

ACCIONA, S.A. And
subsidiaries
(Consolidated group)
Directors' report for
financial year 2016

ACCIONA discloses its results in accordance with the International Financial Reporting Standards (IFRS) under a corporate structure, which comprised 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 includes the businesses of Trasmediterranea, real estate, Bestinver (fund manager), wineries and other businesses.

On 3 July 2016 Guidelines on Alternative Performance Measures (APM) published by ESMA came into force. This requires an explanation in the management report on how financial parameters or performance measures that do not appear directly on the financial statements are calculated. To meet this guideline, the APM's used in this report by ACCIONA Group are listed and defined below including an explanation of why these APM are used:

EBITDA: it is defined as operating income before depreciation and amortization and variations in provisions, that is, it shows the operating result of the Group. 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", "procurement", "personnel expenses" and "other operating expenses".

Net Debt: it shows the Group's debt, in net terms, deducting cash and cash equivalents. It is calculated by taking the following items from the consolidated balance sheet: "non-current interest bearing borrowings" and "current interest bearing borrowings", which includes debt on financial derivatives, less "cash and cash equivalents" and "other current financial assets".

Non-recourse debt: as indicated in Note 18 to the consolidated financial statements, it reflects 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 or 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 realized portion that is accounted on "net revenue" and adding or subtracting "other variations", which correspond to forex adjustments, modifications to the initial contracts and other changes to be made to the awarded backlog.

Net Capex: it 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, amortization 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.

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

Income Statement Data

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (%)
Revenues	6,544	5,977	-8.7%
EBITDA	1,174	1,192	1.5%
EBIT	627	988	57.6%
Ordinary EBIT	330	312	-5.3%
EBT	319	408	28.0%
Net attributable profit	207	352	70.0%

Balance Sheet Data and Capital Expenditure

(million euros)	31-Dec-15	31-Dec-16	Chg. %
Equity	3,754	4,097	9.1%
Net debt	5,159	5,131	-0.5%
Ordinary capital expenditure	171	852	n.a

Operating Data

	31-Dec-15	31-Dec-16	Chg. %
Construction backlog (Million euros)	6,722	8,140	21.1%
Water backlog (Million euro)	3,536	10,469	196.0%
Total wind installed capacity (MW)	7,212	7,260	0.7%
Total installed capacity (MW)	8,619	8,913	3.4%
Total production (GWh) (Jan-Dec)	20,875	20,830	-0.2%
Average workforce	32,147	32,835	2.1%

CONSOLIDATED INCOME STATEMENT

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	6,544	5,977	-566	-8.7%
Other revenues	247	555	307	124.2%
Changes in inventories of finished goods and work in progress	-3	8	11	n.a
Total Production Value	6,788	6,541	-248	-3.6%
Procurement	-1,830	-1,595	235	-12.8%
Personnel expenses	-1,254	-1,288	-33	2.7%
Other expenses	-2,530	-2,466	63	-2.5%
EBITDA	1,174	1,192	17	1.5%
Depreciation and amortization	-510	-547	-37	7.3%
Provisions	-53	-231	-178	n.a
Impairment of assets value	-20	-107	-87	n.a
Results on non-current assets	9	640	631	n.a
Other gains or losses	27	43	15	56.4%
EBIT	627	988	361	57.6%
Net financial result	-389	-671	-281	72.2%
Translation differences (net)	23	28	5	21.6%
Var. provisions financial investments	-2	-1	1	-65.8%
Share in results of associates accounted for by the equity method	60	70	10	15.8%
Variation in fair value of financial instruments	0	-6	-7	n.a
EBT	319	408	89	28.0%
Tax on profit	-83	-34	49	-59.2%
Profit/(loss) from Continuing Activities	236	374	138	58.6%
Non-controlling interests	-28	-22	7	-23.1%
Attributable Net Profit	207	352	145	69.8%

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

(million euros)	Jan-Dec 15 Ordinary (€m)	Jan-Dec 16 Ordinary (€m)	Jan-Dec 16 Extraord.	Jan-Dec 16 Total (€m)	Var. Ordinary %
Revenues	6,544	5,977	0	5,977	-8.7%
Procurement, expenses and other income	-5,369	-4,786	0	-4,786	-10.9%
EBITDA	1,174	1,192	0	-1,192	1.5%
Depreciation and amortisation	-510	-547	0	-547	7.3%
Provisions, impairments and other	-37	-42	386	344	n.a
EBIT	627	601	387	988	-4.1%
Net financial result	-389	-373	-298	-671	-4.3%
Income from associates booked by the equity method	60	70	0	70	15.8%
Other financial results	21	13	7	20	-35.9%
EBT	319	312	95	408	-2.2%
Income tax	-83	-117	83	-34	41.0%
Profit from continuing activities	236	195	179	374	-17.3%
Non-controlling interests	-28	-49	27	-22	72.3%
Attributable net profit	207	146	206	352	-29.6%

REVENUES

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	2,719	1,796	-923	-33.9%
Infrastructure	3,306	3,611	305	9.2%
Construction	2,171	2,267	96	4.4%
Water	451	708	258	57.2%
Services	716	677	-39	-5.5%
Consolidation Adjustment	-32	-41	-9	-27.4%
Other activities	613	668	55	8.9%
Consolidation Adjustment	-95	-98	-3	3.3%
TOTAL Revenues	6,544	5,977	-566	-8.7%

Consolidated revenues fell by 8.7% to €5,977 million, mainly due to the combined effect of the following factors:

- The decline in Energy revenues (-33.9%) mainly as a result of the deconsolidation of AWP (wind turbine business) from 1 April 2016.
- Increase in revenues in most infrastructure lines, Water in particular (+57.2%) due to the full consolidation of the ATLL concession as of 1 January 2016.
- Revenues from Other Activities increased by 8.9% due to the Real Estate business.

EBITDA

(million euros)	Jan-Dec 15	% EBITDA	Jan-Dec 16	% EBITDA	Chg. (€m)	Chg. (%)
Energy	897	76%	740	62%	-157	-17.5%
Infrastructure	167	14%	321	27%	153	91.8%
Construction	102	9%	174	15%	72	70.5%
Water	35	3%	119	10%	84	243.6%
Services	31	3%	28	2%	-3	-9.0%
Other activities	113	10%	131	11%	18	16.2%
Consolidation adjustments	-3	n.a.	0	n.a.	3	n.a.
TOTAL EBITDA	1,174	100.0%	1,192	100.0%	17	1.5%
<i>Margin (%)</i>	<i>17.9%</i>		<i>19.9%</i>			<i>+2,0pp</i>

Note: EBITDA contributions calculated before consolidation adjustments.

EBITDA increased slightly (1.5%) to €1,192 million mainly due to the higher contribution from Infrastructure (91.8%) and Other Activities (16.2%), which offset the lower contribution from the Energy business (-17.5%).

The Group's EBITDA margin stood at 19.9%, 2.0 percentage points higher than in FY2015.

With regards to contribution by division, the main contribution to EBITDA came from Energy (62%), followed by Infrastructure (27%). Other activities contributed 11% of EBITDA.

EBIT

EBIT reached €988 million, 57.6% higher than the previous year, mainly due to net extraordinary items for a total amount of €387 million, mostly related to the capital gain from the contribution of the AWP business to Nordex, which was partially offset by negative items as described below.

