

2015
Annual
General
Meeting



Speech by
José Manuel Entrecañales

Dear Shareholders,

It is a pleasure to address you at this Ordinary General Meeting where we account the work completed and the results obtained over the past financial year and, above all, where I shall analyse the future prospects for our company.

I am particularly pleased to address you this year, not only because of the satisfactory results of the Group in financial year 2014, but also because I believe these results are a turning point following a period lasting several years where the company has faced one of the hardest challenges in its long history.

Unfortunately, I need not remind you that the recent reform of the electricity sector has been especially harsh for the renewable energies sector and, in particular, wind energy, taking place in the context of one of the greatest economic and financial crises remembered. In this crisis, most of the group's businesses, especially the construction business, have been under particular strain as a consequence of an unprecedented reduction of public investment.

These serious issues addressed over the past years further augmented by other one-off albeit relevant events for the group, such as the collapse of the property sector, the abrupt and sudden exit of the Bestinver management team last year, or the drastic reduction of cargo and passenger levels in the inter-Island maritime sector. And all of these events took place in an environment with high leveraging, difficult access to financing and stark financial costs in respect of our international competitors.

In short, ladies and gentlemen, I believe that I would not be exaggerating if I said we have experienced what could be called a Perfect Storm or what is known as the “Black Swan theory” in economics, when describing a sequence of statistically rare negative events such as those suffered in recent years.

Fortunately, today I can and will pause to describe how Acciona has successfully defeated these challenges with a series of audacious, agile and committed actions and the implementation of an ambitious Action Plan that was set in motion more than two years ago. The results are visible in the extremely positive progress of the group last year and our good future outlook.

At this time with all due prudence, I can however affirm that the outlook for the group is optimistic, for our main businesses in Energy and Infrastructures and also for other activities with a smaller relative size but which also contribute significantly to the group's results.

As concerns the Energy world and despite the often interested scepticism of some parties, climate change is already an inarguable event and this is a key year for efforts to combat it. Paris will host the United Nations Climate Change Conference in December, known as COP 21. The purpose of this Summit is to: (i) establish maximum quantitative limits for greenhouse effect gas emissions, (ii) agree price assignment mechanisms for carbon emissions and, (iii) we also look forward to the endowment of emerging countries with financial resources to adjust to the socioeconomic consequences of global warming and make the investments required to create low carbon economies.

As you all know, just three days ago, the G7 summit held in Germany took giant strides ahead in this connection, committing to a maximum target of two degrees of global temperature increase. This extraordinary agreement involves significant consequences which I will detail later on.

As for infrastructures, I will review how the increase of world population and the ever-growing demand for better quality of life in developing countries, and also the ageing of infrastructures in the developed world and, quite often, their inefficiency as regards emissions, involve increasingly greater global needs for all kinds of public works.

Finally, I will briefly outline the improvements witnessed by some of our businesses, which until recently had genuine difficulties, and elaborate on how the positive trends of financial markets can provide opportunities to access competitive capital to boost growth and to create value for our shareholders.

Starting with regulatory changes and the Action Plan, the overall energy reform has brought a negative impact of 346 million euros on our 2014 results. To put this figure in context, I remind you that the pre-tax earnings of national energy activities in that year, following the regulatory changes, stood at 86 million euros.

Therefore, the consequences of this reform for Acciona Energía has involved a reduction of around 80% of prospective profits when laws in force at the time the investment was made had remained unaltered. This is therefore a blow that could undoubtedly be described as dramatic given its asymmetry and disproportionate bias against renewable energies and particularly wind energy.

However, fortunately, we are satisfied to say that we have overcome this hard adjustment and reorganisation period recovering our economic solvency and reinforcing our international position. All of this was achieved thanks to the effort, involvement and the commitment of all the people at Acciona, and that naturally includes you, the shareholders who sacrificed the remuneration of your investment via dividends last year.

This endeavour has materialised in an ambitious 2013-2014 Action Plan, and I believe it is worthwhile to briefly cover its targets and wider goals, now that it appears that we are reaching a satisfactory conclusion of this cycle.

In this connection I would like to note:

- (i) the reduction of gross annual investment by over 67% on the levels prior to the regulatory changes;
- (ii) the sale of assets and the entry of partners worth more than 1,000 million euros;
- (iii) the containment of operative expenses by more than 70 million euros per year;

- (iv) the reduction of compensation paid to senior management by 32% in respect of the previous year, and by 27% in respect of the average for the past three years;
- (v) the transformation of the sources of corporate financing of the group from predominantly bank-related sources towards capital markets;
- (vi) the aforementioned removal of the dividend of 2013.

It is undeniable these measures as a whole have significantly delayed the rollout of our strategic plan and that the personal sacrifices made by many have been enormous, however, this has involved a significant contribution to reducing our leveraging and has evidenced, without a doubt, the flexibility, the ability to react, and the commitment of the company and its shareholders to the project.

Let me now concentrate just briefly on the results of financial year 2014, highlighting the return to profits following the significant impairments witnessed in 2013.

The group's turnover reached 6,500 million euros, and this involved growth of 3.6% on the previous year.

Gross operating results or EBITDA stood at 1,087 million euros, up 2.4% over last year's results.

Net attributable income became positive, with a figure of 185 million euros, clearly contrasting the losses of -1,972 million euros in 2013, mainly due to impairments relating to the regulatory changes hitting the renewable energies sector.

As a consequence of the above, EBITDA at Acciona Energía dropped 8% in respect of the previous year, and in spite of this fact, it still contributed around 75% of the group's EBITDA.

Acciona Infraestructuras, encompassing all Construction, Water and Services businesses improved its EBITDA by 43% on the previous year, mostly due to the improvement of international business, which now represents 64% of the backlog.

The Group Other Activities, including Bestinver, Trasmediterránea and Property that I will discuss later on, also supported the improvement of profitability of the Group, and EBITDA grew by over 44% reaching 126 million euros.

Meanwhile, net financial debt dropped significantly from 6,040 million euros in December 2013 to 5,294 million euros in 2014, which involved a reduction of the debt ratio over EBITDA from 5.7 times to 4.9 times, bringing us much closer to the comfort levels below 4.5 times that we have set ourselves as a target.

Acciona is today a company with a solid balance sheet, an enviable position in industries with a recognised growth potential and whose positive development has been recognised by the market with a 64% increase in our share price from January 2014 until yesterday's market closing, in respect of a hike of the IBEX-35 index in the same period of 12%.

I can only regret that the company is no longer in the index following the last review. This has been due to technical reasons concerning the low level of trading of our shares, mostly as a result of the scarce selling interest of our shareholders and their long-term view. I hope that over forthcoming months, as the price of shares reaches levels closer to the target values of analysts, that the volume increases again and we re-join IBEX35 in a future review.

I also wish to highlight that the target price of analysts who cover our stock continues on the rise. In fact, while 60% of consensus recommendations in early 2014 were sell recommendations and the consensus target price was €40, today 90% of the recommendations are buy or hold recommendations and our consensus target price is €80, up 17% over yesterday's closing price.

In this new setting and amid certain optimism on the future outlook we shall motion this General Meeting to restart the payment of dividends at €2 per share, equalling a pay-out of around 60% of the earnings.

Having reviewed the main financial magnitudes of the preceding financial year and the degree of attainment of the goals set out in our Action Plan, I would now like to turn your attention to the prospects of the group for 2015 and the years thereafter that, as I said, are prudently optimistic.

Starting with the energy sector, firstly please allow me to reiterate that Climate Change is an undisputable issue, with unprecedented consequences for our planet, and no-one judicious and objective can question the issue.

Unfortunately (i) inactivity on behalf of the governments of the majority of the large emitters of greenhouse effect gases, (ii) the pressure and political influence of vested interests, (iii) the discrediting campaign against scientific opinions on the issue, (iv) the economic crisis and, without a doubt, (v) the intrinsic difficulties of changing an economic model deeply rooted in fossil fuels means that we are still distant from limiting the temperature increase to two degrees centigrade.

In this scenario, when scientific predictions concerning consequences for a large part of the world proved to be true, the situation could be described as dramatic. As we approach the COP21 in Paris at the end of this year, with the aspiration to reach inter-government agreements that are sufficiently binding to reverse this trend and start out on the road to definitive decarbonisation of the global economy.

Fortunately and surprisingly, as I said at the beginning of my speech, the G7 agreement announced last Monday on preventing global warming from exceeding two degrees centigrade is a huge backing for the targets of COP21 as it is a commitment for the group of the richest group of countries on Earth, with emissions adding up to a quarter of all global emissions. However, it is also true that for this commitment to really work, China and India would also need to back it, and with their efforts more than 50% of global emissions would be covered, and this is a step never attained before and huge progress for the targets of COP21 in December.

At this summit, where Acciona shall be an active member, the agenda is to agree a common quantitative target to reduce greenhouse effect gases by 2050 and to reach a level of net emissions of zero by the end of the century, with the changes that this involves.

