed capacity
140 GW renewable
(not including hydraulic)

OBJECTIVES

- 26% - 28% reduction in CO₂ emissions by 2025 (baseline 2005)
- Renewable Portfolio Standards (RPS) and Renewable Portfolio Goals (RPG) at state level are even higher than national objectives
- Extension of PTC (Production Tax Credit) and ITC (Investment Tax Credit)



* ACCIONA Energy has a minority stake

(28) BNEF / The Business Council for Sustainable Energy 2017. Sustainable Energy in America Factbook.

(29) Federal Energy Regulatory Commission. Office of Energy Projects Energy Infrastructure Update December 2016.

ACCIONA Energy in Mexico



(30) Secretaría de Energía de México 2016. Prospectivas del Sector eléctrico 2016 – 2030.

(31) Secretaría de Energía de México 2016. Prospectivas de Energías renovables 2016 – 2030.

(32) Ley de transición energética 2015.

(33) Mexican Government. Compromisos de mitigación y adaptación ante el cambio climático para el periodo 2020 – 2030.

(34) KPMG. 2016. Oportunidades en el sector eléctrico en México

(35) BNEF 2015 figures. 2016 figures not available

Market and growth prospects^{30, 31, 32, 33, 34, 35}

- ACCIONA Energy is a leader in the wind market
- > 1,000 MW of total company-owned installed capacity by 2019 (68% wind and 32% photovoltaic)

- Annual electricity demand growth of 3.7%

~68 GW total installed capacity
4.8 GW renewable (not including hydraulic)
~3 GW wind capacity

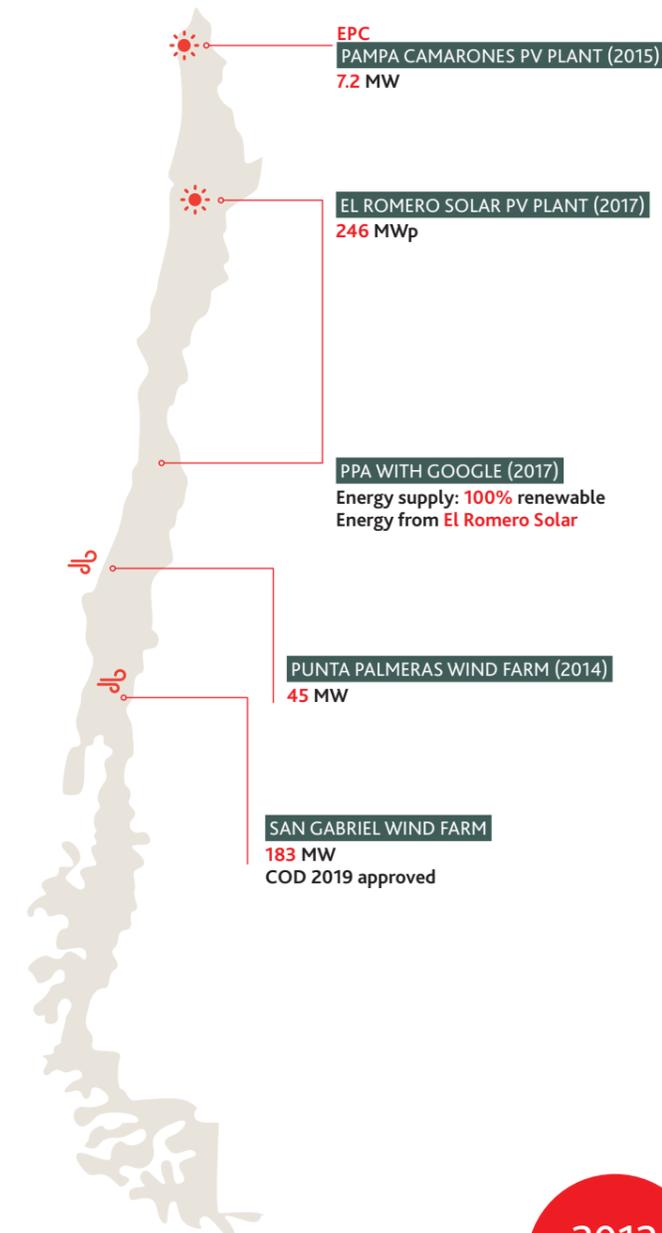
OBJECTIVES

35% electricity generation from non-fossil sources by **2024**.

Unbinding target of cutting GHG emissions by **22%** by **2030**.

- Energy auctions and capacity with green certificates
- Long-term power purchase agreements

ACCIONA Energy in Chile



Market and growth prospects^{36, 37, 38}

- ACCIONA Energy commissioned Latin America's largest photovoltaic plant in the Atacama desert
- Renewables are very price-competitive with conventional energy sources
 - Growth in electricity demand and high energy dependency

~22 GW total installed capacity
2.6 GW renewable (not including hydraulic)

OBJECTIVES

60% production from NCRE* by **2035** and **70%** by **2050**

30% reduction in GHG emission intensity by **2030** (with respect to **2007**)

- Technology-neutral energy auctions
- Opportunities in the public auctions and the private sector

(*) Non-conventional renewable energy.

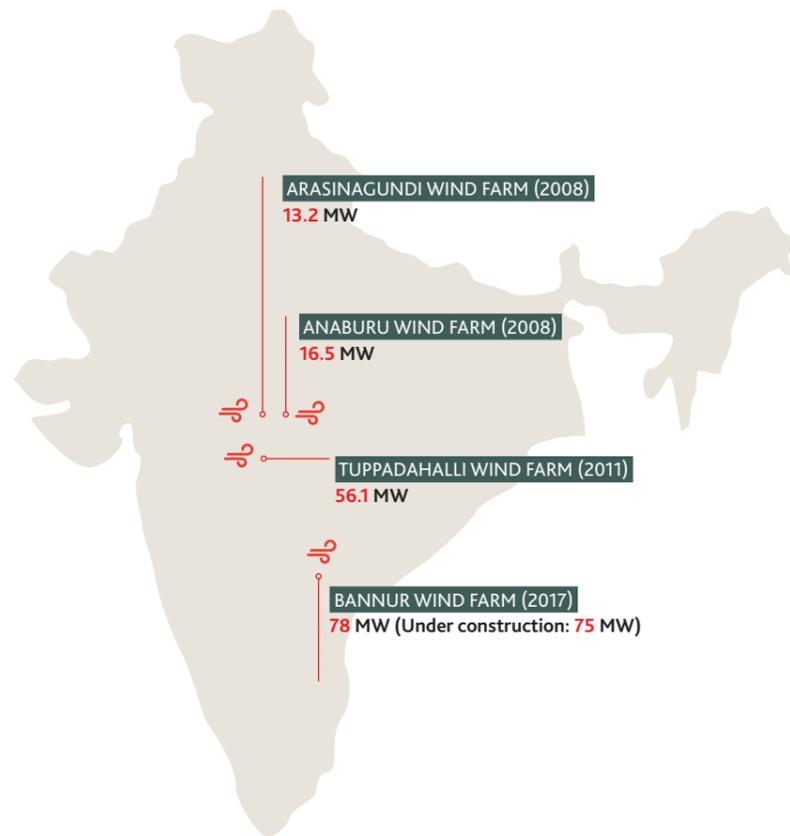


(35) Ministry of Energy, Government of Chile 2016. Informe de seguimiento 2016 de la Política Energética Nacional.

(37) Chilean National Energy Commission 2017. Reporte sector energético Enero 2017.

(38) BNEF. 2015 figures. 2016 figures not available

ACCIONA Energy in India



(39) Ministry of Energy, Government of India 2016. Draft National Electricity Plan.
 (40) Ministry of Energy, Government of India 2017. Monthly installed capacity report (December 2016).
 (41) KPMG. 2017. India Oportunidades en Energía e Infraestructura.
 (42) BNEF. 2016 figures.

Market and growth prospects^{39, 40, 41, 42}

- ACCIONA Energy is a pioneer in the country, where it was the first Spanish developer to build wind farms

- Ranks third in the world in terms of energy production
- 300 million people without access to electricity

315 GW total installed capacity
47 GW renewable (not including hydraulic)

OBJECTIVES

175 GW renewable installed capacity (100 solar, 60 wind, 10 biomass, 5 mini-hydroelectric) in 2022

40% renewable capacity by 2030

33-35% reduction in CO₂ emissions by 2030 with respect to 2005

- Focus on renewables as a solution to growth in demand driven by demographics and the economy.

- "Power for All" programme to supply reliable and affordable energy in 2019; +45 B\$ planned investment in transmission and distribution.

ACCIONA Energy in Australia



(43) The Renewable Energy Target (RET) Scheme
 (44) Nationally Determined Contribution to combat climate change
 (45) BNEF

Market and growth prospects^{43, 44, 45}

- Fourth for wind capacity among countries where ACCIONA Energy operates
- Dismantling of coal-fired plants, which must be replaced. A country with considerable renewable resources.

67 GW total installed capacity
11 GW renewable (not including hydraulic)

OBJECTIVES

26 - 28% reduction in GHG emissions by 2030 (baseline 2005)

23.5% of electricity generated from renewable sources by 2020 (33.3 TWh)

- Large- and small-scale growth opportunities in southern and eastern Australia
- State energy plans boosting renewables

Landmark projects

PROJECTS APPROVED OR UNDER CONSTRUCTION THAT GUARANTEE FUTURE GROWTH



The Bannur wind farm, in Karnataka, will strengthen ACCIONA Energy's presence in India

- 78 MW capacity with 26 wind turbine generators of 3MW from ACCIONA Windpower, company merged into Nordex.
- Annual renewable energy output equivalent to the power consumption of 215,900 households.
- Will avoid the emission of 224,000 tonnes of CO₂ per year.
- Construction commenced in 2016, with commercial operations scheduled to start in 2017.



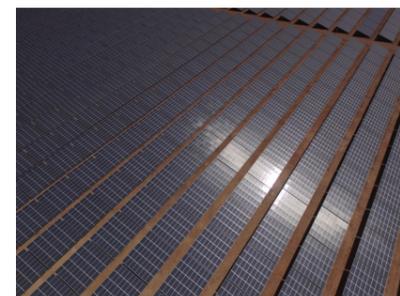
Mount Gellibrand will be ACCIONA Energy's fourth wind project in Australia

- 132 MW capacity with 44 wind turbine generators of 3MW from ACCIONA Windpower.
- Renewable energy output equivalent to the electricity consumption of 60,000 households.
- Will avoid the emission of 200,000 tonnes of CO₂ per year from coal-fired plants.
- Construction commences in 2017; entry into service in 2018.



Presence in Mexico strengthened with the construction of the El Cortijo wind farm in Tamaulipas

- 168 MW capacity with 56 wind turbine generators of 3MW from ACCIONA Windpower.
- Output equivalent to the power consumption of 350,000 Mexican households.
- Will avoid the emission of over 563,000 tonnes of CO₂ per year.
- Construction commences in 2017; entry into service in 2018.



ACCIONA Energy enters the photovoltaic business in Mexico with the Puerto Libertad plant

- A 339 MWp photovoltaic plant 50% owned by ACCIONA Energy.
- Phase I (227 MWp) assigned to supply electricity to the CFE.
- A power purchase agreement, the first private sector PPA to be signed under the new Electricity Industry Act, will allow the project to expand by 112 MWp.
- Output equivalent to the power consumption of 489,000 Mexican households.
- Will avoid the emission of 776,000 tonnes of CO₂ per year from coal-fired plants.
- Construction commencing in 2017; commercial operations in 2019.



The San Gabriel wind farm reaffirms ACCIONA Energy's long-term commitment to Chile

- 183 MW capacity with 61 wind turbine generators of 3MW from ACCIONA Windpower.
- Output equivalent to the power consumption of 250,000 households.
- Will avoid the emission of over 450,000 tonnes of CO₂ per year.
- Commencement of commercial operations scheduled for 2019.

EXCELLENCE IN EXECUTION, OPERATION AND MAINTENANCE



Construction of the El Romero Solar photovoltaic plant in Chile completed in record time

- Located in the Atacama desert, it is Chile's largest photovoltaic plant to date, and, with 246 MWp, the one with the greatest capacity in Latin America.
- It comprises 776,000 photovoltaic modules with a total useful area equivalent to 211 football fields.
- Panel installation and grid connection completed in just 13 months.
- Efficient Lean Manufacturing methodology applied.
- Output equivalent to the power consumption of 240,000 Chilean households.
- Capacity sufficient to meet all electricity needs of Google's installations in Chile, contributing to the company's goal of powering all of its operations worldwide with 100% renewable energy in 2017.
- Estimated socio-economic impacts include:
 - Contribution to GDP over its lifespan (35 years): 298 M€.
 - Job creation over its lifespan (35 years): 7,876 job-years. (*Job-year: a full-time equivalent job lasting one year*)



San Román, in Texas, is the precursor to further investment in the United States

- ACCIONA Energy's first wind farm in Texas and its eighth in the country.
- The 93 MW plant comprises 31 ACCIONA Windpower AW125/300 wind turbines, with 125-metre rotors mounted on 87.5-metre towers.
- Project based on exhaustive technical surveys so as to minimise the impact on the environment.
- Over its 25 years of lifespan, it is expected to contribute to the local economy by paying over 30 million dollars in local taxes and more than 25 million dollars in rent to the landowners.



The Ventika wind complex, in Mexico, is ACCIONA Energy's largest EPC contract in the world to date

- With a capacity of 242 MW, it is the largest turn-key contract (EPC) to date.
- Average output is estimated at 1,000 GWh per year, equivalent to the electricity consumption of 630,000 households.
- Construction took 18 months and the plant was delivered ahead of schedule; it was inaugurated in September 2016.
- The first wind plant in the country to use concrete towers, with pre-cast concrete fabricated near the site, resulting in significant cost savings.
- The plant received two CEMEX Works awards for excellence in plant construction and innovation.

ACCIONA INFRASTRUCTURE

Reinventing the present to build the future

ACCIONA Infrastructure, one of the world's leading infrastructure companies, offers innovative solutions that satisfy the growing global demand for infrastructure.

With a trajectory of more than 100 years and a presence in more than 30 countries on five continents, ACCIONA Infrastructure has extensive experience in the development and execution of large-scale projects, in which it implements the most advanced environmentally friendly techniques. The division operates through the following lines of business:

ACCIONA Construction - Specialised in three main areas: bridges, roads and special structures; railways and tunnels; and ports and hydraulic works. In each area it is capable of handling all aspects of a project, from design and engineering to execution and maintenance, hence being a world leader in the development of mega-projects.

ACCIONA Concessions – One of the world's leading private sector infrastructure developers, in terms of both the number of projects and revenue. It develops and operates concessions in the areas of transport infrastructure (roads, railways, ports and irrigation systems) and social infrastructure (hospitals and universities).

ACCIONA Agua - Provides global solutions that contribute to sustainable development in the water sector through innovation and excellence in design, construction and operation of water purification, sewage and desalination plants. A leader in end-to-end management of the water cycle, covering all stages of water treatment.

ACCIONA Industrial - Specialised in EPC (Engineering, Procurement and Construction) projects with a strong technology component. It operates in five lines of business: thermal, hydroelectric and photovoltaic power generation, oil & gas, transmission lines and substations, and installations, and it handles all phases of a project (basic and detailed engineering, construction, assembly and commissioning).

ACCIONA Service - Provides comprehensive service solutions for operation and maintenance of infrastructure and industrial and municipal assets, in both the private and public sector, due partly to synergies achieved with the other areas of ACCIONA Infrastructure, especially in asset O&M and service management in urban environments.

ACCIONA Infrastructure in 2016

The division performed well in 2016, with a general increase in revenue, EBITDA up 91.8% and the project pipeline expanding by 13.3%⁽⁴⁶⁾.

