Annual General Meeting 2017

José Manuel Entrecanales Speech



Dear shareholders, welcome one more year. On behalf of the ACCIONA Board of Directors, thank you for attending a new General Shareholders' Meeting.

Looking back, I think we can be reasonably pleased with the work done in 2016. It was an effort that brought good results which confirm – and exceed – the growth trend in previous years.

Even though we operate in a complex International environment –both in terms of the economy and the politics – there are also significant opportunities.

The evolution of the energy industry continues to be very promising as a result of technological advances and the increasingly prevailing recognition of the need for the development of clean and efficient energy sources. One example of this is the ratification of the Paris agreement in April 2017 by more than 140 countries, representing more than 80% of total worldwide emissions.

Renewable energies have ceased to be "alternative energies" and have become an essential pillar of the energy system – something which Acciona anticipated more than two decades ago.

It is a well-known fact that the infrastructure sector has gone through some particularly difficult years. However, infrastructure has been, is, and will continue to be the cornerstone of sustainable economic development in all economies. In fact, it is estimated that 5-6 trillion dollars would have to be invested in infrastructure every year, a 30% increase over the current investment level, just to maintain current economic growth.

Moreover, the focus of economic and investment growth is shifting from the West to Asia, with its implications in terms of the growth of the middle class and its associated energy and infrastructure needs.

Other global trends, such as digitalisation and Big Data, are also having an impact on all the sectors in which we do business.

The processing of large volumes of data is already a part of our lives, and it seems unquestionable that this is just the beginning of a new way of life. Suffice it to say, in this respect, that according to IBM, 90% of all the data currently available in the world were generated in the last two years.

In the same way as digitalisation is creating a worrisome social gap between those who can and those who cannot use it for their personal development and progress, the availability of large amounts of data and the ability to manage such data also poses a great challenge to companies.

Businesses are increasingly drawing more in depth distinctions on the basis of their data processing and analysis capabilities. I have no doubt that, at the scale at which Acciona operates, only innovative, highly digitised companies whose decisions and processes are based on the analysis of vast amounts of appropriately classified data will survive.

Unquestionably, there are other industries that are more or less vulnerable to this new revolution or whose ability to react or the need for human involvement is more or less replaceable. Fortunately, I believe that ACCIONA's main lines of business are reasonably resistant to sudden disruptions caused by hyper-digitalisation. In any case, the incorporation of Big Data in our operations is one of our main strategic approaches, and a large part of our assets are already being monitored and managed on the basis of real time data analysis.

One last major trend for companies like ours which aspire to spearhead the transformation of our industries is the growing concern for transparency and strict adherence to the ethical and legal standards underpinning our entire business.

There is no doubt that it is we, the companies, that must take responsibility for being most scrupulous in our dealings with government bodies, more transparent with our stakeholders, and more engaged with society and the environment. This trend must and will continue, and ACCIONA not only accepts it but embraces and promotes it in the genuine belief that it is a sine qua non for all organisations that aspire to corporate respectability and to the endurance of their businesses over time.

2016 Financial Year

Briefly reviewing the 2016 financial year, I would first like to highlight ACCIONA's excellent position. Our results are an example of the Group's strength and its ability to adapt to changes in the operating environment.

As you will all be aware, 2016 started with adverse winds, such as the sudden, sharp drop in prices in the wholesale electricity market, placing our largest division under a certain negative strain.

Despite this, and despite variations in the scope of consolidation, the company has been able to grow its EBITDA by 1.5%, to EUR 1,192 billion, and, for yet another year, has continued to reduce its leverage ratio, which fell from 4.39 to 4.31 times EBITDA.

2016 no doubt reflects the return to investment levels more attuned to our growth targets and our solid financial and strategic position, with investments of more than EUR 900 million, as opposed to EUR 222 million in 2015, 55% allocated to energy and 40% to infrastructures.

I need not restate that we seek only profitable growth and that we are not willing to sacrifice profitability for the sake of increasing our project backlog. Thus, in 2016 we obviously have not won as many tenders as we would have liked, but I expect that all the projects we were awarded will result in adequate levels of return and are reflective of ACCIONA's competitive advantages.

This strict bidding policy is brought home by the sound margins of our international construction business, thanks, among other factors, to the far-reaching internal restructuring process we started less than three years ago.

I need not remind you, dear shareholders, that over a span of just a few months, the Spanish infrastructure industry went from being one of the world's most active to practically vanishing. I find it hard to believe that there are many examples of industries whose main market dried up so abruptly, and at the same time some of the main players not only have survived but have become stronger in just a few years.

This is certainly the case of Acciona. The restructuring and sacrifices which were undertaken years ago are bearing fruit now, and we can say that we have satisfactorily replaced the Domestic market with the International market and that we are now a better and a stronger company than before.