EBT

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Energy	198	107	-91	-45.8%
Infrastructure	90	122	32	35.9%
Construction	33	69	36	108.2%
Water	41	38	-3	-7.4%
Services	16	15	-1	-3.8%
Other activities	43	85	43	99.1%
Consolidation adjustments	-1	-3	-2	130.1%
Ordinary EBT	330	312	-17	-5.3%
Extraordinaries	-11	95	106	n.a.
TOTAL EBT	319	408	89	28.0%
Margin (%)	4.9%	6.8%		+2.0pp

Ordinary EBT fell by 5.3% to €312 million, mainly due to the lower Energy business contribution which fell by 45.8%. Both Infrastructure and Other Activities improved their EBT.

Total EBT, however, increased by 28.0%. This increase is mainly explained by the net extraordinary results of €95 million registered during the period, which included the following effects:

- Positive effects amounting to €721 million on the back of AWP-Nordex merger capital gain (€657 million); the capital gain derived from the acquisition of a 37.05% stake in ATLL from BTG Pactual; the unwinding of a provision due to the favourable court resolution regarding the last penalty imposed by the Spanish competition authority (CNMC) to Trasmediterranea; and the purchase of a debt at a discount.

- Negative effects amounting to €626 million, which include the financial costs related to the cancelation/refinancing of the debt associated to certain assets of the Energy division in order to reduce the cost of debt and optimize cash and cash equivalents, all of which entailed in aggregate a charge of €301 million on the income statement, mostly representing the unwinding of financial derivatives. Other negative effects include the provision for a client receivable due to a project that was suspended in Brazil, impairment losses in Real Estate (land plots), certain international Energy assets and a construction project in Brazil, as well as other costs mainly related to legal disputes.

ATTRIBUTABLE NET PROFIT

Attributable net profit amounted to €352 million (69.8% higher than in FY 2015).

Consolidated Balance Sheet

(million euros)	31-Dec-15	31-Dec-16	Chg. (€m)	Chg. (%)
Property, Plant & Equipment and Intangible assets	8,855	9,974	1,120	12.6%
Financial assets	569	1,340	771	135.4%
Goodwill	79	79	0	0.0%
Other non-current assets	1,382	1,291	-91	-6.6%
NON-CURRENT ASSETS	10,885	12,684	1,799	16.5%
Inventories	740	783	43	5.8%
Accounts receivable	1,612	1,724	111	6.9%
Other current assets	236	250	14	6.0%
Current financial assets	413	211	-202	-48.8%
Cash and Cash equivalents	1,460	1,428	-32	-2.2%
Assets held for sale	431	327	-104	-24.1%
CURRENT ASSETS	4,893	4,723	-169	-3.5%
TOTAL ASSETS	15,778	17,408	1,630	10.3%
Capital	57	57	0	0.0%
Reserves	3,249	3,437	188	5.8%
Profit attributable to equity holders of the parent	207	352	145	69.8%
Treasury stock	-20	-14	6	-28.8%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	3,493	3,831	338	9.7%
NON-CONTROLLING INTERESTS	261	266	5	1.9%
EQUITY	3,754	4,097	343	9.1%
Interest-bearing borrowings	5,895	5,602	-293	-5.0%
Other non-current liabilities	2,008	3,237	1,229	61.2%
NON-CURRENT LIABILITIES	7,903	8,839	936	11.8%
Interest-bearing borrowings	1,137	1,169	31	2.8%
Trade payables	2,025	2,297	273	13.5%
Other current liabilities	539	819	280	52.1%
Liabilities associated to assets held for sale	420	186	-234	-55.7%
CURRENT LIABILITIES	4,120	4,471	351	8.5%
TOTAL LIABILITIES AND EQUITY	15,778	17,408	1,630	10.3%

ATTRIBUTABLE EQUITY

ACCIONA's attributable equity at 31 December 2016 reached €3,831 million, 9.7% higher than at 31 December 2015, due to the net income generated in 2016 and the reduction in treasury stock.

NET FINANCIAL DEBT

(million euros)	31-Dec-15		31-Dec-16		Chg. (€m)	Chg. (%)
	(€m)	% Total	(€m)	% Total		
Interest-bearing borrowings without recourse	4,629	66%	2,254	33%	-2,376	-51.3%
Interest-bearing borrowings with recourse	2,403	34%	4,517	67%	2,114	88.0%
Total interest-bearing debt	7,032	100.0%	6,771	100%	-261	-3.7%
Cash + Cash equivalents	-1,873		-1,640		233	-12.5%
Net financial debt	5,159		5,131		-28	-0.5%

* Financial debt includes debentures and bonds.

Net financial debt as of December 2016 amounted to €5,131 million, 0.5% lower than in December 2015. This variation in debt was mainly due to the combination of the following factors:

- The operating cashflow amounted to €780 million.
- The vigorous investment activity with an investment net cash outflow of €719m.
- The payment of the 2015 dividend during the third quarter of 2016.
- The reclassification of the net debt of a transport concession and a property asset as a liability associated to assets held for sale, since the transport concession is in a competitive process for disinvestment and the property asset was sold in January for a total amount of €186m.

The mix of Recourse and Non-recourse debt shows the increased weight of Recourse Debt, mainly as a result of the refinancing transactions carried out during the year.

Financial gearing evolved as follows:

(million euros)	31-Dec-15	31-Dec-16
Net debt	5,159	5,131
Gearing (Net Debt/Equity) (%)	137%	125%

CAPITAL EXPENDITURE

(million euros)	Jan-Dec 15	Jan-Dec 16
Energy	130	489
Infrastructure	79	358
Construction	49	223
Water	19	107
Services	11	28
Other activities	13	69
Total Gross CAPEX	222	916
Divestment	-51	-64
Total Net CAPEX	171	852

Gross capital expenditure across ACCIONA's divisions in FY2016 amounted to €916 million.

Energy represented the greatest share of the investment effort with €489 million – mainly related to the development of new capacity in Chile, USA and India - followed by Construction with €223 million mostly related to the investment in heavy machinery required for international construction projects (Norway, Canada and Ecuador).

It is worth mentioning the acquisition of an additional 37.05% stake in the water concession ATLL for €74 million. Capital Expenditure in the period also reflects the purchase of two vessels for Tramediterranea.

In terms of divestments, the group sold certain commercial properties belonging to the Real Estate division for €64 million.

As a result, net capital expenditure amounted to €852 million, which represented €720 m in terms of net investment cashflow.

Results by Division

ENERGY

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Generation	1,329	1,266	-63	4.7%
Spain	845	765	-80	-9.4%
International	484	501	17	3.5%
Non-generation	1,743	880	-863	-49.5%
Consolidation adjustments and other	-353	-350	2	-0.7%
Revenues	2,719	1,796	-923	-33.9%
Generation	848	782	-65	-7.7%
Spain	489	412	-77	-15.8%
International	359	370	12	3.3%
Non-generation	93	27	-66	-71.0%
Consolidation adjustments and other	-44	-70	-26	58.1%
EBITDA	897	740	-157	-17.5%
Margin (%)	33.0%	41.2%		
EBT	198	107	-91	-45.8%
Margin (%)	7.3%	6.0%		

ACCIONA Energy revenues decreased by 33.9% to €1,796 million. EBITDA decreased by 17.5% to €740 million. EBT amounted to €107 million if compared to €198 million in FY2015.

These results were mainly driven by the following factors:

- 7.7% decrease in EBITDA from the Generation activity, down to €782 million. This was mainly due to lower EBITDA in Spain, which fell by 15.8% due to the combination of the following factors:
 - Significant drop in electricity prices, which fell to €39.67MWh in average in 2016, 21% lower than in FY 2015.
 - This effect was partially mitigated by the recognition of a regulatory receivable during 3Q 2016 derived from the banding

mechanism – as established in Royal Decree 413/2014 and Ministerial Order IET 1045/2014 - for an amount of €33 million.