During the year, international projects (the Föllo Line railway tunnels in Norway, Quito Metro in Ecuador, the Site-C dam in Canada and the desalination plants in Qatar) performed well, having achieved cruising speed after the early stages, and significantly improved profitability.

The technical expertise and the broad experience of ACCIONA Infrastructure's professionals as well as the commitment to innovation, guarantee continuous development and application of the most efficient solutions in each project, playing a vital role in achieving the division's good results.

Performance over the year and the good prospects (supported by excellent numbers of contracts awarded in recent years) reflect the success of the strategy that commenced with the integration of ACCIONA Infrastructure and the achievement of sustained growth.

ACCIONA Infrastructure in 2016



* Including Industrial
 ** Not including ATLL
 *** Social investment associated with projects and sponsorship

Note: Division totals do not include consolidation adjustments

Experience and a global vision at the service of society

ACCIONA Infrastructure has a strategy focused on excellence in all its activities. Its technical and geographic specialisation, its highly trained professional team and the broad experience acquired in each of its business areas make it a company that is

committed to the environment, sustainable in the long term and able to integrate solutions that contribute considerable added value to its clients and society.



Global development requires infrastructures: the drivers of demand

Expansion of large cities, water scarcity, the demand for efficient and sustainable energy, and the range of funding models and sources offer many opportunities for the infrastructure sector.

CHALLENGES FACED BY LARGE CITIES: POPULATION GROWTH, URBANISATION AND OBSOLETE INFRASTRUCTURE

By 2025, it is estimated that the world population will have increased by 1.2 billion people. This growth, coupled with the rapid process of urbanisation, will require the provision of new and complex infrastructures and the improvement, reuse and optimisation of existing ones.

The sustainable growth of cities entails an increase in the demand for public transport to provide efficient, sustainable connectivity, as well as social infrastructures and services that meet the needs and improve the living standards of a growing urban population⁴⁷.

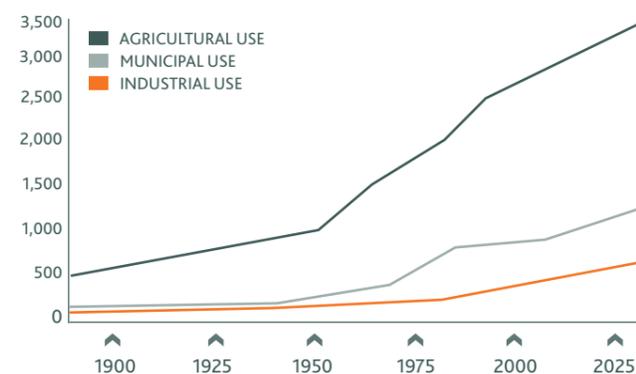
WATER SCARCITY AND GLOBAL WARMING

The demand for water will increase significantly in the coming years; specifically, it is projected to rise by 55% by 2050⁴⁸.

Because of water scarcity, it will be necessary to step up desalination and reuse techniques, and apply technology to optimise water management.

By 2050, 66% of the world's population will live in cities⁴⁷

Water use trend (km³/year)



Source: Water Sector Board of the Sustainable Development Network of the World Bank Group. "Climate change and urban water utilities: challenges & opportunities".

EFFICIENT AND SUSTAINABLE ENERGY GENERATION

Rapid population growth and rising living standards entail an increase in energy demand, making it necessary to develop new energy infrastructures.

This challenge will require comprehensive energy solutions, ranging from generation through to transmission and distribution lines (T&D).

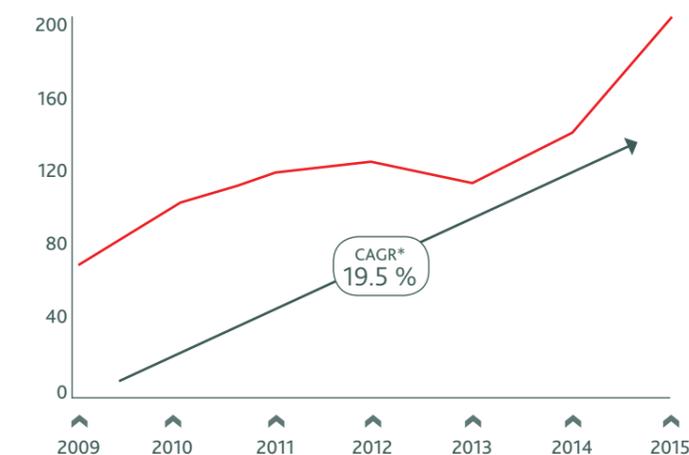
Additionally, the growth in demand, stemming not only from population growth but also from economic development worldwide, means that clean energies and Waste To Energy techniques have great future potential.

FUNDING MODELS

Public-private partnerships (PPP) boost critical infrastructure development in collaboration with public administrations, leveraging the private sector's ability to configure and fund projects, so as to provide long-term returns for all stakeholders.

Investment in PPP models

(PPP CAPEX: B€)



* Compound Annual Growth Rate

Challenges in this context

The regulatory environment will once again be key in meeting infrastructure needs. Currently, specific plans and programs are being developed to foster the infrastructure sector in some countries where ACCIONA Infrastructure is present. Many of the countries planning to make significant investments in infrastructure in the next few years are working on regulatory frameworks that favour public-private financing models, such as public-private partnerships (PPP).

(47) United Nations. 2014. World Urbanization Prospects. The 2014 Revision.

(48) World Economic Forum. 2016. The Global Risks Report 2016. 11th Edition.

ACCIONA Infrastructure strategy

Strategy: maximise value in all activities, ensuring profitable growth, excellence and a commitment to the environment

ACCIONA Infrastructure's strategy, linked to the needs and challenges of the infrastructure sector, is focused on seizing business opportunities by concentrating on projects where it can contribute the most value and seeking new platforms for expansion for each of its five lines of business. The division's current priorities are:

Construction: To carry out projects in geographies with high development potential, strengthening its presence in North America, Latin America, Australia and the Middle East, and reinforcing penetration in Central Europe, Scandinavia and Southeast Asia also, to pursue contracts with private sector clients in Spain.

Concessions: To enhance the value generated through PPP models, ensuring synergies in the construction and operation phase and appropriate rotation of assets so as to guarantee profitability. One of the prime growth targets is the commitment to expand in the United States, a market with strong growth prospects that is driving private sector participation under the PPP formula.

Water: To maintain the leading position in Spain, Italy and Portugal, and continue to be a world leader in desalination. As for the growth areas, in geographical terms, consolidate the position in Latin America, the Middle East, North Africa and Southeast Asia, and expand in North America and Australia. In terms of business areas: increase exposure to long-term operating services in order to maintain a balanced business model between project and operations.

Industrial: To increase the number of projects related to renewable energies and transmission lines, and take advantage of Waste To Energy opportunities. Expand internationally in key countries such as Canada, Australia, South Africa, Mexico, United Arab Emirates and Chile.

Service: To expand the international portfolio and increase operation and maintenance services of transmission lines, handling services at international airports, hospital concessions and the ACCIONA Producciones y Diseño (APD) business activity.

Competitive advantage

As a result of its commitment to continuous improvement, the division is undergoing a process of internal transformation to strengthen its competitiveness in a global market, offer innovative solutions and enhance risk management.

COMPETITIVENESS IN A GLOBAL MARKET

- Strengthening synergies between the business areas, driving an integrated highly specialised offer to clients, as well as more efficient resource management.
- Projects are executed using the division's own resources and capacities, responding accurately to clients' needs and adding value to all phases of the project.

INNOVATIVE SOLUTIONS

- Organised into Specialised Business Units, which favour the application of the necessary technical experience and know-how in each project, with more efficient operations and greater technical and management oversight.
- A highly specialised professional team that brings together the skills and technical knowledge needed to tackle complex projects and achieve excellent execution in a dynamic global market.
- Investment in R&D&I, use of the most advanced techniques in project execution, and implementation of new technologies to enhance operational efficiency, cut costs and achieve excellence in execution.

RISK MANAGEMENT THROUGHOUT THE CONTRACT LIFE CYCLE

- Active integrated risk management in all phases of the project, ensuring a horizontal multidisciplinary approach and reinforcing bids and contract management as well as excellence in planning.

Performance

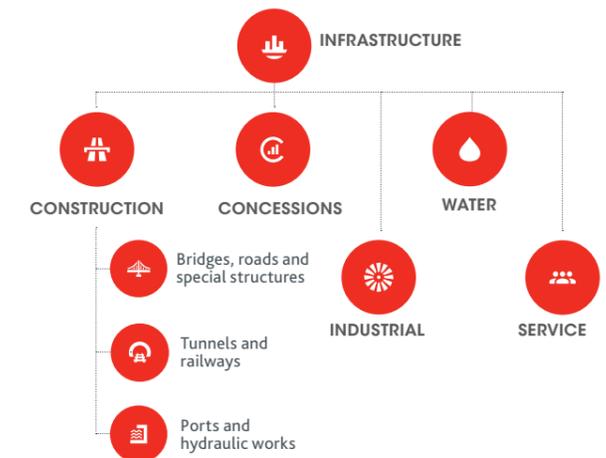
ACCIONA Infrastructure provides a global and complementary offer with solutions for any type of project.

The Specialised Business Units, which coordinate with local teams to select and execute projects, bring their experience and knowledge to help address the most complex technical challenges and the difficulties of implementing large projects worldwide.

Geographical specialisation makes it possible to focus efforts in areas with high potential. In each region, the Division has a number of "platform countries" from which to coordinate resources in their areas of influence, ensuring that the knowledge and capabilities of the core teams cover the needs of all strategic markets.

New projects are selected on the basis of a rigorous process in order to ensure a stable environment that meets the established profitability and risk thresholds. A selective bidding policy allows for more efficient use of all the division's resources while ensuring that it adds value to all its projects.

ACCIONA Infrastructure Specialised Business Units



Regions and platform countries



* Gulf Cooperation Council (GCC)

 Performance
TALENT MANAGEMENT

ACCIONA Infrastructure has the best professionals due to programmes for attracting and managing talent:

- ACCIONA TAP (Talent Acquisition Process) methodology: identifies different profiles in multiple locations worldwide, with new and complex requirements derived from business diversification and specialisation.
- ACCIONA *Hace Cantera* programme: creates an international pool of young professionals who can respond to the division's needs in the medium and long term.
- Technical Leaders programme: leverages the exceptional technical knowledge that the company's experts possess by working to disseminate it both internally and externally.
- Emerging Talent programme: the objective is to provide advice on managing competencies for professionals who have been recently promoted to managerial positions.

INNOVATION

The division is at the forefront of R&D&I, applying specific solutions with a strong technological component in each of its projects. This is reflected in the way it addresses challenges, promoting solutions that are more sustainable, efficient and adapted to the needs of the surroundings. In 2016, 120 million euros were spent on innovation, 4.5% more than in the previous year. In addition, continuous improvement of processes through 77 innovation initiatives has enabled the division to generate value for its clients and optimise operations.

R&D&I spending by ACCIONA Infrastructure (M€)

	2014	2015	2016
Infrastructure	107.4	114.7	119.9
Construction*	87.7	54.4	63.8
Water	19.1	18.3	35.6
Service	0.3	16.5	2.6
Industrial	0.3	25.5	18

* Includes Engineering.

Awards

- *JEC International World 2016 Innovation Award* for the Composite Material lighthouse in Valencia.
- *Global Water Intelligence Award* for the best desalination company.
- Inter-American Development Bank Infrastructure 360° Project of the Year Award for the Atotonilco waste water treatment plant, in recognition of end-to-end implementation of a sustainable strategy.
- B-IWA Award for Best Research: *From the affinity constant to the half-saturation index: Understanding conventional modelling concepts in novel waste water treatment processes.*
- WATINTECH project named Best Research 2016 at Saló iWater in Barcelona.
- Best Renewable Energy Project of 2016 Award for the Bokpoort Thermosolar CSP plant, granted by the South African National Energy Association (SANEA).

 Performance

ACCIONA Infrastructure channels innovation through its technological centres:

- The Madrid Centre leads technology development in the areas of construction, transport and environment. Specifically, it focuses on developing new materials and improving construction processes in transportation and mining infrastructures.
- The Barcelona Centre develops and researches cutting-edge solutions for water purification, desalination, treatment and distribution network management throughout the entire water value cycle.

Actions in the area of innovation and digitisation include the application of Big Data in tunnel control centres and, in end-to-end water management, the use of BIM (Building Information Modelling) platforms and sensorisation of processes and production assets.

RISK MANAGEMENT

Risk management is a fundamental tool for ACCIONA Infrastructure. The risk management system, the purpose of which is to identify and assess risks and opportunities, both in projects and in the countries where the company is present, covers all stages of a project: bidding and contracting, execution (design, construction, and operation and maintenance) and closing. Notable progress by ACCIONA Infrastructure in this area in 2016 includes:

- Improving risk analysis software through internal development.
- Significant progress in systematising risk analysis in the bidding and execution phases.
- Progress in expanding the perimeter of analysis to all business areas and to a broader spectrum of projects.
- Improving and expanding country risk analyses.

Performance

SOCIAL IMPACT MANAGEMENT

ACCIONA Infrastructure also evaluates and manages its projects' social impact, both negative and positive, on people by applying an own methodology. During 2016, the division implemented the Social Impact Management (SIM) methodology on 64 projects (45 more than in 2015) in 18 countries. The methodology was implemented in projects in the construction, operation, maintenance and service delivery phases: subway lines, water treatment plants, highways, bridges, airport terminals, airport services and waste water treatment plants, among others. The main social measures implemented to mitigate negative impacts and strengthen the positive ones in 2016 consisted of information campaigns about the project, infrastructure improvement and education and health campaigns.

MILESTONES

As a result, ACCIONA Infrastructure is a world leader in its sector, as reflected by its commercial performance and execution of large projects in each of its business areas.

Construction

A growing portfolio due to increasing awards of complex projects offering good returns, such as:

- Dubai Metro (United Arab Emirates)
- A bridge on the Pacific highway (Australia)
- Expansion of the Puhoi motorway (New Zealand)
- Highway on Roskilde Fjord (Denmark)

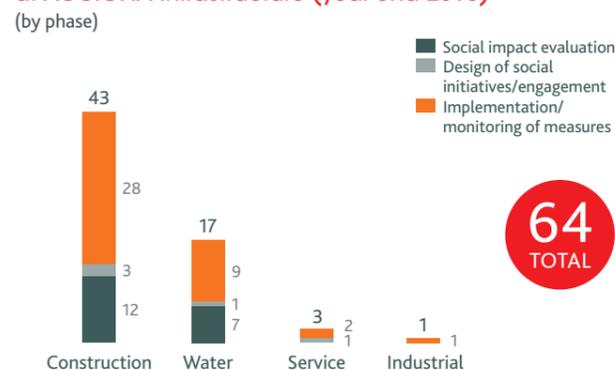
Concessions

The company continues to explore asset rotation opportunities and to strengthen the development team in priority geographies such as the United States.