More specifically, the implications of this target are the following: (i) the assignment of resources to the adjustment of infrastructures to decarbonisation and the protection of natural resources absorbing emissions, (ii) fostering low carbon or capture and storage technologies, (iii) public awareness policies on habits respecting the environment, (iv) putting policies of assignment of carbon prices into practice; and (v) the global development of renewable energies, one of the most significant vectors on the path to reaching these goals.

In line with the above, one of the main proposals is putting a price tag on CO2 emissions as a tool to discourage them and incentivise reduction. In short, the goal is to apply the basic and obvious principle that “he who emits the most should pay the most”.

As regards the renewable energies sector, which has witnessed an unprecedented technology development over the past years and a drastic reduction of costs, a 5-fold increase of installed capacities is expected over the next 25 years, according to the International Energy Agency, which usually has estimates falling short on this particular topic.

In the short-term, it is expected that a large part of growth will come from emerging countries as stable and universal power supply is a core foundation for their social progress and economic development.

This favourable alignment of factors means that the outlook for Acciona – one of the most recognised renewable energies companies on a global scale – can only be optimistic and that our strategy should be to reinforce growth as much as our human team can efficiently manage and always keeping the Group’s debt ratios contained.

To achieve this, we have a solid position in long-term fundable regions, with stable regulatory frameworks and large energy needs. Noteworthy are Mexico, Chile, India, South Africa, Brazil, Turkey or Morocco as high growth markets for future years, either for own projects or for third-party projects, always implying the sale of turbines of Acciona Windpower, our industrial division manufacturing wind turbines.

In more mature markets, including the US, Australia, Canada and Poland we are working selectively on lower risk projects to keep a balanced asset portfolio between emerging and developed countries.

Finally, we continue focused on maximising the value of operating assets, increasing the efficiency of our operation and maintenance, maximising our availability and extending the useful life of the assets beyond 25 years.

Dear shareholders, our oldest wind farm, in the Sierra del Perdón in Navarra, has been in service for 20 years and despite the fact that the technology is obviously very basic compared to current technology, it is still generating power with availabilities of 98% and continues to be profitable, efficient and productive.

Our extensive experience in this sector – I daresay one of the lengthiest amongst all operators and developers worldwide – undoubtedly heralds a bright future and significant value for our assets in the long-term.

For that matter, a highlight here is the most significant operative turnaround of the group in recent years. Acciona Windpower has reduced manufacturing costs and has increased the efficiency of its star product, the 3MW turbine, attaining a reduction in the cost of energy produced of 28%.

This improvement translates into resounding global commercial success, making it a significant contributor to the group's results and cash flow.

As for infrastructures, we are still witnessing a market with very positive trends in areas such as urbanism, transport, social infrastructures and, naturally, water.

Fast growth of population and its concentration in urban centres in developing countries, in addition to the need to update and improve obsolete infrastructures in more mature economies, means that there will be no shortage of opportunities for a group with Acciona's experience, technical capability and vocation for sustainable development.

Our regions and strategic countries are already identified and act as a platform for new markets. In Europe, we see opportunities in transport in Central Europe and Scandinavia, where we have just been awarded a contract for the most emblematic railway works in Norway. We are also analysing large public works programmes in the United Kingdom and Germany. Additionally, the recently announced Juncker Plan could bring a boost for other European markets which suffered a significant depression over the past years of financial crisis.

In the Middle East, there are many opportunities in transport, hospitals, water and industrial services and we have recently established the strategic alliances required to operate efficiently in this region.

We will continue to rely on our consolidated position in Canada to tender for public-private transport projects and we are considering some specific contracts in the United States.

In Latin America, Mexico, Brazil, Chile and Peru are our key countries, with a focus on mining, transport, water and social infrastructures.

Finally in Asia-Pacific, our priority is still Australia, where we are especially proud of the successes achieved and we expect to continue witnessing new awards in the near future.

All of the above is proof of our ability for technically-complex contracts with high added value on a global level without shifting the focus from risk control and profitability.

To round off the review of outlooks by sectors and activity lines of the group, I wanted to note the special turnaround of three of our businesses where prospects were worrying less than 18 months ago. I am talking about Bestinver, Acciona Inmobiliaria [Property] and Trasmediterránea.

I do not need to remind you that the management team at Bestinver suddenly departed less than a year ago, failing to fulfil their commitment to an orderly transition. However, with the support of Acciona, the strength of the Bestinver brand, the loyalty of its clients and the excellent work completed by the new management team, we have overcome the turbulence of the transition, protecting the interests of our clients and creating the team required to augur a bright future.

As far as Trasmediterránea is concerned, following an intense internal restructuring process, the optimisation of lines and the fleet, reduction of operating costs and the deleveraging of the balance sheet, we have transitioned from a scenario of a company in serious difficulties to the current situation, which is more efficient, competitive and with a bright outlook. We have therefore resolved to delay any corporate operations for the sale, merger or entry of new shareholders at least until the results of this new environment clearly reflect the true value of the company and its leading position in the national maritime transport sector.

In connection with Acciona Inmobiliaria, the market appears to be entering a new recovery cycle. This, together with a new operational management team and a solid project in the property rental segment, arouses the interest of international investors or the potential to finance its growth in capital markets via a stock market flotation.

Along these lines, the improvement of financial markets and the reduction of the cost of capital can bring opportunities for independent financing of activity lines of the group that may obtain access to capital at highly competitive costs, allowing the consolidation of growth and investment opportunities, and the crystallisation of their intrinsic value.

As I said above, both the property and energy businesses could be candidates for independent access to capital markets, although this process is currently subject to an internal analysis and it is still too early to provide any conclusions.

Dear shareholders, as I said at the beginning, it is a pleasure to present this year's results and the outlook for a company that has overcome great adversity thanks to the efforts and sacrifices made by everyone, growing stronger in the process.

My very personal view, after working for years to contribute to a more sustainable environmental and energy model and to try to position our company in a privileged position to maximise the advantage of an unavoidable change of the energy, economic and business paradigm approaching, I believe that today we are one step closer.

Notwithstanding the huge difficulties we have faced in recent years and the staunch opposition to any changes as far-reaching as this one, we can safely say that today the world is now moving in the direction we had hoped for.

If we are capable of keeping on track and surmounting the many obstacles that the future may bring, we will have fulfilled our commitment and we will have continued the transition of a company founded almost a century ago towards another company with the ability to continue contributing to economic development, social progress and environmental balance for at least another century to come.

Colleagues, members of the Board of Directors, shareholders, I sincerely thank you for your trust and support over these years of exceptional adversity and I call upon you so that we may continue to reap the benefits of our endeavours and experience the satisfaction of seeing our goals turning into reality, together with the hopes of all those who preceded us in this enterprise.

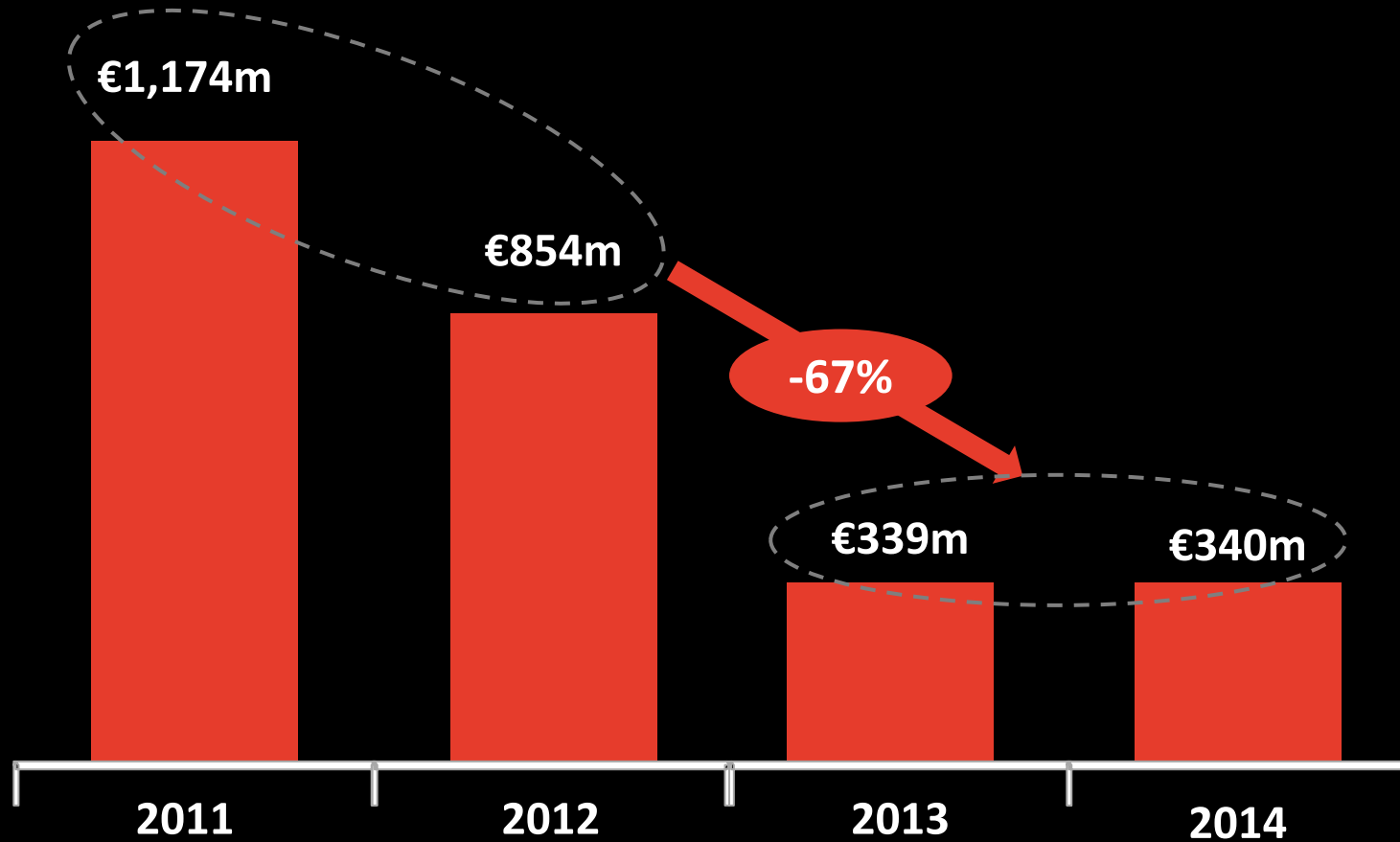
Thank you.

