

**ACCIONA, S.A. AND SUBSIDIARIES  
(CONSOLIDATED GROUP)  
DIRECTORS' REPORT – FINANCIAL YEAR 2017**

ACCIONA discloses its results in accordance with the International Financial Reporting Standards (IFRS) under a corporate structure, which comprises three divisions:

- Energy comprises the electricity business, from construction of wind farms to the generation, distribution and marketing of different energy sources.
- Infrastructure:
  - Construction includes mainly construction, industrial and engineering activities as well as transport and hospital concession activities.
  - Water includes the construction of desalination, water and wastewater treatment plants, as well as integral water services management from bulk water abstraction all the way to discharging treated wastewater to the environment. ACCIONA Agua also operates water concessions across the entire water cycle.
  - Services include the activities of facility services, airport handling, waste collection and management and logistic services among others.
- Other activities include the businesses of Trasmediterránea, Real Estate, Bestinver (fund manager), wineries and other businesses.

The Alternative Performance Measures or APM's used constantly in this half period report by ACCIONA Group are listed and defined below:

**EBITDA or Gross profit/(loss) from operations:** is defined as operating income before depreciation and amortisation, that is, it shows the operating result of the Group. The Company presents the calculation of EBITDA in the consolidated Profit & Losses account (see Consolidated Income Statement in point 2 of the Directors' Report). It is calculated by taking the following items of the consolidated income statement: "net revenue", "other revenues", "change in inventories of finished goods and work in progress", "cost of goods sold", "personnel expenses" and "other operating expenses".

**Net debt:** it shows the Group's debt, in net terms, deducting cash and cash equivalents. The detailed reconciliation is broken down in the Cash-flow and Net Financial Debt Variation section of the Directors' Report. It is calculated by taking the following items from the consolidated balance sheet: "non-current interest-bearing borrowings", "current interest-bearing borrowings", less "cash and cash equivalents" and "other current financial assets".

**Non-recourse debt:** as indicated in Note 18 to the consolidated financial statements, it corresponds to debt that does not have corporate guarantees, and therefore its recourse is limited to the debtor's assets and cash flows.

**Recourse debt:** debt with a corporate guarantee.

**Financial gearing:** it shows the relation between the Group's financial debt and its equity. It is calculated dividing "net debt" (calculated as explained above) by "equity".

**Backlog:** is defined as the pending production, that is to say, contractual amounts for customer orders after having deducted the amounts already accounted for as income on

the income statement. It is calculated on the basis of orders and contracts awarded to the Group, deducting the realised portion that is accounted on “net revenue” and adding or subtracting “other variations”, that corresponds to forex adjustments, modifications to the initial contracts and other changes to be made to the awarded backlog.

**Net Capex:** is defined as the net change in the balance of property, plant & equipment, intangible, financial and real estate assets during the period, corrected by:

- Depreciation, amortisation and impairment of assets during the period
- Results on disposal of non-current assets
- Forex fluctuations

When dealing with changes in the consolidation perimeter, net capex is defined as the net outflow/inflow of used/sourced resources in the purchase/sale of net assets.

**Operating Cash-flow:** it represents the ability of assets to generate resources in terms of net debt. It is obtained as follows:

EBITDA plus/minus change in operating working capital minus net financial cost plus/minus cash inflow/outflow of capital gains plus income from associates plus/minus other cash inflow/outflow different from those included in the Net Investment Cash-flow and from those which constitute remuneration to shareholders.

**Net Investment Cash-flow:** It is calculated as the Net capex plus/minus change in payable to capex providers.

**Ordinary EBT:** it is defined as earnings before tax excluding those accounting impacts related to exceptional decisions made by the Group’s management, which go beyond the usual course of business operative decisions made by the different division’s top management and are detailed in segment information note.

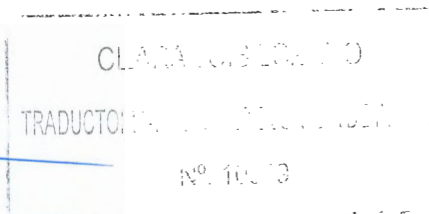
Management uses these APMs to take financial, operational or planning decisions. They are also used to evaluate the performance of the Group and its subsidiaries.

Management considers these APMs provide useful additional financial information to evaluate the performance of the Group and its subsidiaries as well as for decision-making by the users of the financial information.

## **Executive Summary**

### **Key Highlights of the period:**

- ACCIONA generated an income of €7,254 million, that represents an increase of 21.4% vs. FY2016.
- The EBITDA reached €1,275 million during FY2017, 7.0% more than in FY2016. This year is characterised by a higher contribution from Infrastructure division (+€106 million) which largely offset the slight decrease in the Energy division (-€14 million) and the lower contribution from Other Activities (-€7 million).
- The Energy division has delivered slightly lower EBITDA (-1.9%) vs FY2016, even though the Generation business improved its results (+2.5%). Mainly, due to the lower contribution from third-party turnkey activity, now that the Energy division has decided to focus exclusively on the construction of assets for its own portfolio.
- The Generation business in Spain increased its EBITDA by 9.7% thanks to the higher level of wholesale electricity prices as well as higher regulated incomes over the periodic review, even these drivers were significantly mitigated by the regulatory banding mechanism, forward sales, and lower production.
- The International Generation business suffered from lower generation volumes -partly due to events of force majeure- which led to declining EBITDA (-5.5%), despite the new capacity in operation.
- The Infrastructure division EBITDA increased across all its business lines and consolidated its margin levels. The volume in construction business is exceptionally high due to the simultaneous execution of five big projects.
- In Other Activities, the increased contribution of Bestinver (+18.9%) should be highlighted, with an EBITDA approaching historical highs.
- In terms of investment force, the gross capital expenditure in FY2017 reached €920 million which compares to the €916 million invested in FY2016. The Group's core businesses attracted the majority of the capex, with €468 million in Energy and €359 million across the Infrastructure division, which included one-off investments. Net Investment Cash-flow amounted to €609 million.
- Net Debt reached €5,224 million, 1.8% higher than in FY2016, highlighting the improvement of working capital and the closing of the sale of Ruta 160 in Q4 2017.
- On the other hand, ordinary financial expenses have decreased by 23.0%, consolidating the Group's new funding model as well as marginally improving financial expenses. Cost of debt decreased to 3.77% in FY2017 vs. 4.74% in FY2016.
- FY2017 has been a year of intense M&A activity, notably divestment deals as the sell agreement of Trasmediterránea (expecting close for H1 2018), the contribution of Real Estate assets to Testa Residencial and the sale of Ruta 160 concession that was liquidated in Q4 2017.



**Income Statement Data**

<i>(Million Euros)</i>	<b>Jan-Dec 17</b>	<b>Jan-Dec 16</b>	<b>Chg. %</b>
<b>Revenues</b>	7,254	5,977	21.4%
<b>EBITDA</b>	1,275	1,192	7.0%
<b>EBIT</b>	720	988	-27.1%
<b>Ordinary EBT</b>	382	312	22.3%
<b>EBT</b>	356	408	-12.6%
<b>Net attributable profit</b>	220	352	-37.5%

**Balance Sheet Data and Capital Expenditure**

<i>(Million Euros)</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>	<b>Chg. %</b>
<b>Equity</b>	3,963	4,097	-3.3%
<b>Net debt</b>	5,224	5,131	1.8%

<i>(Million Euros)</i>	<b>Jan-Dec 17</b>	<b>Jan-Dec 16</b>	<b>Chg. %</b>
<b>Gross Capex</b>	920	916	0.4%
<b>Net Capex</b>	719	852	-15.7%
<b>Net Investment Cashflow</b>	609	719	-15.3%

**Operating Data**

	<b>31-Dec-17</b>	<b>31-Dec-16</b>	<b>Chg. %</b>
<b>Construction backlog (Million euros)</b>	6,768	8,140	-16.9%
<b>Water backlog (Million euro))</b>	11,165	10,469	6.6%
<b>Total wind installed capacity (MW)</b>	7,382	7,260	1.7%
<b>Total installed capacity (MW)</b>	9,022	8,913	1.2%
<b>Total production (GWh) (Jan-Dec)</b>	20,431	20,830	-1.9%
<b>Average workforce</b>	37,403	32,835	13.9%

**Consolidated Income Statement**

<i>(Million Euros)</i>	<b>Jan-Dec 17</b>	<b>Jan-Dec 16</b>	<b>Chg. (€m)</b>	<b>Chg. %</b>
<b>Revenues</b>	<b>7,254</b>	<b>5,977</b>	<b>1,277</b>	<b>21.4%</b>
Other revenues	613	555	59	10.6%
Changes in inventories of finished goods and work in progress	29	8	21	247.4%
<b>Total Production Value</b>	<b>7,896</b>	<b>6,541</b>	<b>1,356</b>	<b>20.7%</b>
Cost of goods sold	(1,976)	(1,595)	(381)	23.9%
Personnel expenses	(1,497)	(1,288)	(209)	16.3%
Other expenses	(3,149)	(2,466)	(682)	27.7%
<b>EBITDA</b>	<b>1,275</b>	<b>1,192</b>	<b>82</b>	<b>7.0%</b>
Depreciation and amortisation	(633)	(547)	(86)	15.7%
Provisions	(30)	(231)	201	87.1%
Impairment of assets value	(7)	(107)	101	93.7%
Profit/(loss) from plant, property and equipment	111	640	(528)	-82.6%
Other gains and losses	4	43	(39)	-91.2%
<b>EBIT</b>	<b>720</b>	<b>988</b>	<b>(268)</b>	<b>-27.1%</b>
Net financial result	(322)	(671)	349	-52.1%
Translation differences (net)	(10)	28	(38)	-135.7%
Var. provisions financial investments	(2)	(1)	(1)	-129.8%
Share in results of associates accounted for by the equity method	(70)	70	(139)	-199.9%
Variation in fair value of financial instruments	39	(6)	45	n.a.
<b>EBT</b>	<b>356</b>	<b>408</b>	<b>(51)</b>	<b>-12.6%</b>
Tax on profit	(105)	(34)	(72)	211.8%
<b>Profit/(loss) from Continuing Activities</b>	<b>251</b>	<b>374</b>	<b>(123)</b>	<b>-32.9%</b>
Non-controlling interests	(31)	(22)	(9)	-20.9%
<b>Attributable Net Profit</b>	<b>220</b>	<b>352</b>	<b>(132)</b>	<b>-37.5%</b>

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## TRANSLATION

In order to facilitate the analysis of financial results for the period, a simplified Income Statement separating ordinary from exceptional impacts is provided below.

