elecnor

2016

ANNUAL REPORT

elecnor

2016

ANNUAL REPORT

Summary

Jaime Real de Asúa
Chairman

Dear shareholders:

In my capacity as Chairman of Elecnor, a position I assumed on 1 January 2017 following the decision taken at the Meeting of the Board of Directors on 21 September 2016, it is my pleasure to present the 2016 Annual Report of the Elecnor Group including the Annual Financial Statements, the Management Report and a complete overview of aspects such as our business performance and strategies.

I would first like to take this opportunity to express my sincere thanks to my predecessor, Fernando Azaola Arteche, who headed the Group for sixteen years, first as Chief Executive Officer and subsequently as Executive Chairman. He stepped down voluntarily in accordance with the Company's established orderly succession policy for its most senior positions .

Fernando Azaola's magnificent legacy is an Elecnor Group established as a benchmark in the Spanish and global business system, having achieved a successful combination of strong growth and rapid internationalisation. He will continue to make vital contributions as he remains a member of the Board of Directors of the Company and of its Executive Committee and also continues to serve as Chairman of the Elecnor Foundation.

> “Fernando Azaola's magnificent legacy is an Elecnor Group established as a benchmark in the Spanish and global business system, having achieved a successful combination of strong growth and rapid internationalisation”

Our Chief Executive Officer, Rafael Martín de Bustamante, remains in office as Elecnor's most senior executive.

I and the Board of Directors would like to express our profound gratitude to Fernando Azaola for his commitment and his exemplary talent, both personal and professional.

2016

With an uneven pace of recovery in the various markets in which Elecnor is present, 2016 can be considered to have been a satisfactory year with further consolidation of the cornerstones of the Group's growth in recent years: prudent diversification, marked internationalisation, improved cash generation, strict debt control and close collaboration between our two mutually-enriching major businesses, infrastructure and concessions, unlocking synergies and enabling us to achieve greater operational efficiency.

These are lines of action the ultimate aims of which are to generate shareholder value and ensure the long-term sustainability of our business model.

As I remarked, the key figures for 2016 illustrate, in my view, that all our efforts are yielding fruit. Most noteworthy of all is the 4.3% increase in consolidated net profit to EUR 68.5 million. This a performance underpinned, primarily, by the various major projects that we are undertaking in international markets, in particular in power generation, but also by the improved performance of the domestic infrastructure business, with Elecnor taking advantage of its leadership in activities such as electricity, telecommunications and facilities and their maintenance.

Consolidated net profit was also influenced by the main corporate transaction in 2016: the sale, via our wind power subsidiary Enerfín Sociedad de Energía, of the Eólicos de Villanueva company to Cubico Naranja Wind Spain for EUR 34 million, a transaction which is in keeping with Elecnor's strategy for securing returns on its infrastructure promotion, development and construction projects.

Also particularly noteworthy is EBITDA, which, in normalised terms – i.e. based on consolidated EBITDA and stripping out the impact of the application of IFRIC 12 relating to Service

> “Elecnor pursues all its current policies with the twofold objective of consolidating the long-term sustainability of our business model and generating value for shareholders”

Concession Arrangements -, totalled EUR 291.7 million, up 6.7% compared with normalised EBITDA in 2015. Meanwhile, consolidated EBITDA amounted to EUR 244.3 million, up 8.9% year on year.

And also worth mentioning, of course, were sales, which topped the EUR 2,000 million mark for the first time thanks to the strength of our performance in both the domestic and international arenas. More precisely, sales totalled EUR 2,035 million, up 8.2% compared with 2015, with 55% generated in international markets and 45% in Spain, similar to the percentages in previous years.

This balance in the pace of growth of domestic and international sales reflects how Elecnor is continuing to defend and strengthen its leadership position in Spain, which provides vital stability in terms of business and recurring revenues as we open up new horizons across five continents. In 2016, sales were generated in 50 countries.

Financing and debt control

Key to our solid and sustainable growth model is the availability of diversified funding sources at reasonable costs through a combination of long- and short-term lines designed to ensure a high level of stability in terms of the maturity of our sources and to take full advantage of all-time low interest rates.

Most noteworthy is this regard was the signing of a novation contract last July to modify several of the conditions of the EUR 600 million syndicated loan taken out in July 2014 with nineteen Spanish and international financial institutions. This resulted in maturity being extended by one year and a marked improvement in the original margin conditions. The novation in 2016 extends maturity by a further year to July 2021, with margins that are still highly competitive and swaps to hedge interest rate risks, which means we have a reliable idea of the cost of funding our investments.

In terms of short term lines, Elecnor maintains EUR 245 million of bilateral bank financing lines and a EUR 200 million commercial paper programme with the Alternative Fixed Income Market (MARF). Our issues in this market are at exceptionally low one-year rates of around 0.80% and one-month rates of below 0.30%, which illustrates Elecnor's standing among investors with regard to risk perception.

The combination of these sources resulted in an average corporate financing rate of 1.84% in 2016.

With regard to debt control, net corporate financial debt stood at EUR 272 million at year end, a year-on-year decline of 3% following the 19.5% reduction achieved in 2015.

Meanwhile, the net financial debt/EBITDA ratio for the restricted group was 2.02 at the end of 2016, lower than the ratio of 2.20 in 2015 and well below the limits set in the financial covenants.

> “Our commitment to seeking the maximum stability to foster continuity in shareholder remuneration in the medium and long term is now firmly established”

Shareholder remuneration

As I pointed out previously in my letter, Elecnor pursues all its current policies with the twofold objective of consolidating the long-term sustainability of our business model and generating value for shareholders. With regard to the latter goal, the figures for 2016 can be considered very satisfactory: a return of 9.1% from changes in the share price and of 3.3% from the distribution of dividends within the natural year.

Our ongoing quest for maximum stability to ensure continuity in shareholder remuneration in the medium and long term led the Board of Directors to propose payment of a second interim dividend out of 2016 profits of EUR 0.2243 per share to the 2017 General Shareholders' Meeting. If this proposal is approved, the total paid out of 2016 profits (including the interim dividend paid out in January 2017) will be EUR 0.2758 per share, 5% higher than in 2015.

The 2016 Annual Report that we have prepared for you provides best summary of this and other key information such as our activities, business development and corporate policies. This information is complemented by the annual Financial Statements, the annual Corporate Governance Report, the Annual Report on Directors' Remuneration and the content of the 2016 Sustainability Report, for corporate social responsibility issues.

On the cusp of the 60th anniversary of the foundation of our company, which we will celebrate next year, I would like, as the final message of this, my first letter as Chairman of the Company, to inform you of my unwavering commitment to work to achieve an even stronger, more robust and more profitable Elecnor Group that will continue to strive for the greatest possible stability and continuity in shareholder remuneration.

Yours sincerely,,

Jaime Real de Asúa
Chairman

Board of Directors

CHAIRMAN

Jaime Real de Asúa Arteche

DEPUTY CHAIRMAN

Fernando León Domecq

Juan Prado Rey-Baltar

CHIEF EXECUTIVE OFFICER

Rafael Martín de Bustamante Vega

BOARD MEMBERS

Fernando Azaola Arteche

Gonzalo Cervera Earle

Isabel Dutilh Carvajal

Juan Landecho Sarabia

Miguel Morenés Giles

Gabriel de Oraa y Moyúa

Rafael Prado Aranguren

Emilio Ybarra Aznar

SECRETARY AND DIRECTOR

Joaquín Gómez de Olea y Mendaro

DEPUTY SECRETARY

Cristóbal González de Aguilar Alonso-Urquijo

Key economic figures

ELECNOR GROUP

At 31 December of each year and in thousands of euros

Results figures	2014	2015	2016
Operating profit	134,838	124,433	166,728
EBITDA	228,846	224,310	244,312
Normalized EBITDA*	278,191	273,466	291,722
Pre-tax profit	115,954	128,760	129,309
Net profit	58,542	65,662	68,465

*Excluding the impact of the aplication of IFRIC 12 on concessions in Brazil

Equity of parent company	2014	2015	2016
Equity of parent company	465,612	417,811	549,686

Turnover	2014	2015	2016
Sales	1,723,728	1,881,143	2,035,136
Domestic	794,539	851,500	915,826
International	929,189	1,029,643	1,119,310

Other figures	2014	2015	2016
Employees	13,223	12,592	13,077

NET FINANCIAL DEBT

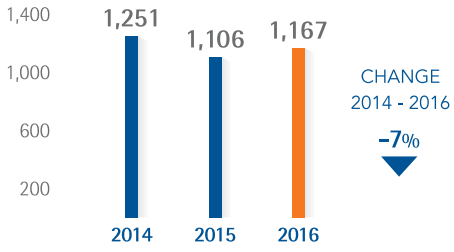
Figures in millions of euros

	2014	2015	2016
Net Financial Debt	1,251	1,106	1,167
With Recourse	348	280	272
Non Recourse	903	826	894
Normalized EBITDA (1)	278	273	292
Debt/Normalized EBITDA ratio	4.5	4.0	4.0

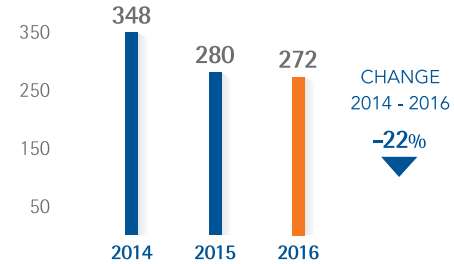
	2014	2015	2016
Corporate Debt	348	280	272
Normalized EBITDA	278	273	292
Debt/EBITDA ratio (2)	2.56	2.20	2.02
Debt/Shareholder equity ratio	0.56	0.54	0.47

(1) Excluding the impact of the aplication of IFRIC 12 on concessions in Brazil
(2) Ratio = Net Financial Debt/(EBITDA excluded projects+dividends projects)

NET FINANCIAL DEBT

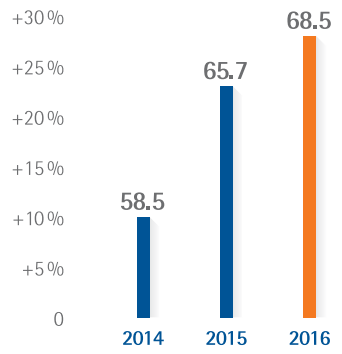


CORPORATE DEBT



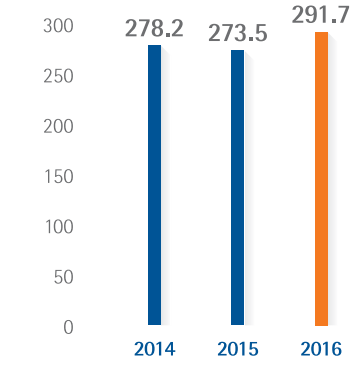
NET PROFIT

Figures in millions of euros



NORMALIZED EBITDA (1)

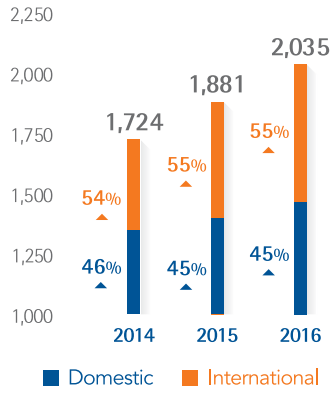
Figures in millions of euros



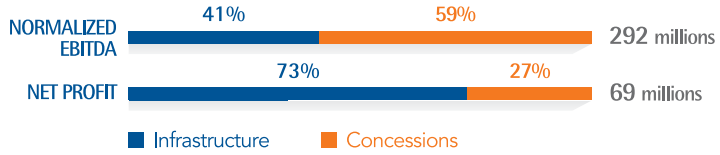
(1) Excluding the impact of the aplication of IFRIC 12 on concessions in Brazil

SALES

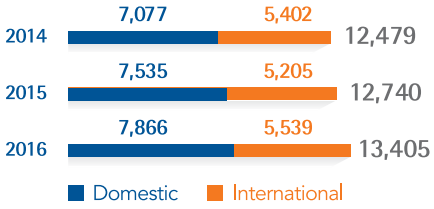
Figures in millions of euros



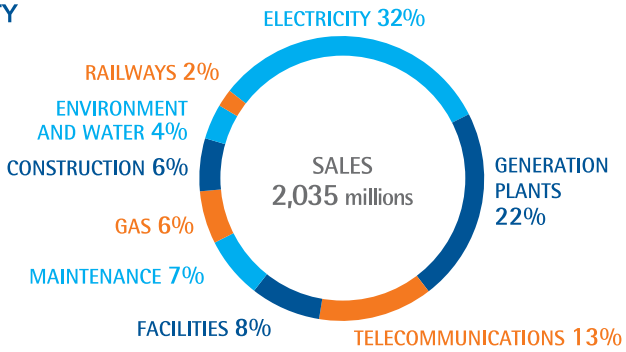
DISTRIBUTION BY BUSINESS

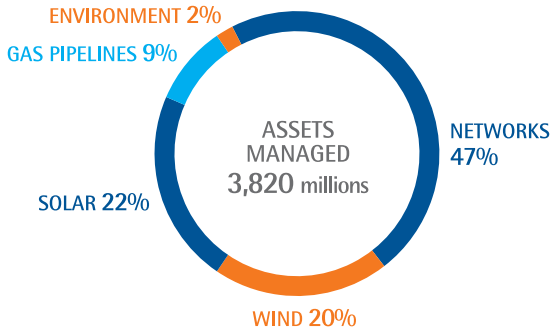


WORKFORCE

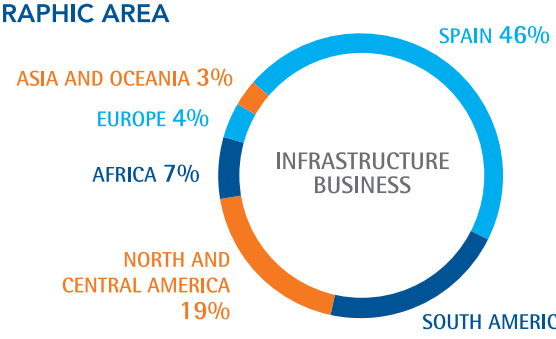


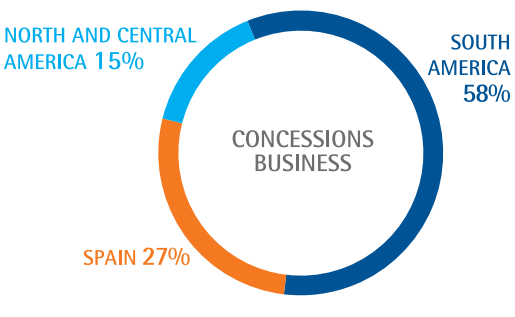
BY ACTIVITY





BY GEOGRAPHIC AREA





Balance sheet trends

In thousands of euros

ASSETS	2014	2015	2016
Goodwill	32,386	33,372	32,107
Intangible property	65,371	60,461	52,407
Tangible fixed assets	1,208,149	1,199,882	1,267,987
Investments accounted for using the equity method	75,259	124,633	165,615
Non current financial assets	731,319	585,079	783,584
Deferred tax assets	78,255	80,433	98,427
Total non-current assets	**2,190,739**	**2,083,860**	**2,400,127**
Non-current assets held for sale	4,204	4,058	47,143
Inventories	11,622	15,034	14,947
Trade and other receivables	927,816	968,723	1,031,068
Trade receivables from related companies	43,550	10,726	18,890
Tax receivables	72,257	55,180	66,417
Other receivables	10,995	15,028	13,769
Other current assets	8,920	11,673	10,550
Cash and cash equivalents	266,427	337,256	317,365
Total current assets	**1,345,791**	**1,417,678**	**1,520,149**
TOTAL ASSETS	3,536,530	3,501,538	3,920,276

LIABILITIES	2014	2015	2016
Share capital	8,700	8,700	8,700
Reserves	402,563	347,799	477,002
Profit for the year attributable to the parent	58,542	65,662	68,465
Interim dividend for the year	-4,193	-4,350	-4,481
	465,612	417,811	549,686
Minority interests	344,124	322,560	430,354
Total equity	809,736	740,371	980,040
Deferred income	21,468	13,682	9,738
Provisions for contingencies and charges	13,378	11,704	18,719
Financial debt	1,221,614	1,145,425	1,206,928
Other non-current liabilities	19,574	25,218	19,644
Deferred tax liabilities	58,572	66,961	87,384
Total non-current liabilities	1,334,606	1,262,990	1,342,413
Liabilities associated with non-current assets held for sale			24,337
Financial debt	295,810	297,583	271,059
Trade payables to associates and related companies	3,498	2,366	2,437
Trade and other payables	949,949	1,042,384	1,125,018
Other liabilities	142,931	155,844	174,972
Total current liabilities	1,392,188	1,498,177	1,597,823
TOTAL EQUITY AND LIABILITIES	3,536,530	3,501,538	3,920,276