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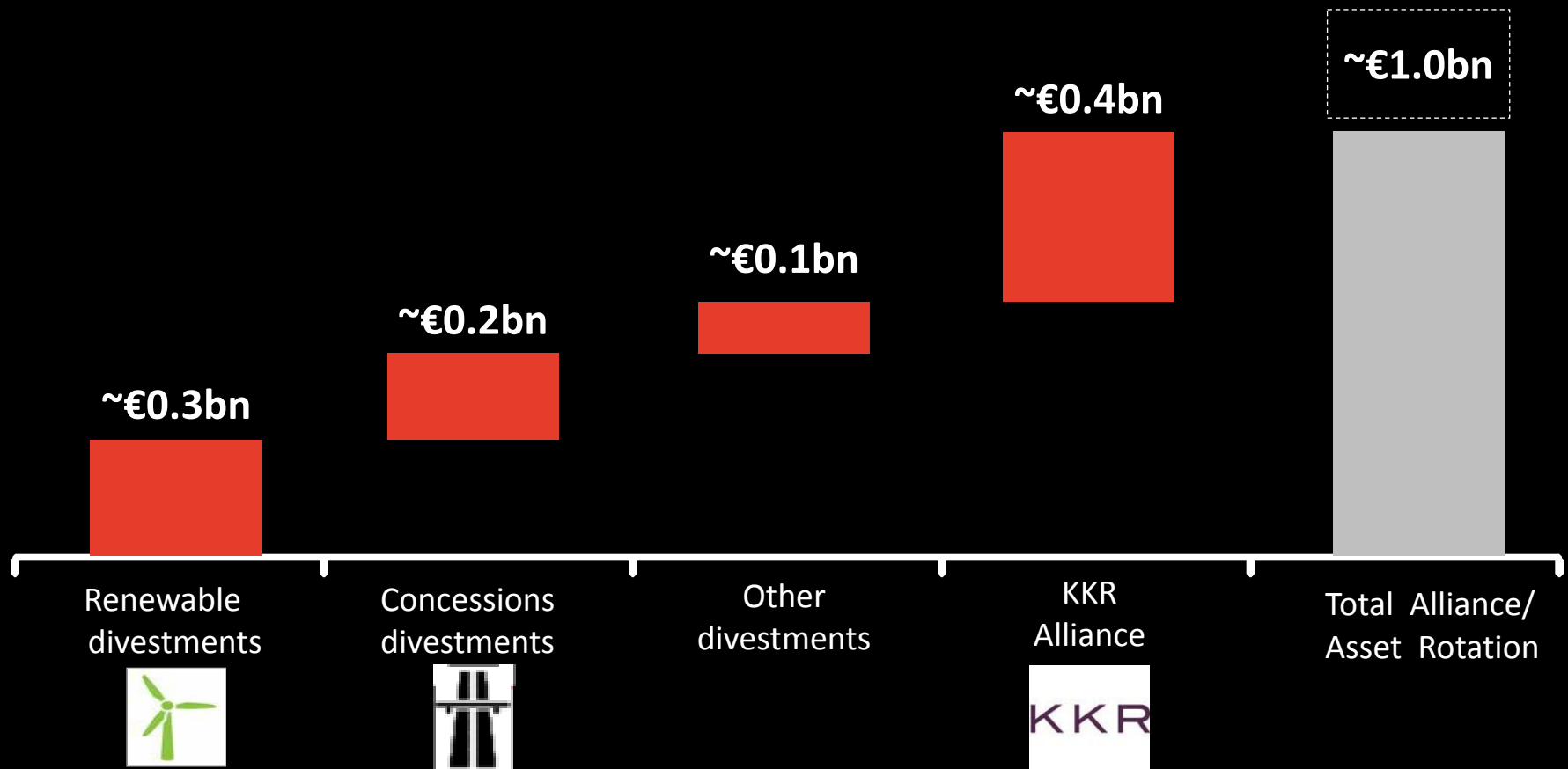
2013-2014 Action Plan

Reduction of gross annual investment



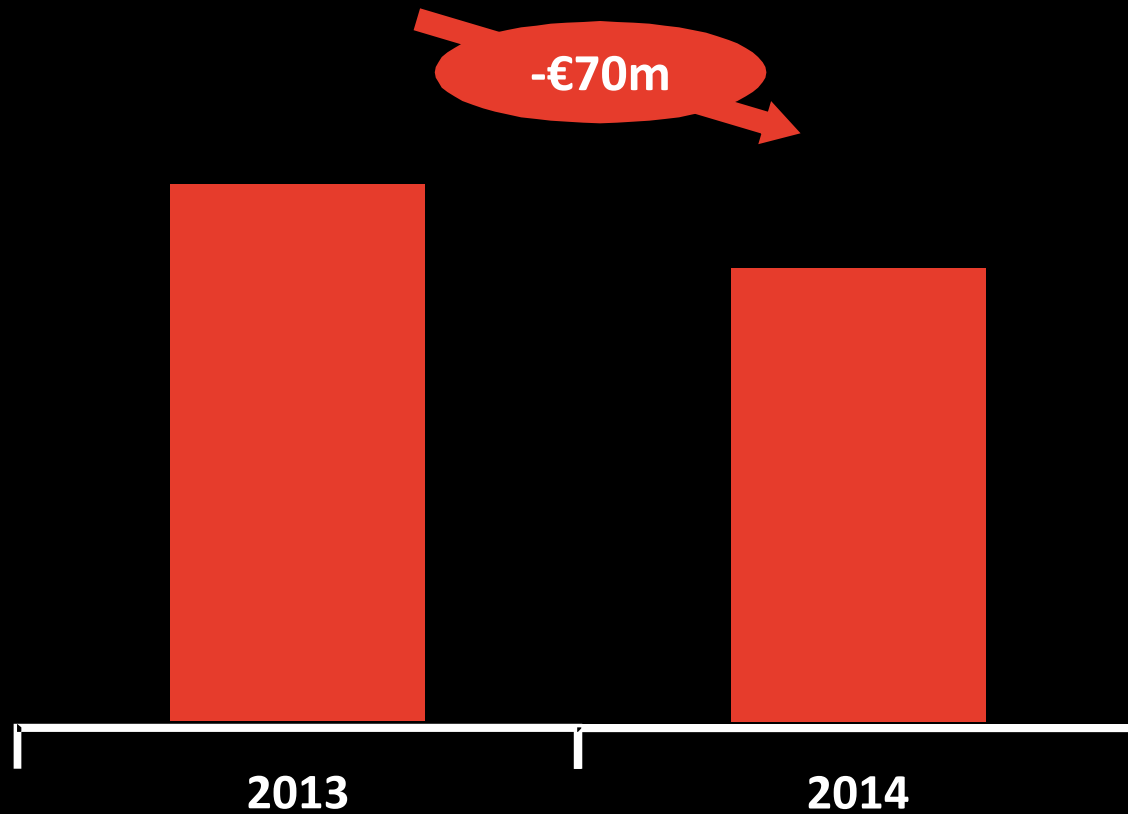
2013-2014 Action Plan

Sale of assets and entry of shareholders (€1,000m)