From the point of view of the structure of our balance sheet, 2016 represented an extremely significant advance in the transformation of our financial model.

As you know, in recent years the group has focused not only on reducing its financial risks but also on aligning our financial model with the new regulatory environment for renewable generation in Spain that resulted from the radical legislative changes in 2012 and 2013 – regulatory changes which, by the way, are still being disputed in independent international arbitration courts.

In this regard, the process of transforming ACCIONA into a more diversified company with lower funding costs culminated in the refinancing of EUR 2 billion of project debt into corporate debt.

In line with the significant improvement in our company as a whole, and reflecting the Board's very satisfactory view of the 2016 financial year and the general progress we are making, the Board would like to propose to the General Shareholders' Meeting a 15-% increase in the dividend per share, to EUR 2.875 per share.



Energy

Going into our businesses in more detail, the energy industry has been plunged into a major revolution that revolves around three main aspects: decarbonisation, electrification, and digitalisation.

This revolution seeks to provide an answer to energy challenges, namely ensuring a secure, economically competitive, and environmentally friendly supply of power.

The vast majority of the world's academic and research voices have been warning for years that there is an undeniable trend towards an increase in CO2 levels in the atmosphere, a process clearly unrelated to natural cycles and causes, and that we run the risk of pushing the planet beyond its equilibrium, with unpredictable but probable catastrophic consequences.

Fortunately, after several decades of efforts at communicating and raising social awareness, this message has sunk in, and renewable energies have doubled their installed capacity in the last 15 years and since 2012 have exceeded new installation of conventional capacity.

Thus, renewable energies are currently leading energy growth, with a record installed capacity in 2016 8-% higher relative to 2015.

Let me just say that, despite more or less covert opposition by various public and private entities, and despite the untenable support that fossil fuels have received all over the world in recent years – between \$300 and \$600 billion in direct subsidies per year – that trend will continue in the future thanks to the ongoing improvements in technology, cost competitiveness, and the trust and support of society and the investor community.

More specifically, according to the International Energy Agency, over the next 25 years, almost two-thirds of new installed capacity will be renewable generation, attracting \$7 trillion in investment. Global renewable electricity generation is expected to increase five-fold and satisfy more than 30% of demand, as opposed to the current level of 9%.

Let us hope that, as is often the case, the International Energy Agency falls short in its forecasts, for, if we take into account the global targets in the fight against climate change, these forecasts will not suffice to attain the target of holding the maximum increase in our planet's temperature to two degrees.

Decarbonisation of the economy requires both electrification of the energy system and decarbonisation of the electricity system, i.e., renewable electric power generation. This is the only efficient solution to achieve a sustainable energy future.

To mention an example, electric cars. They only make sense if the electricity used to charge them is to a large extent renewable, as an electricity mix – the source of the electricity used to charge those cars – in which high-emission fossil energy sources predominate – as in Poland or South Africa, for example – would mean that they produce more pollution than diesel or petrol cars.

Another good example of the trend towards decarbonisation of the economy is Acciona itself. In last year's speech, I announced that becoming carbon-neutral that same year was to be a specific commitment. I am delighted to announce today that we have achieved this goal and, as far as we know, become the first company in the energy and infrastructure industry anywhere in the world to do so.

Thus, today's energy system is increasingly tending towards electric power consumption and towards the emission-free generation of electricity. But that clean generation will also be increasingly efficient and distributed and will integrate consumers as a key factor within a new dynamic, interconnected, and automated energy system.



To understand this new system, based on renewable energies, we need to look at a set of complementary trends.

Firstly, I would like to highlight the role of solar photovoltaic energy, whose scalable nature, combined with a spectacular drop in prices, has led to a true revolution in small-scale generation.

Secondly, advances in storage technology and scale are leading to a remarkable decrease in costs – a 65-% drop in the price of lithium-ion batteries in 2010-2015 – which, together with the development of micro-networks, will make possible the development of a 100-% renewable electricity system in the medium-to-long term.

Finally, digital advances are providing the electricity industry with significant improvements in the efficiency of renewable plants and new business models for the industry, e.g., Demand Response, Smart Grids, Smart Cities, Vehicle to Grid (V2G), etc.

But actual development of all these new trends and their mass implementation within the timeframes required by the climate change challenge requires the implementation of pricing policies in respect of CO2 emissions, or "carbon pricing".

More and more public and private entities are calling for the implementation of measures that tax the price of carbon emissions in order to reflect the real cost of fossil fuels on the economy and on society.

Even though 40 countries and more than 20 regions have already implemented carbon pricing schemes, and even though in 2016 the number of companies applying an internal carbon price tripled with respect to 2014, the fact is that this is not enough, particularly because the price per tonne usually assigned for emissions is insufficient to radically change consumption habits, business strategies, and national industrial or energy policies.