At the end of 2016, it had a portfolio of 24 operating concessions (excluding Water) in Spain, Canada, Mexico, Brazil, Chile, Australia and New Zealand:

- Highways: 14
- Railways: 2
- Hospitals: 6
- Other: 2

Status of implementation of the SIM methodology at ACCIONA Infrastructure (year-end 2016)



Water

Consolidating its lead as an expert in desalination:

- A greater contribution from the Qatar plants contracts, which have achieved a very good pace of execution

Entry into new markets with great potential for the sector:

- Putatan water treatment plant in the Philippines

Industrial

The Industrial area strengthened its strategic lines of business with major new contracts:

- Dewa EPC in United Arab Emirates, the world's largest photovoltaic plant
- Escalona hydroelectric plant EPC
- El Cortijo transmission line in Mexico

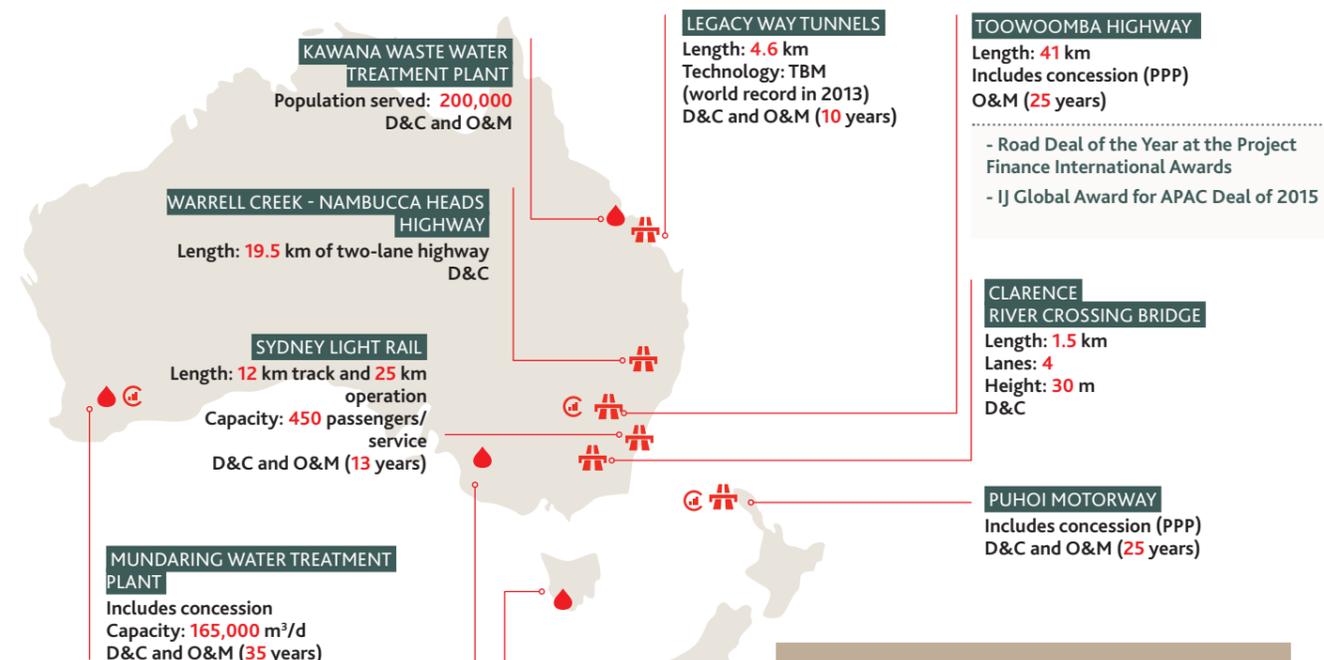
Service

The Services area is a leader in Spain and is developing a strong international footprint:

- Cleaning services for the RENFE group
- Waste collection in Madrid
- Ancillary services at the Audi plant in Puebla state (Mexico)
- Handling services at Düsseldorf Airport and Santiago de Chile Airport

Environments in which we operate: platform countries

ACCIONA Infrastructure in Australia and New Zealand



Market and growth prospects^{49, 50, 51}

AUSTRALIA	NEW ZEALAND
▲ 2.6 %	▲ 2.3 %
Annual average real GDP growth 2015-2030	

AUSTRALIA	NEW ZEALAND
Since 2007, over 45 billion AUD on infrastructure.	30-year New Zealand Infrastructure Plan 2015
2013-14 to 2019-20, estimated investment in infrastructure of 50 billion AUD	Projected expenditure on infrastructure in 2015-2025. 110 billion NZD

Favourable environment for foreign direct investment and private initiatives via PPP models

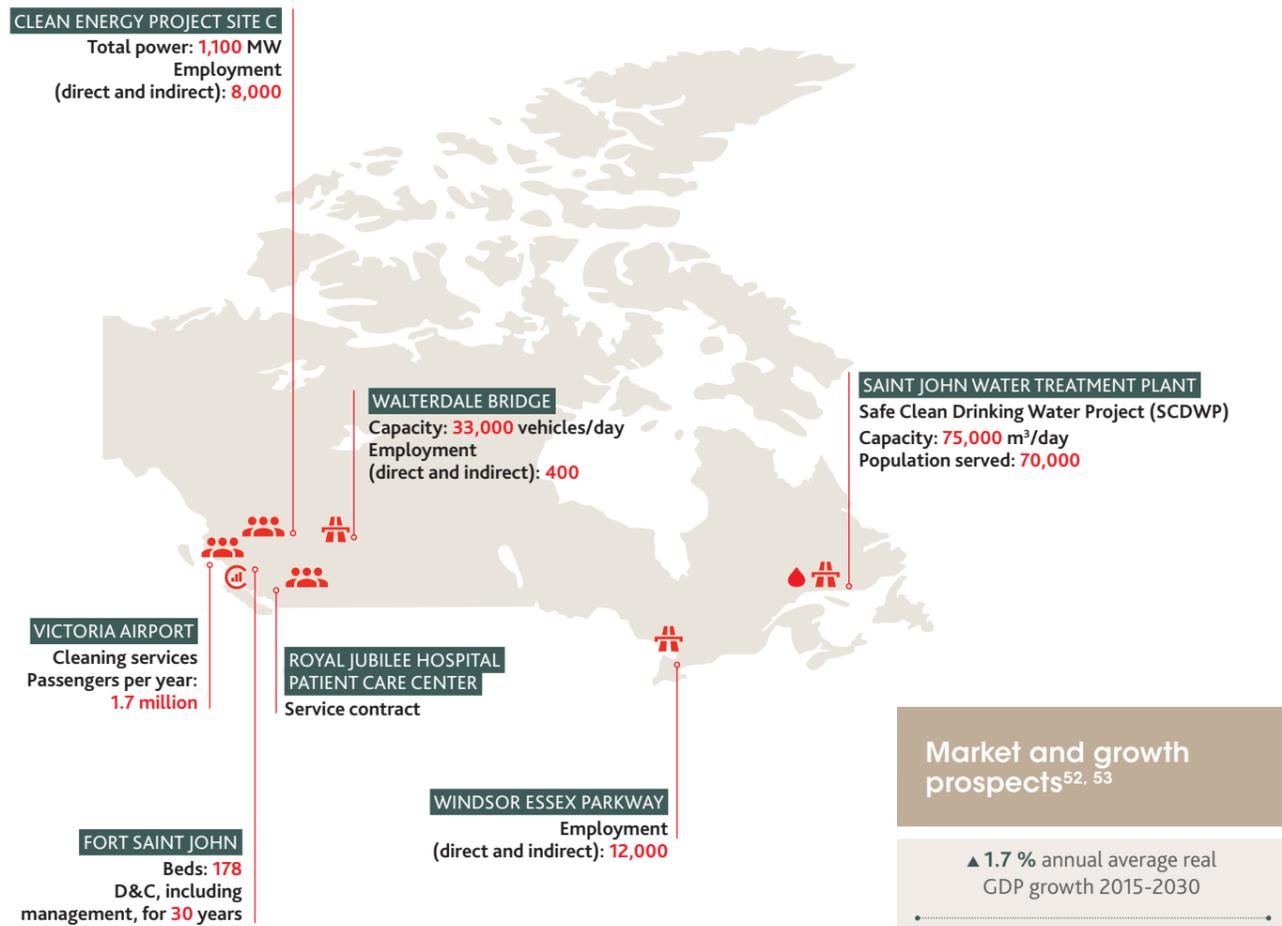


(49) The Economist Intelligence Unit – Australia and New Zealand

(50) Australian Government. 2016. Investment Opportunities in Australian Infrastructure

(51) National Infrastructure Unit. 2015. New Zealand Infrastructure Plans.

ACCIONA Infrastructure in Canada



Market and growth prospects^{52, 53}

▲ **1.7 %** annual average real GDP growth 2015-2030

NEW BUILDING CANADA PLAN
75 billion CAD of investment in infrastructure through 2024:
53 billion CAD earmarked for local investments, highways and roads, public transport, rail infrastructures, airports and ports, among others.
1.25 billion CAD in PPP projects

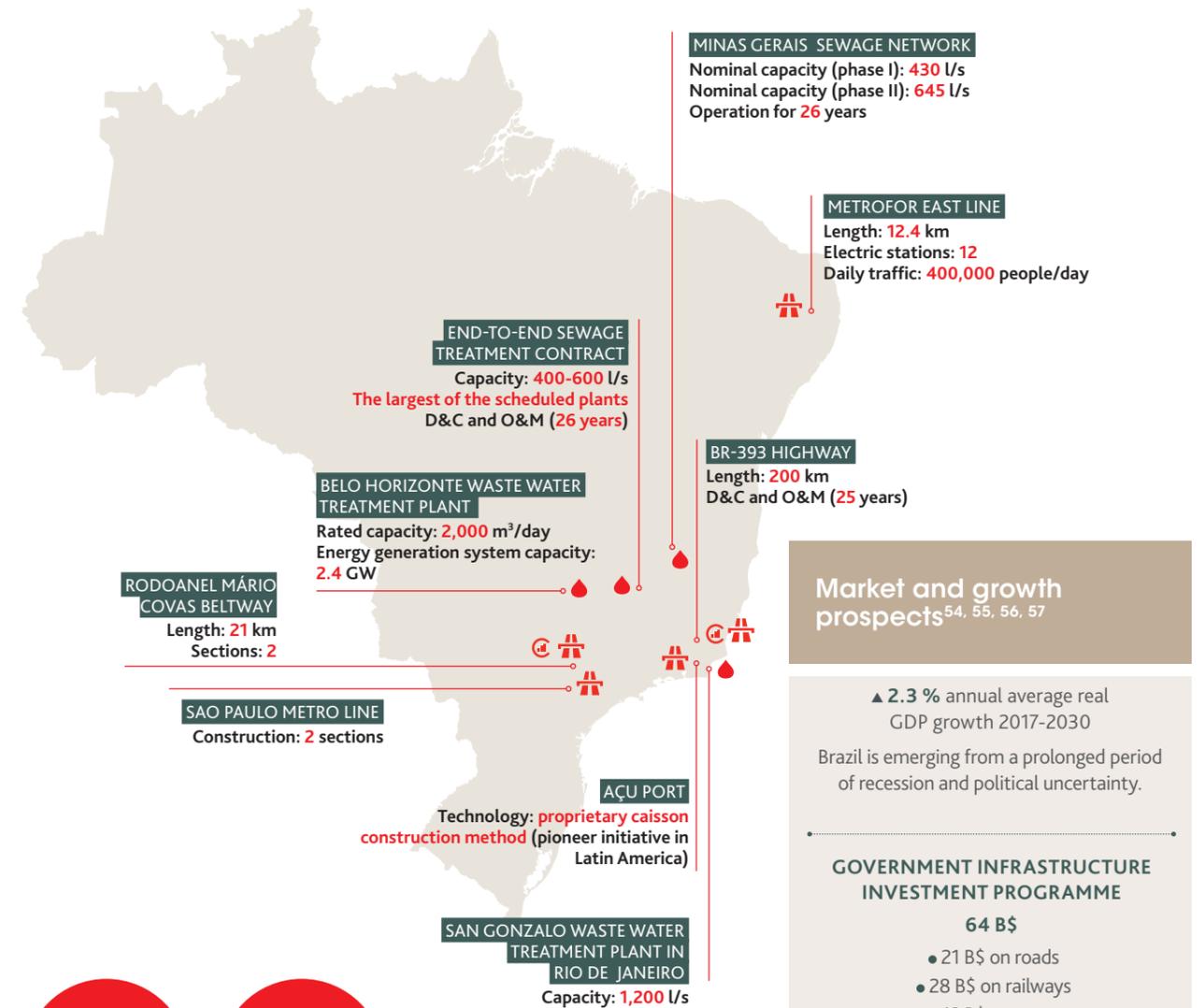
Opportunities in public-private partnerships

2000
ARRIVAL
IN CANADA

509
EMPLOYEES

(52) The Economist Intelligence Unit – Canada
(53) Canada Government – Infrastructure Canada

ACCIONA Infrastructure in Brazil



Market and growth prospects^{54, 55, 56, 57}

▲ **2.3 %** annual average real GDP growth 2017-2030

Brazil is emerging from a prolonged period of recession and political uncertainty.

GOVERNMENT INFRASTRUCTURE INVESTMENT PROGRAMME

64 B\$

- 21 B\$ on roads
- 28 B\$ on railways
- 12 B\$ on ports
- 3 B\$ on airports
- Announcement of 34 infrastructure concessions for 2016-2018

DEVELOPMENT OF PPP AND CONCESSIONS:

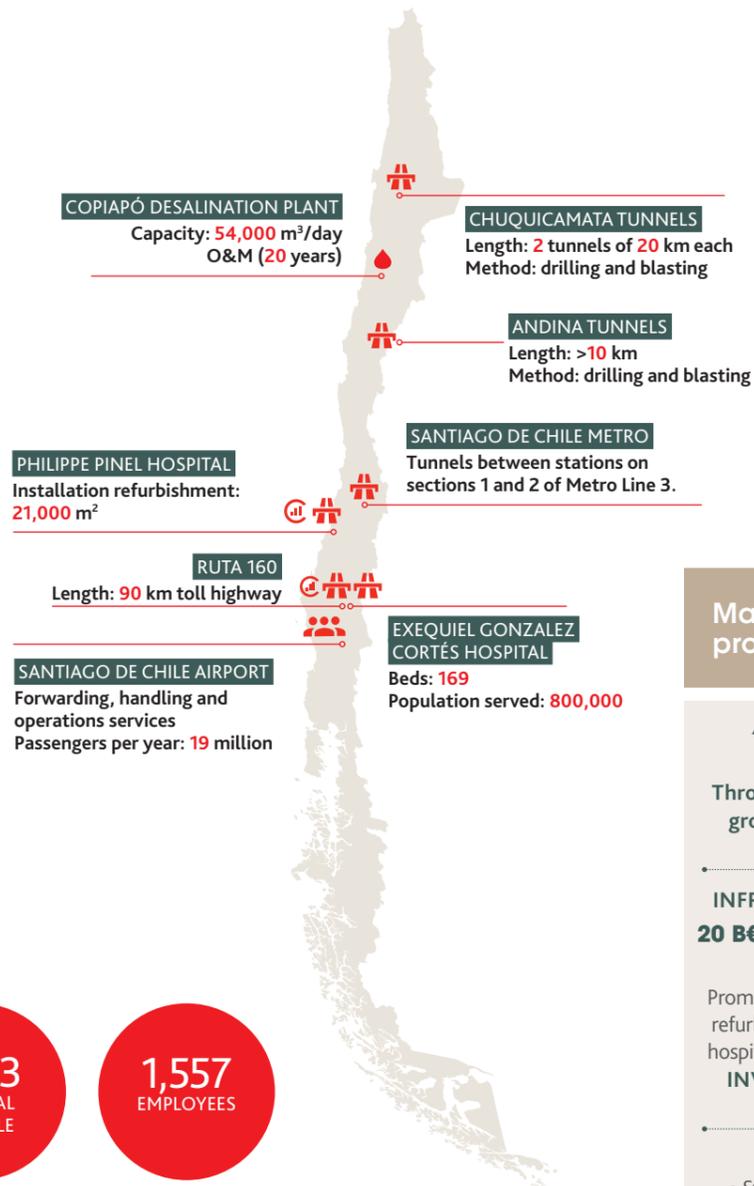
- Renewable energy
- Water and sanitation
- Urban mobility

1996
ARRIVAL
IN BRAZIL

1,907
EMPLOYEES

(54) The Economist Intelligence Unit – Brazil
(55) OECD – World Economic Outlook. Brazil forecast. 2016
(56) Spanish government – Brasil: Plan integral de mercado 2015
(57) KPMG – Foresight: A global infrastructure perspective. Brazil. 2016

ACCIONA Infrastructure in Chile



1993
ARRIVAL
IN CHILE

1,557
EMPLOYEES

(58) The Economist Intelligence Unit – Chile
(59) Government of Chile. National Infrastructure Plan.
(60) Government of Chile. National Healthcare Investment Plan.