2013-2014 Action Plan

Operative expenses contention



2013-2014 Action Plan

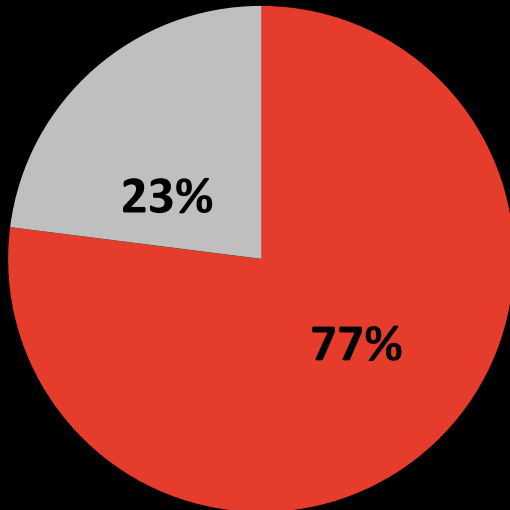
Reduction of compensation paid to senior management



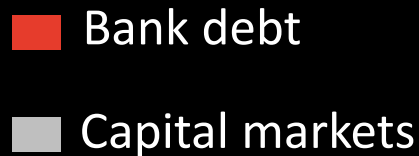
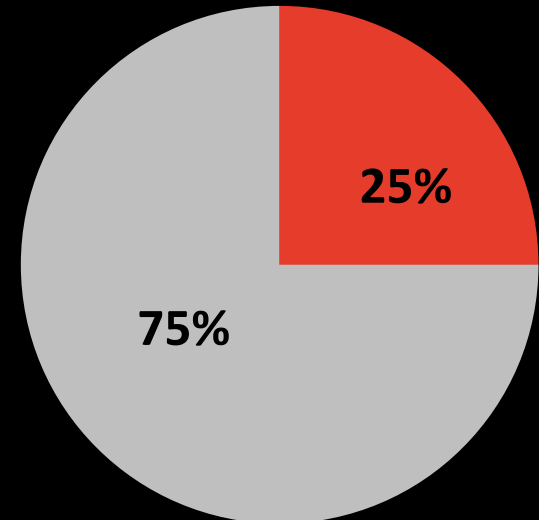
2013-2014 Action Plan