We have to carry on our work of explaining and raising awareness about the need to assign a cost to CO2 – in other words, to make polluters pay – so that society puts pressure on regulators and lawmakers in order to put in practice without delay global policies that discourage emissions and foster the decarbonisation of the economy.

To conclude this part of my speech focusing on the Energy Division, and in reference to Acciona's business milestones in 2016, I would highlight the consolidation of our position in the Americas and in Oceania, with successful tenders and large private contracts in Mexico, Chile, and Australia. In fact, the contracts we have been awarded in 2016 will represent the construction of more than 40% of the 2,000 MW committed to 2020, a target which, in view of the way things are going, may well be surpassed.

I would also like to mention our stake in Nordex, which we continue to regard as strategic. Its merger with Acciona Windpower was a key milestone in ensuring the long-term viability of both businesses, in preparation for the anticipated consolidation of the industry.

Infrastructure

As regards the other main company division, Infrastructure, I would firstly like to highlight its key role in economic and social development around the world.

Growing population in increasingly complex urban environments and the rise of middle classes in the emerging countries makes necessary the expansion of all kinds of social infrastructure to provide basic resources, process vast amounts of waste, ensure protection against natural catastrophes, and provide transportation solutions between and within cities.

We are actively providing solutions for all these needs, particularly in developing new transportation systems that comply with current trends in automation, efficiency, sustainability, and new materials. Our transportation projects currently in development are proof of this. The Quito underground, the Föllo Line railway tunnels in Norway, the Dubai Metro, the Sydney Light Rail, our first motorway concession in New Zealand, and the New Mexico City International Airport Terminal are flagships in the infrastructure sector and of course in each of the countries where they are being built.

Moreover, climate change and its repercussions require the refurbishment and improvement of other infrastructure facilities to ensure efficient use of resources. About 1.2 billion people – one-fifth of the world's population – experience water scarcity and 500 million more are under threat from that same situation.

In this regard, I would point to the contributions by our large hydraulic projects such as the Site C Dam in Canada, the Qatar desalination plants, our first water treatment plant in the Philippines, and the excellent management and service quality provided by ATLL in Catalonia.

By way of an example of the above, I would like to publicly congratulate Acciona Agua for its recent award from Global Water Intelligence as the best water company in the world in 2016.

Other Activities

To conclude this overview of the state of our businesses, I would like to focus on the group's Other Activities.

2016 was a very strategically important year for our real estate activity. At midyear, we decided not to take Acciona's rental portfolio public and changed our strategy to one based on reactivating residential development in Spain, Mexico, and Poland, and on divesting or contributing our rental portfolio to another vehicle.

This new strategy seems to be bearing fruit, and the outlook for the development business and crystallisation of the value of our rental assets appears positive.

With respect to Bestinver, let me congratulate it on its 30th anniversary. What started out in 1987 as a small financial unit in what was then the Entrecanales Group with the goal of, on the one hand supporting diversification, and on the other, actively managing family wealth, has now been consolidated, thirty years later as the leading independent asset manager in Spain, with almost EUR 6 billion under management.

There is no doubt that, over three decades, we have gone through hard times, but with Acciona's permanent supervision and support, rigorous management of our assets, the long-term vision of our investment strategy, the effectiveness and talent of our team, along with our brand strength and our clients' loyalty, has once again allowed Bestinver to regain its position as the independent leader in the industry, a source of pride for Acciona, and the basis of what, in thirty more years, should be a global benchmark in asset management.

Trasmediterránea – whose centennial is being celebrated this year and which I also want to congratulate – has been undergoing continuous internal reorganisation and optimisation, and together with the favourable economic and fuel cost environment have enabled the business to increase its EBITDA by nearly 50% with respect to the year before, and by 100% compared with 2014.



Outlook for 2017

I would finally like to very briefly summarise our expectations and priorities for the current financial year.

Turning first to our results, we expect continued growth across the main items: turnover, EBITDA, and recurring profit.

In terms of gross investment, our forecast is about EUR 1 billion, similar or slightly higher than last year.

Our expectation for the Net Debt to EBITDA ratio is for it to remain between 4.0 and 4.5 times, approaching the lower part of the range.

Our Energy business will focus on public and private tenders in traditional markets for us, such as Chile, Mexico, Australia, and the United States, and on specific opportunities in other fast-growing countries.

Our Infrastructure business will continue to submit bids in tenders for large projects in Australia, the United States, and Southeast Asia. Supporting our Services business in its internationalisation process will also be a priority.



This will be a particularly important year for our real estate business with reactivation of housing development in Spain and the potential culmination of a transaction to contribute our residential assets into a larger-scale vehicle with greater potential.

We will also work to continue to reduce the group's financial leverage and consolidate the reduction of our cost of capital.