(Million Euros)	Jan-Dec 17			Jan-Dec 16			Chg. Ordinary %
	Ordinary	Excep. Impact	Total	Ordinary	Excep. Impact	Total	
<b>Revenues</b>	<b>7,254</b>	<b>-</b>	<b>7,254</b>	<b>5,977</b>	<b>-</b>	<b>5,977</b>	<b>21.4%</b>
Cost of goods sold, expenses and other income	(5,979)	-	(5,979)	(4,786)	-	(4,786)	24.9%
<b>EBITDA</b>	<b>1,275</b>	<b>-</b>	<b>1,275</b>	<b>1,192</b>	<b>-</b>	<b>(1,192)</b>	<b>7.0%</b>
Depreciation and amortisation	(633)	-	(633)	(547)	-	(547)	15.7%
Provisions, impairments and other	(37)	115	78	(43)	387	344	-14.5%
<b>EBIT</b>	<b>605</b>	<b>115</b>	<b>720</b>	<b>601</b>	<b>387</b>	<b>988</b>	<b>0.6%</b>
Net financial result	(322)	0	(322)	(373)	(298)	(671)	-13.7%
Share in results of associates accounted for by the equity method	75	(145)	(70)	70	0	70	8.5%
Other financial results	23	4	27	13	7	20	66.5%
<b>EBT</b>	<b>382</b>	<b>-26</b>	<b>356</b>	<b>312</b>	<b>95</b>	<b>408</b>	<b>22.5%</b>
Tax on profit	(108)	3	(105)	-117	83	(34)	-7.4%
<b>Profit/(loss) from Continuing Activities</b>	<b>274</b>	<b>(23)</b>	<b>251</b>	<b>195</b>	<b>179</b>	<b>374</b>	<b>40.4%</b>
Non-controlling interests	(41)	10	(31)	(49)	27	(22)	-17.2%
<b>Attributable Net Profit</b>	<b>233</b>	<b>(13)</b>	<b>220</b>	<b>146</b>	<b>206</b>	<b>352</b>	<b>59.8%</b>

## Revenues

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %
Energy	1,737	1,796	(59)	-3.3%
Infrastructure	4,940	3,611	1,329	36.8%
Other Activities	690	668	22	3.2%
Consolidation Adjustment	(113)	(98)	(15)	-15.7%
<b>TOTAL Revenues</b>	<b>7,254</b>	<b>5,977</b>	<b>1,277</b>	<b>21.4%</b>

Consolidated revenues increased by 21.4% to €7,254 million, mainly due to the combined effect of:

- The decline in Energy revenues (-3.3%) mainly due to the AWP deconsolidation (wind turbine business) from 1st April 2016, and despite of the higher revenues from generation (+4.6%)
- Increase in revenues in all Infrastructure business lines (+36.8%)
- Revenues from Other Activities slightly increased by 3.2%

**EBITDA**

(Million Euros)	Jan-Dec 17	% EBITDA	Jan-Dec 16	% EBITDA	Chg. (€m)	Chg. %
Energy	726	57%	740	62%	(14)	-1.9%
Infrastructure	426	33%	321	27%	106	33.0%
Other Activities	124	10%	131	11%	(7)	-5.2%
Consolidation Adjustment	(1)	1%	0	0%	(1)	n.a.
<b>TOTAL EBITDA</b>	<b>1,275</b>	<b>100%</b>	<b>1,192</b>	<b>100.0%</b>	<b>84</b>	<b>7.0%</b>
<b>Margin (%)</b>	<b>17.6%</b>		<b>19.9%</b>			<b>-2,4pp</b>

*Note: EBITDA contributions calculated before consolidation adjustments.*

EBITDA increased by 7.0% to €1,275 million. This amount is reached due to the higher contribution of Infrastructure (+33.0%), which largely offset the slight decrease in Energy division (-1.9%) and the lower contribution from Other Activities (-5.2%).

**EBIT**

EBIT amounted to €720 million, 27.1% lower than in FY2016. This was mainly due to the accounting of exceptional impacts last year for a total amount of €375million (mainly related to capital gains derived from the AWP-Nordex deal).

**Earnings Before Tax (EBT)**

(Million Euros)	Jan-Dec 16	Jan-Dec 17	Chg. (€m)	Chg. %
Energy	134	107	(27)	25.1%
Infrastructure	120	122	(2)	-1.9%
Other Activities	127	85	42	48.9%
Consolidation Adjustment	1	-3	4	n.a.
<b>Ordinary EBT</b>	<b>382</b>	<b>312</b>	<b>70</b>	<b>22.3%</b>
Extraordinaries	(26)	95	(121)	-126.7%
<b>TOTAL EBT</b>	<b>356</b>	<b>408</b>	<b>(51)</b>	<b>-12.6%</b>
<b>Margin (%)</b>	<b>4.9%</b>	<b>6.8%</b>		<b>-1.9 pp</b>

Ordinary EBT increased by 22.3% to €382 million boosted not only by the increase in EBITDA, but also by the lower financial expenses.

Including the exceptional results derived from the contribution of Real Estate assets to Testa Residential, Ruta 160's capital gain and the impairment of the Group's stake in Nordex total EBT reached €356 million, -12.6% vs. FY2016.

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**Attributable Net Profit**

Attributable net profit amounted to €220 million, 37.5% lower than in FY2016 mainly due to higher taxes, since in 2016 a large part of the exceptional impacts generated tax credits. However, ordinary attributable net profit reached €233 million, which means an annual growth of 59.5%.

**Consolidated Balance Sheet**

<i>(Million Euros)</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>	<b>Chg. (€m)</b>	<b>Chg. %</b>
Property, Plant & Equipment and Intangible assets	8,393	9,974	(1,581)	-15.9%
Financial assets	1,523	1,340	183	13.7%
Goodwill	186	79	106	134.2%
Other non-current assets	1,083	1,291	(208)	-16.1%
<b>NON-CURRENT ASSETS</b>	<b>11,184</b>	<b>12,684</b>	<b>(1,500)</b>	<b>-11.8%</b>
Inventories	821	783	38	4.9%
Accounts receivable	1,892	1,724	168	9.8%
Other current assets	298	250	48	19.1%
Other current financial assets	247	211	36	16.9%
Cash and Cash equivalents	1,273	1,428	(156)	-10.9%
Assets held for sale	1,432	327	1,105	333.7%
<b>CURRENT ASSETS</b>	<b>5,963</b>	<b>4,723</b>	<b>1,239</b>	<b>26.2%</b>
<b>TOTAL ASSETS</b>	<b>17,147</b>	<b>17,408</b>	<b>(260)</b>	<b>-1.5%</b>
Capital	57	57	-	0%
Reserves	3,486	3,437	49	1.4%
Profit attributable to equity holders of the parent Company	220	352	(132)	-37.5%
Treasury stock	(3)	(14)	11	78.2%
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>3,760</b>	<b>3,831</b>	<b>(71)</b>	<b>-1.9%</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>203</b>	<b>266</b>	<b>(63)</b>	<b>-30.9%</b>
<b>EQUITY</b>	<b>3,963</b>	<b>4,097</b>	<b>(134)</b>	<b>-3.4%</b>
Interest-bearing borrowings	5,272	5,602	(330)	-5.9%
Other non-current liabilities	2,805	3,237	(432)	-15.4%
<b>NON-CURRENT LIABILITIES</b>	<b>8,077</b>	<b>8,839</b>	<b>(762)</b>	<b>-9.4%</b>
Interest-bearing borrowings	1,472	1,169	304	26.0%
Trade payables	2,199	2,297	(98)	-4.3%
Other current liabilities	962	819	143	17.4%
Liabilities associated to assets held for sale	474	186	287	154.4%
<b>CURRENT LIABILITIES</b>	<b>5,107</b>	<b>4,471</b>	<b>636</b>	<b>14.2%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,147</b>	<b>17,408</b>	<b>(260)</b>	<b>-1.5%</b>



## TRANSLATION

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg.	Chg. (%)
EBITDA	1,275	1,192	83	7.0%
Financial Results	(254)	(330)	76	23.0
Working Capital	(343)	162	(505)	n.a.
Other operating cashflow	(251)	(244)	(7)	-2.9%
<b>Operating cashflow</b>	<b>427</b>	<b>780</b>	<b>(353)</b>	<b>-45.3%</b>
Gross ordinary Capex	(920)	(916)	(4)	-0.4%
Divestments	201	64	137	n.a.
Other investment cashflows	110	133	(23)	-17.3%
<b>Net Investment Cashflow</b>	<b>(609)</b>	<b>(719)</b>	<b>110</b>	<b>15.3%</b>
Treasury stock	(6)	-	(6)	n.a.
Derivatives	25	(12)	37	n.a.
Forex	105	(81)	186	n.a.
Dividends	(165)	(143)	(22)	-15.4%
Changes in scope & other inc. convertible bond	130	203	(73)	-36.0%
<b>Financing/other cashflow</b>	<b>89</b>	<b>(33)</b>	<b>122</b>	<b>369.7%</b>
<b>Change in net debt decrease/(increase)</b>	<b>(93)</b>	<b>28</b>	<b>(121)</b>	<b>432.1%</b>

### Attributable Equity

ACCIONA's attributable equity as of 31st December 2017 reached €3,760 million, 1.9% lower than the previous year.

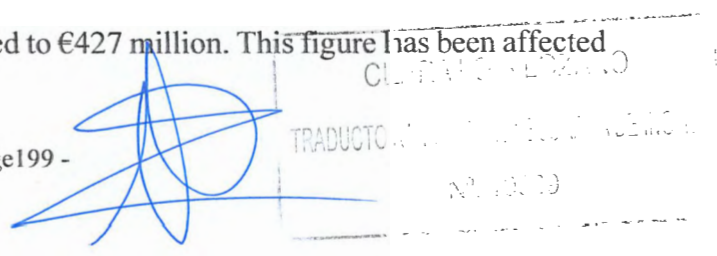
### Net Financial Debt

	31-Dec-17		31-Dec-16		Chg. (€m)	Chg. %
	Amount	Total	Amount	% Total		
Non-recourse financial debt	1,889	28%	2,254	33%	(365)	-16.2%
Recourse financial debt	4,855	72%	4,517	67%	338	7.5%
<b>Financial debt (*)</b>	<b>6,744</b>	<b>100%</b>	<b>6,771</b>	<b>100%</b>	<b>(27)</b>	<b>-0.4%</b>
<b>Cash + cash equivalents</b>	<b>(1,520)</b>		<b>(1,640)</b>		<b>(120)</b>	<b>-7.3%</b>
<b>Net financial debt:</b>	<b>5,224</b>		<b>5,131</b>		<b>93</b>	<b>1.8%</b>

\* Financial debt includes debentures and bonds.

Net financial debt as of 31st December 2017 totalled €5,224 million, 1.8% above December 2016 levels. This variation in debt was mainly due to the combination of the following factors:

- The Operating Cash-flow amounted to €427 million. This figure has been affected by:



- The improvement in EBITDA by €83 million
- The investment in working capital vs. the cash received in FY2016 (-€343 million vs. +€162 million in 2016) had a negative impact. The main cause of this variation is the collection of prepayments from construction projects in 2016 that have been partially consumed in 2017.
- The positive effect of the reduction in financial outflows that fell to -€254 million (€76m lower than in FY2016)
- The Net Investment Cash-flow of -€609 million included a few one-off investments in Infrastructure and Energy divisions.
- The positive effect of the exchange rates (-€81 million in 2016 vs. +€105 million 2017).

Financial gearing has evolved as follows:

(Million Euros)	31-Dec-17	31-Dec-16
Gearing (Net Debt/Equity) (%)	132%	125%

### Capital Expenditure

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	468	489	(21)	-4.3%
Infrastructure	359	358	1	0.3%
Construction and Industrial	278	205	74	36.0%
Concessions	25	19	6	31.8%
Water	38	107	(69)	-64.2%
Services	18	28	(10)	-34.3%
Other Activities	93	69	24	34.3%
<b>Gross Capex</b>	<b>920</b>	<b>916</b>	<b>4</b>	<b>0.4%</b>
Divestments	(201)	(64)	(137)	-215.2%
<b>Net Capex</b>	<b>719</b>	<b>852</b>	<b>(134)</b>	<b>-15.7%</b>

Gross capital expenditure across ACCIONA's divisions in FY2017 amounted to €920 million.