Transformation of sources of corporate financing

2013

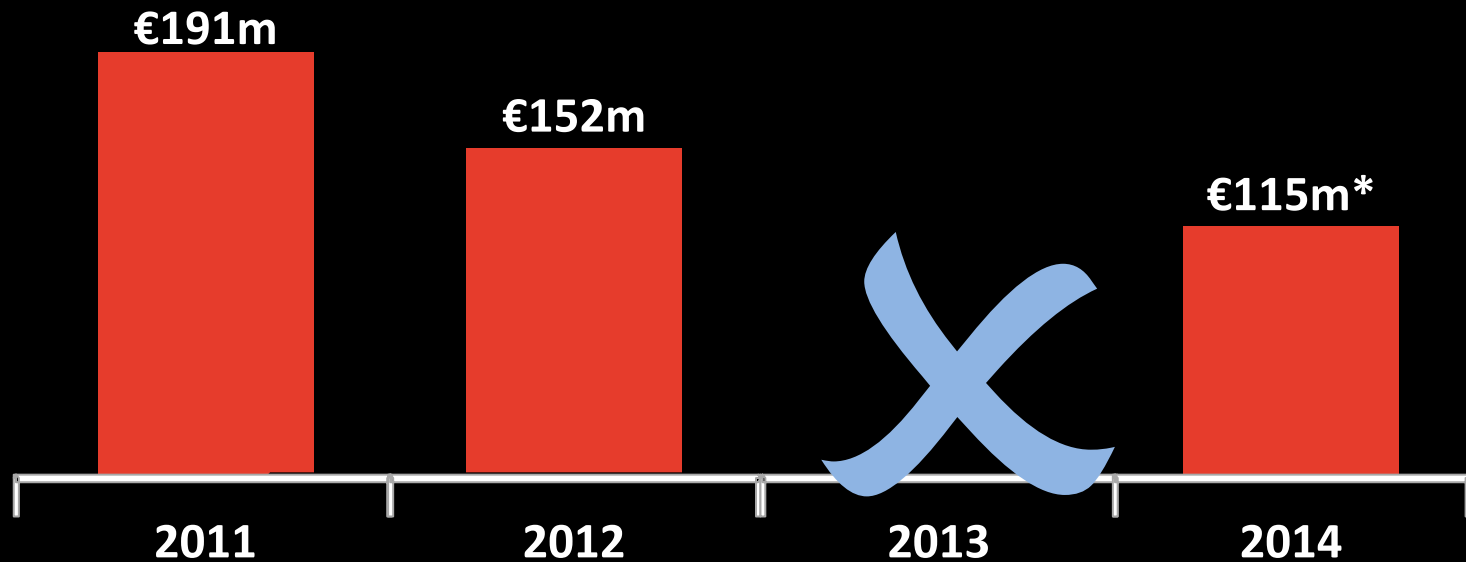


2014



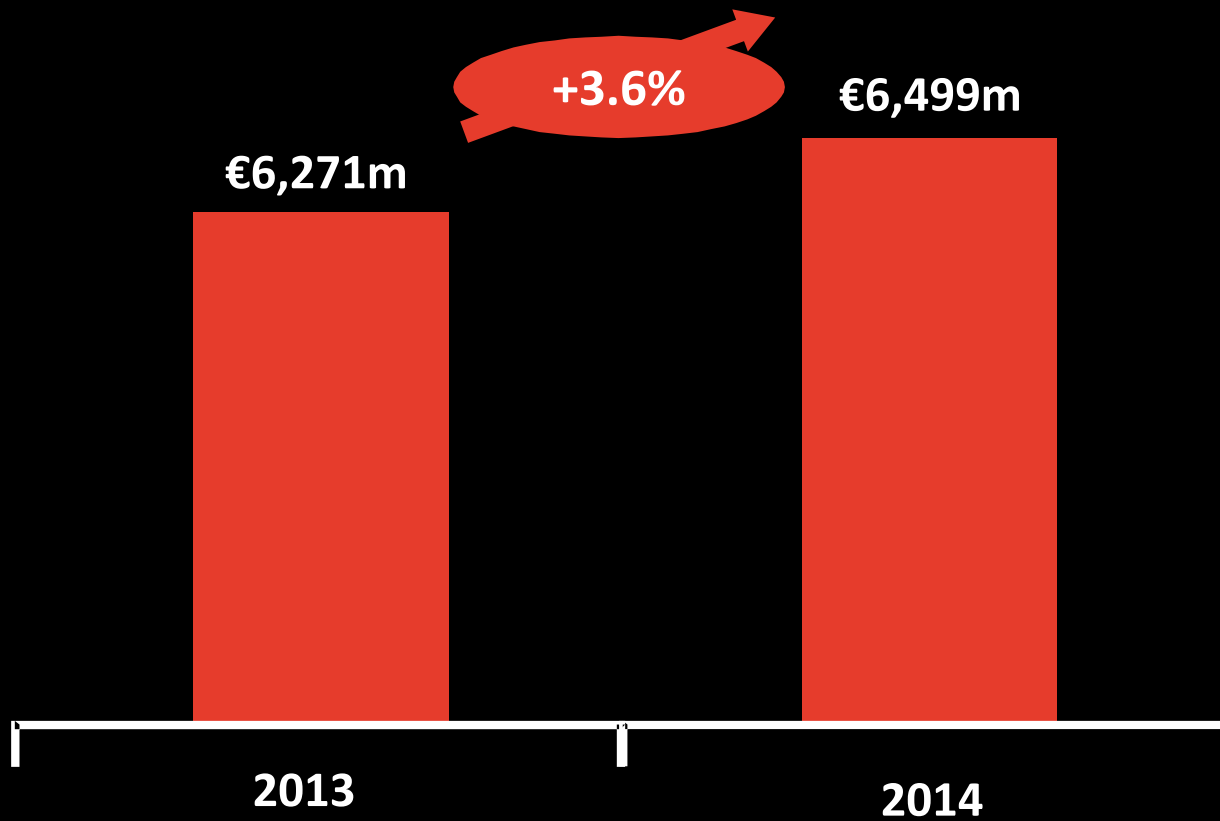
2013-2014 Action Plan

Removal of the dividend paid against 2013 results

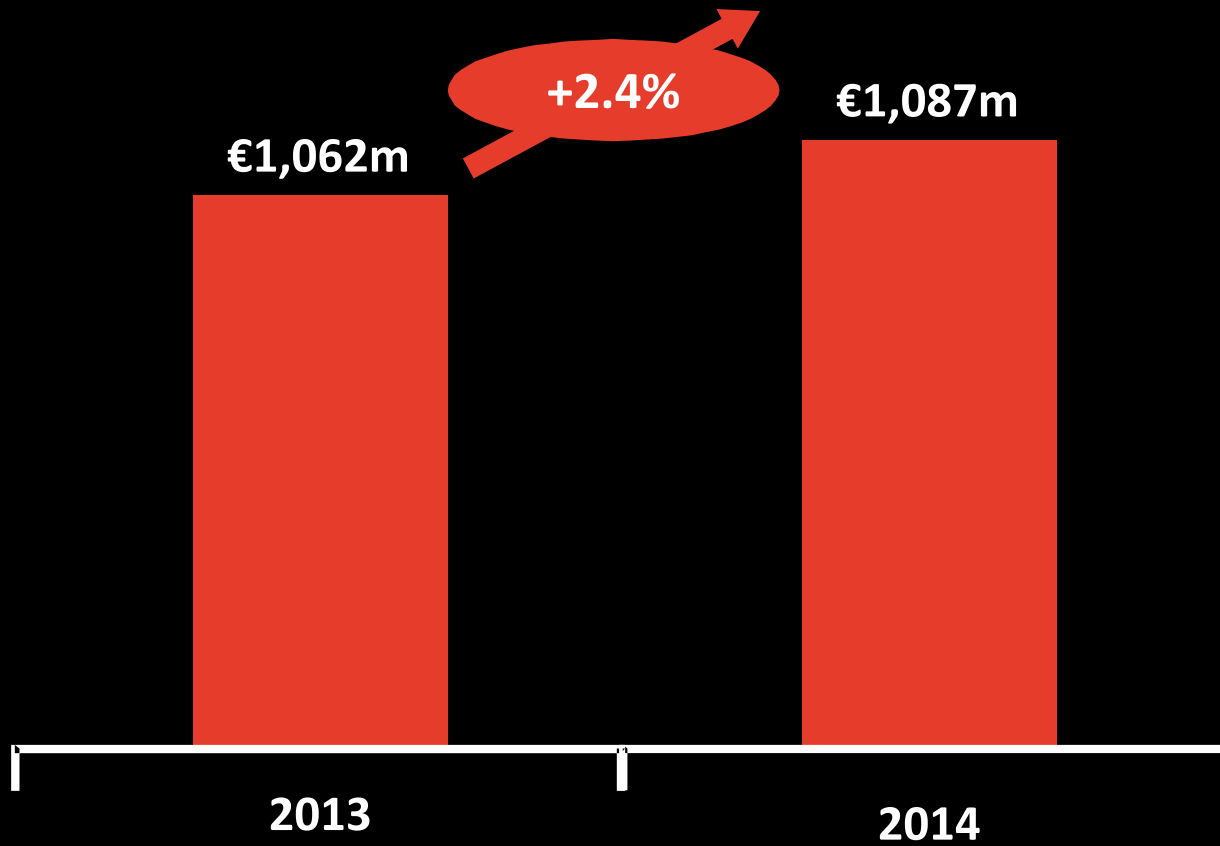


*Pending approval in General Meeting

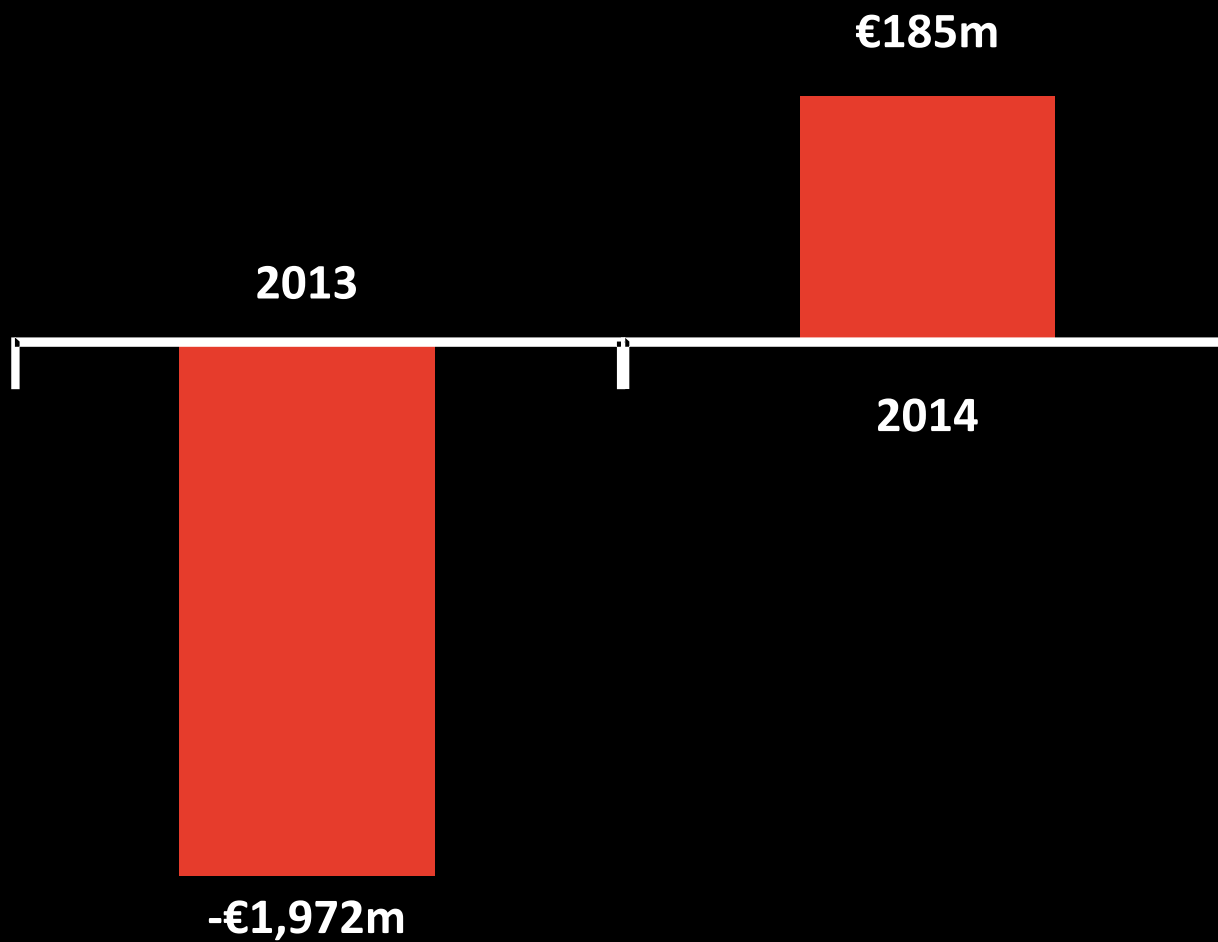
Group's turnover



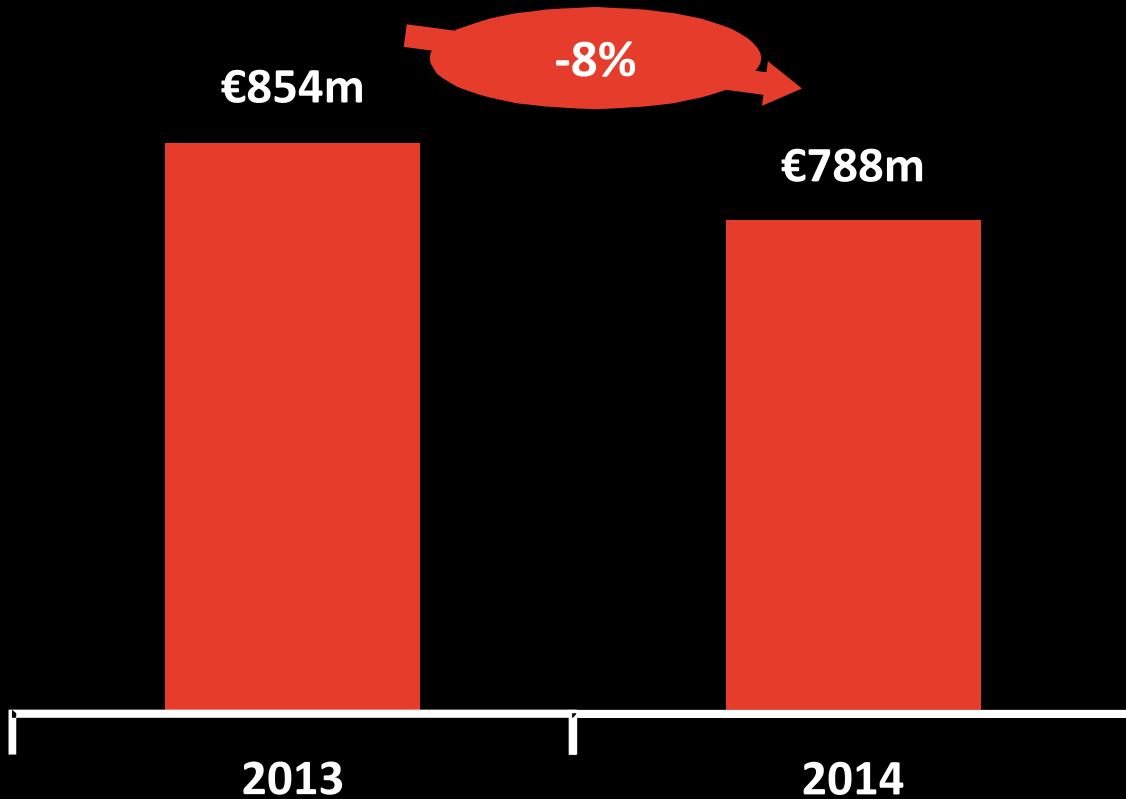
Group's EBITDA



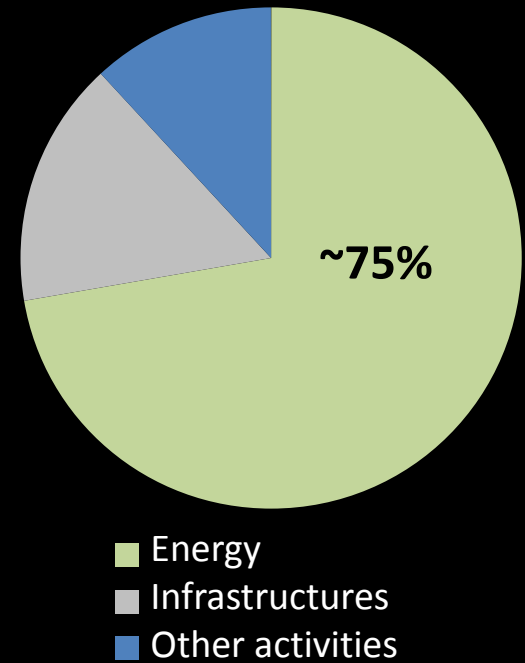
Net attributable income



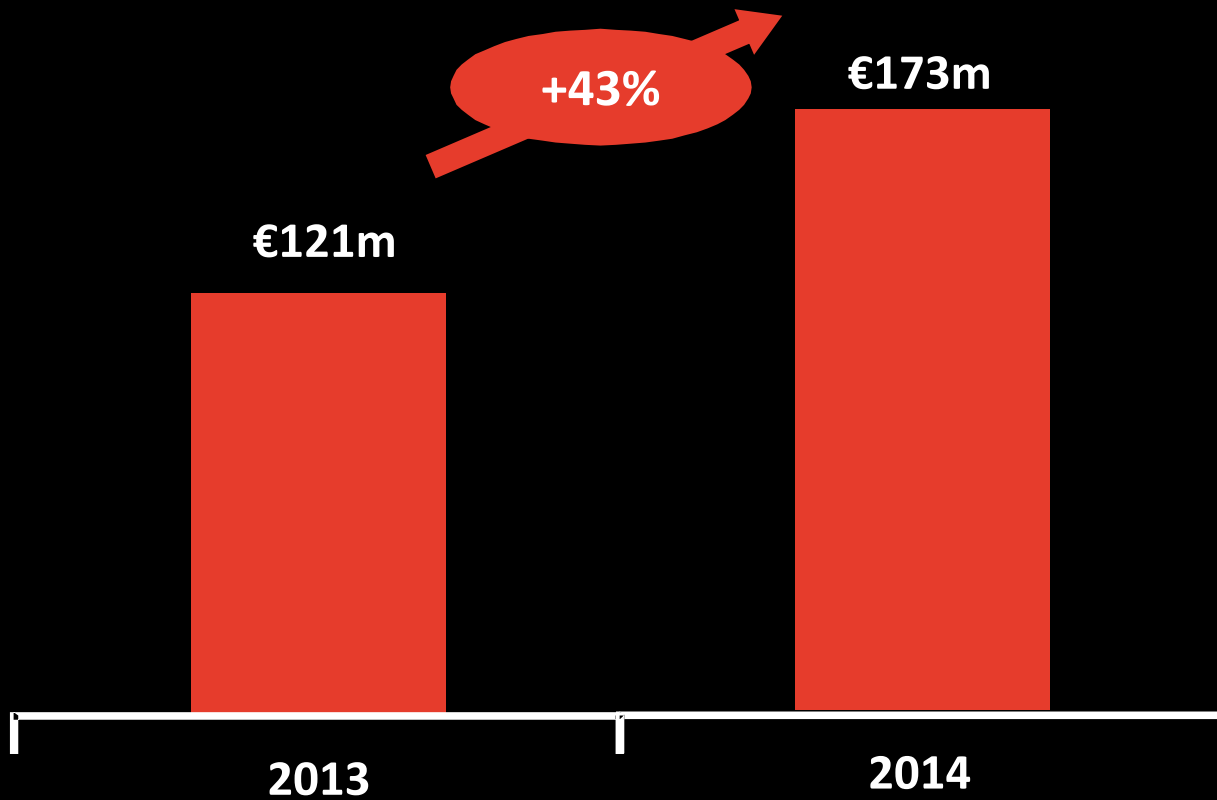
EBITDA Energy



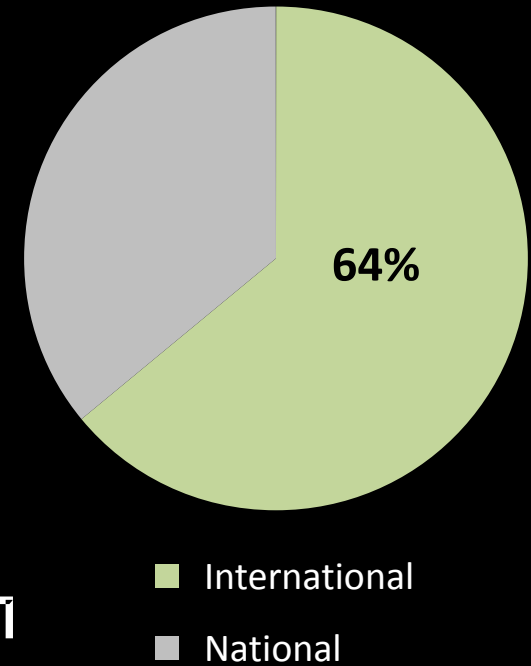
EBITDA by division



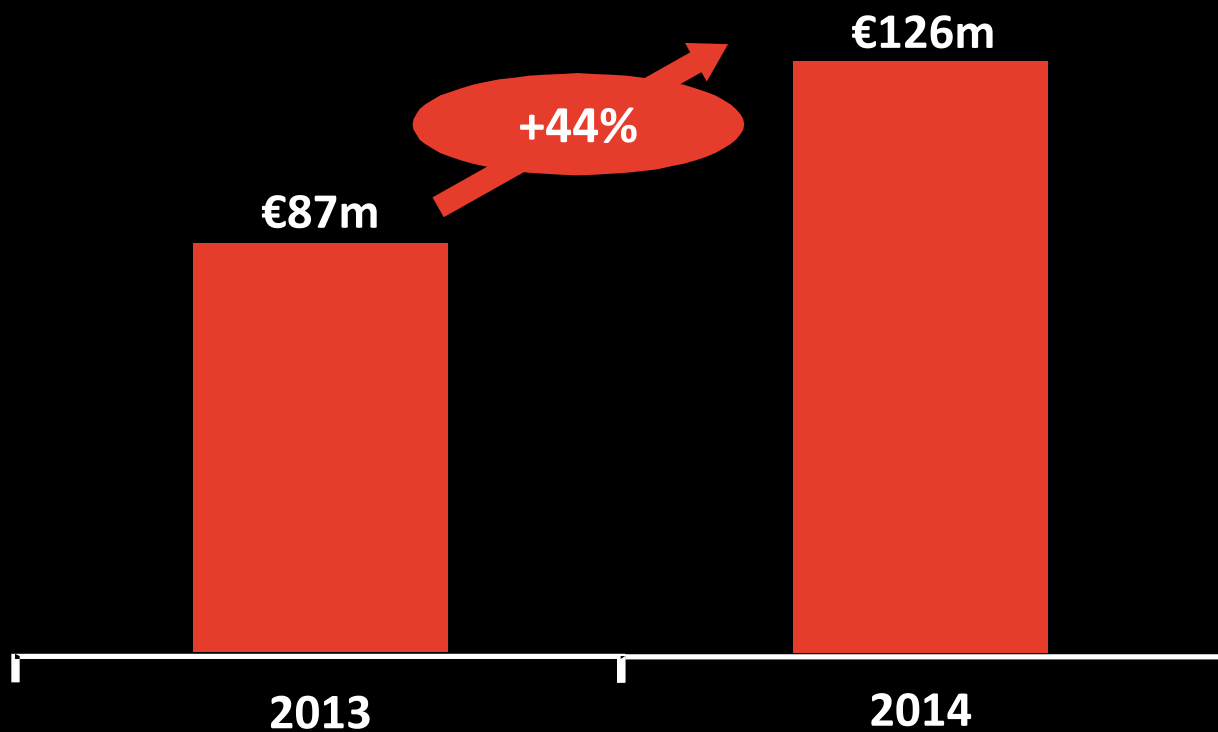
EBITDA Infrastructures



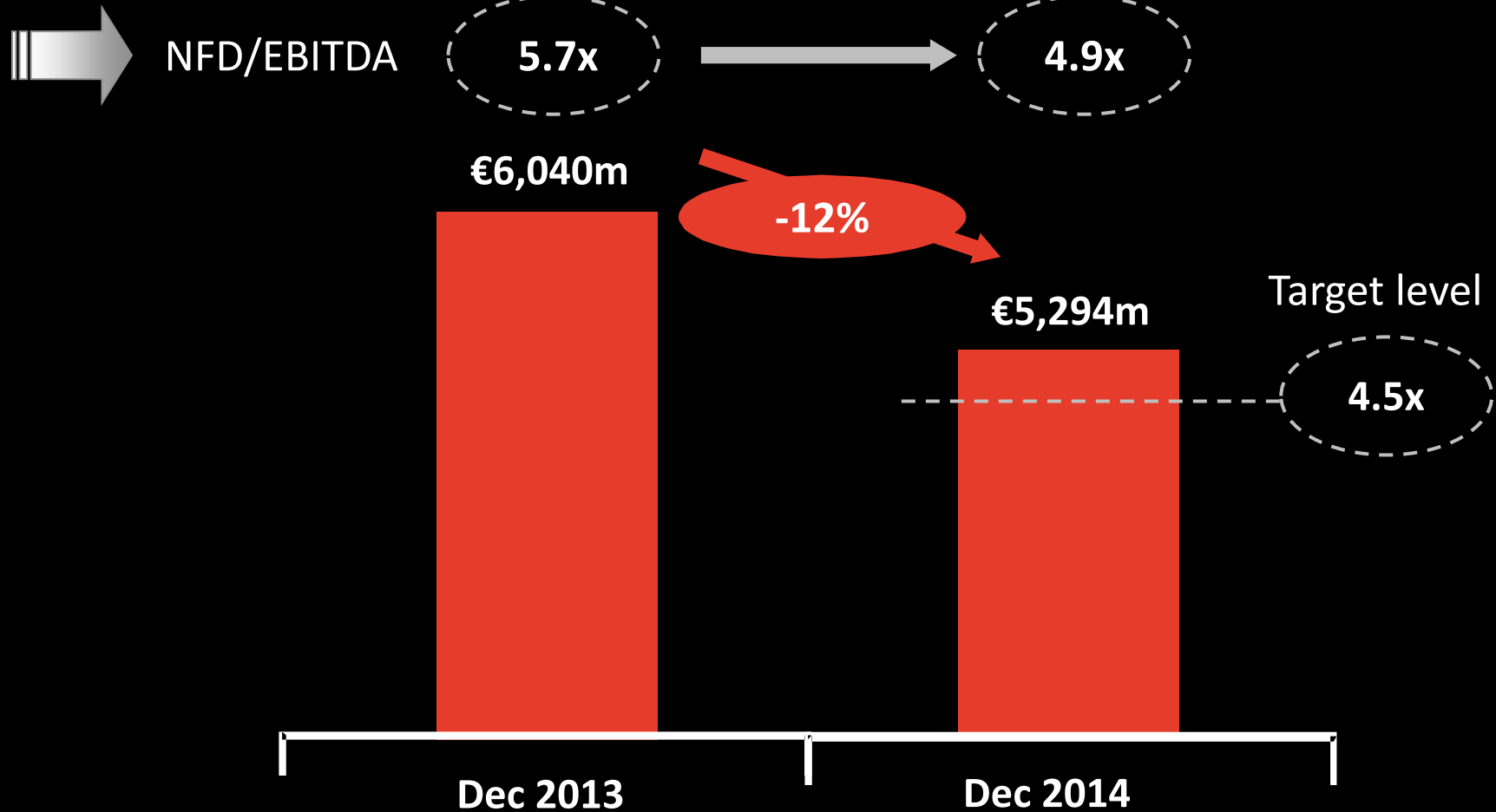