We believe that the financial markets and the analyst community share our optimism, with Buy recommendations accounting for nearly 75% of total ratings, and a satisfactory performance of the stock in recent months.

To summarise, following a good year, and anticipating a better one still, I would like to state once more my satisfaction and that of the Board at the evolution of the company - both with respect to qualitative and strategic goals – as well as the results obtained during 2016.

Conclusions



Before concluding, I would like to briefly go in greater depth into an intangible concept, which is essential to our strategy, which we once pioneered, and which has now become a commodity to which most companies in the world adhere to, though in truth with highly variable levels of credibility.

Obviously, I am referring to the concept of SUSTAINABILITY.

In the last decade, a certain degree of confusion has arisen regarding this concept, due, I believe, to the misuse, lack of specificity, and even the lack of consistency of many that claim to be its advocates.

For this reason, it is appropriate here to examine what SUSTAINABILITY 2.0 concept should inspire our strategy and define the nature of our company.

The fact is that people often wonder what Acciona is. We hardly fit into a traditional sector classification that accurately defines us. We are not a construction company proper, for, even though construction is a very significant part or our DNA, it only represents a part of our business. We are not a traditional electric power company either, as we focus exclusively on renewable power generation, we are not distributors, and we do not have a specific geographic market in which we are the dominant operator.

Nor are we strictly an infrastructure concessionaire, and there is no doubt that we are not a real estate developer, regardless of the fact that we have extensive know-how, excellent tangible and intangible assets, and a great future potential in this area.

Even though we are sometimes described as one, we are certainly not a "financial conglomerate", as these are usually characterised by the fact that their choice of sectors are based on business opportunism, they tend to lack an industrial vocation, and there is no common denominator linking their investments together other than the ownership by a single shareholder.

Perhaps with the exception of a very small part of our business, our entire business activity is driven by the same purpose, the same ideals and goals, which are none other than helping contemporary society to meet the challenges which it faces – be it in social infrastructure, transportation, energy, urban services, housing, or water.

This is nothing new. Our origins in the civil engineering and works industry in the early 20th century were rooted in what were at the time the most pressing needs of Spanish society . Vast quantities of housing, dams, pipelines, sanitation, electric power plants, railway lines, and roads were required for Spain and Spanish society to prosper as indeed they have over the past century.

Even though Spain has now fulfilled most of these needs, the fact is that most of the rest of the world has not. Hence our global outlook.

Demographic pressure is growing more and more intense, the viability of the old energy models more questionable, the availability of water and natural resources of all kinds more scarce, and, above all, the climate repercussions of the traditional economic development model – which, I must admit, we were a part of for decades – have turned into the greatest threats to our generation, and, what is even worse, to future generations.

Thus, if a single industrial sector had to be defined for Acciona, it would have to be called something like the **Sustainability** industry. However, as the meaning of this term, perhaps through overuse, has become somewhat blurred, we might have to add that we are in the business of **Mitigation** of the effects of CO2 emissions or of water scarcity, or in the business of helping with the **Adaptation** of society to the new world in which we live, or in the industry that promotes and strengthens the **Resilience** of society to the now inevitable consequences of rising temperatures and violent weather events. In short, we seek to contribute to the **Transformation** of our production, wealth creation, and social progress models into one that is more inclusive, more environmentally friendly, and more scalable over the medium and long term.

Five key words then: **Sustainability**, **Mitigation**, **Adaptation**, **Resilience**, and **Transformation**, which spell out an acronym that is wholly consistent with our goals and our business approach: SMART.

This relates not only to individual moral and ethical considerations, but also to the fact that seeking solutions to the pressing problems of our time is what is intelligent, what is SMART, because, if we achieve this, even in part, ours will be a company that is respected by society, attractive to its employees, valued by its shareholders, viewed as desirable by its clients and, consequently, profitable and viable in the long term.

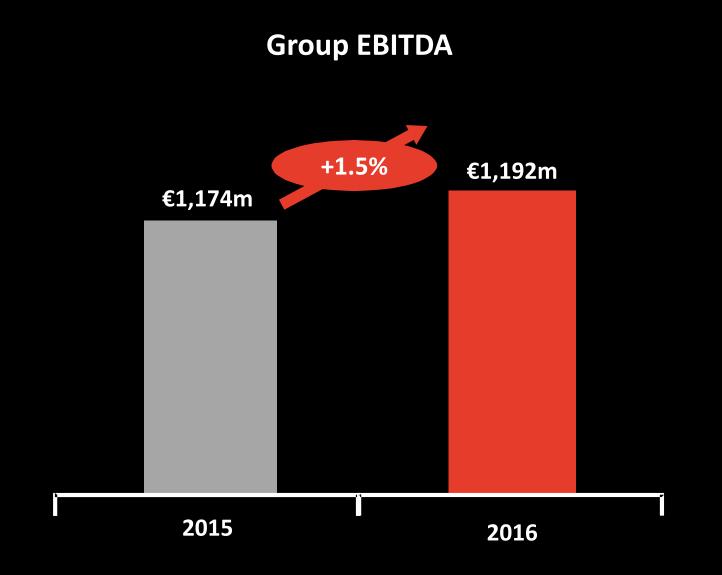
Let us thus maintain our focus on **Sustainability**, on contributing to the **Mitigation** of the effects of greenhouse gas emissions, on working towards the **Adaptation** and **Resilience** of society in meeting the great challenges it faces for the future, and on contributing to the **Transformation** of today's production and wealth creation model into a more inclusive and environmentally friendly model.