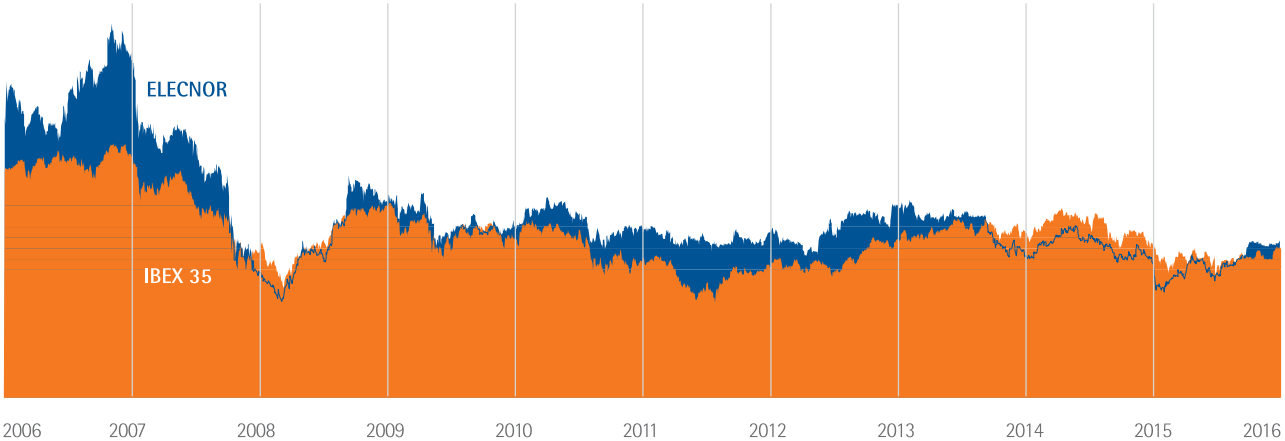
Stock market information

Monthly share price performance and trading trends in 2016

		Monthly				Trading volume	
	Dayslisted	Maximum	Minimum	Average	Closing	Shares	Cash
January	20	8.25	6.18	6.74	6.62	1,138,997	7,673,101
February	21	6.90	6.10	6.46	6.85	164,251	1,061,562
March	21	7.45	6.66	7.00	7.36	297,537	2,082,776
April	21	8.20	6.75	7.65	7.90	254,637	1,947,600
May	22	8.58	7.61	8.09	8.04	199,231	1,612,528
June	22	8.15	7.00	7.75	7.17	211,518	1,639,310
July	21	7.90	6.80	7.23	7.79	238,010	1,721,238
August	23	7.94	7.45	7.73	7.85	129,946	1,003,975
September	22	8.39	7.72	8.11	8.24	700,965	5,686,522
October	21	9.17	8.18	8.94	9.00	311,598	2,784,392
November	22	9.10	8.60	8.97	8.81	449,609	4,032,536
December	21	9.04	8.51	8.93	8.98	350,806	3,133,051
Total 2016	**257**	**9.17**	**6.10**	**7.73**	**8.98**	**4,447,105**	**34,378,591**

SHARE PRICE PERFORMANCE

In 10 years

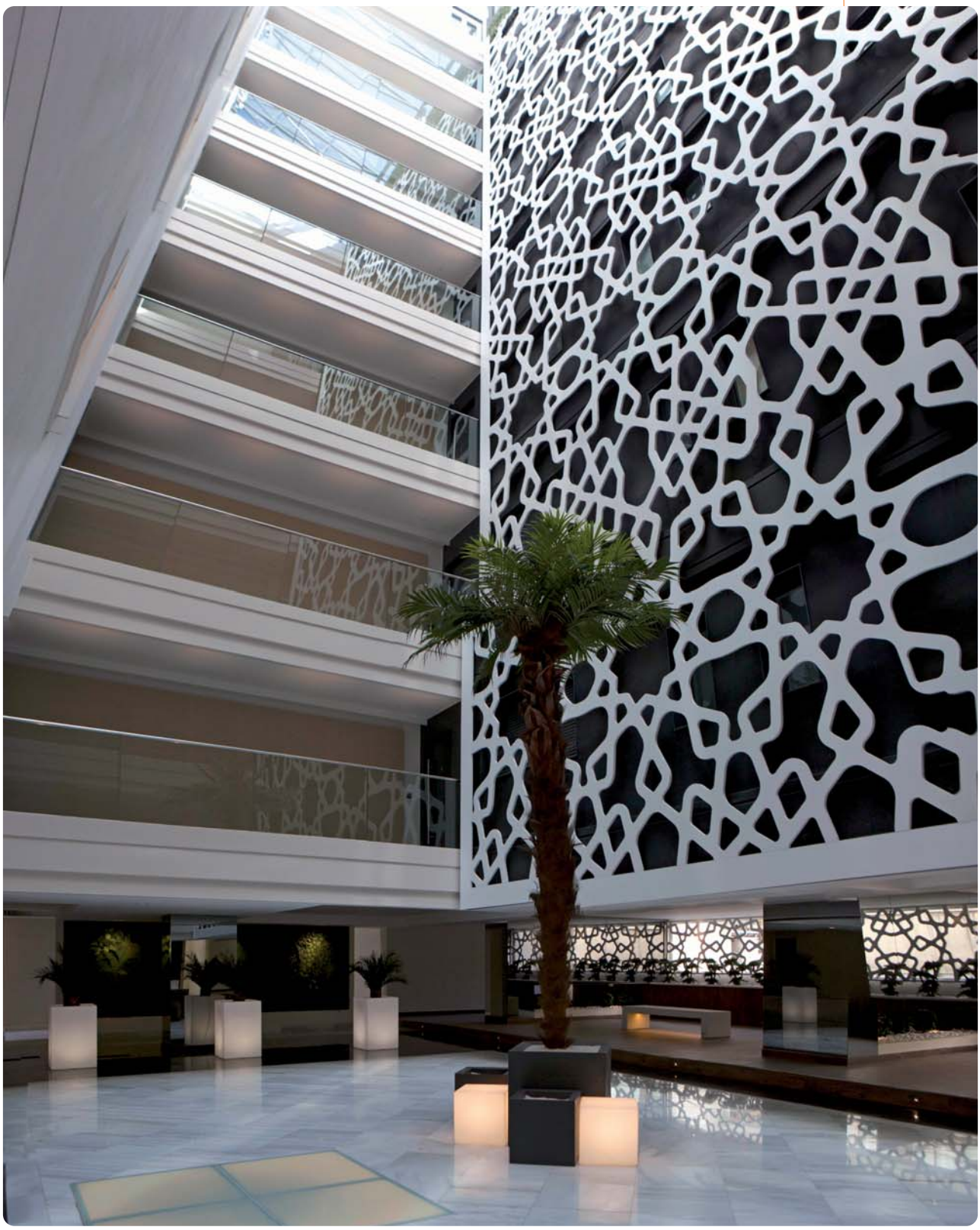


Dividend per share

	2014	2015	2016
Dividend per share	0.250200	0.262700	0.275835
Interim	0.048200	0.050000	0.051500
Final	0.202000	0.212700	0.224335*
Change	7%	5%	5%
Dividend/net profit (payout) (%)	37.2	34.8	35.1

* Proposal of the Board of Directors to the Shareholders' Meeting

Refurbishment of the Abascal residential building (Madrid)



elecnor in the world

> Elecnor is a global company with sales in 51 countries during 2016

NORTH AND CENTRAL AMERICA
CANADA, UNITED STATES, GUATEMALA, HAITI, HONDURAS, MEXICO, NICARAGUA, PANAMA, DOMINICAN REPUBLIC

SOUTH AMERICA
ARGENTINA, BOLIVIA, BRAZIL, CHILE, ECUADOR, PARAGUAY, PERU, URUGUAY, VENEZUELA

EUROPE

BELGIUM, GERMANY,
FRANCE, HOLLAND, ITALY,
NORWAY, PORTUGAL,
UNITED KINGDOM,
ROMANIA, SWITZERLAND

SPAIN

AFRICA

ANGOLA, ALGERIA, BURKINA FASO,
CAMEROON, CONGO, GHANA,
MOROCCO, MAURITANIA,
DR. CONGO, SENEGAL

ASIA AND OCEANIA

SAUDI ARABIA, AUSTRALIA,
BANGLADESH, IRAN,
JORDAN, KUWAIT, OMAN

BUSINESSES

elecnor

Working on the new headquarters of Banco Popular (Madrid)


elecnor
elecnor

Economic conditions and Elecnor in 2016

ECONOMIC CONDITIONS IN ELECNOR'S MAIN MARKETS

SPAIN

In Spain, economic growth stood at 3.2%, the same rate as in 2015, despite the political stalemate that lasted almost until the end of the year.

However, the key factor in Spain, due to its impact on the setting of all other macroeconomic goals, remains the progress in reducing the public deficit to meet the target agreed with the EU. The 2016 target, set at 4.6% of GDP following a revision at the height of the period of political stalemate, was achieved at the end of the year, albeit thanks to an extraordinary measure in September in the form of the requirement for some large companies to make advance payments of corporate income tax. Public debt, the other key macroeconomic factor in Spain, performed in line with expectations in 2016, approaching a ratio of 100% of GDP.

With regard to key sectors, infrastructure was affected by the 23% decline in the formalisation of new contracts by the Ministry of Public Works to EUR 1,302 million from EUR 1,693 million in 2015. This is the third consecutive year of falls. It is also the lowest amount since the figure of EUR 908 million booked in 2009.

The fall in the award of contracts is the result of the decline in tenders. The completion of several AVE high-speed train lines in recent years, the prolonged period of political stalemate and the need to meet the deficit target are some of the factors behind this downturn in public works.

With regard to the energy sector, demand for electricity edged up 0.8% in 2016, according to research from Red Eléctrica de España (REE) based on estimated year-end figures. Meanwhile, generation declined by 1.9% compared with 2015, mainly affecting coal , production of which fell by 29.8%.

Spain's electricity generation base declined in 2016 after a long period of uninterrupted growth. More specifically, it declined by 0.9% year-on-year as a result of the closure of several coal-fired plants with a combined capacity of 932.2 MW. The production of other technologies was unchanged with the sole exception of solar PV, which posted a small 0.3% increase in output.

> “Latin America, according to the IMF's latest revised figures for the global economy, overcame recession in 2016 to post 1.2% growth”

LATIN AMERICA

Latin America, according to the IMF's latest revised figures for the global economy, overcame recession in 2016 to post 1.2% growth, though this is a lower rate than forecast at the start of the year.

By key Latin American markets, particularly noteworthy is Brazil which, after seeing its economy shrink 3.8% in 2015, spent a second consecutive year in recession in 2016 (-3.5%, according to IMF estimates), as private spending failed to pick up as expected.

Of the country's key sectors, the energy sector remains particularly dynamic. According to the Agencia Nacional de Energía Eléctrica (Aneel), 9,526 MW were added to the national system last year. Of this total, 53% corresponds to large hydroelectric power plants. The second largest addition of capacity -2,564 MW- was reported by the wind power sector, followed by thermal power plants (1,758 MW).

In México, GDP growth flagged in 2016 and was estimated at 2.2% by the IMF compared with 2.6% in 2015. In the meantime, the country is making progress with the plans drawn up by

La Entrada ES
(Honduras)

ESPECIALLY NOTEWORTHY IN CHILE'S ENERGY SECTOR IS THE "ENERGY 2050" PROGRAMME, UNDER WHICH AT LEAST 70% OF NATIONAL ELECTRICITY GENERATION IS TO COME FROM RENEWABLE SOURCES BY 2050

San Juan wind farm (Chile)

president Enrique Peña Nieto for infrastructure. In effect, the 2014-2018 National Infrastructure Plan (PNI), which envisages the investment of around EUR 400,000 million in 6 major sectors of the Mexican economy, is already in full swing. These sectors are communications, healthcare, urban development, housing, tourism and energy, with a particular focus on the development of renewable energy.

Chile is another country in the region to see economic growth slow, in its case to 1.6% compared with 2.3% in 2015.

Of the sectors undergoing significant transformations in the country, especially noteworthy is the energy sector, with the launch of 'Energy 2050', an ambitious programme which includes the implementation of the necessary measures for renewable energy to account for 60% of electricity generation in 2035 and at least 70% in 2050 and a steadfast commitment to energy efficiency.

In Venezuela, according to preliminary figures from the IMF, the economy shrank 12% in 2016, practically double the decline in 2015. The 2016 figure is the worst for 13 years. The country has not emerged from the recession it entered at the start of 2014 and the fall in production has in fact worsened, further fuelling a rate of inflation that international bodies already consider to be the highest in the world (around 800% in 2016).

UNITED STATES

In the US, according to the IMF, the pace of GDP growth slowed to 1.6% in 2016, some way short of the figure of 2.1% in 2015, although the rate improved over the course of the year. The outgoing administration of Barack Obama left an unemployment rate of 4.7% compared with the figure of 7.8% at the start of his first term in January 2009.

The year ended with the prospect of profound changes in the country's economy following the election as president of Donald Trump, in particular in the areas of energy and the environment, with the new administration keen to promote fossil fuels at the expense of renewable energy, and in international trade, with the abandonment or restructuring of the country's role in various international alliances. The new administration has also announced its support for several infrastructure projects.

AFRICA

Geopolitical risks and a range of non-economic factors are continuing to hamper prospects in regions such as the Middle East and Africa, which are affected above all by tensions from the conflict with so-called Islamic State. The prolonged effects of drought in eastern and southern Africa also took a toll.

> “In addition to this international performance, the Group's domestic infrastructure business put in a strong showing thanks to the growing efficiency of its operations”

In 2016, according to the IMF, sub-Saharan Africa experienced a sharp decline in its growth rate to just 1.6% compared with 3.4% in 2015. It is a performance shaped to a large extent by the entry of Nigeria, the region's largest oil producer and exporter, into recession and the economic stagnation of South Africa.

Also in the doldrums was Angola, which mustered just 0.1% growth and was also affected by the low crude price in the first nine months of the year. However, the country has launched various initiatives to diversify its economy and ease its future dependence on oil.

AUSTRALIA

Australia's GDP grew by 2.4% in 2016 thanks to the sharp increase in the final quarter (1.1%), which offset the 0.5% decline in the third. At any rate, the figure reflects a slight slowdown after the country weathered the worst years of the global financial crisis. The main reason for this relative decline is the raw materials market, with prices falling for the products of Australia's powerful mining industry. However, this market rallied towards the end of the year, lending credence to the idea that the country will again post significant growth rates, supporting its current expansion plans for infrastructure and renewable energy.

Consolidation of internationalisation of sales and the order book

In 2016, Elecnor's sales surpassed the EUR 2,000 million mark for the first time. More specifically, sales totalled EUR 2,035 million, an increase of 8.2% compared with the total of EUR 1,881 million in 2015.

Underpinning this performance is the strong progress of the Group's projects in international markets, especially in Mexico, where work is underway on the combined cycle plant that is being built in this country, and in Chile, where projects include the assembly of the country's largest wind farm for Latin American Power. In Chile the Alto Jahuel transmission line and its second circuit also started operating in 2016.

Meanwhile, in Brazil the Group's wind farms delivered strong generation figures.

In addition to this international performance, the Group's domestic infrastructure business put in a strong showing thanks to the growing efficiency of its operations.

The international market - with sales in 50 countries in 2016 - accounted for 55% of total sales and the domestic market the remaining 45%..

The backlog at 31 December 2016 stood at EUR 2,339 million. International orders totalled EUR 1,917 million (82% of the total), while domestic orders amounted to EUR 423 million, 18% of the total.

Two main business areas

Elecnor has two major mutually-enriching business areas: Infrastructure and Concessions.

Infrastructure: this is Elecnor's core business, both in terms of its experience and financially. The Group provides end-to-end management of electricity, power generation, telecommunications and systems, facilities, gas, construction, maintenance, environmental and water, railway and space projects.