Construction backlog



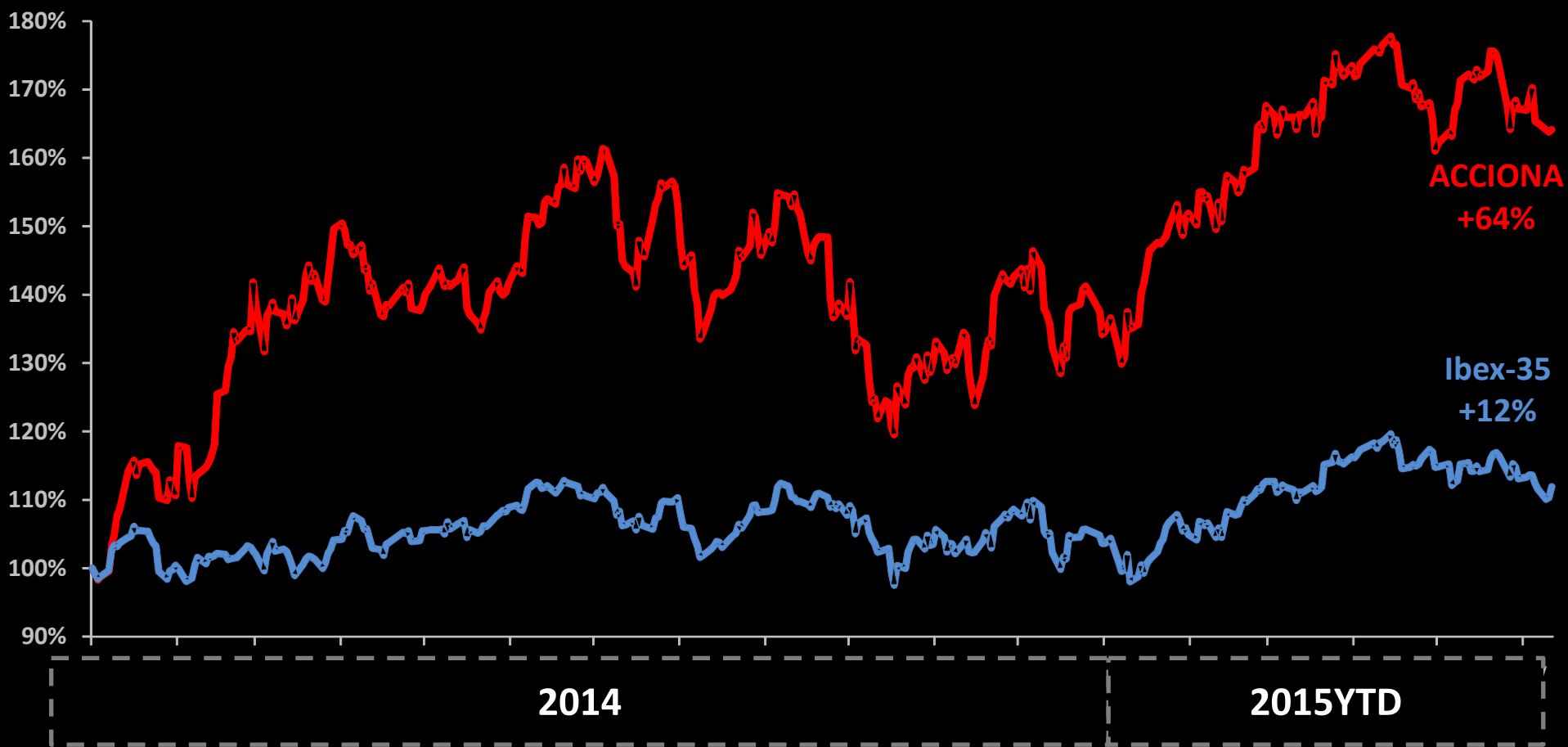
EBITDA Other activities



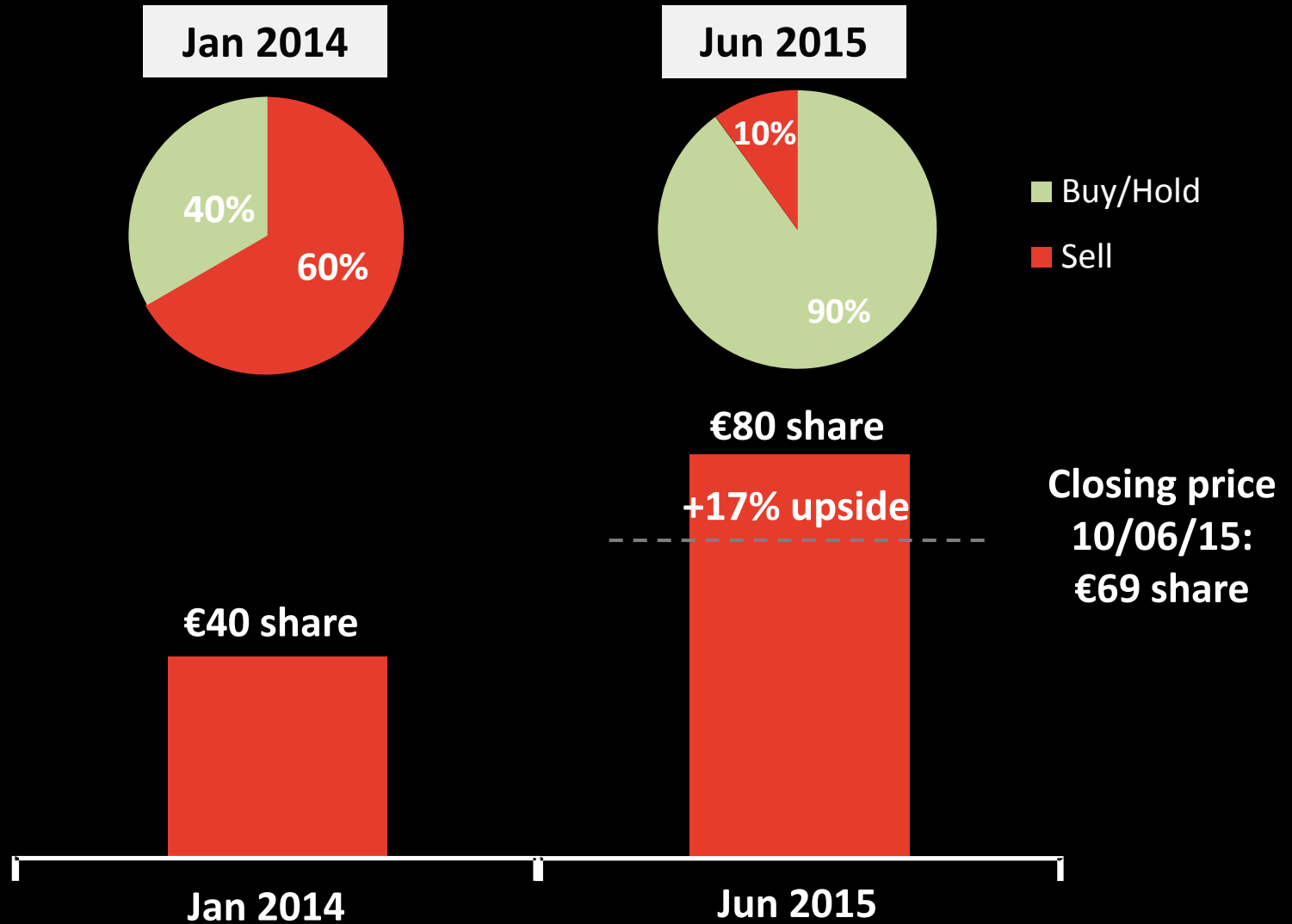
Net financial debt



Share evolution 2014 – 2015YTD



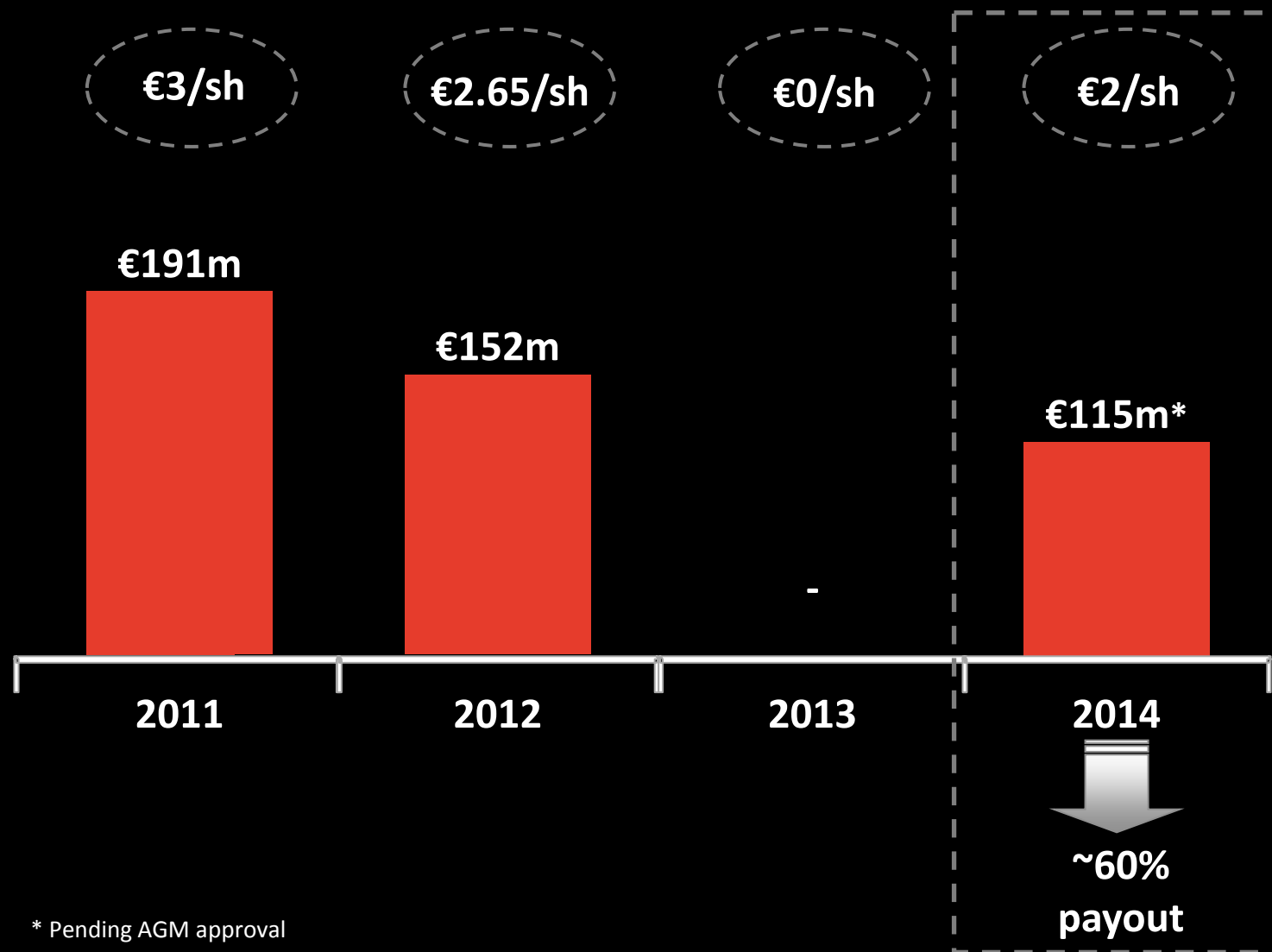
Analysts consensus 2014 – 2015YTD



Recent consensus analysts Jan 2014: Fidentiis, Deutsche Bank, Exane BNP, Macquaire, BoAML, N+1, Goldman Sachs

Recent consensus analysts Jun 2015: N+1, BPI, Goldman Sachs, Bankinter, Ahorro Corporación, Kepler Cheuvreux, BBVA, BoAML, JBCM

Restart payment of dividend





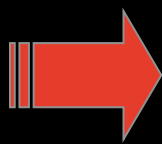
Climate change – Arctic deicing evolution



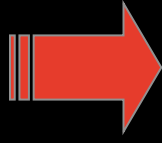
G7 summit (Germany) – June 2015