Let us be SMART and hope that many other companies are as well, so that our "new industry" will become the main business contributor to social progress, economic development, and environmental balance.

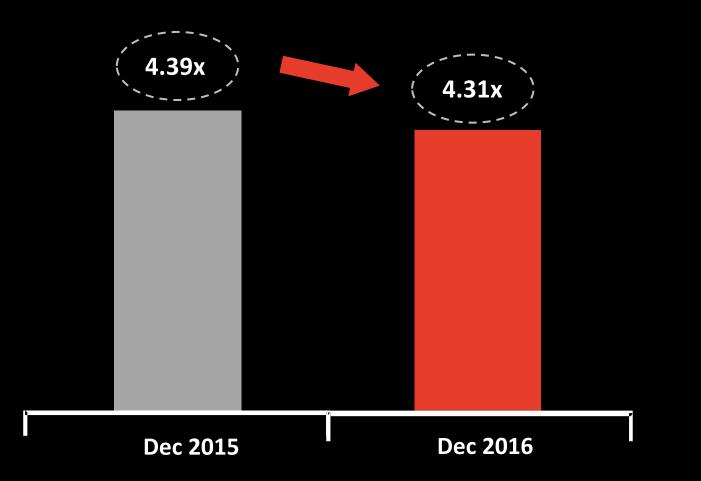
In closing, I would like to take the opportunity provided by this meeting to thank our shareholders, the Board of Directors, and all my colleagues for their support and for making it possible for ACCIONA to continue being faithful to its mission of creating value, of contributing to the progress of society, and of providing answers, to the extent of our ability, to some of the great challenges now facing our world.

Thank you very much.