Thanks to its long-standing ties with the leading utilities and gas and telecommunications operators, Elecnor has been an active player in the deployment of key energy and communications infrastructure. Drawing on its constant development and technical and engineering expertise, Elecnor can now undertake major generation projects such as combined cycle plants, hydroelectric facilities, solar thermal and solar PV plants, wind farms and gas pipelines, particularly in overseas markets.

Concessions: this business promotes, seeks finance for and manages power transmission and generation assets, primarily in the spheres of wind power and solar thermal energy, and also provides environmental services

Power transmission infrastructure: these are electricity and gas infrastructure projects. Elecnor first became involved with electricity infrastructure in 2000 in Brazil's electricity transmission line network. By the end of 2016, Elecnor had interests in 12 concessionaires in Brazil. In Chile, where the Company began operating 7 years ago, it is working on three projects in this sector. In gas infrastructure, Elecnor built the gas pipeline which will transport natural gas from the state of Tlaxcala to Morelos in central Mexico. The project was carried out by the Comisión Federal de Electricidad, to which Elecnor will provide gas transport services via the new pipeline for 25 years.

Renewable energy: having played an active role in the development of some of Spain's most important renewable facilities, Elecnor began to look abroad about ten years ago. Major achievements in the international arena include the development of almost 700 MW of wind capacity in Brazil and Canada and the construction of a large solar PV plant in Australia.

In the sphere of solar thermal energy, Elecnor has developed and operates three plants in Spain with total installed power of 150 MW.

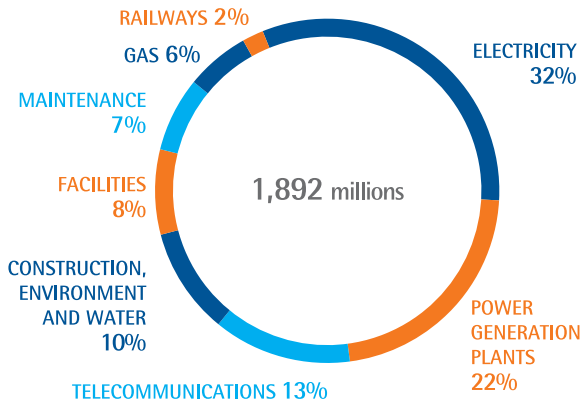
Environment: Elecnor is the concession holder for the construction and operation of 39 wastewater treatment plants in the Spanish region of Aragon.

With regard to the Group's two core businesses, Infrastructure and Concessions, the former posted a 20% increase in net profit to EUR 53 million, while its sales grew by 7.1% to EUR 1,892 million. The Concessions business saw its net profit fall by 6% to EUR 19.8 million. The reason for this decline was the performance of some local currencies. Meanwhile, sales climbed 5.4%, to EUR 211 million.

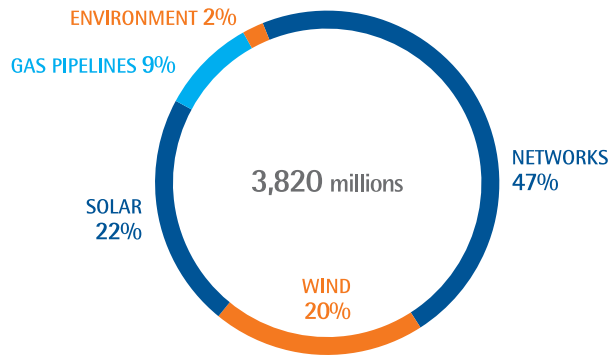
Areas and businesses

The contribution by each specific business to the Group's sales in 2016 was as follows:

INFRASTRUCTURE.
Distribution of sales by activities



CONCESSIONS.
Distribution of assets managed by activities



San Juan wind farm (Chile)

Occupational Health and Safety course in Angola

Businesses Infrastructure

elecnor

Electricity

Electricity activities generated revenues of EUR 652 million in 2016, up 20% from EUR 540 million in 2015. This performance further underlined the standing of the Electricity unit as the Group's main revenue source, with 32% of the total, 3 percentage points more than in 2015. This leadership position was achieved in a market that is slowly recovering following the impact on the investment capacities of Spain's leading utilities of the electricity sector reforms in previous years. Against this backdrop, Elecnor is maintaining a strong presence in the domestic market, where it offers a varied range of services to all companies, whilst continuing to grow internationally.

SPANISH MARKET

In the Spanish market, investment volumes are no longer falling. They have stabilised and, in some cases, are rising. Growing trends, compared with the marked fragmentation of rival companies, are the focus of electricity companies on contracts for larger areas and the inclusion of more activities with the aim of securing end-to-end contractors, which has clear benefits for the offer of a company like Elecnor.

Endesa, for example, awarded Elecnor a framework multiservice contract including maintenance of medium- and low-voltage networks, live working, regulated operations, generators and waterproofing of centres. This contract is for 3 years (2017-2019), with the option of renewal for up to two years. The award of this contract means Elecnor is present in all the autonomous regions where Endesa distributes electricity with the sole exception of Aragon. It has also consolidated its presence in the Balearic Islands and the Canary Islands. It also has a much larger footprint in Catalonia, where Endesa has put its faith in Elecnor in historically complex areas.

Elecnor holds 23% of the contracts awarded by Endesa, more than any other firm, and is its benchmark company in Spain.

> “Following two tenders, Elecnor increased its share of Endesa and Gas Natural Fenosa's framework contracts in 2016”

110 kV
Camarasa-Cervera
line (Lérida)

In generation, Elecnor is continuing to strengthen its position and gradually increasing its presence. Noteworthy in this area is the recent award of the leachate pumping system at the As Pontes plant in A Coruña.

Iberdrola, in turn, has awarded Elecnor a 30% share of the contract to supply automated cubicles for its STAR Project (Network Remote Management and Automation System) which aims to transform technology in the field of smart grids. The aim of this programme is to achieve compliance with the European Directive which sets 2018 as the deadline for the replacement of all analogue meters with digital meters. This contract is the latest of those awarded annually since the start of the project in 2014 and reflects the unwavering trust, year after year, of one of Elecnor's best customers.

Since 2014, and with an estimated renewal date of June 2017, Elecnor has been working on the framework medium- and low-voltage contract with Iberdrola, which includes the STAR project, playing a leading role in all its regions. Elecnor also has the largest share of any contractor with this company, at 34%.

In 2016 Gas Natural Fenosa also awarded Elecnor a framework electricity maintenance contract covering medium and low voltage activities, medium and high voltage live working and high voltage lines. This contract has a five-year term (2016-2021) with a three-year extension option.

Elecnor grew significantly as a result of these negotiations and is the number one company with a 33% share of contracts, maintaining its footprint in Madrid and Castile-La Mancha and tripling its presence in Galicia. In the latter region Elecnor began working in cities such as A Coruña and Santiago. This represents a significant quantitative leap which, if investment and market conditions are strong, will be reflected in contracts in the coming years.

Good progress continues to be made on the framework substation maintenance contract with Gas Natural Fenosa, with the first major works getting underway.

Finally, at the end of 2016 Elecnor was awarded the civil works contract for the wind farms corresponding to the Canary Islands quota, which were awarded to Gas Natural Fenosa.

In 2016 REE also awarded Elecnor the framework substation maintenance contract for the Canary Islands, Villaviciosa (Madrid), Cártama (Malaga) and Don Rodrigo (Ciudad Real).

Noteworthy projects for REE included completion of the adaptation of sections of cable on the 400 kV Boimente (Lugo)–Pesoz (Asturias) transmission lines and the project awarded in 2015 involving the assembly and hoisting of pylons and the stringing of section 1 of the 400 kV Mezquita–Morella line in Castellón. Assembly and hoisting contracts were also awarded for section 2 of the 132 kV Puerto del Rosario–La Oliva and Puerto del Rosario–Gran Tarajal lines, both in Fuerteventura (Canary Islands), and the stringing of the former.

With regard to maintenance for REE, in addition to routine tasks Elecnor used a helicopter to replace pylons on the 132 kV Ciudadela–Mercatal (Menorca, Balearic Islands) line owing to the difficulty of the work and environmental requirements.

Also in the maintenance area, and despite having carried out insulator cleaning on transmission lines with lorries and helicopters for many years, 2016 marked a new beginning for live working on REE lines. After replacing short sections of earth cable and installing OPGW in 2015, work contracted and successfully carried out in 2016 included replacement of pylons and OPGW cable on the 400 kV Pinar–Puerto/Arcos–Puerto line in Cádiz, replacement of pylons on the 66 kV Granadilla–Tagoro line in Tenerife in the Canary Islands and replacement of pylons, chains and earth cable with OPGW cable on the 66 kV Gran Tarajal–Matas Blancas line in Fuerteventura in the Canary Islands.

In addition to working for these major customers, Elecnor extended its contract with HC Energía, part of the EDP Group, and its distribution contract in the Piamonte region of Italy with Enel in 2016.

“For Iberdrola, Elecnor secured a 30% share of the contract to supply automated cubicles for its STAR Project (Network Remote Management and Automation System) which aims to transform technology in the field of smart grids”

INTERNATIONAL MARKET

As with its other areas of activity, Elecnor is working to expand its electricity activities in international markets. Elecnor made further headway in the main markets in which it is involved in electricity work and services in 2016:

The United States

Elecnor Hawkeye, the Elecnor Group's US subsidiary, worked exceptionally hard in 2016 to expand its electricity activities in the state of Connecticut, securing several contracts with Eversource and tripling its resources in the area.

There was also a strong focus on horizontal directional drilling (HDD). In this sphere, Elecnor Hawkeye secured contracts in the New York area for the Public Service Enterprise Group (PSE&G) and in Connecticut for Eversource and National Grid. This activity has been used not only to dig trenches for electricity but also for gas and telecommunications.

Elecnor Hawkeye has also endeavoured to improve its storm response service. The progress made was illustrated by its deployment capability in areas as far away as Florida and North Carolina in the wake of Hurricane Matthew.

It is worth noting that much of Elecnor Hawkeye's activity is associated with framework or one-off contracts such as the USD 6 million contract for the laying of a 230 kV high voltage underground cable with a HPFF (High Pressure Fluid Filled) system for PSE&G.

United Kingdom

The Group's British company, the Scotland-based IQA, operates mainly in two areas: services to electricity companies, which accounted for 88% of its production volume in 2016, and substations, small facilities and maintenance, which accounted for the remaining 12%.

In the services segment, IQA mainly works for ScottishPower, Iberdrola's subsidiary in the UK. IQA is seeking to extend the provision of its services to other utilities, to which end it worked to secure certifications and contracts with these potential new customers, most notably with Western Power Distribution and Scottish and Southern Energy.

At its business unit in Glasgow progress was made in customer diversification in the area of multiutilities for electricity, water and gas services in new residential buildings, with strong growth forecast in the coming years.

In the area of substations, small facilities and maintenance the necessary accreditation was secured to work in this field and work was carried out for renewable energy companies. 40% of the turnover from this business was generated with companies other than ScottishPower. One of the most important new customers is Vodafone, for which IQA is working on communications connectivity solutions for substations. In the specific area of small facilities and maintenance, work was carried out on IQA's two framework contracts: the framework maintenance contract with Edinburgh city council and the energy efficiency gains contract with the Scottish government (Warmworks).

Portugal

In 2016 work was carried out on a large number of projects for Redes Energéticas Nacionais (REN), the body responsible for the overall management of the Portuguese public electricity distribution system. These projects were in construction, exploration and maintenance.

Elecnor started working with REN in 2005, when the first refurbishment and upgrading of a 400 kV line in Portugal was successfully carried out. Last year, the refurbishment and upgrading of the 85 kilometre 400 kV Recarei–Paraimo line, which began in 2015, was completed.

The Group was awarded two new contracts by REN's construction business in 2016:

- the 400 kV Feira–Lavos, Section II, line, which is 24 kilometres in length
- the 400 kV Pego–Falagueira line, which is 41 km in length

In addition, minor work was carried out for REN's exploration division.

Brazil

Against a backdrop of restrictions on both public and private investment as a result of the recession afflicting the country, Elecnor notched up several significant achievements in the electricity sector in 2016. The most notable was the award by the Brazilian electricity company TAESA of a contract to build three substations in the state of Tocantins: Miracema (500 kV), Lajeado (500/230 kV 960 MVA) and Palmas (230/138 kV 400 MVA). The contract is Elecnor's first with this company, one of the country's largest in the sphere of electricity transmission with significant investment plans in the auctions announced by the government for 2017.

In addition, Elecnor was awarded the contract to expand the Venda das Pedras (345/138 kV 133.3 MVA) substation in the state of Rio de Janeiro by the Pedras Transmissora de Energia company. The same company also entrusted Elecnor with the construction of theCuritiba Centro GIS (230/13.8 kV) substation and the expansion of the Medianeira (230/138 kV) substation in the state of Paraná.

Projects completed in the year included the expansion of a reactor rod in the Corumba (230 kV- 15 MVAr) substation for Elecnor's subsidiary Celeo in the state of Mato Grosso do Sul.

Mexico

In Mexico, Elecnor was again mainly active in the electricity sector (substations, transmission lines and distribution) in 2016 , participating in tenders by the Comisión Federal de Electricidad (CFE) and private tenders. And it did so in a context of burgeoning competition from both local and international companies.

After several years without securing contracts for substations and transmission lines with the CFE, three major wins were achieved between 2015 and 2016: for the transmission grid associated with the Baja California III combined cycle power plant and for the Del Occidental (3rd phase) and Distribución Sur (6th phase) substations. The first two projects were successfully completed and the third will get underway in 2017.

There is strong potential in the electricity sector in the near future because large swathes of the country are not connected to the grid and the growing economic activities in these areas require an energy supply.

Chile

In 2016 the 2nd circuit of the Ancoa-Alto Jahuel transmission line was powered up for Celeo Redes Chile, the Elecnor Group's subsidiary in Chile. For Celeo Redes work is also continuing on the construction and stringing of the first circuit of the 2x500 kV Charrúa– Ancoa transmission line and the expansion of the associated substations.

Generation evacuation contracts were also signed for private customers. These are for a 17 km 2x500 kV line for the El Campesino combined cycle plant for the consortium formed by AME and EDF and a 110 km 2x220 kV line for the Cabo Leones I wind farm, owned by the consortium formed by Iberéolica and EDF. The company is also carrying out the expansion of the Maitencillo substation with the installation of two GIS positions.

Other significant events in transmission were the award to Celeo Redes of the contracts for construction of the 40 km 220 kV Nueva Diego de Almagro–Cumbres transmission line; expansion of the Cumbres substation, including a 500/220 kV autotransformer; and for the 220 kV Nueva Diego de Almagro substation, the first new substation owned by Celeo Redes in Chile. The environmental procedures for the latter project began in 2016 and construction will be carried out between 2017 and 2019.

Expansion of the Juana La Avanzadora substation (Venezuela)

Central America

In Honduras, work was completed on two substations in 2016 (El Porvenir, 69/34.5 kV 20 MVA, and Ojo del Agua, 69 kV) for the Cadelga Group's Azucarera Tres Vallesa company. This is a private customer with 25 years experience in the Honduran market, with power generating potential from the biomass in sugar cane waste.

Work also continued on other key projects in Honduras scheduled for completion in 2017. The most significant is the La Entrada substation in San Nicolás (Copán department) for Empresa Nacional de Energía Eléctrica (ENEE). This includes the design, supply, transport, assembly, testing and civil works for the switching and distribution substation. Also noteworthy is the electricity BOP for the Chinchayote wind farm including the development of a transformer substation and the collection grid for this medium voltage facility.

In the Dominican Republic 2016 was a busy year for power transmission projects. Among the most important were the contract associated with the expansion of the transmission system in the south of the country for Empresa de Transmisión Eléctrica Dominicana (ETED), which includes the design, supply and assembly of the 78 km 138 kV Pizarrete-Cruce San Juan and the 56 km Cruce San Juan-San Juan de la Maguana lines.

For the Corporación Dominicana Empresas Eléctricas Estatales state power holding company Elecnor developed the 45 km 345 kV Punta Catalina-Julio Sauri transmission line.

Another important project in the Dominican Republic was the refurbishment of distribution grids and upgrade of measurement systems in four areas for Empresa Distribuidora Edenorte. Finally, for ETED Elecnor was responsible for the design, supply and assembly of the 42 km 345 kV Pedro Brand-Guerra line.