- International wind production increased by 4.4% thanks to new installed capacity in the United States, Chile, South Africa and Poland becoming operational between 2015 and 2016.
- Non-Generation EBITDA in FY 2016 decreased by €66 million mainly due to the deconsolidation of AWP.

In the last twelve months, consolidated installed capacity increased by 294MW, mainly due to the incorporation of 246MW solar PV in Chile, 93MW wind in USA and 3MW wind in India. The 48MW located in Greece were written off following the negative outcome of a legal dispute with a partner.

In terms of new growth opportunities, ACCIONA increased its firm pipeline of energy projects thanks to the success in public and private tenders and auctions in Chile, Mexico and Australia, securing approximately 700 MW (net) to be installed during the next few years.

At an operational level, consolidated production amounted to 17,354GWh, 0.9% higher than in FY 2015 due to the higher International wind resource which compensated the lower wind and hydro production in Spain.

Breakdown of Installed Capacity and Production by Technology

31-Dec-16	Total		Consolidated		Net	
	Installed MW	Produced GWh	Installed MW	Produced GWh	Installed MW	Produced GWh
Spain	5,950	12,847	4,673	10,111	5,279	11,393
Wind	4,747	9,847	3,470	7,111	4,079	8,410
Hydraulic	888	2,198	888	2,198	888	2,198
Solar Thermolectric	250	421	250	421	250	421
Solar PV	3	4	3	4	3	4
Biomass	61	376	61	376	59	360
International	2,963	7,983	2,677	7,243	1,865	4,757
Wind	2,512	7,524	2,272	6,875	1,524	4,528
USA	721	2,068	646	1,814	467	1,236
Mexico	557	2,191	557	2,191	361	1,424
Australia	303	961	239	805	180	589
Italy	156	272	156	272	104	181
South Africa	138	316	138	316	47	107
Portugal	120	299	120	299	75	183
Canada	181	459	103	268	69	178
Poland	101	189	101	189	67	126
India	89	229	89	229	60	153
Costa Rica	50	254	50	254	32	165
Chile	45	95	45	95	30	63
Croatia	30	83	30	83	20	56
Greece	0	59	0	59	0	42
Hungary	24	48	0	0	12	24
Solar PV	386	340	341	249	298	150
Chile	246	39	246	39	246	39
South Africa	94	210	94	210	32	71
Portugal	46	92	0	0	20	40
Solar Thermolectric (USA)	64	119	64	119	43	79
Total Wind	7,260	17,371	5,742	13,986	5,602	12,937
Total other technologies	1,653	3,459	1,607	3,367	1,541	3,213
Total Energy	8,913	20,830	7,349	17,353	7,143	16,150

Annex 2 shows greater detail on MWs and productions.

INFRASTRUCTURE

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Construction	2,171	2,267	96	4.4%
Water	451	708	258	57.2%
Services	716	677	-39	-5.5%
Consolidation adjustments	-32	-41	-9	-27.4%
Revenues	3,306	3,611	305	9.2%
Construction	102	174	72	70.5%
Water	35	119	84	243.6%
Services	31	28	-3	-9.0%
EBITDA	167	321	153	91.8%
<i>Margin (%)</i>	5.1%	8.9%		
EBT	90	122	32	35.9%
<i>Margin (%)</i>	2.7%	3.4%		

ACCIONA Infrastructure revenues amounted to €3,611, that is, an increase of 9.2% if compared to FY2015. EBITDA also increased by 91.8% to €321 million.

EBITDA and EBT margins increased up to 8.9% and 3.4%, respectively.

A. Construction

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Construction & Engineering	2,065	2,157	92	4.4%
Concessions	106	110	4	3.6%
Revenues	2,171	2,267	96	4.4%
Construction & Engineering	54	122	68	126.5%
<i>Margin (%)</i>	2.6%	5.6%		
Concessions	48	52	4	8.2%
<i>Margin (%)</i>	45.4%	47.4%		
EBITDA	102	174	72	70.5%
<i>Margin (%)</i>	.	7.7%		
EBT	33	69	36	108.2%
<i>Margin (%)</i>	1.5%	3.0%		

Revenues amounted to €2,267 million, 4.4% higher than in FY 2015 mainly due to the increase in international construction.

EBITDA increased by 70.5% to €174 million backed by the good performance of the International construction activity which showed a significant improvement in margins, which offset lower construction activity in Spain.

The concession business EBITDA grew by 8.2% relative to the same period last year.

Construction & Industrial Backlog

At 31 December 2016, backlog amounted to €8,140 million, 21% higher than in FY2015. The international backlog reached an overall weight of 83% of the total backlog if compared to 73% a year ago.

(million euros)	31-Dec-15	31-Dec-16	Chg. %	Weight (%)
Total Spain	1,783	1,417	-21%	17%
Total International	4,939	6,723	36%	83%
Latin America	2,031	2,710	33%	33%
EMEA	1,416	2,407	70%	30%
Australia	987	1,146	16%	14%
Canada	505	459	-9%	6%
TOTAL	6,722	8,140	21%	100%

Concessions

At 31 December 2016 ACCIONA held a portfolio of 24 concessions with a book value of €1,377 million (€494 million "equity" and €883¹ million net debt).

Annex 3 contains detail on the concessions portfolio at 31 December 2016.

B. Water

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	451	708	258	57.2%
EBITDA	35	119	84	243.6%
Margin (%)	7.7%	16.8%		
EBT	41	38	-3	-7.4%
Margin (%)	9.1%	5.4%		

The Water division increased its turnover by 57.2% and its EBITDA more than tripled if compared to 2015, mainly due to the full consolidation of ATLL - the water mains concession in the Barcelona region - since 1 January 2016.

Excluding ATLL's business, revenues were up 24.2% while EBITDA increased by 6.1% thanks to the growth achieved by the international Design and Construction activity, mainly linked to two desalination plants which ACCIONA Agua is building in Qatar.

Water Backlog

Water Backlog as of December 2016 amounted to €10,469 million, almost tripling the amount at the close of 2015.

(million euros)	31-Dec-15	31-Dec-16	Chg. (%)
D&C	573	555	-3%
O&M	2,963	2,117	-29%
ATLL	0	7,796	n.a
TOTAL	3,536	10,469	196%

(million euros)	31-Dec-15	31-Dec-16	Weight (%)
Spain	2,147	9,141	87%
International	1,389	1,328	13%
TOTAL	3,536	10,469	100%

Annex 4 details the water concessions portfolio subject to IFRIC 12 at 31 December 2016.

¹ This figure includes net debt from concessions held for sale (€151m) and those accounted by the equity method (€564m).

C. Services

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Revenues	716	677	-39	-5.5%
EBITDA	31	28	-3	-9.0%
<i>Margin (%)</i>	<i>4.3%</i>	<i>4.1%</i>		
EBT	16	15	-1	-3.8%
<i>Margin (%)</i>	<i>2.2%</i>	<i>2.2%</i>		

ACCIONA Service encompasses the following services: O&M of large scale infrastructures, O&M in the industrial sector and urban services.

The division reported a decrease in revenues of 5.5% to €677 million. Its EBITDA decreased by 9.0% reaching €28 million, mainly due to lower activity in the airport handling and forwarding services.