Market and growth prospects^{58, 59, 60}

▲ 2.9 % average annual real GDP growth 2015-2030

Through 2025, **5.5%** year-on-year growth in the construction and infrastructure sector

INFRASTRUCTURE MASTER PLAN
20 B€ of investment in infrastructure to 2025

Promoting government concessions and refurbishment and new construction of hospitals - **NATIONAL HEALTHCARE INVESTMENT PLAN 2014-2018**

OPPORTUNITIES

- Stable regulatory and institutional framework
- Political and economic stability

ACCIONA Infrastructure in Mexico



Market and growth prospects^{61, 62}

▲ 3.2 % average annual real GDP growth 2015-2030

NATIONAL INFRASTRUCTURE PLAN (PNI) 2014-2018:
430 B€ investment in infrastructure
743 specific projects

THE PNI IDENTIFIES 6 STRATEGIC SECTORS:

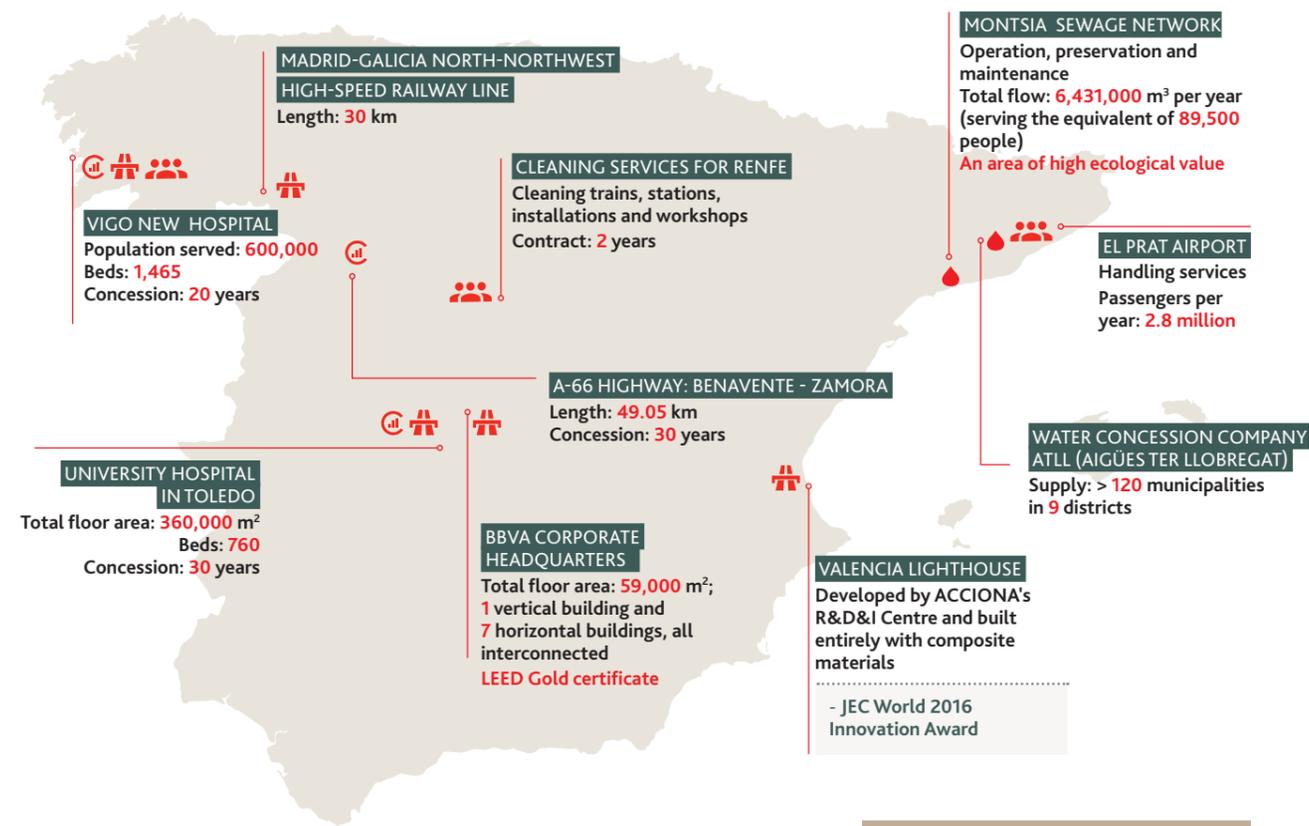
- Communications and transport
 - Energy
 - Water
 - Healthcare
- Urban development and housing
- Tourism

1978
ARRIVAL
IN MEXICO

1,795
EMPLOYEES

(61) The Economist Intelligence Unit – Mexico
(62) Mexican Government. Programa Nacional de Infraestructura 2014 - 2018

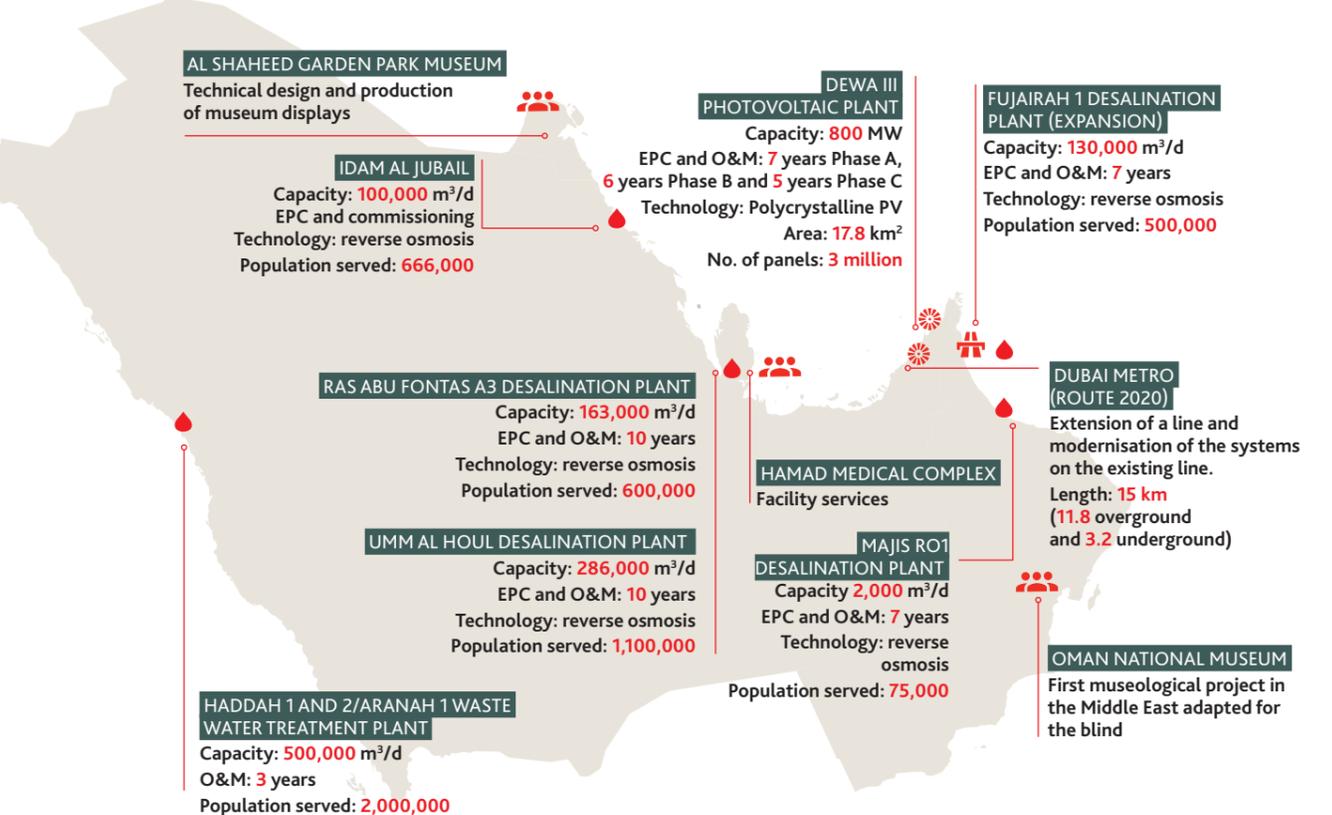
ACCIONA Infrastructure in Spain



Market and growth prospects^{63, 64, 65, 66}

- ▲ 1.3 % annual average real GDP growth 2015-2030
 - ▲ 3.4 % Construction industry in 2018
 - ▲ 1.2 % Civil engineering in 2018
-
- 6,038 M€**
investment in infrastructure in 2017
- Highways: 2,009 M€
 - Railways: 851 M€
 - Water infrastructure: 1,444 M€
 - Ports: 133 M€
- Growing activity of investment funds in Spain.

ACCIONA Infrastructure in the GCC (Gulf Cooperation Council)



Market and growth prospects⁶⁷

- Contracts in 2016 for buildings (74.705 B\$) and infrastructure (21.213 B\$).
-
- Estimated investment in infrastructure to 2019
300 B\$
- Apart from the decline in crude oil prices, the other macroeconomic variables are favourable: demographics, tourism, investment, low fiscal deficit, and macro events: Expo 2020 (UAE) and the World Cup 2022 (Qatar).

19,908
EMPLOYEES

2008
ARRIVAL IN
THE GCC

65
EMPLOYEES

(63) The Economist Intelligence Unit – Spain
(64) Spanish Government. Budget. 2008-2016 Statistics. Extended. 2017
(65) Itec, 2016, Euroconstruct
(66) Growing activity of investment funds in the national territory

(67) Middle East Concrete. 2016. GCC Construction Market Outlook.

Landmark projects

CONTRACTS AWARDED IN 2016 GUARANTEE FUTURE GROWTH



ACCIONA to expand Dubai Metro, a project with high visibility in the region

- Design and construction of Dubai Metro with a 15 km line connecting the Metro network to the Expo 2020 site.
- Contract worth 2.6 B€.
- Commercial operation expected to start in 2020.
- Estimated traffic in 2030: 275,000 passengers/day.



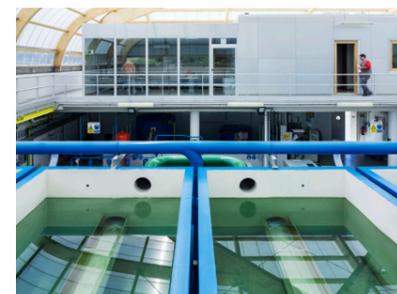
ACCIONA to build world's largest photovoltaic plant, in Dubai

- ACCIONA Industrial is executing the project for the Dubai Electricity and Water Authority (DEWA) under an EPC model.
- More than 3 million photovoltaic panels spread over approximately 17.8 km².
- A first major step in replacing fossil fuels with renewable energies in the region, avoiding 1.4 million tons of CO₂ per year.
- The project is being executed in three phases, with completion scheduled for the first half of 2020, coinciding with the Dubai Expo.



ACCIONA Airport Services obtains a handling licence for Düsseldorf airport, Germany

- Awarding of a 7-year handling concession at Düsseldorf airport.
- Third largest airport in Germany, after Frankfurt and Munich, which handles 20 million passengers per year.
- Check-in, boarding, lost-and-found, ramp, operations and cargo services.



Strengthening of ACCIONA's presence in Southeast Asia with the construction of a water treatment plant in the Philippines

- Design, construction, operation and maintenance of the Putatan 2 water treatment plant in the town of Muntinlupa.
- Capacity to supply 100,000 m³/day.
- Scheduled completion date: mid-2018.
- First contract in the country, extending the company's presence in Southeast Asia, a market with great potential for infrastructure projects.
- A major project to supply drinking water to almost 6 million people who do not have access despite the country's abundant water resources.



Extension of the Puhoi motorway in New Zealand, under a PPP approach.

- Design, construction, financing, asset management and maintenance of the Puhoi to Warkworth motorway.
- 465 M€ PPP project.
- First contract in New Zealand, although the company has a strong presence in Oceania through its extensive experience in Australia.
- Scheduled to be opened to traffic in 2022.

EXCELLENCE IN PROJECT EXECUTION, OPERATION AND MAINTENANCE



Föllo Line tunnels, the largest railway project in Norway

- Design and construction of twin 19.5 km long tunnels to connect the cities of Oslo and Ski.
- The longest railway tunnels in Scandinavia which will reduce travel time by 50%.
- Constant engagement with local players to minimise potential negative impacts in the area.
- Excellence:
 - A novel TBM will reduce execution times and simplify excavation.
 - Application of Big Data technology



Site C dam, one of the largest dams in Canada

- Construction of a hydroelectric dam for a 1,100MW power plant in British Columbia.
- One of the largest infrastructure projects in Canada and a milestone in dam construction worldwide.
- It will supply clean renewable energy for over 100 years.
- Construction to be completed in 2024.
- Excellence:
 - Self performance: 70% of the project undertaken using ACCIONA Infrastructure's own resources.
 - Technical execution and deadline fulfilment in an area with extreme weather conditions.



Beginning of construction of the Kathu solar thermal plant in South Africa

- Turnkey construction of the Kathu solar thermal complex by ACCIONA Industrial, worth 500 M€.
- 100 MW capacity, able to supply electricity to 80,000 homes in the Northern Cape region of South Africa.
- Creation of 1,500 direct jobs during construction and 200 additional jobs during operation.
- Strong commitment to the local community, hiring local suppliers after the basic engineering phase.
- Commenced measurement of the socio-economic impact, in order to identify the benefits generated by the project over its entire life cycle.
- Start of commercial operations planned for 2018.



Quito Metro, a benchmark project for Ecuador

- A transformative project at national level.
- 22 km of tunnel and 15 stations.
- The only solution that can alleviate congestion and reduce transit times; current times will be cut by at least 70%.
- Saving of 50 M\$ per year for the local economy, and reduction of 67,000 tCO₂.
- Commenced measurement of the socio-economic impact, in order to ascertain the benefits generated by the project over its entire life cycle.
- Estimated service in the first year: 400,000 passengers/day.
- Construction to be completed in 2019.
- Excellence:
 - Application of Building Information Modelling (BIM) technology.
 - Optimization and rigour in the supply chain to bring TBMs into operation.



The Qatar desalination plants, the first large-scale reverse osmosis project in the country

- Design, construction and maintenance of two desalination plants: Ras Abu Fontas A3 and Facility-D: Umm al Houf.
- A milestone in the desalination business: the first large-scale application of reverse osmosis in Qatar.
- Ras Abu Fontas A3, located in Al Wakra, will produce 164,000 m³ per day.
- Facility-D, 15 km from Doha, will produce 284,000 m³ per day.
- Excellence:
 - Technology innovation in desalinating complex waters.
 - Process improvements to optimise execution times.



Sydney Light Rail, a project with international prestige

- Design, construction, financing, operation and maintenance of Sydney Light Rail.
- Construction of 12 km of track and subsequent operation of 25 km of infrastructure, consisting of the new section and 13 km of existing line.
- Excellence:
 - International recognition: *Project Finance International Asia Pacific PPP 'Deal of the year 2015'* and *Finance Asia Achievement Awards 'Best Project Finance Deal - Australia & New Zealand'*.
 - Development of innovative solutions for complex management of a large number of utilities.