Uruguay

In a context of severe contraction in several sectors of the local market, the Group's Uruguayan subsidiary, Montelecnor, strengthened its presence in power transmission lines and substations in the high voltage sector in 2016. The contract for the upgrade of the Gerencia Oeste distribution grid for UTE was renewed and, in the private sector, new 30 kV line and connection and metering projects were carried out for Estancia del Lago and Agroland .

In the area of substations and wind farms the contract was secured for a new 50 MW wind farm for Enercon, for which Montelecnor is carrying out work on the 30 kV internal grid and the 150 kV evacuation substations. This project is slated for completion in 2017. This means Montelecnor has both strengthened its relationship with the customer and enhanced its capabilities in the execution of high voltage work whose end customer is UTE.

Venezuela

In Venezuela, Elecnor concluded its participation in the expansion of the Juana la Avanzadora substation in 2016. This involved the rerouting of the second stretch of the 230 kV Indio substation-Casanay substation line to the Juana la Avanzadora substation and distribution circuits.

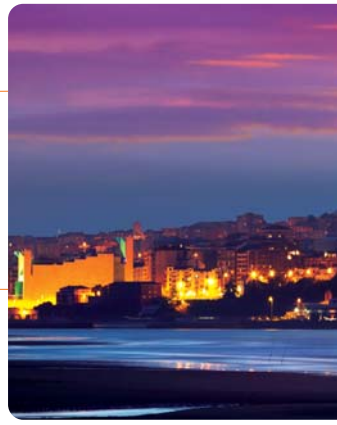
Despite the challenging economic conditions in the country, the Group company specialising in power infrastructure in Venezuela, Elecven, completed additional work on the double circuit 115 kV line for the Quiriquire substation and won two new contracts: for soldering of the 115 kV line and additional work on the Quiriquire substation. It also carried out construction work on a 34.5 kV distribution line for the Morichal-Patio Tanques substation. All these contracts were for PDVSA.

Angola

In 2016, Elecnor completed construction of the 60 kV Dondo–Cassoalala transmission system, which will provide 15,000 people with access to electricity. Many of these households will benefit from lighting and power for the first time. Work also concluded on the construction of the 400 kV Cambutas–Catete power transmission line, which will carry the power generated at the new Central de Cambambe 2 plant -in which Elecnor also played a leading role- to the country's capital, Luanda.

Project involving the management, maintenance, installation and financing of the new public lighting system for Santander city council

189,614
LIGHTS MANAGED IN THIS WAY IN SPAIN AT YEAR-END 2016



PUBLIC LIGHTING

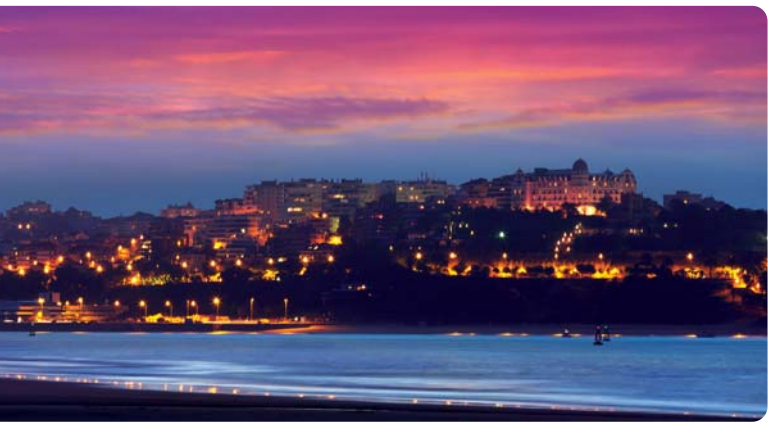
The growth of towns and cities in Spain in recent years has triggered a sharp increase in the amount of energy consumed by municipal facilities. Public lighting represents the greatest expense, with energy consumption accounting for up to 70% of councils' electricity consumption budget. Elecnor actively participates in public lighting tenders as an energy service company (ESC) and offers town councils the opportunity to implement energy efficiency measures that can help cut these costs by up to 50%.

Elecnor is a certified ESC, which means it can develop various energy efficiency projects in public lighting installations for municipalities as well as in the tertiary and industrial sector. In those public lighting projects where Elecnor is an ESC, it is responsible for financing, energy management, maintenance and guaranteeing the project over the lifetime of the concession or the mixed supply and service contract.

In 2016 , notable wins included the 15-year ESC contract for the city of Santander, where 22,700 lighting points will be replaced, and those for the municipalities of Santa María de Guía and Moya in Las Palmas province on Gran Canaria, which are for 20 and 18 years and involve the replacement of 2,821 and 2,298 lighting points respectively.

At the end of 2016 Elecnor managed a total of 189,614 lighting points in Spain through its various contracts.

Outside Spain, Elecnor is especially active in public lighting in Chile. Elecnor continues to play a key role in the country. This is illustrated by the award of five new projects, including Macul, involving the replacement of 17,000 lights in the metropolitan region.



> “50% reduction in councils' public lighting costs thanks to Elecnor's energy efficiency measures”

EFFICIENT LIGHTING FOR THE CITY OF SANTANDER

In 2016 Elecnor secured one of the most significant contracts since it started operating in this field for the city of Santander.

This 15-year project encompasses energy management and maintenance services and the installation and financing of the new public lighting system for the city council with a full guarantee.

Elecnor will replace 309 control centres and all 22,700 lighting points in Santander, replacing the current VSAP technology with new LED luminaires. All the lights will be integrated into a point-to-point remote management system that will enable individual data to be collected. In addition, and thanks to this remote management system, it will be possible to connect cameras, presence sensing devices, Wi-Fi access points and other smart city-related elements.

The ornamental lighting on landmark buildings in the city will also be replaced and upgraded. These buildings include the City Hall, the Plaza Porticada, the Museo de Arte Moderno y Contemporáneo, the Municipal Library and the Cathedral. The current VSAP lighting in these buildings will also be replaced with new LED lights. In the case of the City Hall, Elecnor will also install a synchronised light and sound system that will offer a unique spectacle.

The provision of energy and maintenance services also includes the supply, installation, maintenance, repair and removal of decorative Christmas lighting in the city's streets. Elecnor will be responsible for the installation, assembly, maintenance, repair and dismantling of temporary electrical installations for festivals and sports and cultural events.

Power generation

As it has diversified over the last 20 years, Elecnor has honed its capabilities in the development of large-scale power generation plants, undertaking flagship projects on 5 continents. The Group is currently working on combined cycle, hydroelectric, wind power, solar PV and solar thermal projects.

COMBINED CYCLE PLANTS:

At the end of 2015, Mexico's Comisión Federal de Electricidad (CFE) awarded Elecnor and Duro Felguera the contract to build the Empalme II combined cycle plant in the municipality of Empalme in Sonora state. The plant has guaranteed installed power of 791.1 MW. The contract is worth USD 397 million.

The project involves the design, manufacture, supply of equipment and materials, construction, testing and start-up of the gas-fired plant, ensuring its safe, reliable and efficient operation.

In 2016 most of the civil works were completed and the main equipment was procured: two 255 MW Siemens SGT6-8000H turbines, a 295 MW Skoda-Doosan steam turbine, two heat recovery boilers, a condenser for the water-steam cycle which will use sea water and the necessary equipment for the evacuation of electricity at 400 kV.

The work will be carried out according to the agreed schedule and to the satisfaction of the CFE. The project is slated for completion in April 2018.

WIND POWER

The global wind power industry ended 2016 with total installed power of 486,749 MW, having added 54,600 MW, 14.1% lower than the record figure of 63,633 MW in 2015, according to figures from the Global Wind Energy Council (GWEC).

China, the United States, Germany and India were the countries that installed most capacity in 2016 and continue to lead the way globally. The most active country was China which, with 23,328 additional wind MW, installed in one year the same amount as Spain in the more than 20 year history of its wind power industry. The other three leading countries all added over 3,000 MW.

Spain, which was overtaken by India in 2015, remains in fifth position with 23,074 MW, despite having installed just 38 MW in 2016.

“Elecnor is developing a large-scale 791.1 MW combined cycle plant in Mexico”

Empalme II combined cycle plant (Mexico)

Video
San Juan wind farm (Chile)

San Juan wind farm (Chile)

Within this sector, Elecnor both develops turnkey projects for third parties and promotes, finances and operates its own projects (there is more information on these projects in the Concessions/Wind power section).

As a provider of turnkey projects, Elecnor continued with its internationalisation process in 2016, pursuing two core strategies: the identification of opportunities in new markets and the consolidation of its presence in the markets where it has been ensconced for a number of years.
By specific market, the most significant events were as follows:

CONSTRUCTION OF THE SAN JUAN WIND FARM, THE LARGEST IN CHILE

In 2016, Elecnor carried out work on the San Juan wind farm promoted by Latin American Power (LAP), one of the leading companies in Latin America in the development and operation of renewable energy projects.

The San Juan wind farm is the largest built to date in Chile. Located in the Atacama region on the south coast of the Freirina municipal district, it will have total installed power of 184.8 MW, with fifty six 3.3 MW turbines.

Elecnor is responsible for the full execution of the Balance of Plant (BOP), the engineering work, supply and construction of the plant's transmission network (84 kilometres of 220 kV line), the San Juan electricity substation and the connection to the Punta Colorada substation, where it joins the Chilean backbone network.

Spain

With the Spanish wind power market still at a standstill, in 2016 Elecnor secured the contract for the civil works associated with the 13 wind farms awarded to Gas Natural Fenosa Renovables in the so-called Canary Islands quota.

Jordan

Among the milestones in 2016 is the award in this country of the contract for the 82 MW Al Rajeff wind farm, promoted by Alcazar Energy. In an illustration of the flexibility of Elecnor's approach in this sphere, the company opted to form a joint venture with Gamesa and is responsible for the BOP.

This contract further strengthens Elecnor's presence in Jordan, where in 2014 it was selected by the Ministry of Energy and Mineral Resources to build the Maan wind farm.

It was also in Maan where Elecnor added another significant project to its contract portfolio. This contract is for the expansion of the Maan wind farm's capacity by an additional 14 MW, increasing total installed power to 80 MW.

Kuwait

In Kuwait, good progress was made on the 10 MW Shagaya wind farm, which was in the start-up phase at the end of 2016. When operational, Shagaya, part of the vast Shagaya Renewable Energy Park promoted by the Ministry of Electricity and Water and the Kuwait Institute for Scientific Research (KISR), will be the country's first wind farm.

Honduras

In Honduras, Elecnor won a contract from the wind turbine manufacturer Vestas, the main contractor for the end customer Grupo Terra, for the construction of the substation and associated power package for the Chinchayote wind farms and the expansion of the San Marcos II wind farm, which have installed power of 46.2 MW and 13.2 MW respectively.

SOLAR PV POWER

Global demand for solar PV power surged by almost 50% in 2016 to around 76.1 GW, despite a 20% contraction in Europe.

In general, the global market is benefitting from a low cost power generation technology which is driving its impressive growth.

The largest global market in 2016 was China, which brought 34.2 GW on stream, followed by the United States, with 14 GW, and Japan, with 8.6 GW.

2016 will be remembered for the most competitive sale prices for this technology, with some projects supplying energy in several markets around the world at prices of between USD 20 and USD 30/mWh, rates which were inconceivable just a few years ago.

Against this backdrop, Elecnor and Atersa, its solar PV subsidiary, were involved in major projects around the world in 2016:

Australia

In 2016, Elecnor completed the turnkey construction of the Moree Solar Farm and connected this facility to the grid.

The Moree Solar Farm was Elecnor's first major contract in Australia following the creation of a new subsidiary headquartered in Melbourne specialising in the development of business infrastructure and renewable energy in this country. Located in the eponymous town in the state of New South Wales, it was built for Moree Solar Farm Pty Ltd, which belongs to Fotowatio Renewables Venture.

With installed power of 72 MWp, this is the biggest solar project with a tracking system in Australia and the largest photovoltaic project built by Elecnor. The facility has 232,960 panels which cover 191 hectares. Annual production is estimated at 155,000 MW/h, which represents around 2,152 equivalent generation hours.

Also in Australia, Elecnor built and connected the 25 MW Barcaldine solar PV plant, its first concession project in this field outside Spain. Details of this project can be found in the Concessions/Solar photovoltaic energy section of this Annual Report.

United Kingdom

In 2016 Atersa supplied 20 MWp via 68,000 modules across four solar PV plants, each with a capacity of 5 MWp with the A-310p Ultra and A-260p Ultra modules with watt peak capacity (Wp) of 310 and 260 respectively.

The solar PV plants will be connected to the grid under the UK Department of Energy and Climate Change (DECC)'s programme.

Holland

In 2016 Elecnor's solar PV subsidiary won the contract to supply the PV modules for the fully sustainable "@home amstelkwartier"residential building in Amsterdam.

Situated by the Amstel river in the Amstelkwartier industrial district in the south-east of the Dutch capital, this 75 metre tall building has 23 floors and contains 160 57 m^2 rental apartments. This district is in the news because it is being redeveloped to host 8,000 apartments in sustainable buildings.

Atersa has supplied 1,340 A-275M MNTN Ultra modules with a capacity of 370 kWp for the building, which occupy an area of 2,140 m^2.

Chile

In 2016, Elecnor secured the USD 117.2 million contract to build a 115 MWp solar PV plant in Chile. This facility will be in the municipality of Til Til, to the north of Santiago, in the Metropolitan Region.

The contract was awarded by Santiago Solar, which is jointly owned by Andes Mining & Energy and EDF Energies Nouvelles. The contract for the Til Til project encompasses the engineering, supply, assembly and start-up of the plant and the high-voltage evacuation infrastructure via a GIS substation connected with a high-voltage line.

Bolivia

At the end of 2016, Elecnor secured the USD 70.5 million contract to build two 65 MWp solar PV plants in this country.

Elecnor, in partnership with the Bolivian company Emias, will build the two plants in southern Bolivia in the municipalities of Uyuni and Yunchará.

> "The new markets in which Elecnor won contracts to build solar PV plants in 2016 include Chile, Bolivia, Oman and Chad"

Moree solar farm (Australia)

The contract includes the engineering, supply, construction and start-up of both plants, which together form the country's largest clean energy project to date. The Uyuni plant, located in the Department of Potosí, will have installed power of 60 MW over a 200 hectare site, while the Yunchará facility, in the Department of Tarija, will have 5 MW over 15 hectares.

The contract for the two plants was awarded by the state-owned ENDE Guaracachi company, a subsidiary of Empresa Nacional de Electricidad (ENDE), and the Central Bank of Bolivia is providing funding.

Chad

In 2016, Atersa built Chad's largest solar PV mini grid to date. It is in the new National Police Academy in the capital, Yamena.

Awarded in 2015, this 150 kWp project will supply energy to the new National Police training complex in the city. It comprises 500 Atersa ULTRA A300P modules, high capacity Tudor batteries and SMA Sunny Island and Sunny Tripower inverters.

Hitherto, the country has had small hybrid power plants, but the new Atersa facility breaks new ground and boasts the largest capacity in the country.

Senegal

In 2016, the PNUD (Programme des Nations Unies pour le Développement) awarded Atersa a USD 15.9 million project to electrify 128 municipalities in Senegal. This project will be completed in the first half of 2017.

The contract includes the engineering, supply, installation and start-up of the facilities.

The project has two lots for rural development in Senegal comprising PV/Diesel/Battery hybrid systems, stand-alone PV systems and solar streetlights for 102 villages throughout Senegal.

Oman

At the end of 2016, Elecnor secured the contract for the design, supply, installation, prior start-up, testing and start-up of a solar photovoltaic panel electricity generation facility for Petroleum Development Oman (PDO). Power for the headquarters of Petroleum Development Oman (PDO) will be generated by thousands of solar panels installed on the rooftops of its car parks. This company is the country's largest crude exploration and production firm.

The project, which is being undertaken in Mina Al-Fahal, a coastal region in north-eastern Oman close to the capital, Muscat, has a capacity of 5.92 MWp. The 18,500 solar panels installed will provide power for the oil company's headquarters in Muscat.

When complete, the project will have an output of 9,480 MWh/year, cutting CO_2 emissions by 6,662 tonnes annually.