COP21

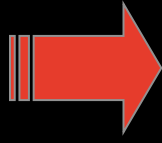
Common quantitative target to reduce greenhouse effect gases by 2050 and to reach a level of net emissions of zero by the end of the century



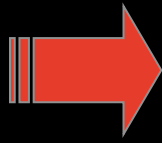
The assignment of resources to adjustment of infrastructures to decarbonisation and the protection of natural resources absorbing emissions



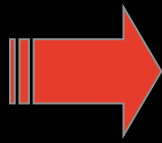
Fostering low carbon or capture and storage technologies



Public awareness policies on habits respecting the environment



Putting policies of assignment of carbon prices into practice



Global development of renewable energies, one of the most significant vectors on the path to reaching these goals



SPV plan Amaraleja, Portugal (45.8MW)



Wind farm Gunning, Australia (86 MW)



CSP plant Palma del Río II, Spain (50 MW)



Wind farms Oaxaca, México (306 MW)



Wind farm Cathedral Rocks, Australia (66 MW)



Wind farm Red Hills, USA (123 MW)

+98% availability



Wind farm El Perdón, Spain (20 MW)



AW3000 Turbine (3MW)



Refocus of infrastructures towards a sustainable model



Hydric stress



Kugira and tunnel boring machine Northern Link



Northern Link tunnel, Australia



Bridge on highway A30 over Beauharnois channel, Canada



Water treatment plan Atotonilco, Mexico



Desalination plant Adelaide, Australia

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