OTHER ACTIVITIES

(million euros)	Jan-Dec 15	Jan-Dec 16	Chg. (€m)	Chg. (%)
Trasmediterranea	424	431	7	1.6%
Real estate	51	105	54	104.8%
Bestinver	91	85	-6	-6.7%
Winery	40	41	1	1.8%
Corp. & other	7	7	0	-3.7%
Revenues	613	668	55	8.9%
Trasmediterranea	41	61	20	48.5%
Real estate	6	14	8	122.1%
Bestinver	67	59	-8	-11.8%
Winery	5	5	0	9.6%
Corp. & other	-6	-8	-2	-88.7%
EBITDA	113	131	18	16.2%
<i>Margin (%)</i>	<i>18.4%</i>	<i>19.6%</i>		
EBT	43	85	43	99.1%
<i>Margin (%)</i>	<i>7.0%</i>	<i>12.8%</i>		

During FY2016 the Other Activities division, which includes Trasmediterranea, Real Estate, Bestinver, Wineries and others, reported revenues of €668 million, 8.9% higher than in FY2015.

EBITDA increased by 16.2% to €131 million thanks to the good performance of Trasmediterranea and better contribution from Real Estate, which more than offset the lower result from Bestinver.

Trasmediterranea

Trasmediterranea improved its EBITDA in nearly €20 million thanks to an increase in traffic levels, improved operational efficiency and lower fuel costs.

During this period, the number of passengers, lane metres and vehicles increased by 2.3%, 2.3% and 5.7%, respectively.

	Jan-Dec 15	Jan-Dec 16	Chg. (%)
Passengers served	2,451,323	2,508,535	2.3%
Cargo handled (lane metres)	5,651,087	5,780,966	2.3%
Vehicles	544,999	575,991	5.7%

Real Estate:

EBITDA increased by 122.1% due to the delivery of a real estate development property in Mexico.

Bestinver:

Bestinver's assets under management stood at €5,222 million at 31 December 2016. It reported an EBITDA of €59 million.

Material information, dividend and share data

SIGNIFICANT COMMUNICATIONS TO THE STOCK MARKET

■ 17 March 2016: ACCIONA reports new Board of Directors

- ACCIONA reported the composition of the new Board of Directors following recent changes in the management of the group
- The Board of Directors is composed by the following Executive Directors: Mr. José Manuel Entrecanales Domecq and Mr. Juan Ignacio Entrecanales Franco and the following Executives: Mr. Carlos Arilla de Juana, Ms. Arantxa Ezpeleta Puras, Mr. Pio Cabanillas Alonso, Mr. Alfonso Callejo Martínez, Ms. Macarena Carrión López de la Garma, Mr. Luis Castilla Cámara, Mr. Rafael Mateo Alcalá, Mr. Joaquín Mollinedo Chocano, Mr. Juan Muro-Lara Girod and Mr. Jorge Vega-Penichet López

■ 4 April 2016: ACCIONA reports the closing of the transaction with Nordex for the transfer of ACCIONA Windpower

- ACCIONA announced the transfer to Nordex SE of all the share capital of Corporación ACCIONA Windpower SL ("AWP") had been concluded, resulting in an Enterprise Value of €785 million. The estimated equity value of AWP based on the 31 December 2015 debt adjustment amounted to €742.8 million. ACCIONA received as consideration:

(i) 16,100,000 new issued shares of Nordex SE representing 16.6% of its corporate capital for a per share value of €26 totalling €418.6 million.

(ii) A cash payment of €324.2 million.

■ 7 April 2016: Official announcement and submission of proposals to the Annual General Meeting

- On 7 April 2016, the company sent to CNMV (Spanish Stock Market Regulator) the notice of meeting of the Annual General Meeting to be held on 9 May 2016 at first call, or on 10 May 2016 at second call, and the proposed agreements.

■ 11 April 2016: ACCIONA reports the closing of the transaction for the acquisition of 13.3% in the share capital of Nordex

- ACCIONA announced the closing of the acquisition to Momentum-Capital Vermögensverwaltungsgesellschaft GmbH, and Ventus Venture Fund GmbH & Co. Beteiligungs KG of 12,897,752 Nordex shares representing 13.3% of its corporate capital. ACCIONA currently holds 29.9% shareholding in the corporate capital of Nordex SE.

■ 28 April 2016: ACCIONA reports on the approval of a Shareholders' Plan addressed to all employees that are Spanish tax residents

- ACCIONA agreed the approval of a "shareholders' plan" which allows employees that are Spanish tax residents to receive part of the monetary remuneration in shares with a limit of €12,000 per year. This plan gives the employees, except for the executive directors, the opportunity to become shareholders. Shares will be delivered considering the closing stock price at 15 April of each year.

■ 10 May 2016: Annual General Meeting – Approval of Agreements

On 10 May 2016 the Annual General Meeting approved, among others, the following agreements:

- To approve a €2.50 dividend per share (or greater amount fixed by the board and its members with delegated powers if there are treasury shares) to be paid on 1 July 2016.
- To amend the articles of association and regulations of the General Shareholders Meeting to adapt them to the amendments of the [Spanish] Capital Companies Act in relation to corporate governance.
- To authorize the Board of Directors for a period of five years to increase the share capital on one or more occasions, through cash contributions and up to a maximum current amount of €28,629,775, equivalent to half of the capital, in the terms and conditions that the Board decides in each case, with further power to exclude the preferential right of subscription up to 20% of the share capital.
- To authorize the Board of Directors for a five year term to issue bonds and other fixed income securities, either simple and/or convertible or exchangeable for shares of the company, as well as other instruments carrying the right to acquire shares or outstanding shares of the company, with the limit of €3,000m and further power to exclude in any event the preferential right of subscription up to 20% of the share capital.
- Acknowledgment of the Shares Delivery and Performance Shares Plan for 2014-2019, the Replacement Plan and the Shareholders' Plan, as well as of the number of shares delivered under the Shares Delivery and Performance Shares Plan, according to the report from the Board of Directors, ratifying said report to the extent necessary. 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.
- Acknowledgment of the amendments to the Board of Directors Regulations in accordance with the Board of Directors.
- To Approve the Annual Directors' Remuneration Report for the year 2015.
- To approve The Sustainability Report 2015.

■ 12 July 2016: ACCIONA reports the terms of the novation of the Syndicated Loan Agreement that it intends to sign

- ACCIONA announced that the syndicated loan facility of €1,800m signed on 25 March 2015 was to be novated.
- The loan tranche amount would increase by €400m to €760m. The amount of the credit tranche would stay at €1,440m, so the novated syndicated facility would total €2,200m.
- The term would be extended to 5 years from the signing of the novation, maturing July 2021.
- The margin spread would be reduced.

■ 12 July 2016: ACCIONA announces the signing of the Syndicated Loan Facility novation agreement

- ACCIONA reported the signing of the novation agreement of the bank syndicate loan described above.

■ **7 October 2016: ACCIONA reports new Management Committee**

- ACCIONA reported the composition of the new Management Committee following recent changes in the management of the group
- The Management Committee is composed by the following Executive Directors: Mr. José Manuel Entrecanales Domecq and Mr. Juan Ignacio Entrecanales Franco and the following Executives: Mr. Carlos Arilla de Juana, Ms. Arantxa Ezpeleta Puras, Mr. Alfonso Callejo Martínez, Ms. Macarena Carrión López de la Garma, Mr. Luis Castilla Cámara, Mr. Rafael Mateo Alcalá, Mr. Joaquín Mollinedo Chocano, Mr. Juan Muro-Lara Girod and Mr. Jorge Vega-Penichet López.

■ **17 November 2016: ACCIONA reports the alternatives for its Real Estate division**

- ACCIONA reported that it was not then considering an IPO of its real estate assets. Regarding its real estate rental assets, the company was analyzing an eventual rotation of same.