HYDROELECTRICITY

Over the course of its almost 60 year history, Elecnor has developed a large number of hydroelectric plants in Latin America and Africa. The most notable of the projects currently underway are Cambambe 2, the third hydroelectric plant of this type built by Elecnor in Angola following the start-up of the Gove facility in July 2012, and the upgrade of the Cambambe plant.

The Cambambe 2 project involves the installation of four 178 MW Francis turbines, for a total capacity of 708 MW. This will approximately double Angola's previous installed hydroelectric capacity.

Cambambe 2 HP (Angola)

Elecnor is responsible for all electromechanical aspects, including assembly of the turbine and generator and supply and assembly of the electricity and mechanical BOP, the 15/220 kV 4 x 200 MVA step-up transformers and the 220, 400 and 60 kV substations.

In the Democratic Republic of Congo, work continued in 2016 on the upgrade of the 67 MVA Inga I hydroelectric plant. The customer is the national electricity company, Société Nationale d'Electricité.

> "In Angola, Elecnor is continuing to work on Cambambe 2, its third hydroelectric plant project in the country"

Telecommunications

Elecnor has over 40 years' experience in telecommunications infrastructure, covering the complete life cycle from specifications and design to operation and maintenance. In 2016, this business's revenues rose by 4% compared with 2015 to EUR 261 million. Its areas of activity include fixed and mobile network engineering services and in recent years it has played a key part in the rollout of fibre to the home (FTTH) throughout Spain.

In 2016 the consolidation of the Spanish telecommunications underway since Vodafone's purchase of Ono in 2014 continued. Movistar strengthened its market position following its acquisition of Digital +, especially in audiovisual content, and Orange, following its purchase of Jazztel, consolidated its standing with a revenue level very similar to Vodafone's.

Zegona, the British company established with the objective of acquiring businesses in the European telecommunications, media and technology sector, acquired TeleCable, while R was bought by Euskaltel. For its part, MásMóvil completed the outright acquisition of Xfera Móvil, the parent company of Yoigo.

Meanwhile, in 2016 Telefónica announced the creation of Telxius, a new global company that groups certain of the operator's infrastructure assets. This enables Telefónica to manage its infrastructure globally in a more specialised and focused manner with a view to increasing the services offered to other operators, improving return on capital employed and playing a more active role in growth opportunities in the sector, including the possibility of acquiring third party assets.

Among network equipment manufacturers (called vendors) there were also significant changes such as the acquisition of Alcatel Lucent by Nokia, which is vying with Sweden's Ericsson and Huawei of China to spearhead the global telecommunications equipment market.

The concentration process in the sector has resulted in the three leading operators cornering a large percentage of revenues

DVOR DME station in Trujillo Airport (Peru)

1,500,000
HOUSEHOLDS CONNECTED TO THE FIBRE OPTIC NETWORK

350,000
FTTH CUSTOMER CONNECTIONS INSTALLED

Extending the trend in recent years, the weight of fixed and mobile voice services declined again, in contrast to fixed and mobile broadband services, which are steadily accounting for a larger share of retail services.

The rollout of fibre to the home (FTTH) networks proceeded as expected. The total number of lines of this kind topped the 5 million mark at the end of the year. Meanwhile, mobile communications operators continued to roll out their networks based on Long Term Evolution (LTE), i.e. the fourth generation of the mobile communications standard, also called 4G technology.

> “Elecnor provides fixed and mobile engineering services”

Services to operators and vendors

Against this backdrop, Elecnor continued to provide both fixed and mobile engineering services.

MANAGEMENT OF ISSUES AFFECTING DTT RECEPTION CAUSED BY 4G ROLLOUT ON THE 800 MHZ BAND

On 1 April 2015 the 800 MHz band was liberated, a process known as the digital dividend which until then was employed for the broadcast of the digital terrestrial television (DTT) signal. From then on, those frequencies were assigned to the mobile telephony operators (Telefónica, Orange and Vodafone) to provide their 4G mobile telephony services.

In order to perform this rollout, the 3 operators carried out a provider selection process that would enable them to comply with Ministerial Order IET/329/2015, requiring them to:

- Provide a free Call Centre to handle requests from people whose DTT service reception may be affected.
- Create a Project Management Office (PMO) to plan the deployment of nodes and coordinate the relations between the various interlocutors.
- Conduct the necessary individualised communication to ensure that the residents of buildings equipped with facilities for reception of digital terrestrial television that are located within the most affected areas are aware that the operators will carry out, free of charge, actions to analyse and resolve potential interference.
- Take action to resolve the issues reported to the Call Centre following the switch-on of nodes which, in most instances, will involve placing a filter in the television reception installation (aerial).

At the start of June 2015, following a lengthy negotiation process, this contract was awarded to Elecnor, which created a specific commercial brand for the project: llega800. Llega800 is the management entity responsible for resolving any issues affecting DTT reception caused by 4G technology on the 800 MHz band.

The deployment of base stations (nodes) by the operators commenced at the start of July 2015 and is expected to continue until 2018.

The key figures for the project in 2016 are: over 16,000 4G nodes switched on, around 400,000 calls handled at the Call Centre and over 350,000 actions.

It has a contract with Vodafone for design of the HFC network, while in FTTH fixed network engineering it works for Telefónica, Orange and Masmóvil.

In 2016, Elecnor executed the new plans for rollout of the FTTH network for its main customers in various towns. The company not only took part in the engineering and construction of these networks but is also responsible for providing network maintenance services and maintenance of customer facilities.

With regard to mobile network services, Elecnor continued to install equipment for vendors, which won the telecommunications operators' main network equipment contracts. Elecnor has network equipment installation contracts with Huawei and Nokia.

Elecnor also carries out mobile network maintenance for Telefónica in two zones that include the provinces of Cantabria, Álava, Guipúzcoa, Biscay, Navarre, La Rioja, Gerona, Barcelona, Tarragona, Lérida, Zaragoza, Huesca and Teruel.

Services to utilities and carriers

Elecnor is also involved in the construction of telecommunications networks that utilities require to provide their services.

In 2016, Elecnor was awarded a contract to upgrade the communications infrastructure of Repsol's refinery in Puertollano. The Group also carried out fibre optic network construction work for customers such as Ufinet, a neutral fibre optic services operator in the wholesale telecommunications market, and continued to provide the services required to guarantee the operation and end-to-end maintenance of the infrastructure that comprise the telecommunications infrastructure network of Correos.

Elecnor also secured the connection contract for the FTTH service which the Public Telecommunications Infrastructure Management of the Principality of Asturias body provides in certain districts in that region.

Services to Audiovisual Signal Transport and Broadcast companies

Audiovisual signal transport and broadcast services are related to the electronic communications services that broadcasters contract from network operators such as Cellnex to transmit their content and bring it to the end customer.

In this field, Elecnor renewed its maintenance contract for DTT coverage extension centres in Castile-Leon for a further year.

Services to mobile infrastructure sharing companies

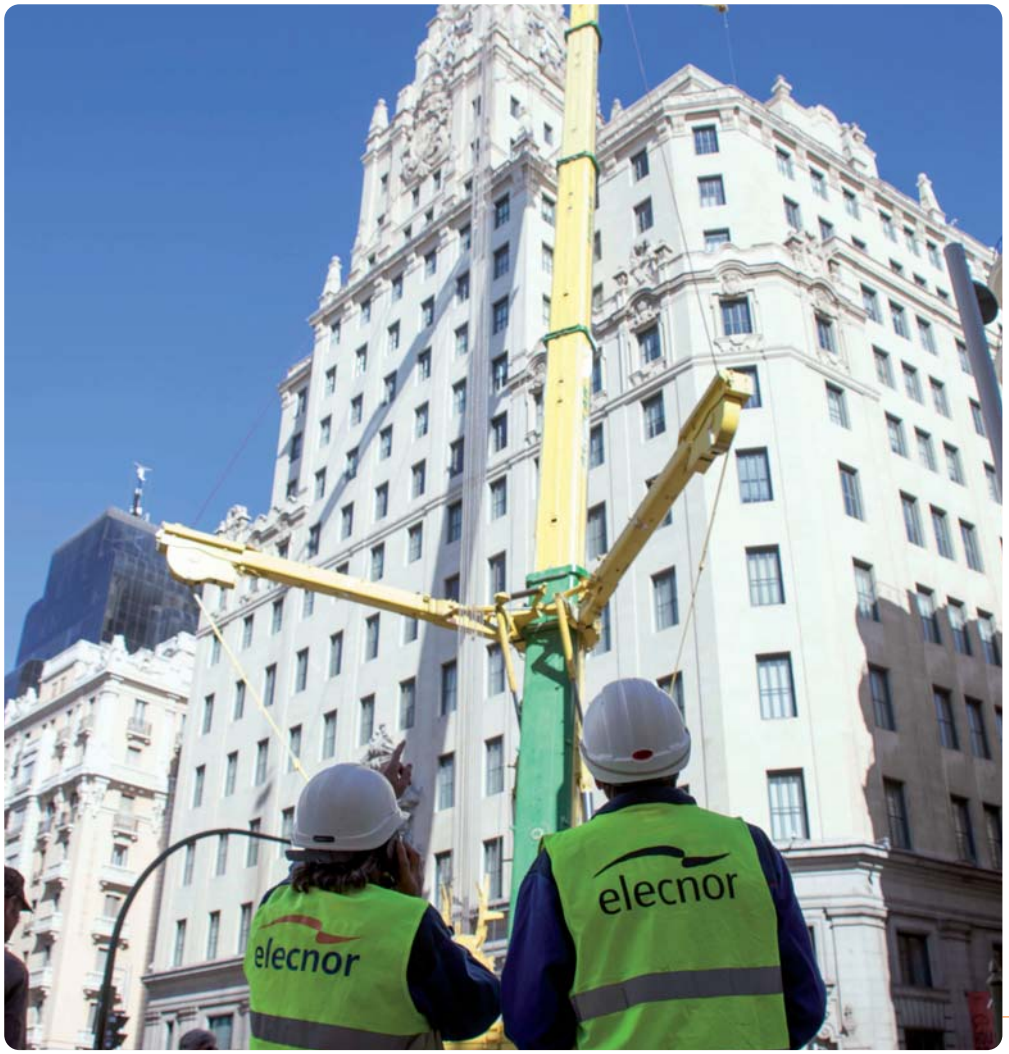
In recent years, mobile operators have signed several infrastructure sharing agreements with the aim of reducing the significant outlay associated with the rollout of mobile networks across Spain. This is a burgeoning trend due to the hefty investment in the rollout of 4G technology.

It is against this backdrop that two companies have appeared in the sector which serve as independent operators of wireless telecommunications infrastructure: Cellnex and Telxius. Elecnor has contracts with both firms for the development and maintenance of their respective infrastructure.

OVER 2,500
4G NODES INSTALLED

OVER 6,000
4G NODES MAINTAINED

> “Elecnor is also involved in the construction of the telecommunications networks that utilities require to provide their services”



Refurbishment of the Telefónica Building (Madrid)

Facilities

2016 was a strong year for the facilities business, whose revenues increased by 30% compared with 2015 to EUR 166 million. This is a business whose performance closely correlates with that of the construction sector, which grew by 2.1% in Spain, albeit with marked differences between public and private development.

In common with many other activities and sectors, the prolonged political stalemate in 2016 took a significant toll on civil engineering, while residential construction maintained its pace of recovery. In between was non-residential construction, which posted modest growth (of around 1.5%).

Against this backdrop, uptake was strong for Elecnor's value proposition in the facilities sector, which stretches from design and start-up to operation and maintenance in activities spanning landmark buildings, cultural and leisure centres, airport terminals, railways, industrial plants, buildings of cultural interest and heritage sites.

2016 highlights included airport, telecommunications, rail, public body, energy efficiency and security projects.

Airport sector

Once again, Aena was a key customer for the facilities business. This body particularly appreciates the combined capabilities of Elecnor and its technology division, Elecnor Deimos, in, for example, airfield projects that require air navigation aid system expertise.

Notable contract wins in the airport sector in 2016 include for the work required for the certification of Asturias airport and, at Adolfo Suárez Madrid-Barajas Airport, for the Airport Resource Management System, consisting of a SCADA system which captures information on the usage, by the docked planes, of the aeronautical resources available in the airport's gateways, and then generates the data required for billing the airline for the services provided..

Elecnor also installed the cargo terminal at Tenerife Norte Airport and erected the new perimeter fence at La Palma Airport.

Industrial sector

One of the main projects undertaken by the Group in 2016 was for Griffith Laboratories' plant in Tarragona. This food sector multinational manufactures liquid and solid food additives which it develops at its plants and subsequently sells in the food sector. Elecnor, which also carried out the end-to-end construction of the plant, was responsible for heating and refrigeration, compressed air, fire protection, gas, plumbing, building and steam management and electrical systems.

Another notable contract was for the end-to-end facilities services of the new cruise ship terminal in the Port of Barcelona.

Office buildings

Elecnor was responsible for the mechanical facilities of the new headquarters of Banco Popular in Madrid, while in Barcelona the contract was secured for the refurbishment of the Mapfre Tower. This included the complete renovation of the HVAC, lighting, voice and data facilities and the upgrade of the offices' interior thermal and acoustic insulation.

Rail sector

Notable in this sector was the award of the 3 year contract for the supply and installation of CCTV for RENFE. A number of small contracts were also secured with Adif.

A NEW STEEL WORKS IN ALGERIA FOR AQS

One of the most notable wins in the area of facilities in 2016 was the contract awarded to the joint venture between Elecnor and Butec for the Balance of Plant (BOP) of the steel works developed by the Algerian Qatari Steel corporation in the Bellara industrial area in north-eastern Algeria , around 314 km from the capital, Algiers. The project is worth an initial USD 150 million.

Elecnor is responsible for basic services (drainage, sewerage, electricity, racks, etc.), roads and railway, buildings (warehouse, workshops, laboratories, offices, cafeterias, social areas and mosque), lighting, communications and security.

The Group also won a second contract in the same steelworks via its subsidiary Hidroambiente for the development of a water treatment plant. This contract is worth USD 4 million.

A deal was reached to build the Bellara steel complex towards the end of 2013 after almost two years of negotiations between the state-owned company Sider and the National Investment Fund, both Algerian entities, and the Qatar Mining International company. The Algerian partners own a combined 51% of Algerian Qatari Steel, while Qatar Mining International controls the remaining 49%.

Total investment in the Bellara complex amounts to USD 2,000 million, equivalent to around EUR 1,785 million.

The complex, which will serve the domestic market, is expected to significantly reduce Algeria's steel imports, which are currently worth USD 10,000 million annually. The plant will transform the zone where it is located into one of Algeria's most important industrial hubs.

Public bodies

In addition to small contracts for ministry bodies, the Heritage department, the General Courts, universities, state television companies, mutual societies and Red.es, major contracts were won for Madrid Complutense University (refurbishment of the library and replacement of coolers in the Law Faculty), Enresa (refurbishment of its headquarters to comply with new legislation), Tragsa and RTVE.

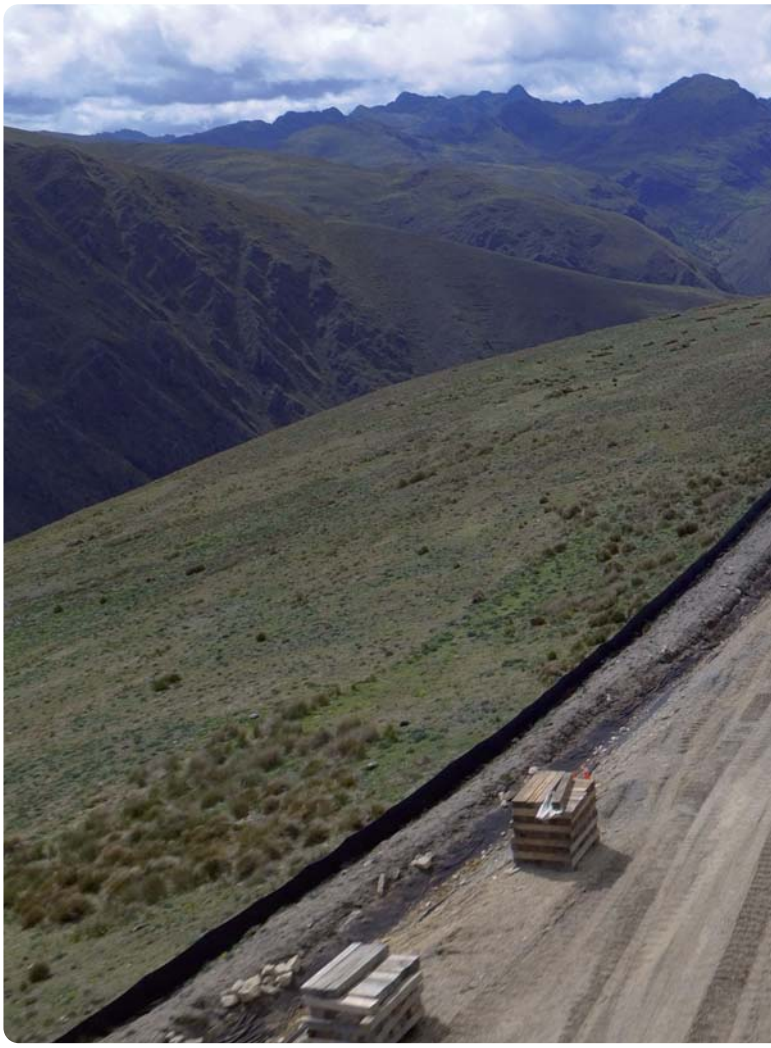
A number of contracts were also secured with local public bodies such as Alicante University, the Security Department of the Basque regional government, TMB (Transporte Metropolitano de Barcelona), Fira de Barcelona and the National Distance Education University in Seville.