Energy and Infrastructure divisions comprise the greatest investment effort. The Energy division invested €468 million related to, among others, the last payments for projects already in operation, the construction of new wind power capacity in Mexico, Australia and Chile and the acquisition of an additional 50% of a wind farm in Canada. Infrastructure division investments worth €359 million, including the acquisition of Geotech (€139 million).

In terms of divestments, it includes the sell of a real estate asset and Ruta 160 concession (debt was already classified as liability held for sale).

As a result, Net Capex has reached €719 million. In terms of cash outflows, Net Investment Cash-flow amounted to €609 million.

**Results by Division****Energy**

<i>(Million Euros)</i>	<b>Jan-Dec 16</b>	<b>Jan-Dec 16</b>	<b>Chg. (€m)</b>	<b>Chg. %</b>
Generation	1,324	1,266	58	4.6%
Spain	823	765	58	7.6%
International	501	501	-	0%
Non-generation	758	880	(122)	-13.9%
Consolidation adjustments and other	(345)	-350	6	1.6%
<b>Revenue</b>	<b>1,737</b>	<b>1,796</b>	<b>(59)</b>	<b>-3.3%</b>
Generation	802	782	20	2.5%
Spain	452	412	40	9.7%
International	350	370	(20)	-5.5%
Non-generation	(32)	27	(59)	-219.1%
Consolidation adjustments and other	(44)	-70	25	36.5%
<b>EBITDA</b>	<b>726</b>	<b>740</b>	<b>(14)</b>	<b>-1.9%</b>
<i>Margin (%)</i>	<i>41.8%</i>	<i>41.2%</i>		
<b>EBT</b>	<b>134</b>	<b>107</b>	<b>27</b>	<b>25.1%</b>
<i>Margin (%)</i>	<i>7.7%</i>	<i>6.0%</i>		

ACCIONA Energy's revenues fell by 3.3% compared to FY2016 to €1,737 million. EBITDA slightly decreased to €726 million (-1.9%).

Generation EBITDA improved by a 2.5% to €802 million.

The Generation business in Spain grew thanks to higher wholesale prices (€52.24/MWh vs €39.67/MWh in FY2016) and higher regulated revenues after the periodic review at the beginning of the year, however, these factors have been mitigated by the regulatory band mechanism (-€25 million), forward sales and lower production.

The International Generation business also suffered from lower generation volumes - partly due to events of force majeure (Mexico and USA), although such effect was partly offset by the new capacity in operation.

EBITDA contribution coming from Non-Generation activities decreased mainly due to the reduction in the turnkey project business and AWP deconsolidation.

EBT amounted to €134 million, 25.1% higher than FY2016.

Over the last 12 months, consolidated installed capacity increased by 148MW due to the increase of the international installed capacity and the reduction of 37MW of wind in Spain (repowering of a wind farm), and 12MW hydro in Spain (end of this concession). Internationally, 84MW of wind have been added in Mexico, 75MW of wind in India and 38MW of wind in Canada.

At operational level, consolidated production amounted to 16,929GWh, 2.4% lower than in FY2016, due to lower hydro and wind power production in Spain and despite the new international capacity in operation.

## Breakdown of Installed Capacity and Production by Technology

31-Dec-17	Total		Consolidated		Net	
	Installed MW	Produced GWh	Installed MW	Produced GWh	Installed MW	Produced GWh
<b>Spain</b>	<b>5,901</b>	<b>12,529</b>	<b>4,623</b>	<b>9,749</b>	<b>5,229</b>	<b>11,054</b>
Wind	4,710	9,850	3,433	7,069	4,042	8,392
Hydro	876	1,804	876	1,804	876	1,804
Solar Thermoelectric	250	457	250	457	250	457
Solar PV	3	4	3	4	3	3
Biomass	61	414	61	414	59	397
<b>International</b>	<b>3,122</b>	<b>7,901</b>	<b>2,874</b>	<b>7,180</b>	<b>2,055</b>	<b>4,923</b>
Wind	2,671	7,208	2,469	6,584	1,711	4,456
USA	721	2,115	646	1,868	467	1,365
Mexico	641	1,835	641	1,835	445	1,191
Australia	303	889	239	727	180	539
Italy	156	252	156	252	104	168
South Africa	138	370	138	370	51	135
India	164	304	164	304	135	232
Portugal	120	290	120	290	75	178
Canada	181	467	141	304	94	203
Poland	101	210	101	210	67	140
Costa Rica	50	225	50	225	32	146
Chile	45	120	45	120	30	80
Croatia	30	78	30	78	20	52
Hungary	24	53	-	-	12	26
Solar PV	386	572	341	476	301	387
Chile	246	270	246	270	246	270
South Africa	94	207	94	207	35	76
Portugal	46	96	-	-	20	42
Solar Thermoelectric (USA)	64	121	64	121	43	80
<b>Total Wind</b>	<b>7,382</b>	<b>17,058</b>	<b>5,902</b>	<b>13,653</b>	<b>5,753</b>	<b>12,848</b>
<b>Total other technologies</b>	<b>1,640</b>	<b>3,373</b>	<b>1,595</b>	<b>3,277</b>	<b>1,531</b>	<b>3,130</b>
<b>Total Energy</b>	<b>9,022</b>	<b>20,431</b>	<b>7,497</b>	<b>16,929</b>	<b>7,284</b>	<b>15,977</b>

**Infrastructure**

<i>(Million Euros)</i>	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %
Construction	3,131	1,983	1,148	57.9%
Industrial	274	174	100	57.4%
Concessions	140	110	30	27.7%
Water	682	708	(26)	-3.7%
Services	753	677	76	11.2%
Consolidation adjustments	(39)	-41	2	4.9%
<b>Revenues</b>	<b>4,940</b>	<b>3,611</b>	<b>1,329</b>	<b>36.8%</b>
Construction	197	116	81	70.4%
Industrial	10	6	4	60.4%
Concessions	56	52	4	6.7%
Water	130	119	11	9.2%
Services	34	28	6	22.6%
<b>EBITDA</b>	<b>426</b>	<b>321</b>	<b>106</b>	<b>33%</b>
<i>Margin (%)</i>	8.6%	8.9%		
<b>EBT</b>	<b>120</b>	<b>122</b>	<b>(2)</b>	<b>-1.9%</b>
<i>Margin (%)</i>	2.4%	3.4%		

Revenues increased in both businesses amounting to €3,131 million in Construction (+57.9%) and €274 million in Industrial (+57.4%).

EBITDA stood at €207 million backed by the growth of works in progress, as well as the growth of capital-intensive construction projects, with greater EBITDA margins. It should be noted that such high level of income and EBITDA is exceptional due to the simultaneous development of important projects that are investment intensive.

**Construction & Industrial Backlog**

<i>(Million Euros)</i>	31-Dec-17	31-Dec-16	Chg. %	Weight (%)
Construction	6,287	7,527	-16.5%	33%
Industrial	481	613	-21.5%	3%
Water	11,165	10,469	6.6%	59%
Services	898	783	14.7%	5%
<b>TOTAL</b>	<b>18,831</b>	<b>19,392</b>	<b>-2.9%</b>	<b>100%</b>

**A. Construction and Industrial***(Million Euros)*

Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %

## TRANSLATION

Construction	3,131	1,983	1,148	57.9%
Industrial	274	174	100	57.4%
<b>Revenues</b>	<b>3,404</b>	<b>2,157</b>	<b>1,247</b>	<b>57.8%</b>
Construction	197	116	81	70.4%
<i>Margin (%)</i>	6.3%	5.8%		
Industrial	10	6	4	60.4%
<i>Margin (%)</i>	3.5%	3.5%		
<b>EBITDA</b>	<b>207</b>	<b>122</b>	<b>85</b>	<b>69.9%</b>
<i>Margin (%)</i>	6.1%	5.6%		
<b>EBT</b>	<b>57</b>	<b>56</b>	<b>1</b>	<b>1.9%</b>
<i>Margin (%)</i>	1.7%	2.6%		

Revenues increased in both businesses amounting to €3,131 million in Construction (+57.9%) and €274 million in Industrial (+57.4%).

EBITDA stood at €207 million backed by the growth of works in progress, as well as the growth of capital-intensive construction projects, with greater EBITDA margins. It should be noted that such high level of income and EBITDA is exceptional due to the simultaneous development of important projects that are investment intensive.

### Construction & Industrial Backlog

As of 31st December 2017, backlog amounted to €6,768 million, 16.9% lower than in FY2016.

It is to be highlighted the award of the contract for the construction of the Ciudad de Mexico International Airport's terminal, as well as the new construction projects of Cebu Bridge in Philippines, Panamericana road in Panamá and Marga Marga Hospital in Chile.

Furthermore, ACCIONA-Geotech was awarded during 2017 with a contract regarding the modernization of the Ballarat Rail Line in Australia, which also contributed to the construction backlog.

(Million Euros)	31-Dec-17	31-Dec-16	Chg. %	Weight (%)
<b>Total Spain</b>	<b>1,247</b>	<b>1,417</b>	<b>-12.0%</b>	<b>18%</b>
<b>Total International</b>	<b>5,521</b>	<b>6,723</b>	<b>-17.9%</b>	<b>82%</b>
Latin America	2,151	2,710	-20.6%	32%
EMEA (Spain not incl.)	1,738	2,407	-27.8%	26%
Australia and South-East Asia	1,026	1,146	-10.5%	15%
North America	606	459	32.1%	9%
<b>TOTAL</b>	<b>6,768</b>	<b>8,140</b>	<b>-16.9%</b>	<b>100%</b>

**B. Concessions**

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %
<b>Revenues</b>	<b>140</b>	<b>110</b>	<b>30</b>	<b>27.7%</b>
<b>EBITDA</b>	<b>56</b>	<b>52</b>	<b>4</b>	<b>6.7%</b>
<i>Margin (%)</i>	39.6%	47.4%		
<b>EBT</b>	<b>10</b>	<b>13</b>	<b>(3)</b>	<b>-20.3%</b>
<i>Margin (%)</i>	7.3%	11.7%		

Concessions increased its revenues by 27.7% to €140 million and EBITDA to €56 million.

As of December 31st 2017, Book Value of concessions amounted to €1,211 million (€368 million in “equity” and €844<sup>1</sup> million in net debt) and has a total amount of 20 concessions.

Appendix V shows the detail of the concessions portfolio as of 31st December 2017.

<sup>1</sup>This figure includes the proportional part of the net debt from those concessions accounted by the equity method (€568m)

**C. Water**

(Million Euros)	Jan-Dec 16	Jan-Dec 17	Chg. (€m)	Chg. %
<b>Revenues</b>	<b>682</b>	<b>708</b>	<b>(26)</b>	<b>-3.7%</b>
<b>EBITDA</b>	<b>130</b>	<b>119</b>	<b>11</b>	<b>9.2%</b>
<i>Margin (%)</i>	19.1%	16.8%		
<b>EBT</b>	<b>38</b>	<b>38</b>	<b>-</b>	<b>1.1%</b>
<i>Margin (%)</i>	5.6%	5.4%		

The Water division revenues fell by 3.7%, but EBITDA increased by 9.2% to €130 million, primarily due to the increase of O&M activity which has higher margins.