From 31 December 2016, ACCIONA has released the following material information:

■ **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 reports the final terms & conditions of the buyback of its remaining convertible bonds**

The final terms & conditions of the Repurchase were the following:

- (i) The aggregate principal amount of the Bonds to be repurchased would be €91,600,000.
- (ii) The repurchase price per Existing Bond would be 134.80% of its principal amount, which represents an aggregate consideration of approximately €123.48m for the Repurchase as a whole.
- (iii) The Company had accepted all offers for repurchase of the Existing Bonds.
- (iv) Given that, following completion of the Repurchase, less than 15% in aggregate principal amount of the Bonds originally issued would be outstanding, the Company would 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.

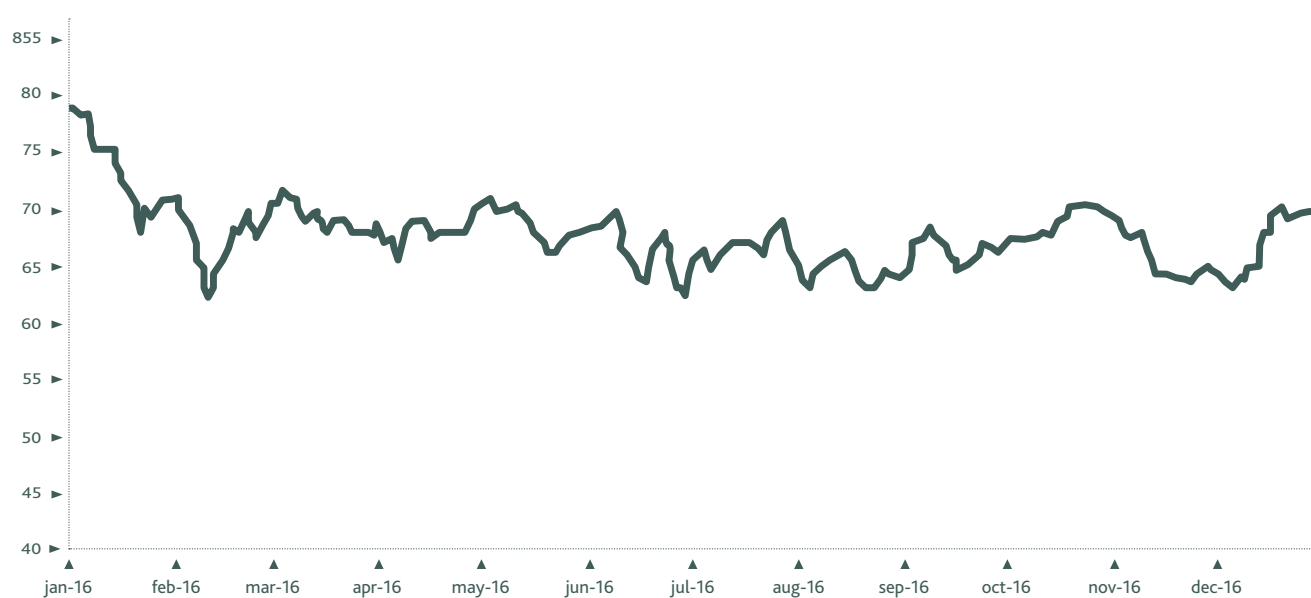
DIVIDEND

On 10 May 2016 ACCIONA's AGM approved the payment of a €2.5 gross dividend per share against 2015 results. The dividend was paid on 1 July 2016.

SHARE DATA AND SHARE PRICE PERFORMANCE

ACCIONA Share Price Evolution

(€/share)



Key Share Data

	31-Dec-16
Price at 30 December 2016 (€/share)	67.27
Price at 1 January 2016 (€/share)	79.08
Low in FY 2015 (11/02/2016)	61.99
High in FY 2016 (01/01/2016)	79.08
Average daily trading (shares)	213,129
Average daily trading (€)	14,433,468
Number of shares	57,259,550
Market capitalisation at 30 December 2016 (€ millions)	4,004

SHARE CAPITAL INFORMATION

At 31 December 2016 the share capital of ACCIONA amounted to €57,259,550 divided into 57,259,550 shares with a face value of €1each.

At 31 December 2016, ACCIONA, S.A. and its subsidiary Finanzas Dos, S.A. held 233,898 treasury shares, equivalent to 0.4085 % of the share capital at that date. The acquisition cost of said shares came to 14,403 thousand euros.

Movement in treasury shares in FY 2016 was as follows:

	2016	
	Number of shares	Cost
Opening balance	320,460	20,238
Additions	4,992,255	338,284
Retired	(4,987,221)	(338,300)
Liquidity contract	5,034	(16)
Additions	--	--
Retired	(91,596)	(5,819)
Other movements	(91,596)	(5,819)
End balance	233,898	14,403

SUBSEQUENT EVENTS

On 10 January 2017, the sale of the hotel classified as an asset held for sale at 31 December 2016 (see note 23) was concluded. The purchase price amounted to 28 million. Also, the mortgage loan associated with the asset was cancelled, for the amount of 14 million euros.

On 16 January 2017, the Company announced its intention to repurchase up to 108.4 million euros of total face value of its Bonds, which represent the total outstanding Bonds that the Company did not have in treasury stock (see note 18 (b)). This process ended on January 19 with the acceptance by the company of the offers of sale received from the bondholders for a combined nominal amount of 91.6 million euros of repurchased bonds. Following the repurchase, ACCIONA has 95.09% of the convertible bonds issued, equivalent to 325.2 million euros.

In February 2017 the company received three communications from investors holding convertible bonds to exercise their right to convert them into shares of the company. The total number of shares to be delivered in connection with such conversion is 33,966. Said conversion will be formally done during the first week of March, in accordance with the provisions under the terms and conditions of the issue.

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 unforeseeable, with the first two groups identified by the Group's executives as those presenting a higher risk profile.

In addition, due to the reform of the Criminal Code in 2015, ACCIONA adapted its Risk Management System to this new scenario by incorporating into the Risk Map those related to compliance and prevention of crimes that may affect ACCIONA's criminal liability. Compliance risks have been included within the category of strategic risks.

1. Economic and financial risks:

These risks are 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 and 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 2016 includes detail of current and non-current assets and liabilities and of net equity at 31 December 2016 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 (basically interest rate swaps). Note 20 to the annual accounts for 2016 includes detail of interest rate derivatives in place at 31 December 2016.

The risk of fluctuations in prices of raw materials, when stockpiling for construction work and particularly fuel for transportation, 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 solely and exclusively with solvent third parties and requires sufficient assurances to mitigate the risk of financial losses in the event of any default. 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:

ACCIONA minimises these risks 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.

3. Operational risks:

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.

Risks derived from irregular behaviour. ACCIONA has put in place a Code of Conduct establishing the basic principles and commitments that must be respected and complied with by executives and employees of the divisions as well as by suppliers and third parties working with the Company in the exercise of their activities. A whistleblowing channel has been communicated at all levels of the Organization, and enables the reporting, in total confidence, of any irregular conduct related to accounting, control or auditing issues as well as any violation or breach of the ethical behaviour outlined in the Code.

In September 2011, the Board of Directors resolved to subscribe ACCIONA, S.A. to the Code of Good Tax Practices in order to combine and complement the control, prevention and regulatory compliance systems already in place to reduce the material tax risks and to prevent behaviour capable of generating these issues.

4. Unforeseeable Risks:

Environmental risks. – ACCIONA has its own Corporate System in place for the Management of Environmental Crises. This system includes the measures to be followed and the responsibilities and resources necessary for the proper handling of a crisis situation due to any incident arising at the facilities owned or operated by the Company and entailing an impact on the environment.