OTHER BUSINESSES

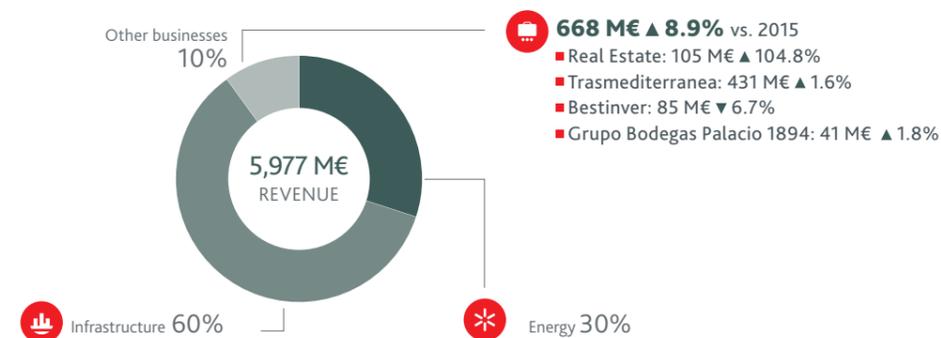
Contribution to the company value creation

ACCIONA engages in a number of businesses that are complementary to those of its core divisions and provide diversification and opportunities as well as growth potential or scope for corporate operations that might be of interest for the company.

They all currently contribute to generating value for ACCIONA and evidence future growth potential due to the good current situation of their respective industries and careful management of the teams, who know how to maximise value in each area by enhancing competitiveness and market visibility.

These businesses' lower investment needs in comparison with the core divisions and their good performance in 2016 had a positive impact on ACCIONA's bottom line and helped reduce leverage in terms of EBITDA.

In 2016



ACCIONA INMOBILIARIA

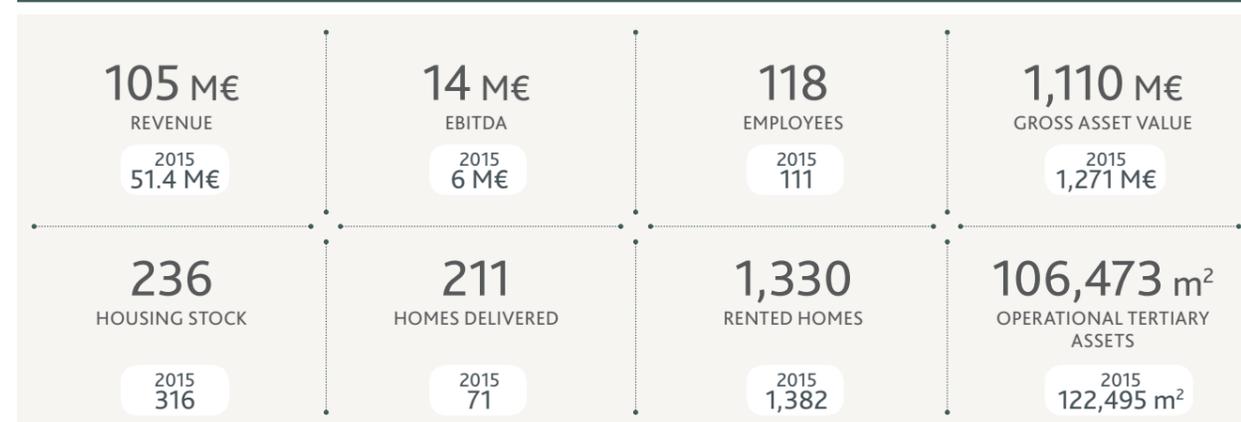
Over 9,000 homes developed in its 25-year history

ACCIONA Inmobiliaria is one of Spain's largest residential development and management companies, with a significant presence in other countries such as Mexico (through ACCIONA Parque Reforma), Poland (ACCIONA Nieruchomości) and Portugal.

Situation and business performance



ACCIONA Inmobiliaria in 2016



New opportunities for value creation

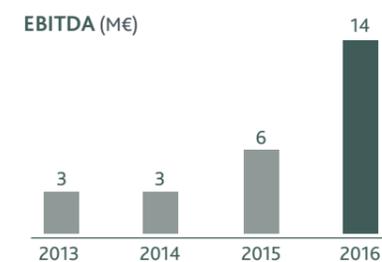
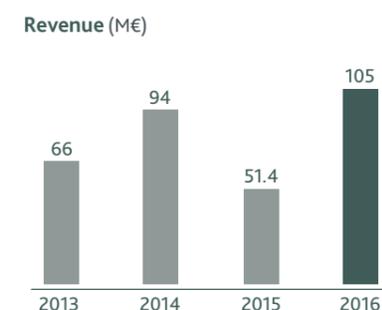
In recent years, ACCIONA's real estate business performed in line with the industry, penalised by the economic crisis and by the slowdown in the Spanish housing sector.

In that period, the company engaged in exhaustive risk control. It pursued a strategy of acquiring positions in ground range finalist rather than focus on the prospects for long-term growth in home prices. Risk management enabled it to partly offset the effects of the real estate cycle and be in a position to launch new developments when the cycle turned.

The upswing in residential and commercial property that commenced in 2015 offers positive growth prospects for the industry.

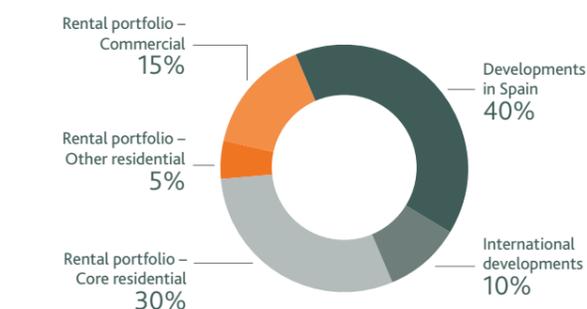
This was confirmed by the company's 2016 results, with EBITDA up 122.1% due to the delivery of a development in Mexico. The division's extraordinary performance was also driven by the sale of a hotel (Barcelona), and a shopping centre and adjacent office block (Madrid) for 67 million euros.

Revenue and EBITDA trend



Independent appraisal (GAV: Gross Asset Value)

GAV by asset type 2016 (%)



Breakdown of GAV 2016 (M€)



For more information, visit the ACCIONA Inmobiliaria website: www.accionainmobiliaria.es. For more information about ACCIONA Inmobiliaria's business in Mexico and Poland, visit the websites of ACCIONA Parque Reforma: accionaparquereforma.com/en/ and ACCIONA Nieruchomości: www.accionanieruchomosci.com/en/, respectively.

ACCIONA Inmobiliaria strategy

Strategy: seize opportunities and optimise asset value

ACCIONA Inmobiliaria has reviewed its strategy and is focused on seizing new opportunities in the market while maximising the value of its assets.

■ **Revival of housing development in Spain and other countries, particularly Mexico and Poland**

Favourable market conditions and attractive returns offer an opportunity for ACCIONA Inmobiliaria to crystallise the value of mature land assets without abandoning its long-standing property development business and the prospects of returns from greenfield projects.

Medium-term growth prospects in Mexico are focused on the premium housing sector, which is less exposed to market volatility, and are enhanced by the Mexican subsidiary's positioning and brand.

■ **Optimisation of the value of rental assets: c. 55% of GAV**

Selective divestment of tertiary assets is one source of funding for ACCIONA Inmobiliaria's property development business which also contributes to reducing its debt.

In this context, ACCIONA Inmobiliaria does not rule out alliances with other market players to enhance the value of its premium housing portfolio.

Competitive advantage: sound experience and a focus on sustainability

Because of its size, the company is managed very efficiently, diversifying the risk of defaults on rent payments. In addition, the business assets, particularly housing, are relatively liquid since there is market demand even at the lowest points of the real estate cycle.

Backed by sound technical and professional experience, the layout of ACCIONA Inmobiliaria homes is based on clients' current needs and demands, and buildings tend to have an extensive offer of common areas that contribute to a healthy lifestyle.

Another feature of ACCIONA's real estate business is that all developments are designed with sustainability criteria in mind. One of the main goals is that projects contribute to preserving the environment and helping owners keep costs down.

The company applies **innovative processes** to advance in energy savings, CO₂ emission reductions, rational water consumption and clean construction

Performance

- Application of innovative processes to save energy, reduce CO₂ emissions, consume water rationally and engage in clean construction.
- All new developments have the BREEAM sustainability certificate, applying rigorous measures (beyond current regulatory requirements) to enhance energy efficiency of the buildings, as well as respect for the environment and the surroundings.
- ISO 9001 and ISO 14001 certifications ensure the highest quality standards in the market.



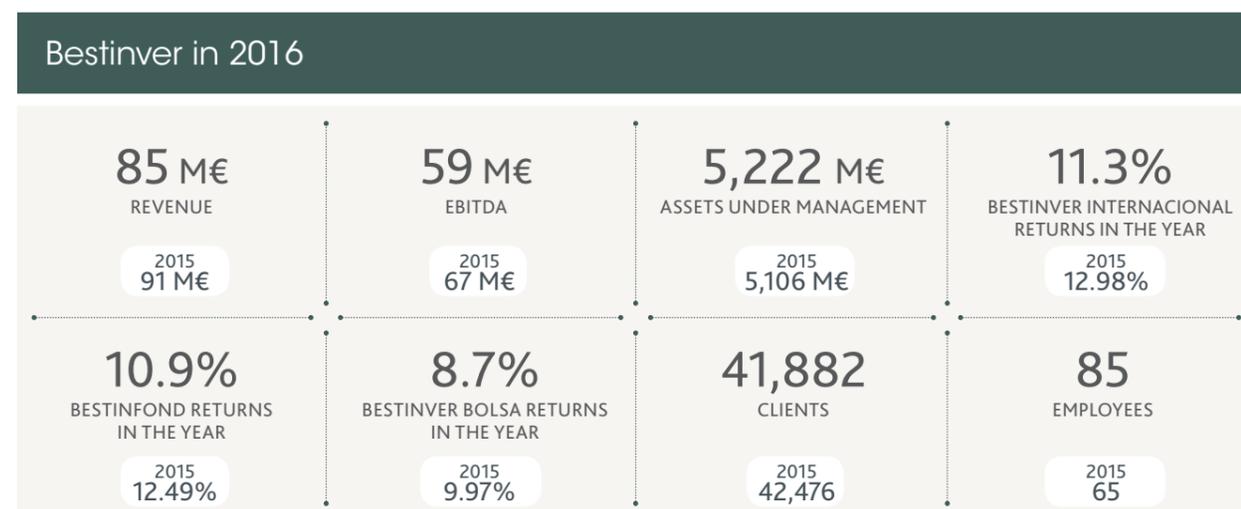
Objective

To maximise the value of ACCIONA Inmobiliaria and take advantage of the real estate market's recovery.

BESTINVER

Bestinver is Spain's leading independent asset manager

Bestinver provides asset management (mutual funds, pension funds and institutional mandates) and stock brokerage services, which pursue the best long-term returns and are supported by a value-based investment philosophy and a broad, qualified investment team.



New opportunities arising

Bestinver overcame most of its challenges for 2016: it strengthened its investment team, improved its internal processes and is now closer to its clients.

Its robust investment process is reflected in its returns, which place Bestinver in a privileged position to benefit from the process of disintermediation that is taking place in Spain.

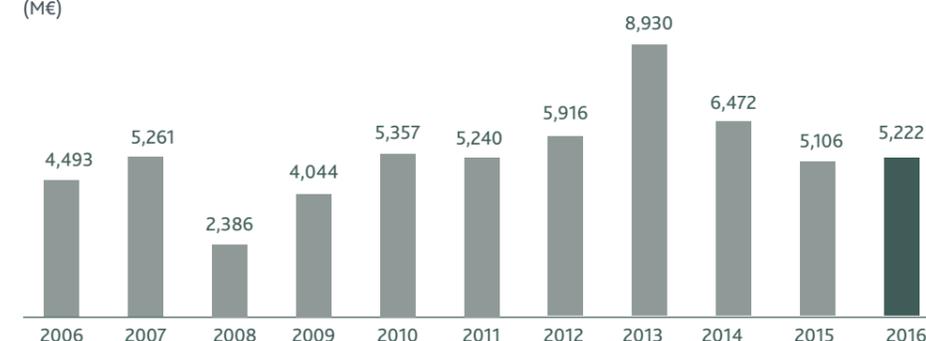
Continuous improvement of operating processes, with ACCIONA's support, gives Bestinver the necessary solidity to

guarantee proper performance and fulfilment of its fiduciary duties.

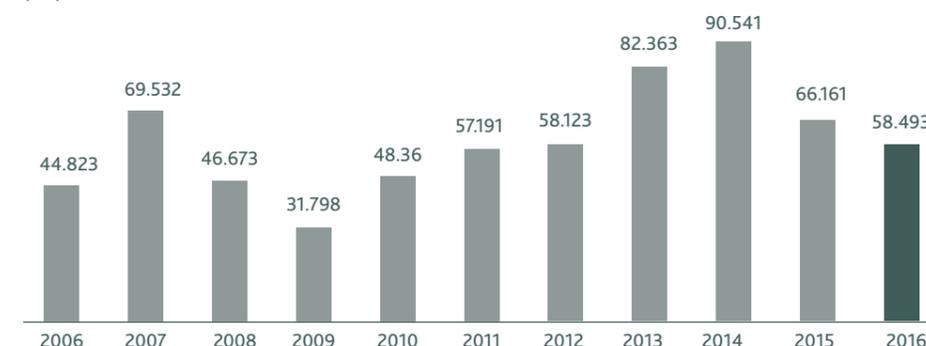
Proximity to its investors enables it to maintain and reinforce its leading position as an independent asset manager, in a business where the number of competitors is growing, as are client demands for product information and simple processes.

 For more information, visit the Bestinver website: <http://www.bestinver.es/>

Assets under management (M€)



EBITDA (M€)



Good returns, both in absolute terms (11.4% on the international portfolio) and in comparison with benchmark markets and competitors, set Bestinver back on the course of growth;

overall, it has achieved a 32.09% return since its new Head of Investment was appointed, compared with 13% in the European market (including dividends).

Return in 2016



BESTINVER strategy

Strategy: a value investing philosophy

Bestinver offers its clients a clearly defined value proposition that differs from the rest of the industry.

- Investment in transparent businesses with strong competitive advantages.
- Excellent long-term management at an attractive price that provides a sufficient margin between the market price and the company's intrinsic value, so as to ensure that portfolios have strong growth potential.
- Identification of target values on the basis of key business characteristics (cyclical, stable, capital intensive, etc.) and the skill and honesty of its management.

Competitive advantage: optimisation of long-term returns

Bestinver operates a strict investment selection process supported by a team of highly qualified and experienced professionals who devote considerable resources to analysing companies in order to identify the best investment opportunities.

Investment process



Over
100 awards
for performance
in the last 20 years

Performance

- More than 2,000 new clients in 2016 and a gross revenue exceeding 400 million euros.
- Around 50% portfolio rotation in 2016.
- Over 30,000 hours devoted annually to analysing companies.
- Return on Bestinver Internacional: 11.3%.
- Return on Bestifond: 10.9%, exceeding the benchmark MSCI Europe (2.6% in the same period).
- Annual returns of 15.61%, compared with 9.03% by the benchmark, since inception in 1993.
- Over 100 awards for management performance in the last 20 years.



Objective

To obtain attractive long-term returns, avoiding short-term speculative deals and focusing on equities as the key instrument for achieving this goal.