CLAUDE SLOAN  
 CHAIRMAN AND CEO  
 N° 1000

## Water Backlog

Water Backlog as of December 2017 stood at €11,165 million, increasing by 6.6% compared to FY2016. Among the new-awarded concessions, it is worth to mention the construction of water treatment facilities in Canada and Panama, as well as the water management service of Boca de Rio in Mexico.

(Million euros)	31-Dec-17	31-Dec-16	Chg. (%)	Weight (%)
D&C	537	555	-3.3%	5%
O&M	2,769	2,117	30.8%	25%
ATLL	7,858	7,796	0.8%	70%
<b>TOTAL</b>	<b>11,165</b>	<b>10,469</b>	<b>6.6%</b>	<b>100%</b>

(Million euros)	31-Dec-17	31-Dec-16	Chg. (%)	Weight (%)
Spain	9,194	9,141	0.6%	82%
International	1,970	1,328	48.4%	18%
<b>TOTAL</b>	<b>11,165</b>	<b>10,469</b>	<b>6.6%</b>	<b>100%</b>

Appendix V shows the detail of the portfolio of water concessions regulated by CINIIF12 as of 31st December 2017.

## D. Services

(Million Euros)	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %
<b>Revenues</b>	<b>753</b>	<b>677</b>	<b>76</b>	<b>11.2%</b>
<b>EBITDA</b>	<b>34</b>	<b>28</b>	<b>6</b>	<b>22.6%</b>
<i>Margin (%)</i>	4.6%	4.1%		
<b>EBT</b>	<b>14</b>	<b>15</b>	<b>(1)</b>	<b>-8.5%</b>
<i>Margin (%)</i>	1.8%	2.2%		

The division reported an increase in revenues of 11.2% to €753 million and an EBITDA increase of 22.6% to €34 million, mainly due to higher volumes in the airport business.



**Other Activities**

<i>(Million Euros)</i>	Jan-Dec 17	Jan-Dec 16	Chg. (€m)	Chg. %
Trasmediterránea	426	431	(5)	-1.2%
Real estate	113	105	8	7.7%
Bestinver	106	85	21	24.9%
Corp. & other	45	48	(2)	-5.0%
<b>Revenues</b>	<b>690</b>	<b>668</b>	<b>22</b>	<b>3.2%</b>
Trasmediterránea	45	61	-16	-26.0%
<i>Margin (%)</i>	10.5%	14.1%		
Real estate	12	14	(2)	-13.3%
<i>Margin (%)</i>	10.8%	13.4%		
Bestinver	70	59	11	18.9%
<i>Margin (%)</i>	66.1%	69.4%		
Corp. & other	-3	-3	-	-9.6%
<b>EBITDA</b>	<b>124</b>	<b>131</b>	<b>(7)</b>	<b>-5.2%</b>
<b>EBT</b>	<b>127</b>	<b>85</b>	<b>42</b>	<b>48.9%</b>
<i>Margin (%)</i>	18.4%	12.8%		

During FY2017, Other Activities division, which includes Trasmediterránea, Real Estate, Bestinver and others, reported revenues of €690 million, up to 3.2% vs. FY2016.

EBITDA decreased to €124 million (-5.2%), mainly due to Trasmediterránea's results and despite the increase in contribution of Bestinver.

**Trasmediterránea:**


It presents a relatively flat revenues level (-1.2%) with an increase in passengers, vehicles and lane meters. EBITDA fell to €45 million, due to the increase in fuel costs related to increase in oil prices.

	Jan-Dec 17	Jan-Dec 16	Chg. (%)
Passengers served	2,547,566	2,508,535	1.6%
Cargo handled (lane metres)	6,057,793	5,780,966	4.8%
Vehicles	612,046	575,991	6.3%

**Real Estate:**

Turnover increased by 7.7% due to the asset rotation strategy (land).

EBITDA, however, fell by 13.3%, mainly due to desconsolidation of the divestment of patrimonial assets and relaunching of development activity.



CH. ALVAREZ

CONSEJO DE ADMINISTRACIÓN

Nº 1000

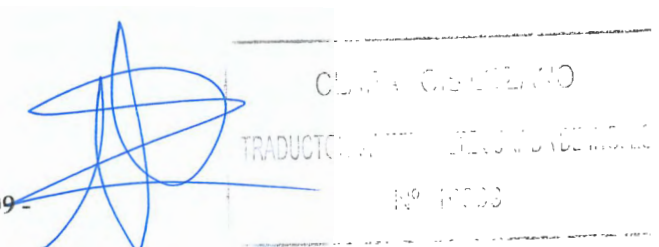
**Bestinver:**

Bestinver's AUMs reached €6,058 million as of 31st December 2017, and improved EBITDA, up to €70 million (+18.9%) mainly due to higher average managed funds vs. FY2016.

## MATERIAL INFORMATION, DIVIDEND AND SHARE DATA

### Significant communications to the stock market

- **16 January 2017: ACCIONA reports the buyback of its remaining convertible bonds up to a maximum of €108.4m**
  - The Company announced its intention to repurchase up to €108.4m in aggregate principal amount of its Bonds, representing the outstanding balance of the Bonds not already held by the Company in treasury stock.
  - The Repurchase period was expected to close as soon as practicable on 19 January 2017 after market close, subject to the right of the Company to close or extend, at its sole discretion, the Repurchase at any time.
  
- **19 January 2017: ACCIONA informs about the terms & conditions of the buyback of its remaining convertible bonds**
  - The definitive terms & conditions of the Repurchase were the following:
  - The aggregate principal amount of the Bonds to be repurchased would be €91,600,000.
  - The repurchase price per Existing Bond will be 134.80% of its principal amount, which represents an aggregate consideration of approximately €123.48m for the Repurchase as a whole.
  - The Company has accepted all offers for repurchase of the Existing Bonds.
  - Given that, following completion of the Repurchase, less than 15% in aggregate principal amount of the Bonds originally issued will be outstanding, the Company will be able to exercise its early redemption call in relation to all remaining Bonds at its principal amount plus accrued and unpaid interests, subject to the decision of the Board of Directors.
  
- **8 March 2017: ACCIONA Construction Australia-Geotech Group Transaction**
  - ACCIONA Construcción S.A has indirectly acquired through ACCIONA Geotech Holding Pty Ltd the 82.4% of Geotech Holdings Pty Ltd, parent company of the Australian construction group Geotech for a cash consideration of AUD197m (subject to potential working capital, net debt and capex adjustments) and the assignment to ACCIONA Australia of three projects currently under tender. The transaction values Geotech at AUD262m (Enterprise Value) and the undertaking that ACCIONA Australia will be the bidding vehicle for future civil construction projects in Australia and New Zealand.
  
- **6 April 2017: Official announcement and submission of proposal of the Annual General Meeting**
  - On 6 April 2017, the company informed the CNMV (Spanish Stock Market Regulator) of the Annual General Meeting announcement for 17 May 2017 for its first call, or the 18 May 2017 for its second one, and submitted the proposed agreements.



▪ **28 April 2017: Liquidity contracts and specialists**

- On 28 April 2017, the Company informed about the temporary suspension of the Liquidity Contract subscribed with *Bestinver Sociedad de Valores* to manage its treasury stock in order to allow the purchase of 300,000 shares of ACCIONA S.A by ACCIONA S.A. that represent 0.523% of the share capital that is intended to cover 4.5% outstanding from the Senior Convertible Bonds, after direct repurchases and the ones made on the 17th, 18th and 19th of January 2017.

▪ **28 April 2017: Liquidity contracts and specialists**

- On 28 April 2017, ACCIONA acquired, through a mass operation, a total share issue of 221,357 treasury stocks that represent a 0.386% of the social capital whose unit price is €74.70. After this transaction, the Company informed about the resumption of the operations under the liquidity contract subscribed on 3 July 2015 with *Bestinver Sociedad de Valores S.A.* in order to manage its treasury stock.

▪ **18 May 2017: Annual General Meeting – Approval of Agreements**

- On 18 May 2017 the Annual General Meeting adopted, among others, the following agreements:
  - To approve the individualised annual accounts of ACCIONA S.A. for 2016, as well as the consolidated annual accounts of the corporate for the same period.
  - To appoint *KPMG Auditores S.L.* as the accounts auditor of ACCIONA S.A. and its corporate group for a period of three years.
  - To re-elect Mr. Jerónimo Gerard Rivero as Independent Director and appoint Ms. Karen Christiana Figueres Olsen as Independent Director.
  - To authorise the acquisition of shares in the Company by the Company itself and by companies in its group, respecting the legal limits and requirements and in accordance with the conditions set out, leaving without any effect, in the amount not utilised, the authorisation approved for the purpose by the Ordinary General Meeting of Shareholders in 24 May 2012.
  - To approve the Directors Remuneration Policy for the years 2018, 2019 and 2020 and the empowerment of the Board of Directors to interpret, develop, formalise and execute this agreement.
  - To increase the maximum number of available shares for the Shares Delivery and Performance Shares Plan for 2014-2019 in 100,000 shares, without prejudice to subsequent increases, if proposed by the Board of Directors and approved by the General Meeting.
  - To Approve, for information purposes, the Annual Directors' Remuneration Report for the year 2016.
  - To approve the Sustainability Report 2016.

▪ **10 July 2017: The Company announces the completion of the liquidity contract signed on 2 July 2015**

- ACCIONA informs that the liquidity contract subscribed with *Bestinver Sociedad de Valores, SA* has been cancelled due to the entry into force on 11 July 2017, of Circular 1/2017 of 10 May, by the CNMV on liquidity contracts.

▪ **10 July 2017: ACCIONA announces the subscription of a new liquidity contract in accordance with Circular 1/2017 of the CNMV**

- ACCIONA informs that it has entered into a liquidity agreement with *Bestinver Sociedad de Valores, S.A.* for the management of its treasury stock.

- 

material restatement of the ACCIONA Group's consolidated financial statements.

- Possibility of claiming, under certain circumstances and during the 3 years following the date on which the delivery of the shares has been made, the refund of the equivalent amount (“claw-back”).
- Delivery date: The date specifically determined by the Board of Directors after the Ordinary General Shareholders’ Meeting.
- The tax regime applicable to the Executive Directors is in line with that established for the other beneficiaries of the Plan's regulations.
- Remuneration may be replaced at the proposal of Appointments and Remuneration Committee, in the delivery of shares or different Alternative Instruments provided for in the Plan’s regulations.

**b) Regarding Beneficiaries other than Executive Directors:**

- Extend the Plan duration by two additional years (that is, up to and including 2021) under the terms and conditions provided for in the Plan's regulations.
- It is foreseen the possibility of making an extraordinary allotment and delivery of ACCIONA shares in multi-annual periods (minimum of three years) to one or more Beneficiary Executives (other than Executive Directors) for the achievement of extraordinary results.
- Remuneration may be replaced at the proposal of Appointments and Remuneration Committee, in the delivery of shares or different Alternative Instruments provided for in the Plan’s regulations.