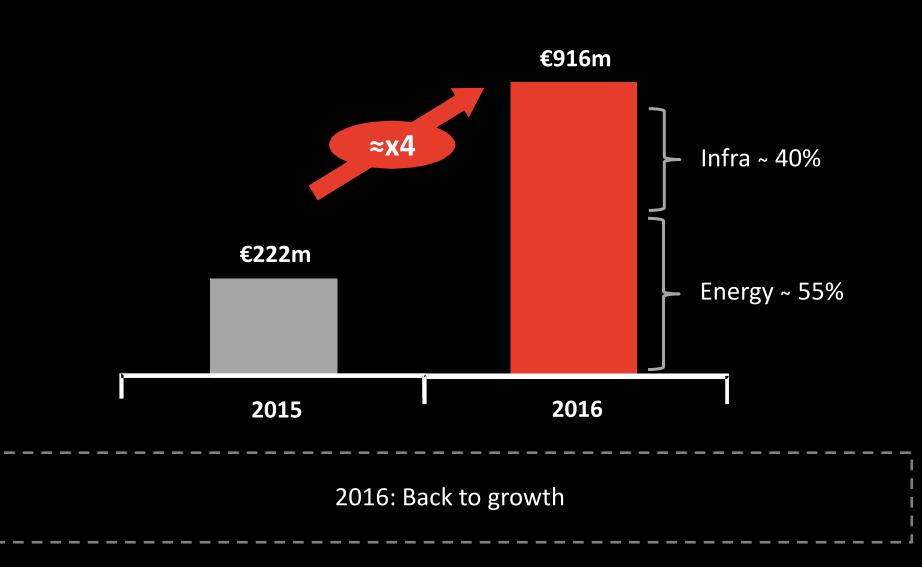


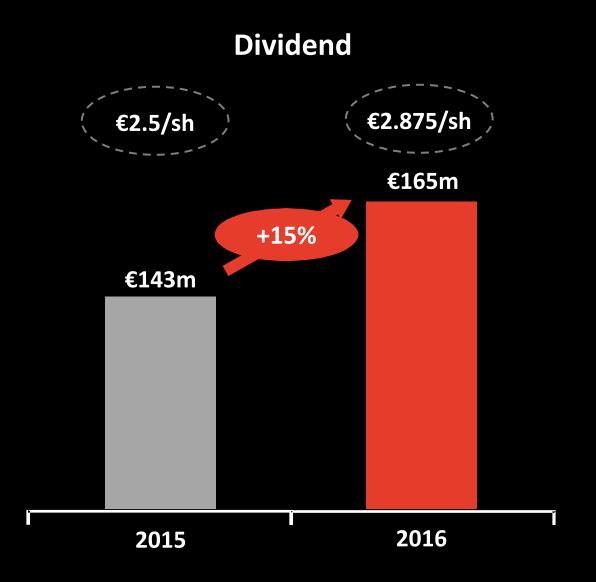


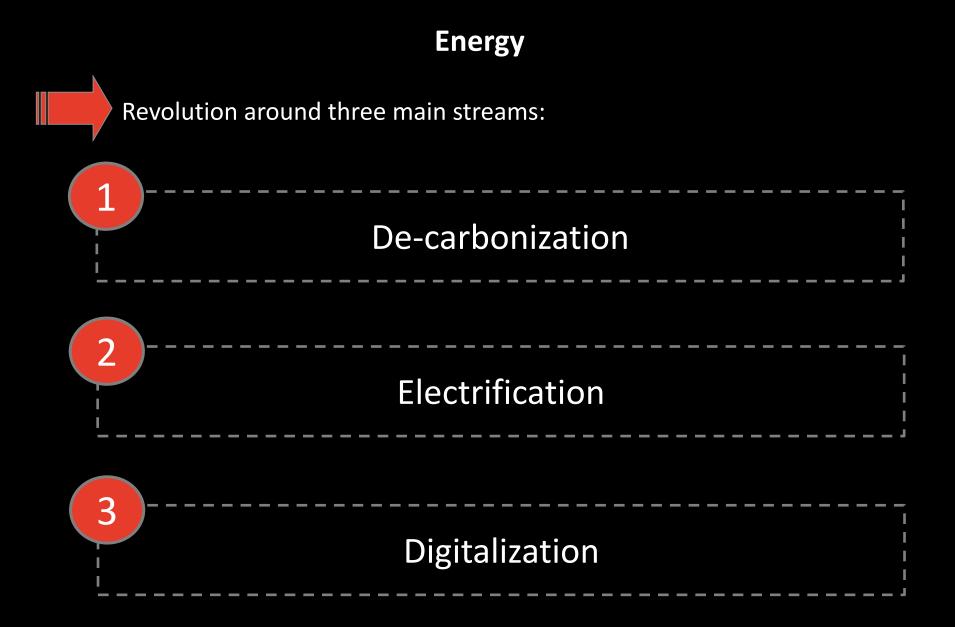
Net Financial Debt /EBITDA



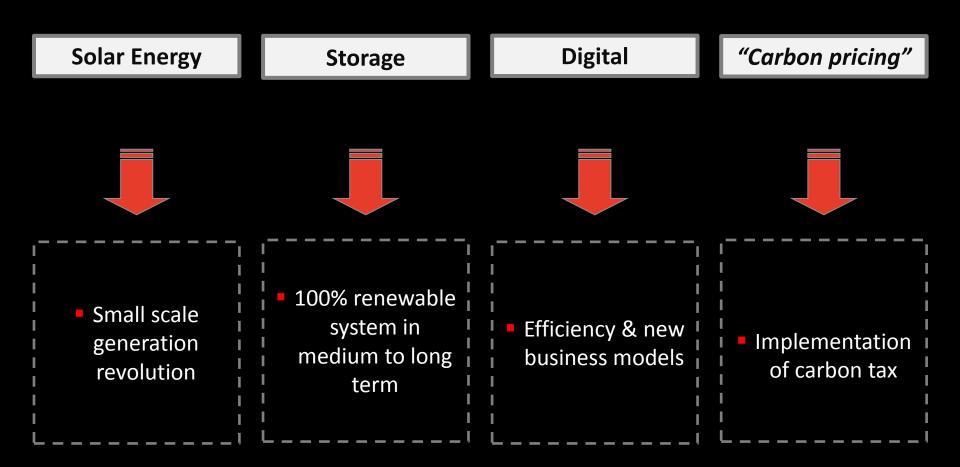
Ordinary net capex







Energy: Complementary trends

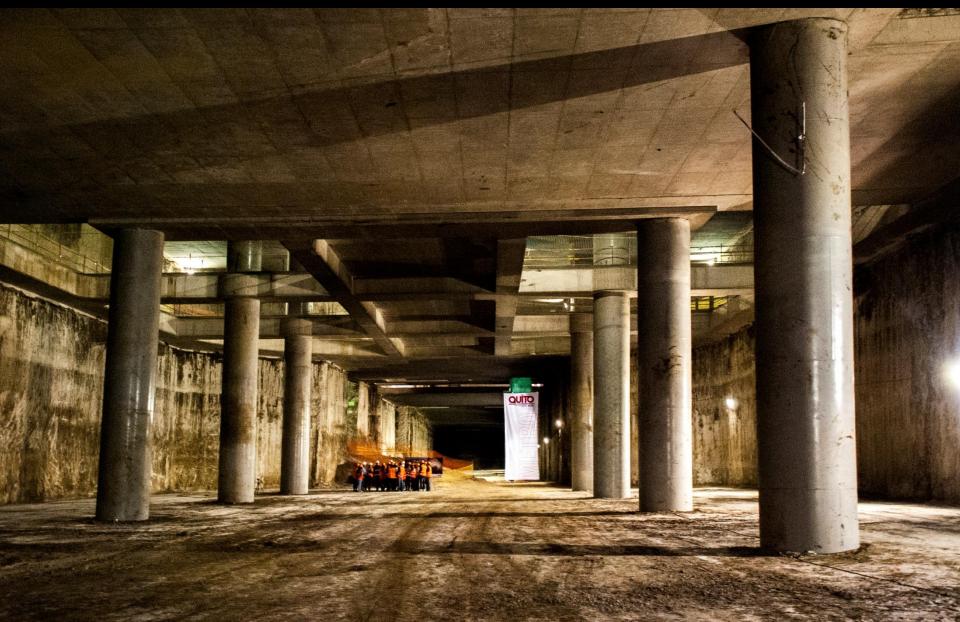


Infrastructures: business areas

Urban population growth requires new social infrastructure

Protection against potential natural disasters	