TRASMEDITERRANEA

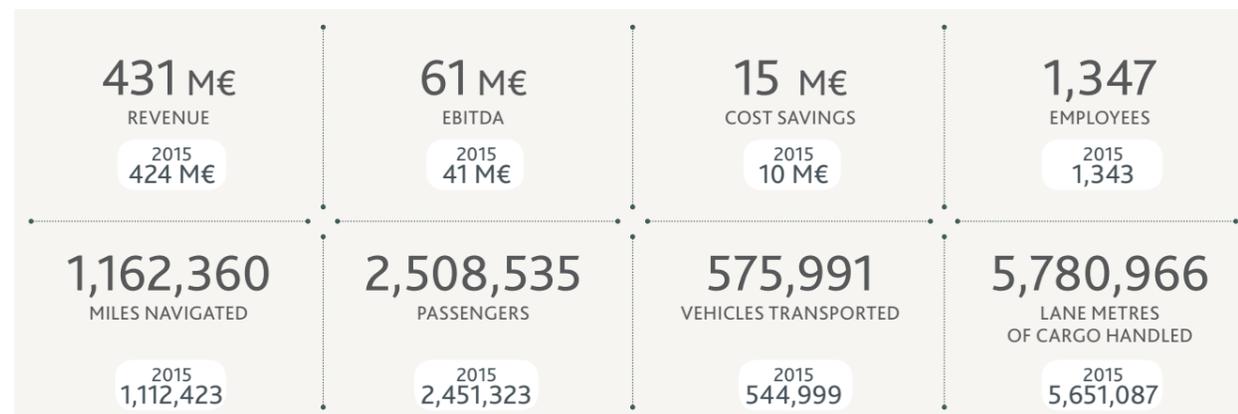
Trasmediterranea celebrates its 100th anniversary in 2017

Trasmediterranea is Spain's leading provider of regular passenger, vehicle and cargo shipping services, and one of the largest in Europe, with both domestic (between the Peninsula and the Balearic Islands, the Canary Islands, Ceuta and Melilla) and international (between Spain and North Africa: Tangier, Ghazaouet, Nador and Oran) routes. It also provides handling services for cruise ships at Spain's main Mediterranean ports.

Situation and business performance



Trasmediterranea in 2016



i For more information, visit the Trasmediterranea website: www.trasmediterranea.es/en/

Trasmediterranea continues to improve results satisfactorily

The high level of volatility in passengers and cargo is one of the factors behind the instability of the Spanish shipping industry.

Since it was acquired from the Spanish State in 2002, Trasmediterranea has concentrated on profitability, addressing the complexities of a very competitive market with very tight margins.

In recent years, Trasmediterranea has undergone major restructuring to enhance efficiency and pursue operational excellence, the goal being to optimise fleet management and constantly save on costs.

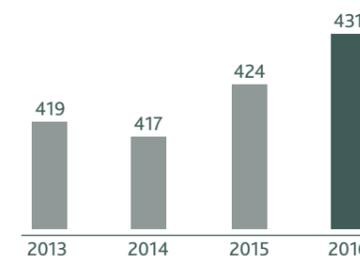
Modernisation and process optimisation has resulted in a steady improvement in Trasmediterranea's results; in 2016 it achieved 61 million euros in EBITDA, four times the 2013 figure. Higher volumes of cargo, passengers and vehicles, as well as lower fuel costs, contributed to that performance.

In this situation and given the positive outlook, Trasmediterranea is embarking on a new stage of growth, having purchased two new vessels in 2016 for 50 million euros, in line with its plans to steadily increase the number of company-owned ships in response to the worldwide scarcity of ferry class vessels for charter or sale.

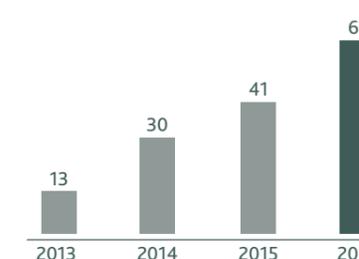
Trasmediterranea currently operates 32 shipping routes and 23 ships, of which 16 are company-owned and 6 under charter. It also has five company-owned port terminals for passengers and cargo, forwarding agencies, and an onshore logistics and distribution service that covers the entire logistics value chain.

Revenue and EBITDA trend

Revenue (M€)



EBITDA (M€)



Trasmediterranea strategy



Strategy: efficiency and client-centricity

The company's growth strategy for the medium and long term pursues sustained profitable growth, by defining new processes to advance in costs reduction and asset optimisation, as well as in its commitment to innovation and the focusing of services on client satisfaction.

On that basis, the company is investing in the modernisation of its ships and making operational changes to improve the range of services it provides.



Competitive advantage: a fleet committed to the environment

Trasmediterranea is fully committed to environmental sustainability and to society.

Quality in service delivery, respect for the environment, and workplace health and safety conditions are essential for its day-to-day business and for the future of the organisation.

Trasmediterranea is strongly committed to the environment and is constantly seeking to modernise, innovate and enhance its services



Performance

- Ship modernisation: comprehensive upgrade of passenger areas on the Juan J. Sister, Sorolla and Fortuny ferries, and installation of open-air leisure areas, children's playgrounds and specific areas for pets.
- Technological innovation:
 - Enhance sales channels (new website, new mobile app and faster, more efficient ticket office sales).
 - Technological innovation on board (fast WiFi, digital information panels, entertainment portal, etc.).
- Operational changes to services:
 - Focus on Mainland-Canary Islands routes at Cádiz port, establishing Trasmediterranea as the leading shipping company in that port.
 - New line between Mallorca (Alcudia) and Menorca (Ciudadela) in response to the needs of our local clients.
 - Expanded routes to the Balearic Islands to satisfy the cargo demand from Barcelona to Ibiza and Menorca, with daily frequency for both islands.
- Implementation of an Integrated Quality, Environment and Occupational Health and Safety management system based on continuous improvement.
- Actions to minimise negative impacts on the environment: installation of aerators on taps to reduce water consumption, installation of low-energy light bulbs, and painting of ships with fluoropolymer paints that can reduce energy consumption by around 6%, CO₂ emissions and fuel costs by around 6%.



Objective

To establish itself as a leading maritime transport company, in passenger and cargo, along all operated markets, anticipating changes in social trends that drive demand for shipping and offer the possibility for exploring new routes and business opportunities in the future.

GRUPO BODEGAS PALACIO 1894

Over 120 years making and ageing high quality wines

Grupo Bodegas Palacio 1894 is one of the leading Spanish names in high-quality wines. It has a track record of over a century making and ageing wines in Spain's most famous denominations of origin: Rioja, Ribera del Duero, Rueda and Toro.

In 2016, the shift to premium resulted in an **increase** of 2% in revenue and 12% in EBITDA compared to the previous year

Situation and business performance



Grupo Bodegas Palacio 1894 in 2016



A new era focused on quality wines as Grupo Bodegas Palacio 1894

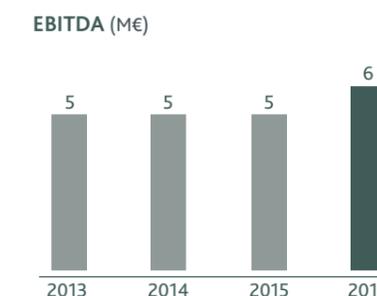
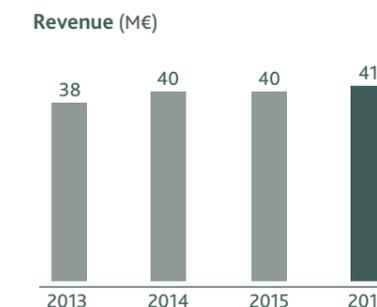
Grupo Bodegas Palacio 1894 has entered a new era with the goal of being recognised as a benchmark in the quality wines market.

This new cycle is accompanied by a new strategy and a renovation of the company's image, while also strengthening the image of its strategic brands: Viña Mayor, Glorioso and Cosme Palacio.

Grupo Bodegas Palacio 1894 has long been a sustainable business. In 2016, the shift in the business mix to premium, with double-digit growth in Denomination of Origin (DO) wines, resulted in an increase of 2% in revenue and 12% in EBITDA compared to the previous year.

The change in trend that commenced in the wine industry in 2014, with growth in D.O. wines and sales to the hospitality channel, gained strength in 2016. Grupo Bodegas Palacio 1894 capitalised on these trends to develop its main brands: Glorioso, which has doubled its market share in the last two years; Viña Mayor, which has redesigned its value proposition and achieved over 20% growth in the hospitality channel; and Cosme Palacio, for which brand recognition improved by 40%.

Revenue and EBITDA trend



Grupo Bodegas Palacio 1894 strategy

Strategy: strengthen positioning

The company is entering a new era of strengthening its position and enhancing differentiation, developing premium brands and expanding in international markets through:

- A commercial strategy focused on selectively expanding distribution.
- Investing in communication and enhancing the brand positioning.
- Digital transformation, sales strengthening and online promotion.
- Efficiency improvements and process optimisation.
- Greater vertical integration through tighter control over the vineyards.

As for international expansion, the Group intends to accelerate growth in such countries as Mexico, China and Japan, as well as in South-east Asia.

Competitive advantage: recognition by experts and commitment to sustainability

- The company has wineries in Spain's most prestigious wine areas: in 2016, it acquired a vineyard to meet the demand for Cosme Palacio, one of the Group's most prominent brands.
- Quality and innovation as signs of identity: exemplified by the technological advances introduced into the wineries in recent years.
- Commitment to environmental protection from the vineyard to the winery and logistics, in three areas of action: vineyard management, rational use of energy and water and initiatives in accordance with the ISO 14001 Standard.

Performance

- New brand: Grupo Bodegas Palacio 1894.
- Double-digit growth in Denomination of Origin wines.
- International presence:
 - Operations in over 40 markets worldwide.
 - Notable presence in the United States, Germany, Switzerland, Canada and Latin America.
 - International revenue accounted for 40% of the total in 2016.
- Certified to ISO 9001, ISO 14001 and FSSC 22000 (Food Safety System Certification).
- *Wineries for Climate Protection*: Viña Mayor is the first winery in the Ribera de Duero Denomination of Origin to obtain this certification. It is the first (and only) certification specific to the wine industry in the context of environmental sustainability and the fight against climate change.
- Numerous awards:
 - Caserío de Dueñas Fermentado en Barrica 'Best Rueda wine' from Guía Vino ABC (2016);
 - 95 points in the Peñín guide for Cosme Palacio (2016);
 - 16th position in the Top 100 Wineries of the World (2015);
 - Cosme Palacio 'Best Spanish Red Wine' according to the International Food Wine & Travel Writers Association (2014);
 - Bodegas Palacio, No.1 in Spain and No.16 worldwide according to the International Food Wine & Travel Writers Association (2014).
- Participation in the *Wine in Moderation* initiative, which encourages responsible drinking.



Objective

To increase revenue by 20% and EBITDA by 40% in the next four years.

Corporate Governance

CORPORATE GOVERNANCE

ACCIONA's corporate governance practices focus on creating sustained economic and social value over the long term. The company's goal is to ensure financial stability and safeguard shareholders' interests while maximising the positive impact on society as a whole.

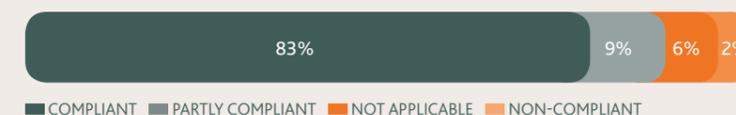
ACCIONA is governed by the Spanish Corporate Enterprises Act and the Good Governance Code of Listed Companies issued by the Spanish National Securities Market Commission (CNMV).

COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

ACCIONA fulfils the requirements of the Corporate Enterprises Act, having implemented most of those requirements on a voluntary basis before the Act was published. Consequently, the Act did not require major changes or adaptations to internal regulations.

ACCIONA complies with 83% of the recommendations of the CNMV's Good Governance Code of Listed Companies. The only one not implemented by the company refers to the separation of the Appointments and Remuneration Committee into two committees. The company does not consider it necessary to create two separate committees since six of the eleven members of the Board of Directors are independent and, in the event of separation into two committees, their membership would probably overlap to a significant degree, which would increase Board expenditure unnecessarily. Nevertheless, the Articles of Association contemplate the possibility of there being two separate committees if future circumstances make it advisable.

ACCIONA'S compliance with the recommendations in the Good Governance Code



The company's goal is to safeguard shareholders' interests while maximising the positive impact on society

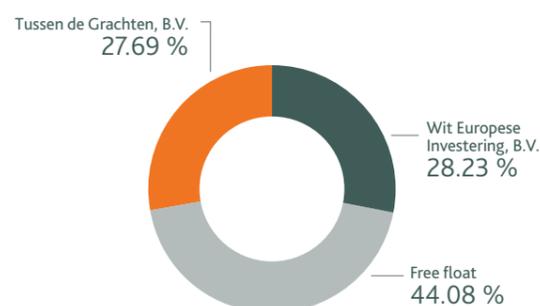
ACCIONA's share capital structure

ACCIONA's share capital is composed of 57,259,550 fully paid uncertificated ordinary shares with a par value of one euro each.

All the shares comprising the share capital have the same rights and there are no restrictions as to their transferability; they are all listed on the Madrid and Barcelona Stock Exchanges.

As of 31 December 2016, the company had 233,898 treasury shares, representing 0.41% of the share capital.

Significant shareholdings (as at the date of drafting this Report)



All the shares comprising the share capital have the same rights

The company's governing bodies

General Shareholders' Meeting

- ACCIONA's sovereign decision-making body.
- Its functions include approving the financial statements, appointing the auditor, distributing profits, appointing directors to the Board and adopting the director remuneration policy.
- In 2016, 84.5% of shareholders attended the General Shareholders' Meeting either in person or by proxy. The motions laid before the meeting were approved with votes in favour of at least 91% of capital, reflecting the high degree of alignment between the shareholders' interests and those of the company.

Board of Directors

- The Board of Directors is the body entrusted with pursuing the company's interests representing the company and its shareholders in administering the net worth, managing the business and directing the organisation.
- The Board's responsibilities include contributing to the company's strategic orientation, supervising compliance with the established objectives and ensuring that the company has the necessary policies, processes and controls in place to comply with the applicable internal and external regulations.

Lead Independent Director

- Chairs the Board in the absence of the chairman and vice-chairman.
- Reflects the concerns of non-executive directors and maintains contact with investors and shareholders.
- Directs the Board of Directors' assessment of the chairman's performance.

Board of Directors' Committees

Executive Committee

- Holds all the powers of the Board of Directors, except those which may not legally be delegated. Meets in situations of extreme urgency.

Audit Committee

- Supports the Board in the supervision of accounting, tax and financial reporting, internal and external audit services, internal control and risk management.

Appointments and Remuneration Committee

- Checks that the directors possess the necessary competence, knowledge and experience.
- Proposes and reviews the remuneration policy for directors and senior executives.

Sustainability Committee

- Identifies and guides the company's sustainability policy, objectives and programmes.
- Assesses, monitors and reviews the company's sustainable practices.

Senior management

- ACCIONA has a senior management team comprising prestigious professionals with extensive experience in the industry.
- They are in charge of day-to-day management of the business. Under the supervision of the Board of Directors, they ensure that the business is conducted in accordance with the policies and procedures established by the governing bodies.
- They report regularly to the Board of Directors with regard to attainment of the established objectives.

Composition and operation of the Board of Directors

ACCIONA's Board of Directors is comprised of eleven members: two executive directors, six independent directors, two proprietary directors and one other non-executive director. The composition of the Board and its Committees is based on the criteria of complementarity, balance, professionalism and diversity.

A diversity of profiles on the Board of Directors is very important for ACCIONA since diversity makes a positive contribution to achieving the company's strategic objectives and priorities.

In response to recommendation 14 of the CNMV's Good Governance Code of Listed Companies, the company has defined a Director Selection Policy, with the aim of ensuring that the proposals for director appointment or re-appointment are based on a prior analysis of the Board's needs and that its composition favours a diversity of knowledge, experience and gender.