▪ **18 December 2017: ACCIONA announces the temporary suspension of Liquidity Contract**

- ACCIONA announces the temporary suspension of the Liquidity Contract signed on 10 July 2017 with Bestinver Sociedad de Valores, S.A., for the management of its treasury stock to allow the purchase by ACCIONA, S.A., of up to 90,000 shares of ACCIONA, S.A., representing 0.157% of the social capital through two block transactions. Shares that will be used to implement the Plan of Delivery of Shares and Performance Shares.

▪ **18 December 2017: ACCIONA informs of the resumption of operations under the Liquidity Contract subscribed after the block transactions.**

- ACCIONA has acquired, through two block transactions, a total package of 90,000 company’s own shares, representing 0.157% of the social capital at the cost of €70.71 per share. In addition, once completed the reported operations, the Company informs of the resumption of the transaction under the Liquidity Contract signed on 10 July 2017 with Bestinver Sociedad de Valores, S.A., for the management of its treasury stock.

From 31 December 2017, ACCIONA has released the following material information:

▪ **26 January 2018: The Company communicates the internal reorganisation carried out by one of the reference shareholders and the subsistence of the Pacto Parsasocial de Estabilidad**

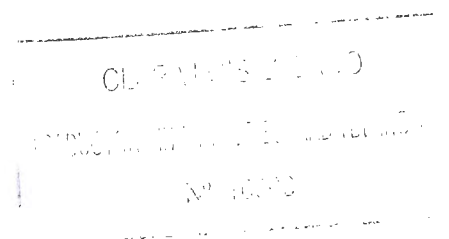
- The family Group of Mr. José María Entrecanales de Azcarate, in order to rationalise the management of its participation, updating and simplifying its corporate governance, has

implemented an internal reorganisation resulting in La Verdosa SL directly owning 5.31% of ACCIONA.

- The terms of the aforementioned Pacto Parasocial de Estabilidad, to which La Verdosa SL adheres, have not been modified, with each of its signatories retaining full freedom to vote and, therefore, there is no agreement on ACCIONA's management.
  
- **9 February 2018: ACCIONA reports on the news published in the newspaper "El Economista" regarding certain energy assets.**
- In relation to the news published in the newspaper "El Economista", ACCIONA informs that it is holding negotiations with Contour Global to carry out a corporate operation related to energy assets, but neither the perimeter, nor the valuations, nor the other terms and conditions mentioned in the article reflect the reality of it.
  
- **22 February 2018: ACCIONA reports on the news published by the media regarding the Alta Ter-Llobregat (ATLL) water management contract.**
- Regarding the news published by the media in relation to the Supreme Court ruling dismissing the Generalitat de Catalunya and Sociedad General de Aguas de Barcelona, S.A. contentious-administrative appeal against the ruling of the High Court of Justice of Catalonia dated 22 June 2015, confirming the annulment of the award of the alta Ter-Llobregat water management contract already decreed by the High Court of Justice of Catalonia. ACCIONA reports that its appeal, based on different grounds than those portrayed on these appeals, has not yet been resolved. Therefore, no sentence has been notified regarding this matter.
- Once the Sentence is notified, ACCIONA will analyse the grounds for its decision and will determine the appropriate legal and/or judicial actions.
- In any case, it should be remembered that in accordance to Article 56 related to the public tender and decision of the Regional Departments of Economy & Knowledge and Territori i Sostenibilitat of the Generalitat de Catalunya dated 5 July 2013, ATLL Concesionaria de la Generalitat de Catalunya is obliged to continue providing service until the compensation set on the terms of reference and on the Consolidated Text of the Public Contract Law is paid and until the minutes in relation to the return of the assets and rights linked to the public service is signed.

### Dividend

On 28 February 2017 ACCIONA's AGM proposed the payment of a dividend of €164.6m (€2.875 per share) against 2016 results. The dividend was paid on 3 July 2017.



## TRANSLATION

### **Share data and share price performance**

#### **ACCIONA Share Price Evolution (€/share)**



#### **Key Share Data**

	31-Dec-17
Price at 29 December 2017 (€/share)	68.04
Price at 30 December 2016 (€/share)	69.93
Low in FY 2017 (10/11/2017)	64.85
High in FY 2017 (06/06/2017)	85.87
Average daily trading (shares)	172,797
Average daily trading (€)	12,753,544
Number of shares	57,259,550
Market capitalisation at 29 December 2017 (€ millions)	3,896

#### **Share capital**

At 31 December 2017 the share capital of ACCIONA amounted to €57,259,550 divided into 57,259,550 shares with a face value of €1 each.

The group's treasury shares as of December 31st 2017 amounted to 45,702 shares, which represent a 0.08% of the share capital.



The changes in treasury shares in financial year 2017 were as follows:

	2017		2016	
	Number of shares	Cost	Number of shares	Cost
<b>Opening balance</b>	<b>233,898</b>	<b>14,403</b>	<b>320,460</b>	<b>20,238</b>
Additions	3,395,430	253,160	4,992,255	338,284
Retirements	(3,392,916)	(253,024)	(4,987,221)	(338,300)
<b>Liquidity contract</b>	<b>2,514</b>	<b>136</b>	<b>5,034</b>	<b>(16)</b>
Additions 03/05/2017 (*)	221,357	16,569	--	--
Other additions	90,001	6,370	--	--
Retirements	(502,068)	(34,332)	(91,596)	(5,819)
<b>Other movements</b>	<b>(190,710)</b>	<b>(11,393)</b>	<b>(91,596)</b>	<b>(5,819)</b>
<b>Closing balance</b>	<b>45,702</b>	<b>3,146</b>	<b>233,898</b>	<b>14,403</b>

(\*) Specific acquisition to meet the convertible bond conversion requirements

### Events after the reporting period

On 21 February 2018, Acciona Group and the company ATLL Concessionària de la Generalitat de Catalunya S.A. became aware of the judgement handed down by the Supreme Court on the cassation appeal filed by the Generalitat de Catalunya against the High Court of Justice of Catalonia (HCJC) ruling which invalidated the procedure to award said concession (appeal 2725/2015). This judgement dismisses the claims brought forward by the Generalitat and confirms the HCJC ruling.

The Acciona Group is currently waiting for notification of the cassation appeal 2682/2015 filed by Gestió Catalana de Aigues, and appeal 2678/2015 filed by the Concessionaire and by Acciona Agua against the HCJC judgement which invalidated the procedure to award said concession.

On 26 February 2018, an agreement has been reached for the sale of the thermal solar business in Spain to subsidiaries of the company Contour Global, consisting on five plants with a total capacity of 250 MW for an amount of 1,093 million euros (including debt). In addition, the parties have agreed to the payment of an earn out of up to 27 million euros. The effectiveness of the operation is conditional upon compliance with several conditions precedent (see Note 23 in the financial statements).



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## **Main Risks associated with the ACCIONA Group's business activities**

The risk scenarios considered in the ACCIONA Risk Management System have been classified into four groups: financial, strategic, operational and unpredictable, with the first two groups identified by the Group's executives as those presenting a higher risk profile.

### **1. Financial and Economic Risks:**

Mainly fluctuations in exchange rates, interest rates and financial markets, changes in the prices of raw materials, liquidity, cash flow, late payment or loss of clients.

In order to mitigate the exchange rate risk, ACCIONA engages currency derivatives (mainly exchange-rate hedging instruments) to cover significant future transactions and cash flows in line with the tolerated risk thresholds. Note 19 to the annual accounts for 2017 includes detail of current and non-current assets and liabilities and of net equity at 31 December 2017 in the main currencies in which the Group operates.

Interest rate risk is particularly material with regard to the funding of infrastructure projects, in concession contracts, in the construction of wind farms or solar plants and other projects where the variation in interest rates may have a strong impact on their profitability. It is mitigated by hedging transactions through the engagement of derivatives. (Mainly Interest Rate Swaps, IRS).

The risk of fluctuations in prices of raw materials, mainly when purchasing fuel, is fundamentally mitigated in the short term by specific hedging transactions generally through the engagement of derivatives.

As regards credit and liquidity risks, the Group negotiates operations exclusively with solvent third parties and requires sufficient assurances to mitigate the risk of financial losses in the event of any default.

Together with a suitable level of reserves, it also constantly monitors the forecasts and the current levels of cash flows to match these against the maturity profiles for financial assets and liabilities.

### **2. Strategic Risks:**

They are risks that have the consequences of reducing the growth of the company and failing to meet the objectives due to inability to respond to a dynamic and competitive environment. These risks include organisational changes, investments and divestments, threats from competitors, economic, political and legal changes, and the impact of new technologies or research and development.

ACCIONA minimises this type of risk through its own strategy and business model by applying adequate sectoral and geographic diversification of its businesses; the performance of exhaustive market research, surveys of competitors and the countries in which its activities are carried out; as well as through the encouragement of Research and Development.

Risks derived from contrary conduct to ethics and integrity. The markets in which ACCIONA operates could be exposed to risks of an ethical nature that go against the principles of integrity and respect in existing legislation. ACCIONA has put in place a Code of Conduct which establishes the basic principles and commitments that all directors and employees of the divisions as well as suppliers and third parties in contact with these companies must fulfil and respect when carrying out their activities. There is a whistle blowing channel, communicated at all levels of the Organisation, to enable information to be passed on, with guarantees of confidentiality, regarding any irregular conduct relating to accounting, supervision and auditing as well as any other non-compliance or breach of the behaviour promulgated in the Code.

### **3. Operational Risks:**

They are risks concerning processes, people and products. They are related to regulatory, legal and contractual compliance, control systems and procedures, the supply chain, auxiliary services, information systems, employee productivity and the loss of key personnel.

In each business area, specific systems are established to cover all the business requirements, to systematise and document processes, and to manage quality, operations, planning and financial control.

In order to mitigate the risks in the procurement process, controls have been established to favour free competition and transparency in the processes and to avoid violating ACCIONA's commitment to ethical behaviour in these processes.

Every year ACCIONA draws up a map of the risks with its critical suppliers, analysing the main risks in its supply chain from the perspectives of economics, the environment, the prevention of occupational hazards, the activity and the country of origin.

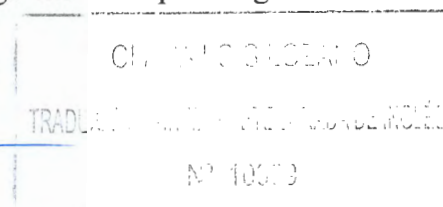
### **4. Unforeseeable Risks:**

They are risks related to damage caused to company assets and civil liability risks that could negatively impact the company's performance, including criminal acts of a cyber nature.

ACCIONA has a Corporate Management System for Environmental Crises. This system includes measures to be followed and the allocation of responsibilities and resources necessary for the adequate management of a crisis situation following any incident occurring at facilities owned or operated by the Company and leading to consequences for the environment.

ACCIONA has consolidated its initiatives for management of risks to the environment, focusing its efforts on the identification and implementation of measures for the mitigation of the most relevant risks.

As regards the tax risks faced by the Group, these are basically procedures, communication with business areas that may lead to an inadequate technical analysis, changes in tax regulations or administrative and jurisprudential criteria, as well as the reputational risk arising from tax decisions that may damage the Group's image and reputation.