Energy efficiency

In 2016 contracts were won for public buildings with energy efficient systems including LED lighting and HVAC. One such contract was with the vehicle technical inspection company VEIASA (Verificaciones Industriales de Andalucía). Elecnor also refurbished the heating system of the central depots of Metro de Madrid, making them more energy efficient, and replaced the HVAC equipment in the branch network of Bankia and BMN.

> “In 2016 highlights included projects undertaken in the airport, industrial, office building, public body, rail and energy efficiency sectors”

Bellara steelworks (Algeria)



Gas

Elecnor has over thirty years' experience in nearly all areas of the gas value chain, from transport to industrial and home distribution, Revenue stood at EUR 112 million in 2016 and its main markets are Spain, the United States, Portugal, Brazil and Mexico.

In 2016, Elecnor continued working with leading customers in the sector in Spain, such as the Gas Natural Group, Enagás, Gas Extremadura, EDP, MRG (Madrileña Red de Gas) and Redexis Gas.

Gas Natural Fenosa

Elecnor largely provides 6 types of service for this company: construction of new polyethene and steel pipelines and connections and execution of new gas reception facilities, pipeline maintenance, gas distribution system maintenance, emergency services and regular inspection of reception facilities.

The scope of these services covers 9 distributors: Gas Natural Distribución (Catalonia), Gas Madrid, Cegas (Valencia, Alicante and Castellón), Gas Navarra, Gas Rioja, Gas Galicia (Pontevedra), Gas Castilla-La Mancha (Guadalajara), Gas Castilla y León (Burgos and Leon) and Gas Andalucía (Seville, Huelva, Malaga, Cordoba, Jaen and Granada).

New developments in 2016 included the construction of pipelines in various municipalities including Torrevieja (Alicante), O Grove (Pontevedra) and several housing estates in Barcelona.

With regard to Gas Natural Fenosa's expansion in distribution, Elecnor continued to carry out pipeline, commissioning and commercial activities, installing 4,900 new supply points.

Contracts relating to distribution system maintenance and the regular inspection of facilities were extended and three new contracts signed: for the conversion of customer facilities and equipment from LPG to natural gas, the adaptation of customer facilities from LPG to natural gas and the cleaning and disinfection of underground and overground areas of regulation and metering stations.

Peru's southern gas pipeline (Peru)

Gas Extremadura

In 2016 work continued on the main contract with this company for the construction of new pipelines and the maintenance of networks and connections. Four types of service are provided: construction and maintenance of the distributor's facilities, customer service at reception facilities, maintenance of the facilities of the distribution network and emergency pipeline services on the transport network.

MRG (Madrileña Red de Gas)

Work continued on the main contract for the construction of new pipelines and the maintenance of networks and 10 bar MOP and steel connections, which encompasses the construction of new polyethene and steel pipelines and connections and the execution of new gas reception facilities, and pipeline maintenance.

Video

Elecnor's gas activity in pictures

A new development in 2016 was the start of the contract for maintenance of the company's distribution networks and related infrastructure and for maintenance of the teleinformation equipment for its regulation and/or metering stations.

Redexis Gas

In 2016 work continued on the framework contract in Almeria -both the regional capital and its municipalities- for the construction and/or replacement of new polyethene, cast steel and steel pipelines and the execution of new gas reception facilities; the maintenance and repair of polyethene, cast steel and steel gas pipelines; and the performance of preventative/corrective maintenance and emergency work.

EDP

In 2016 work continued on the framework contracts for the construction and/or replacement of new polyethene, cast steel and steel pipelines and the execution of new gas reception facilities; the maintenance and repair of polyethene, cast steel and steel gas pipelines; and the performance of preventative/corrective maintenance and emergency work.

Work also continued on the contract forEDP's Funciona-Gas service in Navarre and La Rioja, which involves providing technical assistance to end users.

Enagás

In 2016 Elecnor secured the national maintenance contract for the company's power lines and transformer centres for the basic gas pipeline network.

ELECNOR ALSO SERVES THE END GAS CONSUMER

Elecnor currently has two domestic user service contracts with Gas Natural Fenosa in Catalonia and with EDP in Navarre and La Rioja.

Under the agreement with Gas Natural Fenosa, which was signed in 2006, Elecnor carries out regular inspections in Barcelona and Girona which must be performed every five years by law.

An average of 180,000 inspections are carried out per year.

This type of inspection is performed to ensure that natural gas facilities meet the required quality level and satisfy the UNE-60670 safety standard.

During an inspection the inspector checks for gas leaks, that ventilation is correct, that the minimum settings of stoves are correct and that the fuel for gas appliances (boilers/heaters) is hygienic and cannot be the cause of a possible intoxication of the tenants of the property.

This work is performed for Elecnor by 30 inspectors, an administration and call centre area with 5 employees, 2 team leaders who coordinate activity and 1 manager.

The agreement with EDP relates to the Funciona–Gas service and has been in force since 2014. It covers technical electrical inspections, checks of individual gas reception facilities, checks of boilers and various types of repairs: electrical, individual gas facilities, boilers, heating facilities and domestic hot water.

> “In Spain, Elecnor works with the largest customers in the sector: Grupo Gas Natural, Enagás, Gas Extremadura, EDP, MRG and Redexis Gas”

INTERNATIONAL MARKET

The United States

Gas infrastructure is being upgraded across the United States. Against this backdrop, the Group's subsidiary in the country, Elecnor Hawkeye, generated sales of USD 38.5 million from various framework contracts in the gas sector in 2016, with a more than 100-strong workforce of qualified employees providing services.

Elecnor Hawkeye also became active in regulation station construction.

Brazil

In 2016 Elecnor carried out important work related to the current framework contract with Gas Brasiliano. More specifically, the Company installed 23,215 metres of PE pipes for distribution networks of various diameters (from 63 to 225) and 56 valves in the network. 292 PE connections were carried out. 14,100 metres of steel pipes were also installed ranging in diameter from 2 to 10 inches.

Also noteworthy is the construction of the interconnection for a gas extraction well (two clusters) and a gas pipeline for the Parnaíba Gás Natural company.

Mexico

In Mexico, the oil and gas department submitted bids in several tenders for private companies for telecommunications and SCADA systems on gas pipelines and operation and maintenance and secured the 3-year contract for the Morelos gas pipeline, which was built by Elecnor, and a gas conditioning system contract for the Empalme II combined cycle power plant for Dunor Energía.

Enagás' Euskadour compressor point (Irún)

Construction

Elecnor specialises in both residential and non-residential construction projects. As it increases its footprint in international markets, the Group maintains a solid presence in Spain, with multiple projects in, inter alia, the hotel, logistics, hospital, financial and residential housing sectors.

David Hospital Complex (Panama)

According to figures from ITeCEuroconstruct to November 2016, last year the Spanish construction sector posted a growth rate of around 2.1%, similar to the level in 2015, although with marked differences between the various components. Accordingly, whilst residential construction mounted a solid recovery, non-residential construction grew by just 1.5%. At any rate, this increase finally brings to an end several consecutive years of declines (the last was the 2.6% contraction in 2015).

Against this backdrop, Elecnor's construction business was involved in the following significant projects:

- Execution of the end-to-end refurbishment of the office floors of the Mapfre Tower in Barcelona. The work undertaken included demolition, civil works, finishes and end-to-end facilities.

- Interior restructuring of homes and common areas in the José Abascal residential building in Madrid including end-to-end work on finishes and facilities for their immediate sale. The project included renovation of the main facade, back patio and side patios.

- Execution of the end-to-end refurbishment of various La Caixa branches to adapt them to the new store concept. The work undertaken included demolition, civil works, finishes and end-to-end installations.

- Refurbishment of the El Dorado Playa resort in Cambrils (Tarragona), with the aim of converting it into a 4 star superior hotel on a buildable area of around 22,500 m². The new hotel is a 5 storey building with 300 rooms.

- Within the new Pikolin Sleep Products Logistics and Industrial Centre in the Plaza de Zaragoza complex, end-to-end execution of the electromechanical facilities and weak signals of the warehouse complex over an area of 87,000 m². This project includes electricity and communications, HVAC, compressed air, drinking and industrial water, gas and fire protection and safety systems.

- At the same centre Elecnor built 7 reusable modular building complexes for offices, canteens, records and sanitary facilities across 5 industrial warehouses. In total, there are 53 ground floor and 5 first floor modules.

- End-to-end refurbishment of the base building of the head office of La Caixa on Avenida Diagonal in Barcelona. The work undertaken included demolition, civil works, finishes and end-to-end facilities.

International market

In 2016 Elecnor continued to carry out the construction projects embarked upon in previous years in international markets.

In Panama, work continued on construction of the Specialist Dr. Rafael Hernández Hospital Centre and the Chitré Polyclinic and on the upgrade of Chepo Regional Hospital. In Haiti, further work was carried out related to the reconstruction of the Hospital of the State University of Haiti.

Extension and refurbishment of Santa Teresa de Jesús College in Torrent (Valencia)

ELECNOR BUILDS A NEW PLANT FOR GRIFFITH LABORATORIES

Elecnor is undertaking the construction of Griffith Laboratories' new plant in Tarragona. This food sector multinational manufactures liquid and solid food additives which it develops at its plants and subsequently sells in the food sector.

The project involves providing all the partition work and facilities for a 5,900 m^2 industrial plant.

More specifically, Elecnor is responsible for heating and refrigeration, compressed air, fire protection, gas, plumbing, building and steam management and electrical systems. The project also encompasses civil work including complete demolition of the floor slab, new foundations, the basic structural wall structure and secondary steel structure for offices, partitions with refrigeration panels, interior carpentry, upgrade of the existing facades and development of the rear of the plant.

> “Elecnor maintains a strong presence in Spain and international markets, with multiple projects in, inter alia, the hotel, logistics, hospital, financial and residential housing sectors”

Maintenance

The technical maintenance of buildings and facilities in the industrial, energy, lift maintenance, electrical and lighting facilities and industrial machinery segments is a growth area for the Elecnor Group. It provides flexible end-to-end maintenance services to its customers, both domestically and internationally, ensuring that their facilities and processes are in optimum working condition.

The growth of its maintenance activity in recent years goes beyond revenue figures and also reflects the Group's capacity to operate nationally and the diversification of its services.

Elecnor's service proposal is all the more attractive in light of the preference for subcontracting general maintenance services among a growing number of major companies, many of which have international scope, who see facility management as a more efficient and cheaper way to operate. At the same time, customers are increasingly seeking to contract suppliers of end-to-end maintenance services who can meet all of their needs, something that is only possible for suppliers with proven track records and resources, such as Elecnor.

Elecnor is also seeking to offer its maintenance services in other countries such as Portugal, France, Italy and the United Kingdom, which in turn are the closest natural markets for many of its established customers in Spain.

All whilst maintaining an unwavering commitment to customer service, proposing win to win cooperation formulas that can cement Elecnor's reputation as a reliable partner.

Activities in 2016

In terms of specific projects in 2016, Elecnor carried out technical-legal, routine, corrective, predictive and preventative maintenance in sectors including:

- Automotive sector: Elecnor works with the leading automotive and auxiliary companies in Spain and Portugal including Nissan-Renault, the Volkswagen Group, PSA, Iveco and Ford.

End-to-end maintenance of the Carmen y Severo Ochoa Hospital (Asturias)

- Pharmaceutical and healthcare: Elecnor provides services to groups such as Quirón and Vithas (technical-regulatory and legionnaires disease maintenance in all their hospital clinics), Clínica de Navarra university hospital, Bayer and Roses.

- Industrial sector: Bosch, Airbus, Acerinox and Arcelor. Elecnor carries out the electro-mechanical maintenance (steam generators, cold rooms, electricity) and stockage control and warehousing of spares in the pharmaceutical company Rovi's plants in Madrid and Alcalá. .

- Distribution and food: Services for leading retailers such as Carrefour, Lidl, Aldi, Mercadona, Inditex, H&M, Leroy Merlín, Makro and Gadis.

- Telecommunications: In this sector Elecnor continued to provide multi-services in Telefónica buildings in the autonomous communities of Galicia, Asturias, Cantabria, the Basque Country, Navarre, La Rioja, Aragon, Castile-Leon, Madrid and Castile-La Mancha, while property services are performed on demand for this operator throughout Spain. Services are also provided to Vodafone and Orange.

- Airport sector: the contract was renewed, with effect from 1 January 2016, for maintenance of the Public Address System across AENA's entire network of airports, while airfield, low-voltage facility and terminal building maintenance services were also provided.

- Banking and insurance sector: leading customers include BBVA, Liberbank, La Caixa, Bankia, Mapfre and Asepeyo. For La Caixa, Elecnor provides end-to-end maintenance for its branches in Galicia, Asturias, the Basque Country, Castile-Leon, Extremadura and Castile-La Mancha.

- Hotel and real estate sector: CBRE (end-to-end maintenance of various properties in Madrid), NH, Meliá, Metrovacesa, Unibail and Rodamco. Services are also provided for the Iberdrola Tower in Bilbao.

- Commercial premises and hypermarkets: particularly noteworthy are contracts for businesses with multiple establishments (C&A, Día and Mercadona).

- Chemical and petrochemical sector: Repsol, Cepsa, Galp, Air Liquid and CLH.

- Electricity sector: Elecnor is responsible for the end-to-end maintenance of the offices of Naturgás countrywide.

- Rail sector: RENFE and ADIF.

- Prisons sector.

END-TO-END MAINTENANCE OF MERCAVALENCIA'S FACILITIES

Mercavalencia is the largest agrifood logistics centre in Valencia. Here, 300 companies provide preparation, commercial, distribution, import and export services involving fresh and frozen products.

Their facilities, set up over an area of almost 500,000 m^2, comprise the central fish, fruit and vegetable markets; the "tira de contar" area (where farmers sell their produce directly), the Valencia flower market, the meat market and the services slaughterhouse.

Meat processing is Mercavalencia's core business and particular importance is attached to maintenance. Its main customer is Incarlopsa, the largest supplier of pork to Mercadona. 2,500 pigs are slaughtered daily for Incarlopsa. These animals are butchered the following day in a purpose built facility.

Elecnor provides end-to-end facilities maintenance services for Mercavalencia. These span the different markets and common multi-service facilities, principally for meat related activities, where routine mechanical and electrical (preparation of tools, equipment and installations), preventative, predictive and corrective maintenance is performed on the facilities of the various slaughter lines.

Other maintenance work is performed on:

- Ammonia-based industrial refrigeration facilities.
- Water purifier.
- Hot water production facility.
- Water treatment systems.
- Compressed air equipment
- Fire protection systems.
- Weighing systems.
- Automated lines.

All this work is undertaken to ensure the smooth progress of animal slaughtering and deliver the quality that the end customer demands.

Under the terms of the contract, a technician, a team leader and 10 operatives cover three daily shifts 365 days per year.

Environment and water

The Group provides specialist environment and water infrastructure services through Elecnor and its subsidiaries Audeca and Hidroambiente. In 2016, revenues from these activities grew by 15% compared with 2015 to EUR 84 million.