Provision of basic resources	
Treatment of vast volumes of waste	
Development of transport solutions between and within cities	

Quito Metro, Ecuador



Föllo Line Railway Tunnels, Norway



Dubai Metro



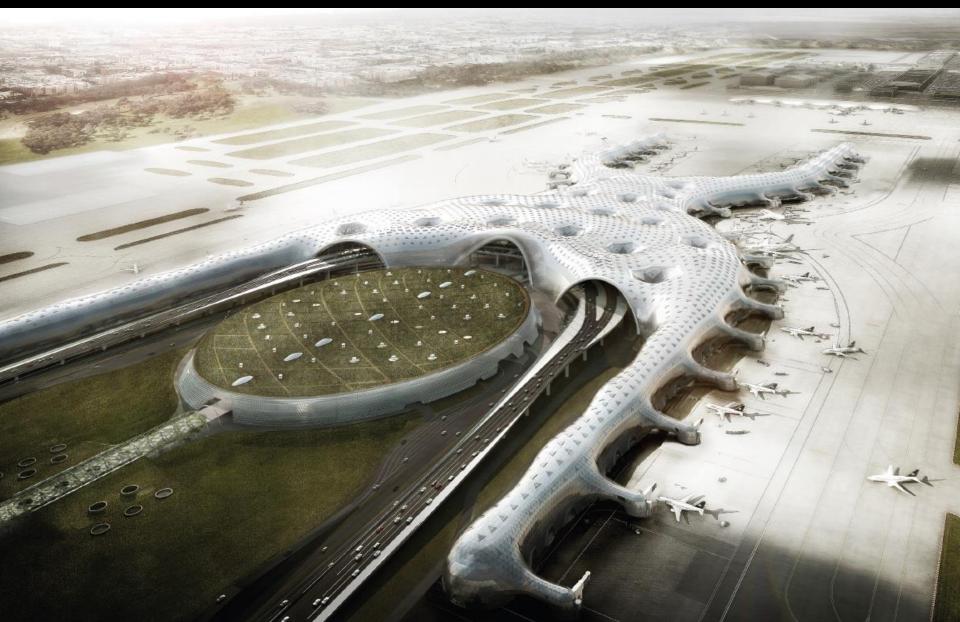
Sydney Light Rail



Motorway concession, New Zealand



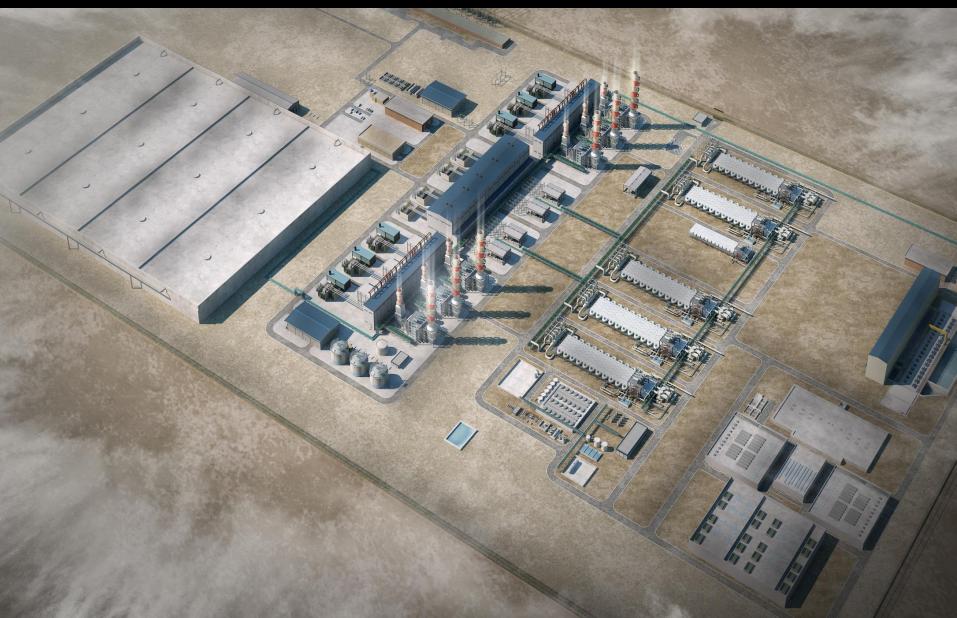
Terminal for Mexico City's new international airport