## **Non-Financial Information Statement**

Through ACCIONA's sustainability strategy defined in its Sustainability Master Plan (SMP), the company responds to the main challenges of sustainable development, particularly regarding the mitigation of climate change, the provision of solutions to address water stress and the design of infrastructure adapted to the new realities.

With a time frame up to 2020, the SMP (<http://pds2020.acciona.com/>) is structured in strategic and operational objectives, applicable to the whole organisation, with specifications for the different business lines, within the following areas:

- Society: social impact management, dialogue and leadership, social action and volunteering.
- Climate Change: carbon neutrality, climate risks and education.
- Environment: eco-efficiency in operations, sustainable water management, biodiversity.
- Good Governance: ethics, human rights, corporate governance, risk management and transparency.
- People: health and safety, development and incentives, diversity and inclusion, and training.
- Value Chain: sustainable management of the supply chain, partners, and clients.
- Innovation: being at the forefront in the field of collaborative innovation and operational innovation.

Since 2009, sustainability-related actions and undertakings as well as the objectives in the field of sustainability are promoted by the Board of Directors' Sustainability Committee. In addition, the Management Committee includes a body in charge of sustainability matters. At the same time, the specific objectives and initiatives of each division within the SMP framework are driven through the Sustainability Committees of each business.

In order to maintain an attitude of continuous monitoring of new trends and challenges in sustainability matters, and to delve deeper into the social, environmental and governance aspects of relevance for the business and to focus on accountability, ACCIONA draws up a materiality survey every year.

In 2017 the materiality analysis was updated based on the previous year's study, which identified and prioritised issues relevant to each of ACCIONA's main lines of business and their impact along the entire value chain. With regards to the key issues identified, "Climate change", "non-financial risks", "Ethics and anti-corruption", "Human Rights at Work" and "Occupational Safety and Health" stand out as relevant in the ACCIONA's main businesses.

Based on this materiality analysis, ACCIONA exhaustively reports on its commitments, practices and performance each year in the *Annual Sustainability Report*, which is published on the corporate website (<http://www.acciona.com>).

As required by Royal Decree-Law 18/2017 on non-financial information and diversity, and in accordance with Directive 2014/95/EU, relevant information relating to

environmental and social issues is provided below, as well as information regarding staff, respect for human rights and the fight against corruption and bribery<sup>2</sup>.

### **Environmental issues**

ACCIONA has four specific policies adopted by the Board of Directors' Sustainability Committee, which apply to all business lines and countries in which the company operates: Environmental Policy, Climate Change Policy, Water Policy and Biodiversity Policy.

In addition, the Code of Conduct includes the duty of ACCIONA and all its staff to know and adopt the Environmental Policy, and to strive to minimise the environmental impact of their activities.

ACCIONA's environmental management model is based on the principles of improving environmental performance, and it establishes a common action framework for all company divisions. This model involves considering environmental aspects from the perspective of an entire life cycle, as well as the identification of risks and opportunities to ensure improvement and the planned results. Environmental objectives are established in all business lines, taking as a reference the objectives included in the SMP and management systems.

The company's environmental management systems are certified under various international standards. Those certified under ISO 14001 for example are 100 % of the company's certifiable installed MW, 100 % of the marketing and sale of renewable energy with guarantees of origin accredited by the CNMV, 100 % of the construction activity in several countries (Spain, Chile, Mexico, Canada, Poland, Australia, etc.), among other ACCIONA activities. Energy management systems are also certified according to ISO 50001:2011, as well as all activities carried out by ACCIONA Agua in 12 of its centres for example, in addition to EMAS certifications for the water distribution network centres of ATLL, among others. Likewise, the Wineries for Climate Protection certification has been renewed at Bodegas Viña Mayor.

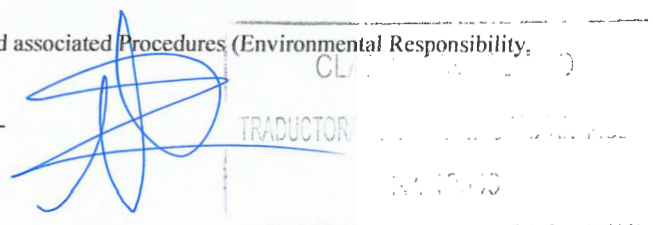
Environmental risk management is carried out by applying a procedural<sup>3</sup> methodology, with which the risks are identified, assessed, prioritised and communicated to the decision-making bodies, as well as the potential environmental events that could impact the company and its centres, and the events generated by the company and its centres which in turn could impact on the environment, in order to establish action policies and tolerance thresholds. The focus is on the risks that ACCIONA's activities pose to the environment, the risks associated with climate change and those associated with water resources. In addition, the company has procedural mechanisms to manage risks, with the aim of addressing risks that have turned into environmental crises.

- In 2017, ACCIONA carried out a top-down analysis of the environmental risks associated with climate change, following the Intergovernmental Panel on Climate Change (IPCC) methodology. Further work has also been done on the identification and assessment of risk scenarios that could specifically impact

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<sup>2</sup> Issues relating to the diversity of the Board of Directors are included in ACCIONA's 2017 *Annual Corporate Governance Report*.

<sup>3</sup> Corporate Standards on Environmental Risk Management and associated Procedures (Environmental Responsibility, Climate Change and Water Resources).





ACCIONA's centres, activities and locations. The analysis carried out has obtained a total of 87 climate risk scenarios, of which 13% correspond to significant risk scenarios.

- In addition, a top-down analysis of risks and opportunities associated with water resources was carried out, which was able to identify 77 risk scenarios, 13% of which are significant risk scenarios.
- With regard to the risks that ACCIONA's activities pose to the environment, 115 risk scenarios have been analysed and evaluated within the scope of environmental risk standards.

ACCIONA has made a commitment to be a carbon neutral company and therefore, all emissions generated since 2016 that could not be reduced, are compensated through certified carbon credits. Thanks to ACCIONA's electricity generation activities being 100% from renewable sources, ACCIONA has avoided the emission of more than 14 million tonnes of CO<sub>2</sub>.

With the aim of contributing to the mitigation of climate change, the company has developed plans and programmes to reduce energy consumption and emissions of greenhouse gases, with a focus on energy efficiency and the use of renewable energy. In 2017, more than 200 centres have consumed energy from 100% renewable energy sources<sup>4</sup>.

Regarding water management, in 2017, ACCIONA's water footprint has generated a positive impact on the planet. In addition, plans to monitor and reduce water consumption<sup>4</sup> have been developed in production centres with intensive use of water resources.

ACCIONA is committed to driving the transition towards a circular economy. In 2017, progress has been made in setting and achieving specific annual goals within the framework of its Waste Management Plan 2016-2020 promoting a circular economy, which at the group level sets a target to recover 50% of the waste generated in 2020, and to reduce the total amount of waste generated and not recovered by 10% when compared to 2015. During 2017, the company has recovered approximately 40% of the waste generated<sup>4</sup>.

Finally, the new life cycle analyses undertaken during 2017 has been incorporated into the company's portfolio, reaching a total of 50 analyses corresponding to 19 ACCIONA Construcción, ACCIONA Agua, ACCIONA Service, ACCIONA Energía and Bodegas Palacio 1894 Group projects, in which the standardised environmental impacts of various company products and services are exposed.

ACCIONA has a total of 187 facilities that are located completely or partially in protected areas or non-protected areas with high biodiversity values, occupying around 8,000 hectares. The company has identified and assessed the most significant impacts for each of the facilities at these locations, taking into account the affected species, the surface

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<sup>4</sup> The consolidated data on emissions, energy consumption, water consumption, waste, among others, are published in the Sustainability Report, after the calculations were verified by an external entity (ongoing at the date the Management Report was finalised).

area of the facility, the duration of the impacts and their reversibility or irreversibility. In 2017, the main impacts have been on the water environment (43 %), fauna (23 %), vegetation (15 %) and to a lesser extent on the atmosphere, soil, landscape and habitat. ACCIONA has protected and restored more than 120 hectares in the surroundings of its projects. In addition, the company has a Biodiversity Compensation and Improvement Programme which consists in designing and implementing voluntary initiatives that go beyond the administrative environmental requirements.

On the other hand, and aiming to extend its environmental commitment to its suppliers, ACCIONA has calculated the greenhouse gas emissions of 100 % of its supply chain for the fourth consecutive year, and the water consumption of 100 % of the suppliers for the third consecutive year, which makes it possible to carry out an analysis by country, procurement sector and division.

### **Social issues and issues related to staff**

ACCIONA has a specific Human Resources and Occupational Health and Safety Policy which reflects the company's commitment to ensure the respect for human rights and the principles governed by the International Labour Organisation, as well as its support for the objectives of the Seoul Declaration on Safety and Health at Work. In addition, Acciona's Code of Conduct sets conduct standards regarding respect for people, equality and safety and health at work, among others.

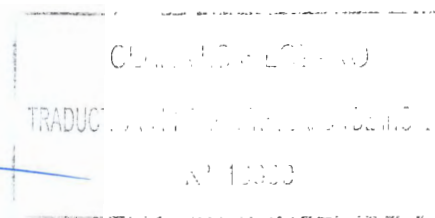
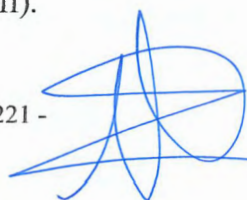
With a workforce of 37,403 employees of 111 nationalities, 41 % being of non-Spanish nationality, ACCIONA considers it essential to attract and retain the best talent to compete in a global market and achieve the strategic goals that are pursued. Human capital management at ACCIONA is designed based on the definition of the human resources strategy and each year it is readjusted to the new business requirements.

For the period 2018-2020, the company sets as its main priority the need to put the employees at the centre of its strategy, with five basic management pillars. During 2017, the selection methodology has been revised, incorporating new tests that allow the capabilities that are required to be detected in a more effective way, and it has defined an internal mobility control panel. In the same way, a new Performance Management Model has been developed formed by four gears, launched through the first two phrases: Target Setting, Performance Status, My Development and Pay Decisions.

In addition, the company considers training to be an essential part for the professional development of individuals and therefore, in 2017, has carried out various initiatives such as the M3 Plus manager training, the TMAX+ programme for technicians, the new programme on Digital Skills and the new ACCIONA Sustainability Course, among others.

In 2017, voluntary rotation has decreased compared to the previous year to 3.7, the total rotation having increased from 6.59 in 2016 to 7.6 this year.

At ACCIONA, nearly all employees are covered by collective labour regulations in different countries (in certain countries, and due to commissioning reasons or legal framework reasons, there may be a minimum number of workers who are not covered, in any case this is less than 1% of the total staff).



Depending on the country and the performed activity, the occupational and social risks associated with the projects carried out by the company are different: the most labour-intensive businesses increase the risk associated with personnel management. Also, the protection of minorities stands out in certain countries (BBEEE requirements in South Africa, First Nations in Canada, Indigenous Peoples in Australia), as well as the promotion of equality (Europe, Canada, etc.), and the protection of immigrant groups (Middle East and Asia). The management of these risks at ACCIONA involves aligning the overall processes and objectives of diversity and socially responsible recruitment with the development of specific plans and procedures where required. To do this, external audit processes on working conditions are established in certain high-risk situations, as is the case of the United Arab Emirates.