In environmental services, Elecnor works in tandem with the specialist capabilities offered Audeca and Hidroambiente.

Elecnor and Audeca's activities range from environmental services (SUW, street cleaning, gardening and office cleaning) to the construction and operation of water treatment plants (including WWTP, DWTP and desalination plants), and also include forestry work (fire prevention and extinction, plantations and the creation of paths and trails) channelling, cleaning and restoration of rivers and river banks.

These are services rely heavily on investment by public administrations, whose budgets have been cut drastically in recent years.

2016 was an especially tough year for investment. Although the year began with a degree of optimism for the infrastructure sector as the budgets approved envisaged greater public investment than in 2015, over the course of the year and amid the prolonged political stalemate this optimism steadily dissipated. An additional concern around the halfway point of the year was the growing risk that Spain would breach the budget objectives agreed with the EU. This prompted the Ministry of Finance to bring forward the close of the financial year to the end of July, with public works tenders coming to a standstill as a result.

Qurayyat water transport grid (Oman)

Against this backdrop, Elecnor continued to maintain its strategic focus on services, an area in which it has worked since 2010. Further progress was also made in the internationalisation process and in the construction, start-up and operation of water and waste plants.

In the international arena, one of the key contract wins was for a water treatment plant in the Comayagua Valley in Honduras.

Other important works and services agreements secured in 2016 include the contract with Ólvega council (Soria) for the supply of drinking water and the evacuation and treatment of waste water; the contract with Santa Margalida council (Mallorca) for the collection and transport of municipal waste, the end-to-end management of the municipality's recycling points and street cleaning; and the silvicultural treatment contract with the Development and Environment Department of the regional government of Castile-Leon with the aim of preventing mountain fires.

In the operation field, particularly noteworthy are the WWTP maintenance and conservation contract for the city of Teruel and the municipality of Cella awarded by the Aragon Water Institute; the water supply contract for Comunidad Villa y Tierra de Pedraza (Segovia); and the drinking water supply system management contract for Consorcio Provincial de la Zona Norte de Ávila.

Meanwhile, the performance of Hidroambiente, the Group subsidiary specialising in water treatment solutions, was shaped by adverse factors including the decline in investment linked to crude, which affected Asian markets and some of its international customers, and the sluggishness of both public and private investment in Spain. On the plus side is the favourable outlook for energy infrastructure in Mexico.

> “A contract signed by Audeca in 2016 with Ólvega marks Elecnor's entry into the end-to-end water management market in contracts with public authorities”

AUDECA IS AWARDED THE GROUP'S FIRST END-TO-END WATER MANAGEMENT CONTRACT

In 2016, Audeca, Elecnor's subsidiary specialising in preserving the environment and end-to-end highway infrastructure maintenance, was awarded the drinking water supply and waste water evacuation and treatment management contract for the municipality of Ólvega in a consortium with OCR. Situated in the north-east of the province of Soria, this municipality has around 4,000 residents.

This contract marks Elecnor's entry into the end-to-end water management sector in contracts with public authorities, extending the range of municipal services it offers.

The service includes the capture, elevation, treatment, storage, transport and distribution of water over the entire territory of the municipal council of Ólvega, the reading of meters and the management of collection from users.

Growth in population and in the size of the municipality's industrial facilities have rendered some elements of the current supply system obsolete. This is why the contract also includes the extension and upgrade of the municipality's entire supply system: This includes water collection facilities, pipes, a drinking water purification plant and metering facilities. As part of this contract, work is underway on the construction of a 2,200 m^3/h reservoir and the new associated DWTP with a conventional treatment capacity of 200 m^3.

> “Hidroambiente carried out a number of significant projects in 2016 including the supply of a waste treatment plant with an advanced high load biological process for the US company Rich's largest factory in Mexico”

Effluent treatment plant in a Rich factory (México)

HIDROAMBIENTE UPGRADES THE EFFLUENT TREATMENT PLANT OF RICH'S LARGEST FACTORY IN MEXICO

The US multinational Rich has several factories in Mexico largely specialising in the production of pastries, snacks, cakes and sweets. The largest of these is in the state of Mexico.

Rich already had a treatment plant which was clearly unable to deal with the complexity of its industrial and sanitary effluent. This waste contains high loads of polysaturated fats and a high organic load, with discontinuity in both load and volume. The company also needs to comply with more stringent legislation and meet the targets it has set itself globally to ensure that its products are increasingly environmentally friendly.

Hidroambiente agreed to supply a complex facility that both satisfied the technological process needs and took into account the fact that space is at a premium in Rich's factory, which is in a built-up area. An additional difficulty was working on land that was not suited to the execution of civil works.

The decision was therefore taken to develop a high load system with a cavitation air flotation system for degreasing, flow absorption and pump and physical/chemical treatment with a dissolved air flotation system. The water line system is completed with treatment with a submerged membrane bioreactor and finally a tertiary treatment with disinfection. The sludge line includes digestion, thickening and dehydration by means of a centrifugal filter.

The most significant projects include several plants for CCGTs and other technologies in the power generation sector, with nine secured in Mexico. In Mexico a large contract was also won with the US food multinational Rich for the supply of a waste treatment plant with an advanced high load biological process.

Elsewhere, the largest contract was for a water plant in Algeria for the steel company AQS, which, in addition to generating significant revenues, enabled Hidroambiente to open an office in a market with strong potential.

Also noteworthy was the award of the contract to upgrade the water treatment plant of the Tonopah solar thermal facility in the US state of Nevada. This project will solve the problems caused by the high silica load in the plant's process waters. It also means the company has made further inroads in the US market, illustrating Hidroambiente's ability to compete on an equal technological footing with US companies.

Electrification of the Torrente-Xátiva section of the Madrid-Levante AVE high-speed line

Railways

Elecnor has played a consistent role in the rail market over the last 25 years and has been to the fore in the deployment of the Spanish network's modern infrastructure, in particular the high-speed network. In this market, the company possesses the wherewithal to carry out turnkey projects for catenary systems, substations, signalling and interlocking, communications and control systems.

In 2016 public investment in new rail infrastructure and in the upgrade and maintenance of existing rail lines in Spain was again at a virtual standstill. This squeeze on investment has resulted in many companies in the sector closing offices and, in general, reducing and focusing their resources so as to minimise operating costs.

Against this challenging backdrop, Elecnor continued to focus on its strategic objectives of internationalisation, identifying opportunities related to rail activity and forging partnerships with sector-related companies with a view to undertaking major projects in various areas (civil works, signalling, operations, engineering, etc.).

The work carried out in recent years has enabled Elecnor to prequalify for several major international tenders and to secure its first specific contracts in the international market. In the field

of rail infrastructure development, Elecnor is building the rail infrastructure for the twin high-speed train tunnels that will link the cities of Oslo and Ski in Norway.

At the end of 2016, Elecnor was bidding for new projects in France, Argentina and Portugal.

As well as extending its offering in the international arena, Elecnor continues to work on several contracts in Spain won several years ago. These include execution and maintenance of the power system for the Olmedo–Zamora-Pedralba section of Madrid-Galicia high-speed line; the contract to built the overhead contact line and related systems of the section of the high-speed rail (HSR) line that will link the Mediterranean Corridor with the Madrid-Barcelona-French border HSR line; the turnkey project for the electrification of the Torrente-Xátiva high-speed line; and the integrated management of the civil protection installations for the Cordoba and Malaga underground corridors and the Abdalajis tunnels on the Cordoba-Malaga high-speed line.

One of the most important new contracts secured in 2016 was for the installation of rigid catenary and work associated with tunnel strengthening on line 1 of the Metro de Madrid between Cuatro Caminos and Portazgo stations.

“One of the most important new contracts secured in 2016 was for the installation of rigid catenary and work associated with tunnel strengthening on line 1 of the Metro de Madrid between Cuatro Caminos and Portazgo stations”

Rigid catenary on line 1 of the Madrid metro

THE LONGEST HIGH SPEED RAILWAY TUNNELS IN SCANDINAVIA IN NORWAY

In 2016 Elecnor worked on the twin high speed train (250 km/h) tunnels that will link Oslo with the city of Ski in Norway. This is a project developed by the Norwegian Rail Administration project on which Elecnor is working via the Acciona-Ghella consortium.

The 20 km tunnels will be the longest in Scandinavia and comprise the central hub of interurban rail development towards the south of the Norwegian capital.

The project entails the construction of two 20 km single tube tunnels and a 70 m^2 section, plus the cross-passages linking up the tunnels every 450 m along the route, a rescue area and evacuation zones. The project also includes the rail systems required to ensure the proper functioning of the electromechanical installations and systems (ventilation, fire protection and control and firewalls).

Elecnor is involved in designing the systems, drawing up the construction project and executing the rail systems, in addition to the start-up of service in all facilities.

The tunnels intersect at a different level, practically at the halfway point of the route, forming a link. In the central zone there is a large rescue area where tunnelling will start. The drilling will be done in four directions using 4 Tunnel Boring Machines, which can excavate complete tunnel sections and will erect the specified precast concrete segmental lining as they progress.

Space

Elecnor's technological arm, Elecnor Deimos, specialises in engineering, designing and developing solutions and integrating systems in the aerospace, information systems and telecommunications network sectors. Elecnor Deimos is currently one of the leading players in the European aerospace industry, with direct operations in Spain, the United Kingdom, Portugal and Romania, and the leader in developing Earth observation and space surveillance systems.

2016 was an important year in the Spanish space market given the high level of Spain's contribution to the budget of the European Space Agency (ESA). At the European Space Agency (ESA) Ministerial Conference, Spain pledged investment in space programmes that not just matched but in fact surpassed the spending level before the financial crisis: the EUR 600 million announced by our country is the largest contribution by Spain in the entire history of the ESA.

Another favourable factor is the establishment of the European Union as a key player, funding major space programmes such as Galileo, Copernicus (previously called GMES) and Horizonte 2020, which has a specific line for financing R+D in the space field.

> “In 2016, Elecnor Deimos carried out the activities included in the strategic agreement reached in 2015 with the Canadian company Urthecast”

DEIMOS Sky Survey Space Surveillance and Tracking (SST) centre (Ciudad Real)

Against this backdrop, Elecnor Deimos' continued to base its business strategy on:

- Strengthening activities in the group's strategic lines within the ESA.
- Emphasising commercial space programmes to decrease dependence on the public sector (ESA and EU) and raise the ceiling for contracts.
- Consolidating geographic expansion in Europe, which got underway to minimise the negative impact of low Spanish investment in the ESA during the crisis. This expansion continues to offer unique opportunities to access the various optional programmes of the ESA from various countries.
- Particular emphasis on the development of satellite applications for Earth observation and navigation.
- Increasing contracting in the transport, energy, communications, environment, aviation and maritime sectors to further ease dependence on the space sector

ALLIANCE WITH URTHECAST

In 2016, Elecnor Deimos carried out the activities included in the strategic agreement reached in 2015 with the Canadian company Urthecast. This agreement, which included the sale of the Deimos-1 and Deimos-2 satellites, also includes activities such as:

- Maintenance services for these satellite systems and the exclusive provision of ground systems and data reception stations.
- Worldwide distribution of data from the Deimos-1 and Deimos-2 satellites.
- Development of technology for Urthecast for its new constellations, called Earth Daily and Optisar (8 optical and 8 two-band radar satellites). Elecnor Deimos is working on the development of the ground segment, mission analysis and systems engineering, including formation flying techniques, and integration of the payload from the band radar satellite systems at its Satellite Assembly and Operations Centre in Puertollano, Ciudad Real.

One notable success story from Deimos' strategy for penetrating the commercial space market is the execution of the Deimos-2 receiving station projects for the governments of Thailand and Vietnam. A strategic agreement was also signed with the Space Agency of Ukraine to develop a Deimos-2 station and collaborate on future satellite and launcher projects.

Inauguration of the DEIMOS Sky Survey Space Surveillance and Tracking (SST) centre (Ciudad Real)

NEW PROJECTS

In the space application projects strategic line, work continued on the Earth observation projects in Dubai and Mexico, with extensions for Guatemala, and renewal for Dubai. With regard to satellite navigation systems, a contract for the fleet positioning system of the Spanish postal service provider Correos was secured in 2015.

In addition, the telescope system deployed in 2015 by Elecnor Deimos in Puerto de Niefla pass (Ciudad Real) for the monitoring of asteroids and space debris became fully operational in 2016, with contracts for the generation of data, through the Centre for the Development of Industrial Technology (CDTI), with the European consortium that provides services to the European Union.

Elecnor Deimos continued to contribute to the development of all of the ESA's space programmes in 2016:

- Following the landmark flight in 2015 of the ESA's first reusable atmospheric re-entry vehicle, for which Elecnor Deimos was responsible for mission analysis, mission

engineering, guidance and control, the first contracts have been secured for this vehicle's successor, the Space Rider programme.

- Likewise, the success in 2015 of the ESA's ROSETTA project to land a space probe on a comet, to which Elecnor Deimos made a major contribution, continued to generate key scientific data until the end of the mission in 2016.

- 2016 saw the launch of ExoMars, a major European mission to Mars, to which Elecnor Deimos made a significant contribution. The interplanetary trajectory and its navigation proceeded smoothly. The atmospheric entry phase of the Schiaparelli probe, which was Elecnor Deimos' responsibility, was successfully completed, though regrettably a subsequent error in the navigation sensors meant that this probe was unable to complete its mission.

- In 2016 Elecnor Deimos continued to develop three of the major subsystems (MGF, MSF, RDG) within the Galileo programme and is also playing a central role in the definition of the future Galileo (the EGEP programme).

- In addition, Elecnor continued to make a significant contribution to the execution of various subsystems for the Earth observation satellites of the ESA (Sentinel 1, Sentinel 2, Sentinel 3, SMOS, GOCE, Aeolus and others), Eumetsat (Meteosat) and Spain (Ingenio and Paz).

In the Aeronautics and Maritime field, Elecnor Deimos continued to work on its contracts to upgrade Peru's airports and develop a maritime surveillance system for Cameroon. In addition, major extensions were won in Peru along with contracts at Spain's most important airports (including Adolfo Suárez Madrid Barajas, Palma and Ibiza airports).

> “In line with its strategy, it is proceeding with geographic expansion in Europe, which continues to offer unique opportunities to access the various optional programmes of the ESA from different countries”

OFFICIAL PRESENTATION OF THE SPACE OBSERVATION CENTRE IN ALMODÓVAR DEL CAMPO

On 11 May 2016 Elecnor Deimos presented DEIMOS Sky Survey (DeSS), an advanced complex equipped with the latest technology for the observation, monitoring, cataloguing and tracking of space debris and asteroids close to Earth, which is the most important of its kind in Europe.

During the presentation, which included a visit to DEIMOS Sky Survey, located in the Niefla pass in the Valle de Alcudia y Sierra Madrona Nature Reserve in Almodóvar del Campo (Ciudad Real), representatives of the company, headed by Rafael Martín Bustamante, Chief Executive Officer of Elecnor, and Miguel Belló, General Manager of Elecnor Deimos, accompanied regional and local authority dignitaries including Emiliano García-Page Sánchez, president of the regional government of Castile-La Mancha, and Mayte Fernández, mayor of Puertollano, so that they could find out first hand about the technology with which this complex is equipped and the strategic services it offers.

The DEIMOS Sky Centre's purpose is twofold: to prevent the risk to people arising from falling space debris and the impact of asteroids and to warn national and international satellite operators of the potential risk of space debris and other objects colliding with their infrastructure (satellites, GPS, etc.), so that they have time to take action and prevent impacts.

To these ends, the centre monitors, collects data and draws up a list of objects that may fall from the sky. Using complex mathematical calculations, it predicts their reentry orbit and determines with significant precision where an object could fall and whether or not it will disintegrate upon contact with the atmosphere owing to its size and volume.

Businesses Concessions

elecnor

Faro Farelo wind farm (Galicia)

Renewable energy

elecnor

Malpica wind farm
(La Coruña)

Wind power

Enerfín, Elecnor's wind power subsidiary, stepped up its promotion of projects in export markets in 2016, focusing in particular on North America, Latin America and Australia and also starting work on the upgrade of its first wind farm. It also carried out two asset disposals and rights sales with the aim of pressing ahead with its growth plan.

