

INTERVIEW WITH THE CHAIRMAN

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



José Manuel Entrecanales
Chairman of ACCIONA

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

How do you rate the results obtained in 2016?

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

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

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

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

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

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

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

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

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

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

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

We are looking forward to 2017 and beyond with prudent optimism

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

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

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

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

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

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

What value can the company contribute in the future?

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

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

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

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

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

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

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

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