ACCIONA consolidated its initiatives regarding environment risk management, focusing its efforts on identifying and implementing measures to mitigate the most relevant risks, preparing a document to deal specifically with those risks for all the group divisions.

Occupational hazards. – The management of Employee Health and Risk Prevention is one of the priorities of all the Divisions and lines of business: a large part of our activities are included among those considered by legislation to be high risk (especially the Infrastructure and Energy divisions). Prevention activities are carried out through Management Systems under international premises certified under OHSAS 18001 standard.

After the Criminal Code was amended, ACCIONA established a crime prevention model in which, based on existing rules and procedures, the risks are assessed and the processes and controls established to prevent or mitigate certain crimes are defined. The crime prevention model established for Spain will be gradually implemented, adapted where appropriate to the requirements of local legislation, in the other countries where the Group's activity is carried out.

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.

SUSTAINABILITY

ACCIONA deploys its sustainability strategy through the Sustainability Master Plan (PDS). After assessing the achievements and challenges experienced in the 5 years of implementation of the previous PDS, the Company defined a new sustainability strategy to cover the period up to 2020.

The new 2020 Sustainability Master Plan (<http://pds2020.accionacom/>) is structured in strategic and operational objectives, applicable to the whole organization, with specifications for the different lines of business, within the following areas:

- For Society, the strategic objective is to collaborate in the improvement of the quality of life of people. To this end, challenges related to social impact management, dialogue and leadership, social action and volunteering were identified.
- ACCIONA also assumes the mitigation of climate change as its main strategic objective, committing its investment capacity. It is worth noting the Company's commitment to achieve carbon neutrality as from 2016, reducing and offsetting its CO₂ emissions.
- Collaborating with sustainable water management is the strategic objective in the Environment area.

- Good Governance: human rights, ethics, corporate governance, risk management and transparency objectives were established.
- For People, the goals set relate to health and safety at work, development and incentives, diversity and inclusion, and training.
- For the Value Chain, the Company has objectives regarding its supply chain, as well as partners and clients.
- In the Innovation area, in addition to seeking to maintain an innovation figure over sales above the European average, ACCIONA set goals both in the field of collaborative innovation and of operational innovation.

Since 2009, sustainability-related actions and undertakings are promoted by the Board of Directors' Sustainability Committee, the body in charge of supervising and approving the goals of the Sustainability Master Plan. The various sustainability committees created in the main divisions are, in turn, the route for bringing sustainability closer to business areas. Their function is to drive and monitor specific initiatives in these divisions within the PDS framework. Another route to drive the implementation of the Company's sustainability strategy and the achievement of its targets was, once again, to link part of the variable remuneration of executives, managers and part of technical and support employees to the achievement of sustainability targets.

In the course of 2016 ACCIONA carried out a widespread campaign to disseminate internally the new 2020 Sustainability Master Plan, presenting it to its employees in various countries.

In addition, the Company joins several initiatives that promote more sustainable development through the collaboration of the different social, political and economic agents. Throughout 2016, ACCIONA continued to have an active presence in different forums and organizations, such as Sustainable Energy for All (SE4ALL), Global Compact LEAD and Caring for Climate within the United Nations; The Prince of Wales's Corporate Leaders Group, World Business Council for Sustainable Development, the World Economic Forum, the CEO Climate Leadership Group and the Spanish Green Growth Group in the public-private sector, and the Summit on Climate Change in Marrakech (COP22).

It is to be noted that in the course of 2016 the Company increased the implementation of its methodology of social impact management in projects in the Energy, Construction, Water, Industrial and Services divisions. Some phases of this methodology were implemented in more than 80 projects in different countries (Australia, Cape Verde, United Arab Emirates, Spain, Mexico, Canada, Ecuador, Chile, Norway, Peru, Brazil, Qatar, Nicaragua, Portugal, Trinidad and Tobago, Turkey, Oman, India, the United States, Costa Rica, Poland and South Africa), an increase of more than 70% over the previous year. The social impact of the Company's operations was managed in projects of a different nature, such as wind farms, photovoltaic facilities, construction of metro lines, water treatment plants, roads and motorways, bridges, airport terminals, airport services and water purification works, among others.

In 2016, based on the initial diagnosis of the UN Guiding Principles on Business and Human Rights, ACCIONA updated its assessment of human rights risks in the countries in which it operates and extended the scope of its diagnosis. The procedures and policies of the different business lines were analysed more in depth, taking as reference the standards of The Danish Institute for Human Rights and the United Nations Global Pact and an action plan was developed with the aim of improving the existing controls.

All the advances in the fulfilment of these sustainability targets and the actions carried out in 2016, together with the challenges faced by the Company, are described in detail in the Sustainability Annual Report and on the corporate website (<http://www.acciona.es/sostenibilidad>).

ANALYSIS OF MATERIALITY IN SUSTAINABILITY MATTERS

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 2016 the materiality analysis was updated based on the previous year's study, which identified and prioritized issues relevant to each of ACCIONA's main lines of business (Energy, Construction and Industrial, Water and Services) and their impact along the value chain. This year's study analysed in depth the issues identified as relevant and was expanded with current issues according to different sources: international institutions, sectoral entities, press releases, among others.

As a novelty in 2016, the scope of the analysis was extended to other ACCIONA activities (Bestinver, Grupo Bodegas Palacio 1894, Real Estate and Trasmediterranea), thus identifying and prioritizing issues relevant to all business lines. The analysis process made it possible to create a matrix with the material issues by business on the basis of the relevance of each issue for the Company and its stakeholders.

As regards the key issues identified by ACCIONA's line of business, "Ethics and anti-corruption" and "Climate change mitigation" stand out as relevant in all major businesses. In addition, the issue "Innovation" is most relevant in businesses such as Energy, Construction, Industrial and Water. Finally, it should be noted that the issues of "Risk Management in Sustainability" and "Human Rights at Work" increase their relevance in respect of the previous year's results.

QUALITY, ENVIRONMENT

For ACCIONA, the fight against Climate Change, the sustainable use of Natural Resources and the protection of Biodiversity make up the principal thrusts of its **environmental strategy**.

As of 2016, ACCIONA achieves carbon neutrality, becoming a **company with a net zero emissions balance**, a commitment acquired within the framework of its new PDS 2020 Sustainability Master Plan

In 2016 the Company consolidated its position as a leading company in the fight against climate change and water sustainable management, opting for investing in renewable technologies in developing countries and mitigating the water shortage and the water stress in numerous areas on the plant, all of which places the Company at the avant-garde of the most advanced environmental standards worldwide.

These efforts were acknowledged by the **main international benchmarks** for transparency and environmental behaviour in 2016:

CDP:

International organisation representing 827 major institutional investors with assets worth \$100 billion and that require environmental data about the companies they rank:

- CDP gave ACCIONA, for the sixth consecutive year, the **highest possible score for its performance against climate change**. Only 193 companies out of over 1,000 analysed worldwide were recognized for their actions to reduce emissions and mitigate climate change. The Company was awarded the "**A List**" award.
- CDP also gave ACCIONA, for the fourth year running, the **highest rating as a Sustainable Supplier**, with the Company now listed on the exclusive list that recognises globally only 2% of the assessed companies as suppliers of sustainable products and services.
- In terms of water management, ACCIONA achieved the **highest rating** and joined the CDP Water A List 2016 as **the only Spanish company and one of only two Utilities**. Only 24 companies worldwide appear on this list, out of 2,500 companies evaluated. The results were announced in the city of Marrakech within the COP 22 framework and highlight the use of best practices in the field of sustainable water management by the Company, which values factors such as responsible use of water, the objectives of improvement, the strategy and the management of the risks and opportunities associated with water resources.