Consequently, when appointing new directors, ACCIONA considers candidates with a range of professional profiles and track records, who have the required competencies to ensure effective performance of their assigned duties. ACCIONA's Board of Directors is composed of men and women from a range of backgrounds (energy and infrastructure), with knowledge of finance and accounting, international profiles and experience in sustainability, among other aspects.

ACCIONA has set a goal that women should represent at least 30% of the Board of Directors by 2020. The Appointments and Remuneration Committee fosters the inclusion of women directors, and the percentage is currently close to that target.

One of the objectives for 2020 is for women to account for at least 30% of the Board of Directors

Board of Directors

	Year of first appointment	Profile	Board Committees of which he/she is a member	No. of direct voting rights	Directorships at other listed companies
José Manuel Entrecanales Domecq * Ɂ Ɂ Ɂ Ɂ Ɂ Ɂ	1997	Executive chairman	e	2,169	
Juan Ignacio Entrecanales Franco Ɂ Ɂ Ɂ Ɂ	1997	Executive vice-chairman	e	11,529	
Belén Villalonga Morenés Ɂ Ɂ IBEX	2006	Independent		200	■ Grifols, S.A. ■ Talgo.
Jaime Castellanos Borrego Ɂ Ɂ Ɂ IBEX	2009	Independent	a e n	10,000	
Fernando Rodés Vilà Ɂ Ɂ Ɂ Ɂ Ɂ	2009	Independent	s n	9,000	
Daniel Entrecanales Domecq Ɂ Ɂ Ɂ Ɂ IBEX	2009	Proprietary (Wit Europese Investerings B.V.)	s n		■ Prosegur Cash, S.A.*
Javier Entrecanales Franco Ɂ Ɂ Ɂ Ɂ	2011	Proprietary (Tussen de Grachten B.V.)	a s	5	
Juan Carlos Garay Ibargaray Ɂ Ɂ Ɂ	2013	Independent - Lead independent director	a e n		
Jerónimo Marcos Gerard Rivero Ɂ Ɂ Ɂ Ɂ Ɂ	2014	Independent			
Carmen Becerril Martínez * Ɂ Ɂ Ɂ IBEX	2014	Other non-executive	s	8,006	
Ana Sainz de Vicuña Bemberg Ɂ Ɂ IBEX	2015	Independent	a		■ Inmobiliaria Colonial, S.A. ■ Prosegur Cash, S.A.*
Jorge Vega-Penichet López	2006	Secretary (Non-Director)			

* Date of appointment: 06/02/2017.

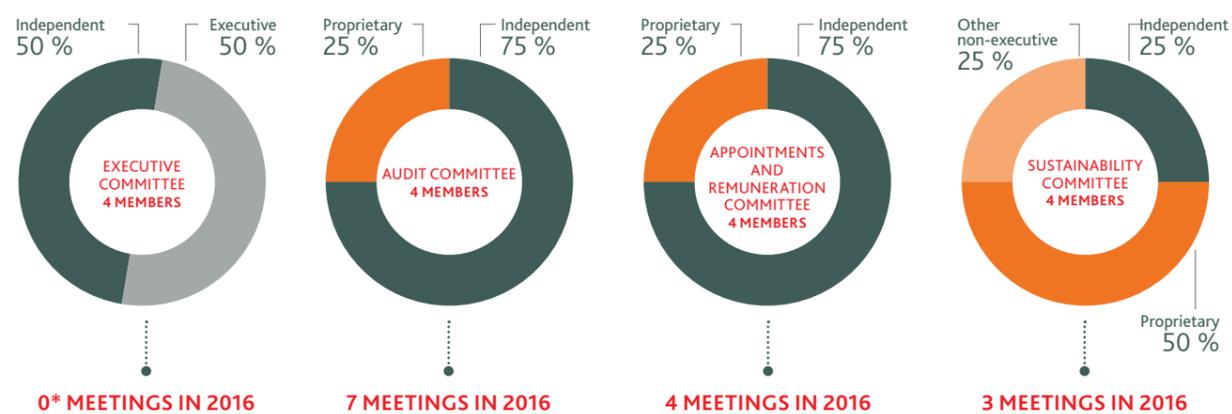
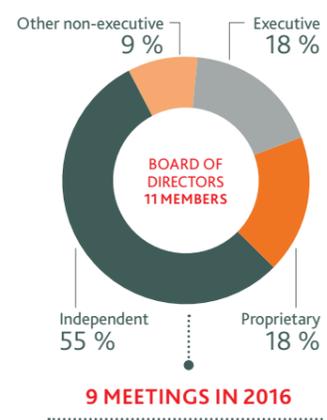
- Committee chair ● Committee member
- Ⓜ Executive Committee
- Ⓜ Audit Committee
- Ⓜ Appointments and Remuneration Committee
- Ⓜ Sustainability Committee

Competencies and experience:

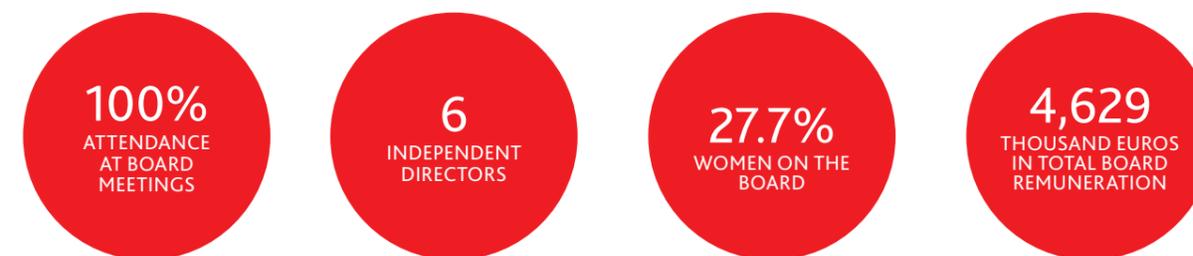
- Ɂ Energy
- Ɂ Infrastructure
- Ɂ Finance/Accounting
- Ɂ Internationalisation
- Ɂ Sustainability
- Ɂ Marketing
- Ɂ Business management
- IBEX Ibex

There were no changes in the composition of the Board of Directors in 2016. The General Shareholders' Meeting voted to re-appoint Juan Carlos Garay Ibargaray and Belén Villalonga Morenés as independent directors, based on a proposal by the Appointments and Remuneration Committee.

There were no changes in the composition of the Board of Directors in 2016



* The Board of Directors meets frequently that it is not necessary to hold meetings of the Executive Committee.



SELF-ASSESSMENT BY THE BOARD OF DIRECTORS

Each year, by means of an individual and anonymous questionnaire, the Board of Directors assesses the quality and efficacy of its performance in such aspects as composition, operations and meetings and the performance of the chairman and vice-chairman. The assessment process is constructive and responds to recommendation 36 in the CNMV's Good Governance Code of Listed Companies. It leads to an action plan for responding to directors' feedback and implementing proposed improvements.

BOARD OF DIRECTORS' REMUNERATION

Directors' remuneration is established on the basis of competencies and responsibilities assigned; ensuring that remuneration is competitive and in line with market benchmarks. Directors' remuneration consists of a fixed amount for membership of the Board of Directors and its committees (a total of 1,330,000 euros in 2016). The remuneration that executive directors receive for their executive functions is directly related to the company's earnings and the evaluation of their professional performance. Variable annual remuneration is based essentially on meeting the economic objectives set out in the annual budget. The annual assessment of executive director performance also includes specific sustainability objectives and metrics. Under article 31 of the company's Articles of Association, the director remuneration policy must be approved by the General Shareholders' Meeting at least once every three years. The remuneration policy for the three-year period from 2018-2020 will be submitted to the 2017 General Shareholders' Meeting.

Strategic orientation and supervision of the attainment of the business objectives

The Board of Directors actively contributes to defining the strategy upon which the business lines' strategic plans are based. It also participates in monitoring the implementation of such plans. Division managers report periodically to the Board on the progress made, providing the information necessary to ensuring that the variables that may affect implementation of the strategies are analysed in a fully independent way.

The Board of Directors regularly assesses attainment of the established objectives. When authorising the company's Financial Statements, the Board performs a quarterly in-depth analysis of the degree of attainment. The Board of Directors also receives regular reports on perceptions of the company by third parties (shareholders, investors and analysts).

To foster interaction between directors and senior management, the heads of the business lines attend Board meetings and report on the areas under their responsibility at least twice per year. Directors also meet with division heads individually.

The Board of Directors supervises attainment of the established objectives

During the year, ACCIONA continued to **train employees** in connection with the Code of Conduct

Ethics and integrity

The Board of Directors, assisted by the Audit Committee, has ultimate responsibility for ensuring the organisation's ethical climate and for orienting and guiding the ethics and compliance model, as well as the policies, processes and controls that support it.

In July 2016, the Board of Directors approved an amendment to the company's Code of Conduct, which establishes the values that should guide the behaviour of all company personnel. During the year, ACCIONA continued to train employees, new hires in particular, in connection with the Code of Conduct. A new company-wide training plan is being developed following revision of the code.

The Compliance Department, which was created in 2015 and reports to the Executive Chairman and the Board's Audit Committee, is entrusted with supervising compliance with, and the efficacy of, the internal procedures, controls and commitments established to ensure fulfilment of the obligations established by law or adopted voluntarily in the ethical, organisation, environmental and social dimensions, and with identifying, avoiding and mitigating the related risks.

PROGRESS WITH ACCIONA'S CRIME PREVENTION AND ANTI-CORRUPTION MODEL

Having implemented the Crime Prevention and Anti-Corruption Model* in Spain, in 2016 ACCIONA sought external ratification of the Model's suitability in the form of an expert report on the ACCIONA Group as a whole and specific reports on the Infrastructure and Energy divisions.

Internationally, the Model has been adapted for Mexico, Brazil and Chile. Following an analysis of the legal situation as regards criminal liability for legal persons, a matrix of risks and controls was defined for Mexico and Brazil in 2016, and one is planned for Chile in 2017.

Additionally, a training programme on anti-corruption for ACCIONA executives and managers was introduced in 2016, and was completed by approximately 60% of employees in those categories.

As part of the company's commitment to ethics and responsible business practices, in January 2016 the Board of Directors approved the ACCIONA Group Anti-Corruption Guidelines.

* The Crime Prevention and Anti-Corruption Model establishes the company's general control environment in line with international best practices, inventories the crime risks that ACCIONA faces in its activities that might entail criminal liability for the Group, and contains an exhaustive list of all the crimes that might be committed in key departments, as well as the controls that are in place to prevent/detect such crimes.

ACCIONA's risk management model

The Board of Directors is the body entrusted with approving the company's risk control and management policy. The Audit Committee supports the Board in this area and is entrusted with reviewing internal control systems and risk management on a regular basis to ensure that the main risks are properly identified, managed and disclosed. For appropriate supervision of the control systems and risk management, both bodies hold meetings specifically dedicated to discussing this area.

ACCIONA's risk management system works on an integrated basis: each business line identifies, assesses and mitigates risks in coordination with a team at corporate level (Finance and Risk Department) which establishes risk tolerances and coordinates actions to address risks in line with the overall risk policy.

At corporate level, risks are assessed in qualitative and quantitative terms and plotted on a matrix in order to ensure that they are evaluated and handled properly on an overall basis. The methodology is based on such factors as likelihood of occurrence, economic and financial consequences, potential impact on reputation, impact on sustainability and the risk management approach. The company establishes a risk tolerance level for each business, activity and investment project. Situations that exceed the risk tolerance level are analysed individually by the persons in charge of the business unit, who take mitigating action in coordination with the Corporate Finance Department. A file is drawn up on each major risk, setting out the basis for the decision to accept or reject the transaction as a function of profitability, as well as operational, economic-political and security-related factors.

In 2016, the company updated the risk map for Spain and other countries, producing separate maps for each business line and a consolidated group-level map. The scope of the country risk analysis and assessment was expanded to geographies that represent a significant proportion of revenues. Risk related to crimes that might entail criminal liability for group companies were incorporated into the risk map. A policy for managing tax risks was also defined.

During 2016, risks deriving from the normal course of ACCIONA's business activities arose as a result of economic, financial and international circumstances, which were broadly mitigated by diversification and internationalisation.

PROGRESS IN MANAGING NON-FINANCIAL RISKS

In 2016, ACCIONA advanced with the development of a methodology for identifying and assessing sustainability risks in line with the methodology employed in the company's risk map (climate change, environmental, social, labour, governance and corruption risks).

In the area of human rights, the risks associated with the countries where ACCIONA operates were analysed on the basis of a diagnosis performed in 2015. To this end, 21 control blocks were identified, divided into four categories: labour risks; risks for communities; risks for vulnerable groups; personal safety risks. Additionally, in 2016 ACCIONA expanded the scope of the diagnosis in order to deepen the analysis of business procedures and policies.

The environmental risks associated with climate change that may impact ACCIONA and its supply chain were also analysed in 2016. Based on the methodology of the Intergovernmental Panel on Climate Change (IPCC), an analysis was performed on the inter-relations between the principal dangers and the exposure of ACCIONA and its suppliers (based on the activities in each country) and their vulnerability to each hazard.

NATURE OF IDENTIFIED RISKS

The risk scenarios considered in the company's management system are classified into the groups given below. ACCIONA executives have identified the first two groups as the ones posing the greatest risk.

 <p>ECONOMIC AND FINANCIAL RISKS</p>	<p>These are primarily fluctuations in exchange rates, interest rates and financial markets, changes in commodity prices, liquidity, cash flow, bad debts and loss of customers.</p> <p>MITIGATION MEASURES:</p> <ul style="list-style-type: none"> Exchange rate risk: ACCIONA arranges currency derivatives to cover material transactions and cash flows. Interest rate risk: mitigated by hedging with derivatives. Commodity price fluctuation risk: managed with derivatives. Credit and liquidity risk: ACCIONA deals only with solvent third parties and requires guarantees to mitigate financial loss in the event of non-compliance.
 <p>STRATEGIC RISKS</p>	<p>These are risks that may affect implementation of the company's strategy.</p> <p>MITIGATION MEASURES:</p> <ul style="list-style-type: none"> Business diversification in both industrial and geographical terms. Exhaustive research of the markets, the competition and the countries where business is conducted. Focus on R&D and Innovation.
 <p>OPERATING RISKS</p>	<p>Risks related to processes, people and products: compliance with the law, regulations and contracts; control systems and procedures, supply chain, information systems, etc.</p> <p>MITIGATION MEASURES:</p> <ul style="list-style-type: none"> Procurement process risks: controls that foster competition and transparency of processes; drafting of a risk map of critical suppliers in terms of finance, environment, OHS, business and country of origin. Risks derived from improper conduct: there is a Code of Conduct and a Ethical Channel available to employees and suppliers; implementation of a Crime Prevention and Anti-Corruption Model. Project-related risks: exhaustive studies of operational risks and of risks associated with partners and clients, including approval by the Risk Committees. Tax risks: definition of a policy for managing tax risks.
 <p>FORTUITOUS RISKS</p>	<p>Risks related to events that might impair the company's performance: fire, natural disasters, environmental pollution and labour risks, among others.</p> <p>MITIGATION MEASURES:</p> <ul style="list-style-type: none"> Environmental risk: the Corporate Environmental Crisis Management System defines measures, persons responsible and resources. Labour risk: prevented via management systems certified to the OHSAS 18001 standard.