In order to ensure these objectives are met, the results obtained in the field of equality and socially responsible recruitment are reported on a monthly basis. These results are analysed by each business and country division in order to determine the action and/or correction plans required to ensure the objectives are met.

In the specific case of Spain, all activity sectors are covered by Equality Plans in accordance with Organic Law 3/2007 for effective gender equality between women and men, signed with the most representative labour unions, in which the results are reported and assessed jointly every six months. Similar mechanisms are implemented in countries such as Australia, Mexico and Canada.

Regarding the gender diversity, in 2017, 30% of the total staff are women, occupying 12.8% of the total number of Director positions and 19.8% of management positions. With regards to the employability of people with disabilities, 3.52% of the equivalent employment of the total workforce in Spain has been reached.

In matters regarding occupational safety and health, ACCIONA has action plans and specific objectives for promoting the health of its employees and collaborators and preventing occupational risks. Within the occupational risk management system, the company makes a continuous effort to assess the specific risks associated with each activity (e.g., risks associated with occupational diseases, construction works, machinery, work at height, electrical contacts, etc.).

It should be noted that the majority of ACCIONA's businesses are certified according to the OHSAS 18001 standard (100% of ACCIONA Energy, 97% of ACCIONA Infrastructure, 100% Corporate, 100% ACCIONA Real Estate and 100% Bestinver). In addition, ACCIONA Infrastructure has other local voluntary certifications, such as the COR in Canada and the OFSC Federal Safety in Australia.

The Prevention Committee holds a meeting twice a year, made up of the OHS Managers from ACCIONA's different divisions and business lines and the human resources department; the aim is to follow up on the projects that are ongoing and their level of development, as well as the occupational accidents in the period.



In the last such Committee, the data on accidents occurred on 2017 was analysed and the investigations into the causes and corrective measures of fatal accidents both of employees and subcontracted employees were reviewed.<sup>5</sup>

The company carries out different preventive actions such as the Health and Welfare Plan, the Road Safety Plan, actions in the field of education in all divisions, raising awareness and disseminating information relating to safety, among others. Some of the infrastructure division's initiatives should be noted, for example, the Leader Project which establishes leadership habits in OHS, as well as the Behaviour Based Safety for You (BBS4U) project, the aim of which is to control and prevent risks related to worker's behaviour from occurring. At ACCIONA Energía, the Think Safe programme has been implemented to improve the preventive culture of all the employees of the division, by taking part in awareness meetings.

ACCIONA extends its culture and commitment to health and safety through its entire supply chain, involving contractors or subcontractors in preventive and training activities, and monitoring the accident rate statistics of contractors and subcontractors. In addition, specific initiatives have been developed, such as for example, the Voluntary Protection Programme for companies collaborating with ACCIONA Infraestructuras, so that these companies improve the occupational risk prevention standards and can be certified with a seal of approval which qualifies them as "safe companies". The implementation of this programme has resulted in 39 improvement plans in 2017.

#### **Social issues related to local communities**

ACCIONA's Sustainability Policy, approved by the Board of Directors' Sustainability Committee in 2013, includes the company's commitment to create value for the communities where it operates, as well as to maintain regular and fluid dialogue with its interest groups. This commitment to the interests of local communities is also incorporated into the Code of Conduct. In addition, by the end of 2017, work has been done on developing a specific relational policy with interest groups which will be adopted in 2018.

The company has developed its own methodology for Social Impact Management (SIM), to analyse and address the social consequences of the projects on people, both negative and positive. This methodology is being implemented through a specific corporate procedure and is applicable to construction, operation and service projects of ACCIONA Infraestructure and ACCIONA Energy. The Social Impact Management methodology includes the following phases:

- Characterisation of the social risk: study of the degree of social risk of the project through the characterisation of the social risk starting at the design and bid phase.
- Social evaluation of the project: analysis of the socio-demographic characteristics of the populations in the area of influence of the project, identification and assessment of the positive or negative social impacts, and preparation of a social action proposal.

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<sup>5</sup> Accident rates are published in the Sustainability Report, after the calculations were verified by an external entity (ongoing at the date the Management Report was finalised).

- Communication and dialogue with communities: depending on the type of project, means of communicating are established with local communities and other interest groups to inform them of the project, its main impacts, and the social measures to be carried out.
- Implementation and monitoring of the measures: implementation of the measures identified to avoid and mitigate negative social impacts, as well as to strengthen the positive impacts.

The possible negative impacts that the SIM methodology focuses on are, among others: those affecting basic services and supplies to the communities; problems of road safety in urban environments; alteration of basic rights such as education and health; and changes in housing prices. On the other hand, the positive impacts that are generated when projects are developed are the recruitment of local staff, improvement of access to traffic routes and stimulating the local economy, among others, are highlighted.

With regards to the communications and dialogue with local communities, ACCIONA Energy, in addition to the usual channels within the projects, has a form on its website through which any person or group affected by the projects can raise a query and/or suggestion. ACCIONA Infraestructuras establishes a suggestions and complaints channels for projects in which the client requires it or allows it.

During 2017, the SIM methodology has been implemented in a total of 100 ACCIONA projects (a 22% increase compared to 2016) in 33 countries (compared to 23 in the previous year), 13 projects belong to ACCIONA Energy and 87 belonging to ACCIONA Infraestructuras (Construction, Water, Industrial and Services).

In addition, social impact management has been carried out in 12 projects of the Infrastructure division that have been classified as relevant, i.e. projects which although are not within the scope of the methodology, are considered as strategic for the business.

The projects involved are diverse: construction of linear infrastructures and buildings, construction and operation of water treatment plants, and construction and operation of wind farms and photovoltaic plants, among others. For example, in 2017, the social impacts have been managed on the construction of the Quito Metro (Ecuador), a water treatment plant in Metesusto (Colombia), a solar thermal plant in Kathu (South Africa), a wind farm in Bannur (India), the El Romero Solar photovoltaic plant (Chile), etc.

The main social measures implemented to mitigate negative impacts and enhance the positive impacts in 2017 have been information campaigns about the project, rehabilitation and improvement of areas surrounding the projects, professional training for project workers, as well as environmental awareness-raising and social actions, education and health campaigns for schools, collaboration agreements to activate the local economy, among others.

As a novelty, in 2017, 9 external audits have been carried out, 2 on Energy projects and 7 on Infrastructure projects in order to assess the degree of implementation of the SIM methodology.

### **Issues related to human rights**

As set out in the Code of Conduct, the Human Rights Policy, and the Human Resources and Occupational Health and Safety Policy approved by the Board of Directors, ACCIONA is committed to respecting the human rights and public freedoms recognised in the Universal Declaration of Human Rights of the United Nations; ACCIONA assumes the Declaration on Fundamental Principles and Rights at Work, the ILO Agreements, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact, among others, as basic conduct guidelines. Any alleged breach or violation of the conducts contained in the Code of Conduct, including human rights issues, can be communicated through the company's Ethical Channel.

The company developed a human rights risk diagnosis, taking the UN's Guiding Principles on Business and Human Rights as a frame of reference. During 2017, the human rights risk categories have been reviewed and the risks associated in the countries in which the company carries out its activities have been analysed. It was concluded that 52 % of the countries in which ACCIONA operates have a severe or very severe risk of violating human rights, according to Maplecroft.

The human rights risks analysed include freedom of opinion and expression, rights of minorities, rights of indigenous people, women and girls, rights to basic services, violations by hired security forces, migrant workers' rights, working conditions, health and safety, forced labour and child labour.

Taking the standards of the Danish Institute for Human Rights and the United Nations Global Compact as a reference, with regard to the control measures identified based on the analysis of the company's procedures and policies, it was concluded that 43% are completed covered, 52% are partly covered, 3% have insufficient coverage and it does not apply to 2%.

On the other hand, in relation to the rights of local and work communities that may be affected by ACCIONA's activities, the Social Impact Management (SIM) methodology has been used to study possible infringements of human rights that a particular project or service could inflict on communities and other interest groups, among other factors. In addition, it evaluates the social impacts in terms of severity if significant changes are incurred in the social, economic or cultural structure of a certain population or group of employees, or if human rights are affected. In this case, the SIM methodology requires prevention and mitigation measures for these impacts to be established.

In 2017, 12 of the projects in which the SIM methodology has been implemented identified possible risks of violating human rights. In all of these cases, measures have been taken to prevent such violations from occurring.

During 2017, different educational initiatives that include human rights issues have also been implemented. In ACCIONA's Sustainability Course released to more than 10,000 employees from all divisions and geographical areas, training on the company's responsibility to respect labour and civil rights is included. In addition, ACCIONA offers a specific course on the Code of Conduct which includes human rights within their 17 basic action guidelines. In relation to the training provided to suppliers, ACCIONA has designed an online course on "Sustainability applied to your company" in collaboration with the Spanish Network for the United Nations Global Compact, which includes a

specific module on human rights and social action. It is expected that a specific course on human rights for company employees will be developed in 2018.

### **Issues relating to the fight against corruption and bribery**

The policies established by the ACCIONA group to fight against corruption and bribery are the following:

- **Code of Conduct:** establishes the values that should guide the behaviour of all managers, directors, employees and suppliers of ACCIONA group companies. The Code of Conduct, adopted in 2007, was revised in 2011 and again in 2016 by the Board of Directors.
- **Anti-corruption Policy:** approved in 2013, establishes the ACCIONA Group's clear position against any corrupt or criminal act, as well as the extrapolation of this commitment to all the people that make up the group.
- **Anti-corruption Action Standards:** approved by the Board of Directors in January 2016, provide compliance guidelines to prevent misconduct which are mandatory for all employees and parties associated with ACCIONA (including agents, intermediaries, advisers, consultants and suppliers).
- **Corporate Standard on donations and non-commercial sponsorships:** approved in 2017, developed from the anti-corruption standards.

The Compliance Management department, created in 2015 and reporting directly to the Executive Presidency and to the Board of Directors' Audit Committee, supervises the respect for and the effectiveness of the procedures, controls and internal commitments established to ensure compliance with voluntary and regulatory obligations regarding ethical, organisational, environmental and social matters, and the identification, prevention and mitigation of associated risks.

The ACCIONA Group maintains relations with Public Administrations and participates in tender processes for infrastructure in different countries when carrying out its activities, and therefore the risks of public corruption are analysed in each project, evaluating the country and importance of the project.

ACCIONA has adopted and implemented a Crime Prevention and Anti-Corruption Model which has the following features:

- The model is arranged according to ACCIONA group's organisational structure, and it specifies the criminal risks and their corresponding controls for each department of the group in separate sections.
- Internal controls are associated to each identified risk which mitigate or, at any rate, decrease the chances of each criminal risk occurring.
- The model documents these internal controls, with a series of attributes that characterise them which include the area or administration responsible for implementing the control, and a specific description of the control activity.



- In addition, the model includes controls from ACCIONA group's Internal Control over Financial Reporting Systems (ICoFRS) which are suitable for preventing certain offences from being committed.

The crime prevention model established for Spain and adapted to local legislative requirements as applicable is progressively being implanted to the other countries in which the group's activities are carried out.

In addition, control measures have been implemented to prevent or identify potential cases of corruption. The most important controls are reviewed periodically by the assigned managers. The following actions, among others, are highlighted.