Dow Jones Sustainability Index World:

- ACCIONA obtained the **highest score in Climate Strategy, Environmental Reporting, Electricity generation based on renewable energies policies and Biodiversity**, achieving an overall environmental score **higher than 98% of all the electricity companies assessed**.

The Company's **main figures** in environmental matters in 2016 were:

- ACCIONA **avoided the emission of 14.8 million tons of CO2 into the atmosphere in 2016**, thanks to its activity of electricity generation from exclusively renewable sources.
- As for the emissions generated as a result of its other productive activity, ACCIONA has been a **carbon neutral company since 2016²**, so it compensates for all the annual emissions generated through the purchase of certified carbon credits.
- By extending its commitment to its value chain, for the third year running, ACCIONA **calculated the greenhouse gas emissions of 100% of its supply chain**, tracking the countries, purchasing sectors and Divisions that concentrate the highest percentage of emissions, on which efforts must be intensified in the fight against Climate Change.
- In 2016 progress was made in **SCO2PE by ACCIONA, a collaboration program with suppliers to drive the reduction of emissions** in the supply chain.
- ACCIONA also strengthened its **environmental risk management** through the adoption of a Standard and three Corporate Procedures in environmental risk management (Environmental Responsibility, Climate Change and Water Resources). In addition:
 - **An analysis of the environmental risks associated with climate change** was carried out **for ACCIONA and its supply chain**. Taking into account the methodology of the Intergovernmental Panel on Climate Change (IPCC), the interrelationship of the most significant hazards was analysed, with the exposure of ACCIONA and its suppliers (depending on the activity in each country) and vulnerability to each hazard.
 - Additionally, the **analysis of the environmental risks associated with water resources for ACCIONA and its supply chain** was prepared.
 - In terms of water, the balance of the company is clearly favorable to the environment, with a **positive water footprint for the planet of 525 hm³**, a figure equivalent to the annual household consumption of more than 10 million inhabitants.
 - **17.6%** of the Company's total water consumption comes from **reused or recycled water**.
 - ACCIONA calculated for the second year running the **water consumption of 100% of its supply chain**, which has made it possible to analyse more in depth the risks of suppliers associated with water resources, quantifying the weight that each country, procurement sector, Division, and link on the chain, have on the figure obtained for consumption.
 - Promotion of environmental offsetting services, with the organisation of **20 carbon footprint neutral events** for both its clients and for its own events, such as, for example, ACCIONA's General Shareholders' Meeting.
 - **Sustainable Mobility**. In this area, it is worth noting the Company's commitment to the promotion of alternative means of transport in its Businesses and among its stakeholders. There stands out the successful conclusion of the Dakar rally with a 100% electric vehicle, it being the only vehicle of these characteristics in achieving this milestone.

²Compensation will materialise after external verification of the calculation of emissions generated in 2016.

- **ACCIONA environmental economic figures.** In 2016, 3,037 million euros³ were earmarked for environmental activity in ACCIONA. **Environmental expenses** amounted to 2,438 million euros and **investments** to 599 million.
- 42% of the Group's Global Sales and 72% of EBITDA were based on businesses included in what the United Nations Environment Program (UNEP) defines as the Green Economy.
<http://www.pnuma.org/eficienciarecursos/economia.php>
- **Environmental outcrop.** In 2016, ACCIONA identified, analysed and evaluated **460 environmental actions** developed by the Business Lines, selecting those considered to be **good practices and / or unique actions**.
- Progress in the development of the **Biodiversity Compensation and Improvement Program** and in the methodological development of calculation of the **footprint on biodiversity**.
- Definition of the **2016-2020 Waste Management Plan to promote the Circular Economy in ACCIONA**. The Plan covers the most representative types of waste in ACCIONA, and is articulated as a guide to promote within the organization the Circular Economy model, to be progressively implemented.

ACCIONA has an **organizational structure** that facilitates the integration of environmental variables into business operations and ensures the application of policies, principles and strategies in these matters.

This structure is reinforced by the company's efforts in Training, which contributes to the continuous improvement of the qualification of professionals and their active participation in the environmental culture. ACCIONA employees received **55,520 hours of environmental training** in 2016.

Quality

ACCIONA works with a management model based on efficiency, integrating the different aspects that are relevant to its stakeholders, with the objective of satisfying the expectations of its clients and achieving the economic and environmental sustainability of its activities, within the highest quality standards.

This commitment is reflected in the Corporate Policies of the Company and in the Sustainability Master Plan and is materialized in the establishment of improvement objectives, the creation of an organizational structure that promotes excellent management and the recognition of employees as fundamental elements for improvement in the Organization.

Throughout 2016, ACCIONA advanced in the performance of increasingly efficient processes and in the provision of sustainable and high-quality products and services:

It continued with the certification of its management systems according to the internationally recognized applicable standards:

- In 2016 ACCIONA's certified revenue percentages under ISO 9001 and ISO 14001 amounted to 90% and 87%, respectively.

3. This figure included, for the first time, operating expenses in renewable energies and investment and expense in desalination.

- The quality and environmental management systems (under ISO 9001 and ISO 14001) of ACCIONA Water and ACCIONA Energy in Chile, ASUMA in Mexico and ACCIONA Construcción in Canada were certified.
- Within the framework of the Company's commitment to energy efficiency, the following ISO 50001 certifications were obtained:
 - ACCIONA Facility Service certified the activity of energy efficiency, both in the projects carried out for third parties, and in the energy management of its headquarters.
 - ACCIONA Airport Services certified its Energy Management System at Frankfurt airport for handling services.
 - ACCIONA Water increased the scope of its ISO 50001 certification, including three new centres: Villarrubia de los Ojos Water Service, ETAP Gartzeta and EDAL Falset.
- **Grupo Bodegas Palacio 1894:** Bodegas VIÑA MAYOR was the first winery of the Ribera del Duero Appellation Contrólée to obtain the "**Wineries for Climate Protection**" certification, the only international certification in terms of sustainability, specific to the wine sector, which aims at improving processes, reducing emissions and improving energy efficiency.
- Concession companies "A2 Tramo 2" and "Autovía de la Plata", managed by **ACCIONA Concesiones**, were the first motorways in Spain to implement and certify a road safety management system according to ISO 39001.

As part of the continuous improvement cycle, the performance of management systems implemented in the Company was audited, with **more than 500 internal audits** (46% more than in 2015), **39 projects and improvement groups** where over 190 people worked where developed and **290 lessons learned and good practices** were identified and disseminated, more than double than in 2015.

ENVIRONMENT-RELATED FIGURES FOR 2016:

The environmental investments and expenditure made by ACCIONA in 2016 covered the following items:

- Measures to minimise environmental impact
- Environmental research, development and innovation
- Personnel
- Investments in plant, property and equipment to prevent impacts and protect the environment
- Environment advice and consultancy
- Other
- Generation of renewable energies
- Treatment of waste water and drinking water and desalination

In 2016, environmental expenditure amounted to 2,438 million euros, and investments, to 599 million euros, which placed the company's global environmental activity at 3,037 million euros.

INNOVATION

ACCIONA is aware that technology is always behind the great advances of history and that its development is getting faster, as technology becomes cheaper, more global and more accessible – a key piece to acquire competitive advantages that generate a multiplier effect in the possibility of creating new businesses and optimising existing ones.

As a result, ACCIONA continues to focus on innovation as the main tool for the development of its businesses, focusing on ensuring its sustainability and creating added value for its products and services.