Site C Dam, Canada



Desalination Plant, Qatar



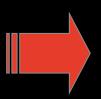
Other Activities

Real Estate	Bestinver	Trasmediterránea
 Reactivating property development activity Contribution of rental portfolio to other vehicles 	 ~€6,000m AuM 30th anniversary 	 Successful restructuring EBITDA increase ~ 50%

2017 Objectives



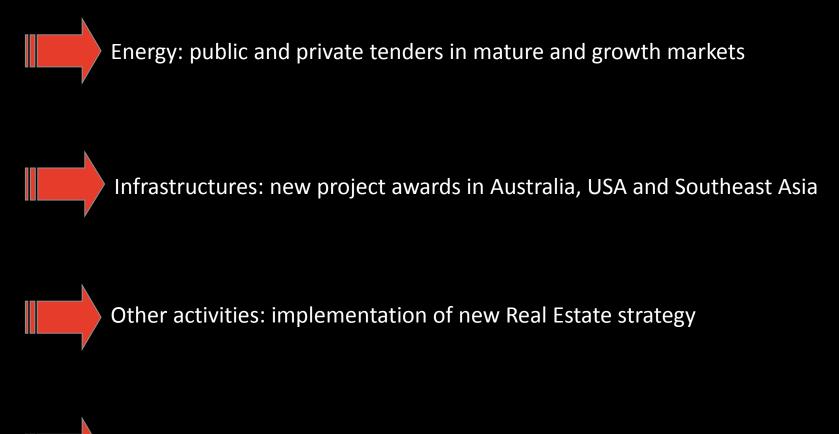
Moderate growth in revenues, EBITDA and ordinary profits



Gross capex around €1,000m

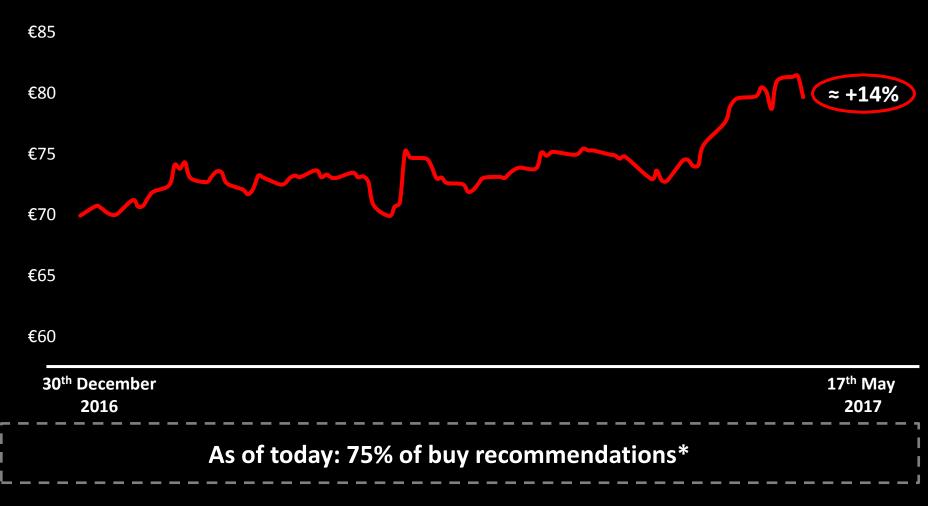
Net debt/EBITDA in low part of 4.0 - 4.5x range

Priorities for 2017



Reduction of leverage and cost of capital

Share evolution



*Analyst consensus 2016-2017: BPI, Sabadell, Macquaire, DB, BoAML, La Caixa, Alantra, JBCM, HSBC, Bankinter, Citi, Alphavalue, Fidentiis, GS, Intermoney, Norbolsa, Mirabaud, BNP, Santander, Kepler and BBVA

Sustainability

Mitigation

Adaptation

Resilience

Transformation