The group has implemented an Ethical channel since 2007 which allows others to communicate any irregular behaviour related to accounting, monitoring, auditing or any breach or violation of the conducts contained in the Code and internal standards. The internal standards impose an obligation to let the company know immediately of any potential irregularities or breaches of the code that employees might become aware of, as well as to report any fact, act, conduct or behaviour that is contrary to the Anti-Corruption Standards.

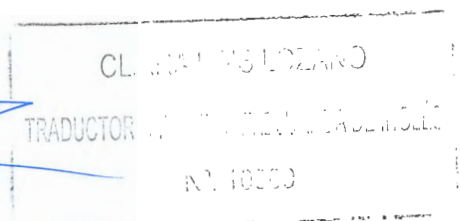
The Code of Conduct Committee ensures that complaints regarding any possible breaches are analysed thoroughly, always guaranteeing the confidentiality of the complaints, as well as ensuring that there is no retaliation of any kind against those who make the complaints in good faith and respecting, in any case, the people allegedly involved.

In 2017, 45 communications were received through the Ethical Channel compared to 26 in 2016. Specific instructions were carried out for 51% of the communications received, involving an external instructor in many cases. The other 49 % were closed without any instruction, since they were not related to the Code of Conduct (non-financial anonymous complaints that were merely about labour, organisational or functional issues) without prejudice to the fact that a preliminary investigation was conducted for the majority of the archived files without a specific instructor being assigned.

The Code of Conduct, the Corporate Policies, and the Anti-Corruption Standards have been communicated to the employees and published on the company's intranet and web page. In addition, employees must mandatorily read and accept the Code of Conduct and the Anti-Corruption Standards

In 2017, the Compliance Management department published relevant information on anti-corruption on the intranet page, such as examples of reasonable gifts following the standards of the Foreign Corrupt Practices Act, instructions regarding contracts with agents and intermediaries, and clauses that must be contained in the agreements, the importance of the Ethical Channel in order to communicating irregularities, and a summary of their activities.

Likewise, two training activities were held in 2017. On the one hand, 1,400 executives and managers were trained in an Anti-Corruption Course. On the other hand, 6,213 employees were trained in a course on the Code of Conduct, which is available to all employees in 7 languages.



With regard to due diligence on the knowledge of third parties, the group has implemented a tool that allows an initial analysis to be carried out on the third parties that ACCIONA will/or aims to have a commercial/partnership relationship with, and which improves the risks management in projects. At the end of 2017, more than 170 third parties were evaluated.

Supply Chain: environmental, social, labour, human rights and anti-corruption issues.

ACCIONA works to extend sustainability to its supply chain and promotes the adoption of the values contained in its Code of Conduct among its suppliers and contractors. In addition, this Code sets specific guidelines on relations with suppliers. Similarly, the Ethical Principles for Suppliers, Contractors and Partners which were approved in 2011 cover aspects regarding transparency and ethics, human and social rights, health and safety, and quality and the environment. In addition, the company has established minimum standards in the field of ethics and integrity, human rights and corporate responsibility, environment, safety and health, among others, contained in the No Go Policies.

The main tool used for supply chain management at ACCIONA is PROCUR-e, the Supplier Portal and Tender Tool, in which increasingly detailed controls are established as the criticality increases. All suppliers registered are required to accept the Supplier's Self-Declaration of Compliance document, which reflects ACCIONA's commitment with international standards, the Code of Conduct, Ethical Principles for suppliers, and minimum standards in the field of integrity, environment and quality. This requirement has already been formally accepted by more than 23,500 suppliers.

Any supplier that submits an offer through PROCUR-e, must complete the self-assessment questionnaire regarding corporate responsibility (CR) and sustainability; from this moment on the supplier forms part of the Supplier Risk Map which monitors and updates the level of risk on a daily basis which is based on 10 variables including Integrity, Country Risk, CR and Sustainability (focussing on Human Rights), Health and Safety, the Environment, Assessment, etc. By the end of 2017, more than 16,700 suppliers have a Risk Map.

The following control is established for critical suppliers during the Evaluation and Approval Process, through which the criticality regarding the level of Integrity, country risk, CR, sustainability, OHS risk, environmental risk, legal documentation and assessment are reviewed. By the end of 2017, ACCIONA has 3,850 approved suppliers. Within the approval process, 296 auditing process have been carried out on suppliers, 47 of them on suppliers from risk countries, in order to ensure the non-infringement of human rights in those areas, among other aspects. 88.46 % suppliers on ACCIONA sites in risk countries have been audited.

Focus has been on issues relating to the fight against corruption and bribery, and in 2017, the Integrity variable has been monitored for 5,947 suppliers.

ACCIONA offers its suppliers and contractors training programmes in subjects such as the Code of Conduct, sustainability, human rights, prevention of discrimination, among others.

### **Foreseeable Evolution**

In 2017, the upturn in activity that began in mid-2016 was confirmed. This growth, which occurred surprisingly in Europe and Asia, led to an increase in the global product which was estimated at 3.7% over the past year, half a point higher than what was projected in 2016 for the end of 2017.

This growth force, the high confidence levels, and the US fiscal reform are the main factors that have led to the global growth expectations being revised, placing them at 3.9% per year for 2018 and 2019. There are a number of risks that threaten this growth, although these seem to be balanced. The possible correction of financial markets is highlighted, as a result of the increase in the value of assets over the past few years with very small volatilities, in addition to some isolating measures, the geopolitical tension in some parts of the globe, and the political uncertainty in certain countries.

It can be concluded that the upward revision of the global outlook is the result of advanced economies, expecting a growth of 2.3% and 2.2% for 2018 and 2019, respectively. This revision reflects the expectation that the acceleration of demand and investment will be maintained, which are the result of the favourable financial conditions and the improvement in the confidence level.

In addition, as noted, it is expected that the tax reform in the United States is a temporary boost in the growth of the United States, which was corrected by the IMF in its latest growth forecasts published in January 2018 to 2.7% in 2018 and 2.5% in 2019, as well as the growth of its trading partners, especially Mexico and Canada. Although, it should be noted that even if this stimulus will boost growth in the coming years, the forecasts then reduce for a few years from 2022.

With regards to the euro zone, the forecasts have also been revised upwards, particularly those of Italy, Germany and Holland, thanks to the increase in the internal and external debt. The forecasts are 2.2% for 2018 and 2% for 2019.

With regards to Spain, it should be noted that the growth expected by the end of 2017 will be far greater than the potential, standing at 3.1%. However, political uncertainty due to the Catalonia situation and its effect on the demand and confidence have led to the growth expectations for 2018 to be revised downwards, which have changed from the initially estimated 2.5% to the current 2.4%, and to 2.1% in 2019. In this way, the Spain forecast is the only one of the large economies that has been reduced for 2018. However, it remains to be the economy with the highest growth rate among the major European economies as a result of the reforms adopted in the past and the optimism of the macro-economic situation in Europe.

The growth forecasts in other advanced economies have also been revised upwards, especially as a result of the higher growth in the advanced economies of Asia. This is due to the fact that these economies are more susceptible to changes in the investment and international trade prospects, as is the case with Japan, whose growth expectations have been revised upwards for 2018 and 2019 and are set at 1.2% and 0.9%, respectively.

The growth of the economies in emerging markets is expected to be 4.9% in 2018 and 5% in 2019, although there is a wide dispersion between the development of each economy. The Asian region of emerging economies produces more than half of the global

growth and will grow by around 6.5% in 2018 and 6.6% in 2019, at the same rate as in 2017. It is expected that the growth in India will increase to 7.4% in 2018 and to 7.8% in 2019, while in China the growth projections moderate its growth gradually and it is estimated to be at 6.6% and 6.4% for 2018 and 2019, respectively.

The emerging economies of Europe enjoy relaxed financial conditions and an increase of exports to the euro zone, which has led to an upward revision of its growth, especially in Poland and Turkey.

In Latin America, the forecasts show that the recovery will be strengthened, and the growth has been revised upwards, noting that it will be at 1.9% in 2018 and 2.6% in 2019. This upward revision occurs as a result of the strengthening of Brazil's recovery, of the new perspectives of Mexico as a result of the tax reform in the United States, and the effect of the price increase of raw materials and the easing of financial conditions in some raw material exporting countries. On the other hand, the Venezuelan economy has been revised downward, which is loosely offset by upward revisions in the remaining Latin American countries.

The revision of generalised growth caused the growth expectation of Russia to be revised slightly upward to 1.7% in 2018 and 1.5% in 2019, which has led to an increase in the growth expectations of the Commonwealth of Independent States, exceeding 2% in both years.

#### Average period of payment to suppliers and Corporate Social Responsibility

To the effects of the provisions in article 262.1 of Royal Legislative Decree 1/2010, of 2 July, whereby the consolidated text of the Capital Companies Act is approved, the information on the average period for payment to suppliers is contained in Note 36 to the financial statements. In addition, and in conformity with recommendation 55 of the Code of Good Governance of Listed Companies, it is hereby indicated that the aspects related to Corporate Social Responsibility are discussed in the Sustainability Report.

#### Annual Corporate Governance Report

The Annual Corporate Governance Report is available in its entirety on the web site of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)) and on the Company's web page ([www.acciona.es](http://www.acciona.es)).

In addition, the Annual Corporate Governance Report will be notified to the National Securities Market Commission as a Material Event.



For the purposes of Royal Decree 1362/2007 of 19 October (article 8.1 b), the Directors of Acciona S.A. now subscribe the following **declaration under their own responsibility**:

To the best of their knowledge, the Consolidated Financial Statements drawn up in accordance with the applicable accounting principles offer a true and fair view of the equity, financial situation and results of the issuer and the companies included in the scope of consolidation taken as a whole and the Directors' report includes a faithful analysis of the business trend and results and of the position of the issuer and the companies included in the scope of consolidation taken as a whole together with the description of the main risks and uncertainties faced.

**Formal note** added to state for the record that the Directors of ACCIONA S.A. are aware of the entire contents of the Financial Statements and the Directors' Report corresponding to the 2017 financial year of Acciona, S.A. and its subsidiaries (Consolidated Group) as submitted to the Board of Directors and duly prepared by the Board at the meeting held on 26 February 2018, printed on 231 sheets, all of them signed by the Secretary and with the corporate Seal affixed and numbered as follows:

Cover Page	Page 1
Content	Pages 2 and 3
Consolidated Balance Sheet	Page 4
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Consolidated Statement of Cash Flows	Page 9
Notes to the Consolidated Financial Statements	Page 10 to Page 190
Consolidated Directors' Report	Page 191 to Page 231

Therefore, in witness of their agreement herewith, this note is signed by all the members of the Board of Directors.

Mr. José Manuel Entrecanales Domecq  
Chairman

Mr. Juan Ignacio Entrecanales Franco  
Vice-Chairman

Mr. Javier Entrecanales Franco  
Member

Mr. Juan Carlos Garay Ibargaray  
Member

Mr. Daniel Entrecanales Domecq  
Member

Ms. Karen Christiana Figueres Olsen  
Member

Mr. Jaime Castellanos Borrego  
Member

Ms. Be en Vilatoronga Morenés  
Member

Mr. Fernando Rodes Vilà  
Member

Ms. Ana Sanz de Vicuña Benberg  
Member

Mr. Jeronimo Marcos Gerard Rivero  
Member