The new era will be characterized by the digitization of our processes and interconnectivity, which makes it necessary to adopt new more agile ways of thinking and working, while fostering internal collaboration and training our teams in new digital capacities.

In 2016 ACCIONA accredited an innovation figure of 193.9 M€, which translates into an innovative intensity ratio of 3.2 over 1.2 of the European average, once again reaching a peak in its history. The Innovation Figure reflects in a tangible way the Company's commitment to remain at the forefront of technological innovation, and the effort to internationalize innovation, with 71.8% of the total being developed outside our borders.

2016 was characterized by the development and application of new technologies, including virtual reality (VR). In addition, thanks to Collaborative Innovation, projects were carried out that provided clear competitive advantages for the company and that demonstrate ACCIONA's commitment to advanced technologies.

The commitment to innovation and the efforts made, have enabled ACCIONA to remain on the main national and international rankings, it being the 6th Spanish company and the 152nd in Europe that more innovative effort makes by R&D&I figure according to the report "The 2016 EU Industrial R&D Investment Scoreboard" put together by the European Commission IRI (*Economics of Industrial Research and Innovation*).

In addition, the "2016 Global Innovation 1000 Report" by Strategy & (PWC strategic consultancy), which includes the 1000 companies that invest the most in R&D worldwide, highlights ACCIONA among the 7 Spanish companies appearing on the ranking.

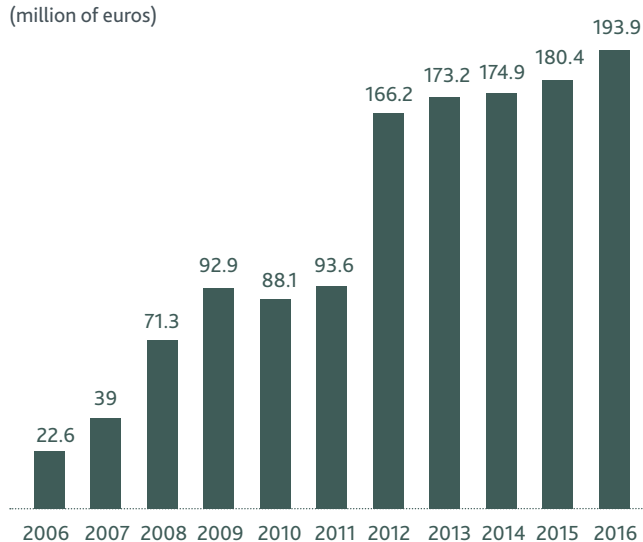
Once again, ACCIONA Innovation continues to be at the forefront of technology, as demonstrated by the installation of the world's first pedestrian bridge made with additive manufacturing in the Municipality of Alcobendas, and the continuous national and international awards received, among which we highlight:

- Cien Ideas Award, given by the magazine *Actualidad Económica*, for its 'Captured Reality' project, implemented by ACCIONA Innovation Department, transferred to ACCIONA Service and marketed by ACCIONA Facility Services.
- Inter-American Development Bank Award "Infrastructure 360º" for the Atotonilco WWTP in recognition of the integral implementation of a sustainability strategy.
- "Best renewable energy project of the year 2016" award for the CSP solar thermal plant Bokpoort, given by the National Energy Association of South Africa (SANEA).
- JEC International World 2016 Innovation Award for the Composite Materials lighthouse in Valencia.

In the course of 2016, the R&D&I Management System (SGIDI) was continued, and the system contributed to the correct achievement of the company's innovation objectives. A continuous review of activities was carried out through the new management indicators and the Committees for Analysis and Evaluation of the R&D&I Contribution to the Business were held to follow up on the Annual Innovation Plans and update the Strategic Plans for the coming years.

ACCIONA's continuous effort and its commitment to innovation were rewarded in the Group's audit of recertification carried out by AENOR, where it was demonstrated, once again, that our SGIDi complies with the requirements specified in standard UNE 166002: 2014, achieving for the first time zero Non-Conformities.

Trend of the figure for innovation (million of euros)



FORESEEABLE TREND

2016 was a complicated year in geopolitical terms, with two important events that have had a direct impact on the prospects of world economic growth. On the one hand, the June vote in which the UK decided to leave the European Union raised doubts both in the future of Europe and in the horizon of institutional and trade agreements between the two parties. On the other hand, the unexpected victory of Donald Trump in the US presidential election, coupled with weaker-than-expected growth in the US economy, has led to an increase in uncertainty that widens the dispersion of possible outcomes regarding the expected growth projections. As a result, the IMF expects 2016 to close with global inter-annual growth of 3.1% and it maintains global growth projections for both 2017 and 2018 at 3.4% and 3.6%, respectively.

As regards advanced economies, forecasts have been revised upwards after a better 2016 closure than expected, mainly thanks to the Spanish, German and British economy and, to a lesser extent, Japan. As mentioned above, the incoming US government has generated greater dispersion among the country's growth prospects, but the IMF believes that the fiscal stimulus that the Trump administration will certainly apply will have a positive impact on US GDP, which has also improved growth expectations. The estimated growth for 2016 is 1.6%, with projections rising to 1.9% for 2017 and reaching 2.0% in 2018.

The euro zone is expected to continue its reactivation over the next two years, albeit with somewhat lower growth rates than in 2015. Low oil prices, lax monetary policy and modest fiscal expansion will be the pillars that will support growth. The euro area is expected to close 2016 with a growth of 1.7% and projected growth for 2017 and 2018 of 1.7% in both years.

As for Spain, the IMF estimates that it will close 2016 with a year-on-year growth of 3.2%, almost twice the euro zone average, and it forecasts growth of 2.3% and 2.1% for 2017 and 2018, respectively. After an uncertain 2016 in the political arena, the market has valued positively that the leaders have been able to culminate an agreement to unlock the country's political situation. The current government has taken a step forward towards meeting the objectives set by the European Union after presenting a draft budget in line with the fiscal rules established from Brussels, and its main challenge is now to continue working to reduce the unemployment rate.

Emerging and developing market economies will continue to be the main driver of global growth, thanks to a large extent to the relaxation of the macroeconomic tensions of certain large economies. Specifically, growth at the close of 2016 for emerging economies is expected at 4.1%, with projected rates of 4.5% and 4.8% for 2017 and 2018, respectively.

The Chinese economy is expected to end 2016 with a growth rate of 6.7%. The IMF projected growth of 6.5% for 2017 and 6.0% for 2018. In the middle term, projections assume that the economy will continue to rebalance, increasingly focusing on the consumption and services sector, leaving aside industrial activity and investment, all as a result of reforms to strengthen the social protection network and the deregulation of the services sector. The main brake on growth in the middle term, according to the IMF, could be triggered by the uncontrolled rise in non-financial debt and resource allocation inefficiency.

As for Russia, IMF estimates predict that the economy will close 2016 with a negative rate of -0.6% and return to positive rates in 2017 with a growth of 1.1%. This improvement is mainly attributed to the increase in the price of oil experienced since last April, which was received as an oxygen balloon for Russian exporters of this raw material.

Finally, economic activity in Latin America and the Caribbean continues to lose momentum with an expected negative rate for 2016 of -0.7% and projected growth for 2017 of 1.2% and 2.1% in 2018. The area continues to suffer from the severe recession of the Brazilian economy that contrasts with the growth shown by Mexico, Chile, Peru or Colombia. Specifically, Brazil will close 2016 with a negative growth of -3.5% and will again grow positively in 2017 and 2018 with rates of 0.2% and 1.5%, respectively, as long as political uncertainty is reduced and the effects of previous economic shocks continue to weaken.

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.