APPENDIX I. FINANCIAL SUMMARY

ACCIONA, S.A. and subsidiaries

CONSOLIDATED BALANCE SHEET FOR FINANCIAL YEARS 2016 AND 2015

(thousand euros)

ASSETS	31.12.2016	31.12.2015
Property, plant and equipment	7,965,873	7,664,187
Investment property	511,594	675,215
Goodwill	79,284	79,296
Other intangible assets	1,496,958	508,484
Non-current financial assets	179,080	160,045
Investments accounted for using the equity method	1,160,821	409,114
Biological assets	--	6,839
Deferred tax assets	997,393	926,764
Non-current receivables and other non-current assets	293,401	455,002
NON-CURRENT ASSETS	12,684,404	10,884,946
Biological assets	--	--
Inventories	782,725	740,102
Trade and other receivables	1,723,658	1,612,418
Other current financial assets	211,223	412,863
Current income tax assets	95,872	68,298
Other current assets	154,402	167,756
Cash and cash equivalents	1,428,319	1,460,173
Non-current assets held for sale and discontinued operations	327,161	431,061
CURRENT ASSETS	4,723,360	4,892,671
TOTAL ASSETS	17,407,764	15,777,617

ACCIONA, S.A. and subsidiaries

CONSOLIDATED BALANCE SHEET FOR FINANCIAL YEARS 2016 AND 2015

(thousand euros)

EQUITY AND LIABILITIES	31.12.2016	31.12.2015
Share capital	57,260	57,260
Retained earnings and issue premium	3,849,495	3,544,231
Treasury shares	(14,403)	(20,238)
Translation differences	(60,876)	(87,968)
Interim dividend	--	--
Equity attributable to equity holders of the Parent	3,831,476	3,493,285
Non-controlling interests	265,870	260,860
EQUITY	4,097,346	3,754,145
Debt instruments and other marketable securities	621,201	802,078
Bank borrowings	4,981,051	5,092,945
Deferred tax liabilities	804,282	739,686
Provisions	497,472	420,245
Other non-current liabilities	1,935,335	848,247
NON-CURRENT LIABILITIES	8,839,341	7,903,201
Debt instruments and other marketable securities	493,408	373,801
Bank borrowings	675,098	763,340
Trade and other payables	2,297,429	2,024,533
Provisions	164,967	157,154
Current income tax liabilities	57,927	25,784
Other current liabilities	596,098	355,593
Liabilities held for sale and discontinued operations	186,150	420,066
CURRENT LIABILITIES	4,471,077	4,120,271
TOTAL EQUITY AND LIABILITIES	17,407,764	15,777,617

ACCIONA, S.A. and subsidiaries

CONSOLIDATED INCOME STATEMENT FOR 2016 AND 2015

(thousand euros)

	2016	2015
Revenue	5,977,419	6,543,524
Other income	554,705	247,425
Changes in inventories of finished goods and work in progress	8,395	(2,775)
Procurements	(1,595,057)	(1,830,221)
Staff costs	(1,287,557)	(1,254,250)
Other operating expenses	(2,466,378)	(2,529,621)
Depreciation and amortisation charge and change in provisions	(778,381)	(563,118)
Impairment and profit/(loss) on disposals of non-current assets	532,194	(11,436)
Other gains or losses	42,837	27,391
PROFIT/(LOSS) FROM OPERATIONS	988,177	626,919
Financial income	61,921	34,844
Finance costs	(732,653)	(424,425)
Translation differences	27,689	22,771
Profit/(loss) from changes in value of financial instruments at fair value	(7,069)	(1,580)
Profit/(loss) of companies accounted for using the equity method	69,570	60,054
PROFIT/(LOSS) BEFORE TAX	407,635	318,583
Income tax expense	(33,780)	(82,824)
YEAR'S PROFIT/(LOSS) FROM CONTINUING OPERATIONS	373,855	235,759
Profit/(Loss) after tax from discontinued operations	--	--
YEAR'S PROFIT/(LOSS)	373,855	235,759
Non-controlling interests	(21,874)	(28,435)
PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	351,981	207,324
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Euros)	6.17	3.65
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Euros)	6.22	3.63
BASIC EARNINGS PER SHARE (euros)	6.17	3.65
DILUTED EARNINGS PER SHARE (euros)	6.22	3.63

ACCIONA, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2016 AND 2015

(thousand euros)

	2016	2015
A) CONSOLIDATED PROFIT FOR THE YEAR	373,855	235,759
1. Profit attributable to the Parent	351,981	207,324
2. Non-controlling interests	21,874	28,435
B) ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	(1,146)	433
1. Revaluation/(Reversion of revaluation) of property, plant and equipment and intangible assets	--	--
2. Actuarial gains and losses and other adjustments	(1,372)	462
3. Tax effect	226	(29)
C) ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	173,771	11,689
Income and expense recognised directly in equity:	(61,232)	(110,811)
1. Revaluation of financial instruments:	269	(40)
a) Available-for-sale financial assets	269	(40)
b) Other income / (expenses)	--	--
2. Cash flow hedges	(130,766)	(75,193)
3. Translation differences	48,854	(72,515)
4. Other income and expenses recognised directly in equity	--	--
5. Tax effect	20,411	36,937
Transfers to the income statement:	235,003	122,500
1. Revaluation of financial instruments:	--	--
a) Available-for-sale financial assets	--	--
b) Other income / (expenses)	--	--
2. Cash flow hedges	320,010	163,333
3. Translation differences	(6,672)	--
4. Other income and expenses recognised directly in equity	--	--
5. Tax effect	(78,335)	(40,833)
TOTAL RECOGNISED INCOME / (EXPENSE) (A+B+C)	546,480	247,881
a) Attributed to the Parent	529,624	207,532
b) Attributed to non-controlling interests	16,856	40,349

ACCIONA, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY AT 31 DECEMBER 2016

(thousand euros)

Equity attributable to the Parent (thousand euros)								
Shareholders' equity								
	Share capital	Share premium, reserves and interim dividend	Treasury shares	Year's profit attributed to the Parent	Other equity instruments	Adjustments for change in value	Non-controlling interests	Total equity
Opening balance at 01.01.2016	57,260	3,702,890	(20,238)	207,324	--	(453,951)	260,860	3,754,145
Adjustments due to changes in accounting policies	--	--	--	--	--	--	--	--
Adjustments due to errors	--	--	--	--	--	--	--	--
Adjusted opening balance	57,260	3,702,890	(20,238)	207,324	--	(453,951)	260,860	3,754,145
Total recognised income/(expense)	--	--	--	351,981	--	177,643	16,856	546,480
Transactions with shareholders or owners	--	(197,355)	16	--	--	--	(12,259)	(209,598)
Capital increases/(reductions)	--	--	--	--	--	--	(12)	(12)
Conversion of liabilities into equity	--	--	--	--	--	--	--	--
Dividends paid	--	(143,104)	--	--	--	--	(46,018)	(189,122)
Treasury share transactions (net)	--	(58,029)	16	--	--	--	--	(58,013)
Increases/(Decreases) due to business combinations	--	--	--	--	--	--	32,009	32,009
Other transactions with shareholders or owners	--	3,778	--	--	--	--	1,762	5,540
Other changes in equity	--	207,411	5,819	(207,324)	--	--	413	6,319
Share-based payments	--	368	5,819	--	--	--	--	6,187
Transfers between equity items	--	207,324	--	(207,324)	--	--	--	--
Other changes	--	(281)	--	--	--	--	413	132
Closing balance at 31/12/16	57,260	3,712,946	(14,403)	351,981	--	(276,308)	265,870	4,097,346

ACCIONA, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY AT 31 DECEMBER 2015

(thousand euros)

Equity attributable to the Parent (thousand euros)								
Shareholders' equity								
	Share capital	Share premium, reserves and interim dividend	Treasury shares	Year's profit attributed to the Parent	Other equity instruments	Value adjustments	Non-controlling interests	Total equity
Opening balance at 01.01.15	57,260	3,620,894	(28,895)	184,949	--	(454,159)	233,438	3,613,487
Adjustments due to changes in accounting policies	--	--	--	--	--	--	--	--
Adjustments due to errors	--	--	--	--	--	--	--	--
Adjusted opening balance	57,260	3,620,894	(28,895)	184,949	--	(454,159)	233,438	3,613,487
Total recognised income/(expense)	--	--	--	207,324	--	208	40,349	247,881
Transactions with shareholders or owners	--	(103,423)	5,800	--	--	--	(3,706)	(101,329)
Capital increases/(reductions)	--	--	--	--	--	--	3,612	3,612
Conversion of financial liabilities into equity	--	--	--	--	--	--	--	--
Dividends paid	--	(114,483)	--	--	--	--	(11,851)	(126,334)
Treasury share transactions (net)	--	4,715	5,800	--	--	--	--	10,515
Increases/(Decreases) due to business combinations	--	--	--	--	--	--	4,533	4,533
Other transactions with shareholders or owners	--	6,345	--	--	--	--	--	6,345
Other changes in equity	--	185,419	2,857	(184,949)	--	--	(9,221)	(5,894)
Share-based payments	--	909	2,857	--	--	--	--	3,766
Transfers between equity items	--	184,949	--	(184,949)	--	--	--	--
Other changes	--	(439)	--	--	--	--	(9,221)	(9,660)
Closing balance at 31.12.15	57,260	3,702,890	(20,238)	207,324	--	(453,951)	260,860	3,754,145

ACCIONA, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016 AND 2015

(thousand euros)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	823,002	682,953
Profit before tax from continuing operations	407,635	318,583
Adjustments for:	684,491	747,372
Depreciation and amortisation charge and provisions	892,998	586,920
Other adjustments to profit (net)	(208,507)	160,452
Changes in working capital	162,145	(35,845)
Other cash flows from operating activities:	(431,269)	(347,157)
Interest paid	(379,063)	(418,041)
Interest received	65,431	52,524
Dividend received	21,808	55,186
Income tax recovered/(paid)	(79,387)	(43,507)
Other amounts received/(paid) relating to operating activities	(60,058)	6,681
CASH FLOWS FROM INVESTING ACTIVITIES	(625,930)	(167,251)
Payments due to investments:	(823,776)	(234,658)
Group companies, associates and business units	(33,540)	(28,539)
Property, plant and equipment, intangible assets and investment property	(790,236)	(206,119)
Proceeds from disposal:	65,289	62,475
Group companies, associates and business units	1,222	3,370
Property, plant and equipment, intangible assets and investment property	64,067	59,105
Other cash flows from investing activities:	132,557	4,932
Other amounts received/(paid) relating to investing activities	132,557	4,932
CASH FLOW FROM FINANCING ACTIVITIES	(231,192)	(358,424)
Proceeds and (payments) relating to equity instruments:	(355)	10,516
Purchases	(355)	(42,747)
Disposals	--	53,263
Proceeds and (payments) relating to financial liability instruments:	(326,292)	(171,546)
Proceeds from issues	3,855,626	614,305
Repayment and redemptions	(4,181,918)	(785,851)
Dividends and returns on other equity instruments paid	(189,122)	(126,334)
Other cash flows from financing activities	284,576	(71,060)
Other amounts received/(paid) relating to financing activities	284,576	(71,060)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,267	(23,917)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(31,854)	133,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,460,173	1,326,812
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,428,319	1,460,173
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash on hand and at banks	1,116,858	1,028,293
Other financial assets	311,461	431,880
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	1,428,319	1,460,173

APPENDIX II. INFORMATION ON GREEN FUNDING PROJECTS

General information

In November 2016, ACCIONA arranged a *Schuldschein* loan amounting to 150 million euros to fund renewable energy facilities. The loan is structured in two tranches (3 and 5 years) and bears market interest.

ASSOCIATED PROJECTS AND INDICATORS:

This funding was used for the San Gabriel wind farm and the El Romero Solar photovoltaic plant, both in Chile, which represent a combined investment of 562 million US dollars.

Below is additional information about those projects and their associated social and environmental indicators.

- San Gabriel wind farm: The farm will be located in the Araucanía region, where construction is expected to commence in the second half of 2017. The Commercial Operation Date (COD) is scheduled for 2019. Accordingly, the installed capacity at 31 December 2016 was 0 MW.

San Gabriel wind farm (estimated figures on the COD)	
Positive environmental impact indicators (projected figures)	
Nominal installed capacity	183 MW
Average annual renewable production based on nominal capacity to be installed	660 GWh
Emissions avoided per year, considering Chile's mix of conventional energies in 2016 (IEA 2016)	454,320 tCO ₂

- El Romero Solar photovoltaic plant: Located in the Atacama desert, the plant comprises 776,000 photovoltaic modules. Following 13 months of construction, it was connected to the grid in November 2016.

El Romero Solar photovoltaic plant	
Positive environmental impact indicators	
Peak installed capacity (actual figures at 31.12.2016)	246 MWp
Nominal installed capacity (actual figures at 31.12.2016)	196 MW
Projected average annual renewable production based on nominal capacity on the COD	493 GWh
Projected emissions avoided per year, considering Chile's mix of conventional energies in 2016 (IEA 2016)	339,363 tCO ₂
Other environmental and social management and performance indicators in 2016	
Certifications	ISO 9001:2015 ISO 14001:2015 OHSAS 18001:2007
No. of workers (during construction in the Atacama region)	311
Total no. of people who received Occupational Health and Safety and/or Environmental training	1,876

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Independent Assurance Report

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

To the Management of Acciona, S.A.

We have been engaged by Acciona, S.A. (hereinafter, Acciona) to review a report on the non-financial performance indicators included in "Appendix II. Information on green funding projects" within its Integrated Report for the year ended at 31 December 2016 (hereinafter Appendix II), selected from those proposed by the Commission Second-party opinion letter associated with the green bond issued in order to comply with the Green Bond Principles' fourth principle.

Our report is presented in the form of an independent conclusion with a limited assurance indicating that, based on the work performed and the evidence obtained, there is nothing that has caught our attention and makes us think that the indicators are not reliable and do not comply, in all its material aspects, with the principles and guidelines for the determination of indicators included in the Sustainability Reporting Guidelines from the Global Reporting Initiative Version 4.0 (G4).

The revised information is limited to the content of Appendix II above mentioned, in which Acciona has included selected non-financial indicators to comply with the current and projected progress of the environmental and social performance at San Gabriel wind farm (construction planned for the second half of 2017) and El Romero Solar photovoltaic plant, both located in Chile.

Management responsibilities

Acciona's management is responsible for the selection, preparation and presentation of Appendix II in accordance with the fourth principle of the Green Bond Principles (Guidelines and procedures for the issuance of green bonds) published by the International Capital Market Association and the principles and guidelines for the determination of indicators included in the Sustainability Reporting Guidelines from the Global Reporting Initiative Version 4.0 (G4). It is also responsible for the selection and presentation of the non-financial indicators of Appendix II from those proposed by the Second-party opinion letter associated with the green bond issued, including the establishment and maintenance of the control and performance management systems from which the information is obtained.

These responsibilities include the establishment of appropriate controls where Acciona's management considers necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to review Appendix II and report in the form of an independent conclusion with a limited assurance based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the Standard ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires us to plan and perform our work so that we obtain a significant level of assurance about whether the Appendix complies, in all its material aspects, with the principles and guidelines for the determination of indicators included in the Sustainability Reporting Guidelines from the Global Reporting Initiative Version 4.0 (G4), as a basis for our limited assurance conclusion.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Appendix II, and applying analytical and other evidence gathering procedures. These procedures included:

- Analysis of the processes of compiling and internal control over quantitative data reflected in the Appendix II, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Appendix II to determine whether it is in line with our overall knowledge of, and experience with, the environmental performance in renewable energy projects.
- Verification that the financial information reflected in the Appendix II is in accordance with Acciona's annual accounts, audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Assurance Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that indicators included in Appendix II within Acciona's Integrated Report, for the year ended 31 December 2016 have not been prepared in all material respects in accordance with the principles and guidelines for the determination of indicators included in the Sustainability Reporting Guidelines from the Global Reporting Initiative Version 4.0 (G4), including the reliability of data, the adequacy of the information presented and the absence of significant deviations and omissions.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Acciona in relation to its Appendix II within Acciona's Integrated Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

9 May 2017



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