920 MW
IN OPERATION
600 MW DIRECTLY ATTRIBUTABLE TO THE GROUP

445 MW
IN SPAIN

Elecnor's wind power subsidiary has a proven track record in managing all stages of wind power projects: promotion, development, construction and operation. It is currently one of the sector's flagship companies both in Spa in and the Americas, with total installed power at the end of 2016 of 920 MW, of which 445 MW are in Spain, 375 MW in Brazil and 100 MW in Canada. Of this total, 600 MW are directly attributable to the Elecnor Group. The company also has a further 3,300 MW at various stages of development.

Throughout 2016, Enerfín designed and implemented its new business model, which involves a transition from a mono-customer model and a majority shareholding to a customer/external partner model with a minority shareholding, the provision of services to third parties in projects in which Enerfín is not an investor and unlocking the value of current assets in operation via corporate transactions.

Spain

In 2016, just 38 additional MW were installed in Spain, of which 32 MW are already recorded in the old pre-allocation register, 4.6 MW correspond to the Canary Islands quota and 2.1 MW to a repowering in Galicia. The 500 MW of wind power awarded in the specific remuneration scheme auction held in January are still under development.

In addition, and with the aim of meeting the renewable energy targets for 2020 set by the European Union (20% of final energy consumption from renewable sources), the Government began preparing another call for tenders (scheduled for 2017) with the aim of assigning the specific remuneration scheme to 3,000 MW of renewable energy facilities in mainland Spain.

At the same time, specialist funds continued to show an interest in investment in 2016, with major transactions taking place involving wind power assets.

One of these transactions in 2016 involved Enerfín, namely the sale of its Villanueva wind farms (66.7 MW, Valencia), which have been in operation since 2009, to Cúbico Naranja Wind Spain, S.L., controlled by Cubico Sustainable Investments and Plenium Partners, for an amount in the region of EUR 35 million.

In addition, and after 20 years in operation, Enerfín began remachining its Malpica wind farm (16.5 MW, La Coruña), its first facility in the Spanish sector, which began operating in 1996. More specifically, it began dismantling the wind farm's 69 turbines (67x225 kW turbines and 2x750 kW turbines), which will be replaced by 7 Enercon turbines, each with a capacity of 2.35 MW. This new wind farm will be built by Elecnor and is slated to start up at the end of 2017. The dismantled turbines were sold at a public auction and will be installed in other countries.

At the same time, in the field of promotion, Enerfín worked on projects awarded in Valencia (50 MW), Aragon (66 MW) and Galicia (19 MW).

With regard to wind farms in operation, Enerfín, as an end-to-end manager, continued to work on various initiatives aimed at safeguarding and optimising its revenues. These include entering into price hedging contracts, implementing action strategies in the electricity markets, the refurbishment of its wind farms with the aim of providing services tailored to the electricity system and the sale of renewable energy certificates.

In addition to the strict balance sheet for 2016, Enerfín will continue to carry out operation and maintenance work on the Páramo de Poza wind farms (Burgos, 100.7 MW), for which it has its own specialist personnel.

Brazil

Although the Brazilian government planned to contract 2 GW of wind power per year under the 2013-2020 Ten Year Plan, 2016 ended without any additional MW awarded. Growth in demand was weaker than forecast owing to the country's economic and political situation, leaving the electricity system in a situation of overcontracting of power. However, the government held two auctions in 2016 in which wind power was involved.

In any event, 2.89 GW of wind power awarded in auctions in previous years were installed in 2016, bringing total installed wind power in the country to 10.74 GW.

Against this backdrop, Enerfín continued to develop its more than 1,000 additional MW in Rio Grande do Sul in 2016, of which over 300 MW are now ready to take part in future auctions. And under its new business model, the first agreements have been reached to carry out activities for third parties which it expects to start in 2017.

Enerfín has 375.5 MW installed in Brazil (318 MW in Osório and 57.5 MW in Palmares), which are managed via its subsidiary Enerfín do Brasil, and the company is one of the country's ten largest wind power generators in terms of installed capacity.

Canada

In Quebec and Ontario, provinces which hitherto have led the way in the Canadian wind sector, recent reviews of energy plans have confirmed an electricity supply surplus which means new

100 MW
IN CANADA

l'Érable wind farm (Canada)

tenders are unlikely in the short/medium term in Quebec and which last September prompted the government of Ontario to abandon the tender of 600 MW called a few months previously. In light of this situation, the wind power sector has focused its efforts on identifying export opportunities, given that both provinces are interconnected with the US.

Meanwhile, Saskatchewan and Alberta, two provinces highly dependent on fossil fuels, worked on their plans to achieve their emissions reduction targets and incorporate renewables announced the previous year. In the final quarter of the year, Saskatchewan confirmed that it will put tender 200 MW annually from 2017 and Alberta published its Renewable Electricity Program, which provides a more propitious framework for the development of renewable energy than the current one (sale to pool), with a first tender of 400 MW scheduled in 2017.

Throughout 2016, Enerfín stepped up its promotion activity in various Canadian provinces and it has also started negotiations with potential financial investors with a view to bidding in future tenders.

More specifically, Enerfín prequalified in Ontario with its Sydenham project (100 MW) to participate in the tender of 600 MW, though the government eventually cancelled this call.

In Saskatchewan, Enerfín continued with its promotion activity by starting another three developments of 300 MW in total and made further progress on the 100 MW project acquired in 2015.

Finally, strides were made in Alberta to identify possible sites for greenfield development.

In addition, Enerfín continued to manage the 100 MW L'Erable wind farm via its subsidiary Enerfín Quebec. This facility started up in 2014.

Australia

In July federal elections took place, with the Liberal party gaining a narrow majority to remain in power. As a result no significant regulatory changes are expected with regard to the national renewable generation target, which will involve the installation of 4,500 additional MW of wind power over the 2017-2019 period.

In addition, and with the aim of attracting investment, some states presented renewable generation targets. More specifically, the government of Victoria announced its targets of 25 per cent of electricity generated in the state from renewable energy sources by 2020 and 40 per cent by 2025. This is expected to involve the installation of roughly an additional 5,400 MW by 2025.

Enerfín also continued to focus on promotion in Australia, successfully completing the promotion of its first wind power project, the 252 MW Bulgana wind farm in the state of Victoria, which was subsequently sold to the Neoen Wind Holdco 1 Pty Ltd company. Under the terms of the agreement, Enerfín will provide services to this company during the final stage of development and technical assistance to analyse the performance of the facility during its first years in operation.

Enerfín has also started promoting another two greenfield projects in the state of Queensland on which it hopes to make progress in 2017 and is on the look-out for further opportunities.

The United States

In 2016, the government extended from 2 to 4 years the deadline for starting up projects seeking to take advantage of the Production Tax Credit (PTC), whilst maintaining the requirement that construction must have started (or, alternatively, incurred at least 5% of the investment) between 2016 and 2019, phasing down the incentive by 20% annually until it is completely eliminated in 2020 and thereafter.

In addition, some states have modified their laws to increase the development of renewable energy projects (Renewable Portfolio Standards or RPS).

In any event, the election of Donald Trump as president has created uncertainty in the renewable energy sector due to his scepticism regarding climate change, although no impact is expected either on the deadlines for the Production Tax Credit, which is already scheduled to be phased out over the next four years, or the RPS targets, which depend on state governments.

Enerfín continued to seek out fresh opportunities in the US and pressed ahead with its Wagontire (75 MW) wind farm in Oregon. A decision was finally taken to reduce its transmission capacity so this project is expected to become feasible in the longer term.

Mexico

In 2016, 530 additional megawatts of wind power came on stream, which meant installed wind power capacity stood at 3,435 MW at 31 December 2016. The first two long-term renewable energy and certificate auctions took place in 2016, in which 1,432 MW of wind power were awarded at historically low prices of as little as USD 32/MWh.

The country has suffered an economic slowdown largely attributable to the fall in the price of crude, the sharp devaluation of the peso against the dollar and the uncertainty caused by Donald Trump's election as US president.

In addition, human rights and issues relating to indigenous peoples were to the fore and threatened the development of

energy and infrastructure projects. A further aggravating factor was the long delay in the publication of regulatory measures for the performance of social impact assessments and public consultations.

Against this backdrop, Enerfín continued to carry out its promotion activities in Mexico, which in 2016 were mainly focused on the province of Yucatán, where it is already promoting two projects with a capacity of around 200 MW. It is also evaluating new projects in other provinces with the aim of growing its project portfolio and being in a position to take part in future auctions, which are expected to take place annually.

Colombia

The government is planning to increase installed capacity by diversifying the energy mix with the aim of easing dependence on hydroelectricity, which currently accounts for 70% of installed power. More specifically, in 2016 the government announced the auction of around 2,000 MW with 20-year contracts in 2017 and the planning of new evacuation infrastructure (lines and collector substations and the strengthening of existing substations) for the planned development of wind power in the region of La Guajira, with tendering planned in 2017.

Osorio wind farm (Brazil)

With the aim of positioning itself and being able to participate in the planned expansion of wind power, Enerfín began promotion activities in 2016 in Colombia, where it has already negotiated agreements to develop around 500 MW, with the El Ahumado (50 MW) wind farm in La Guajira having reached the most advanced stage.

Chile

In 2016 around 2000 MW of wind power were tendered at an average price of USD 48/MWh (40% lower than the average price in 2015), which are scheduled to come on stream in 2021.

In addition, the government is planning a further auction of 7,200 GWh/year in 2017, to supply from 2024.

With a view to diversifying its presence in various Latin American countries, Enerfín began promoting its first project in Chile in 2016. This project is situated in the Los Lagos region and has a capacity of around 100 MW. It is also looking at new developments in other areas of the country, with the aim of taking part in the aforementioned tender.

TEN YEARS OF ELECNOR'S MOST AMBITIOUS WIND POWER PROJECT IN LATIN AMERICA

In 2016 Elecnor marked the tenth anniversary of the construction of the Osório wind farm complex, built and operated by Enerfín in the Brazilian state of Río Grande do Sul.

The commemoration ceremony was attended by the governor of Río Grande do Sul, José Ivo Sartori, who emphasised the boost provided to the municipality of Osório by the wind farm's construction.

Osório was the first municipality in Río Grande do Sul to host a wind farm. The complex was inaugurated in 2006 and is an international standard-bearer for renewable energy generation and sustainability.

The installed power of the Osório and Palmares do Sul wind farms in operation in the state currently stands at 375 MW. Their 173 turbines are controlled from the Integrated Operations and Control Centre, which operates continuously.

As of October 2016, the cumulative annual energy generated by these wind farms exceeded one million MW/hours, an amount equivalent to the residential consumption of 525,000 homes per year, which is to say around 1.75 million people.

The creativity, innovation and architecture of these facilities underline the long-term viability of the wind projects of Elecnor, which seeks to work in partnership with local communities and ensure that its wind farms blend seamlessly into the environments of the regions in which they are located.

The 10th anniversary celebrations also included the inauguration of the Visitor and Energy Interpretation Centre, which provides information on the Osório wind farm. It is a community space which strives to contribute to the regional development of the municipality's social, environmental and cultural infrastructure, making it a standard-bearer for ecology and tourism on the route that leads to the coast of Río Grande do Sul.

375 MW
IN BRAZIL

3,300 MW
AT VARIOUS STAGES OF DEVELOPMENT

Solar thermal

With its development, from 2010, of three solar thermal plants in Spain, Elecnor has demonstrated that it has the technical and economic capability to design, supply, build, start-up, operate and maintain solar thermal plants based on parabolic trough collector technology.

In 2016, the Aste 1A and Aste 1B plants in Ciudad Real operated satisfactorily, delivering the power generation performance guaranteed in their operating and maintenance contracts. The same applies to the Astexol 2 plant in Badajoz, which also achieved its highest power production volume since coming on stream.

Having fulfilled all the guaranteed operating parameters and following the correct adaptation of its operation to the regulatory changes introduced in recent years, which are particularly stringent in relation to the use of natural gas, the Astexol 2 received its final handover document. Its financing was also restructured to bring it in line with the latest regulations.

Improvements at the plants were focused on process optimisation and the establishment of energy saving and efficiency measures. The three solar thermal plants were subjected to an energy audit in accordance with Royal Decree 56/2016, which transposes the EU directive in relation to energy efficiency, and for the first time issued Guarantees of Origin, which certify that power has been generated from renewable sources.

Finally, in 2016 the National Markets and Competition Commission (CNMC) performed the definitive settlement for 2012. This is especially significant for the plants as it was their first year of commercial operations.

Aste 1A solar thermal plant in Alcázar de San Juan (Ciudad Real)

150 MW
OF SOLAR THERMAL ENERGY IN SPAIN

Video

An audiovisual tour of Elecnor's solar thermal plants

OPEN CLASSROOMS FOR YOUNG TALENT

In keeping with the open-door policy of Elecnor's solar thermal plants for young talent from university and professional training centres, a training and placement cooperation agreement was established for the first time in 2016 with students from the Industrial Electrical Engineering course at the Nuevo Pachacútec Higher Technological Institute in Peru.

The Elecnor Foundation offered three months of placements to the two best Higher Level Professional Training students from the Institute at the Elecnor Aste 1A and Aste 1B solar thermal plants in Ciudad Real. The aim was to teach specialist skills and broaden knowledge via a hands-on placement at the facilities.

Nuevo Pachacútec Higher Technological Institute is an education establishment created by Edelnor, a subsidiary of the Enel group, in partnership with the Catholic University and the Bishopric of El Callao in the district of Ventanilla in Lima, one of the most disadvantaged in the capital of Peru. Edelnor created the Professional Electrical Technician course in order to provide opportunities for young people from disadvantaged backgrounds and train electricity sector professionals who can be incorporated into the labour market.

90,000
HOUSEHOLDS PROVIDED WITH CLEAN ELECTRICITY

144,000
TONNES OF CO_2 EMISSIONS PREVENTED WITH THE THREE SOLAR THERMAL PLANTS IN

Solar roof-top installation in Alginet (Valencia)

Solar PV

Elecnor has an extensive track record in the field of solar PV, both in the development of turnkey projects for third parties -see section on Infrastructure/Power Generation included in this Annual Report- and in the construction, operation and maintenance of its own projects, many of which are in Spain and Australia.

In 2016, the production of the Elecnor Group's solar PV portfolio achieved the target set for the year.

Solar PV activity in Spain, which remains at a virtual standstill, was affected by political uncertainty and the interim nature of the government for much of the year, which prevented the enactment of the reforms of Royal Decree 900/2015 on Energy Self-Consumption, of 9 October, regulating administrative, technical and economic modalities for electricity supply and generation with self-consumption, and which the sector is demanding to provide impetus for the development of new facilities.

The renewable energy auctions in Spain, such as the tender of 3000 MW announced by the government in the first quarter of 2017, are considered necessary to meet greenhouse gas reduction targets and will serve to kick-start investment in photovoltaic generation in 2017.

At the same time there is a favourable framework in Europe for the development of this and other types of renewable energy, as illustrated by the fact that the European Commission has published a series of measures -the "Clean Energy Package"- for the 2021-2030 period, with the aim of reducing CO_2 emissions by at least 40% by 2030 compared with 1990 levels, improving overall energy efficiency by at least 30% and ensuring that at least 27% of the energy consumed in the EU in 2030 is from renewable sources.

Against this backdrop, Elecnor continued to operate and maintain the eight solar PV facilities it owns in Spain in 2016:

Video

A visit from the prime minister of Australia

> Elecnor operates and maintains a total of 8 solar PV facilities in Spain

Siberia Solar (10 MW), THT Antequera (2 MW), AASCV Alginet (1 MW), AASCV2 Alginet (1 MW), ELC Murcia (610 kW), HAE Alacant (520 kW), Helios Almussafes I (100 kW) and Helios Almussafes II (97.5 kW).

All these assets were refinanced via the issuance of EUR 41.6 million of project bonds, which were placed among institutional investors.

> In 2016, Elecnor refinanced its solar PV assets in Spain via the issuance of project bonds placed among institutional investors

ELECNOR IS TAKING TO AUSTRALIA ITS PROVEN TRACK RECORD IN THE CONSTRUCTION AND OPERATION OF SOLAR PV PLANTS

In 2016, Elecnor built and connected to the grid the 25 MWp Barcaldine solar PV plant, its first concession project in this field outside Spain.

The plant is in the municipality of Barcaldine in the state of Queensland and it was hooked up to the grid two months ahead of schedule.

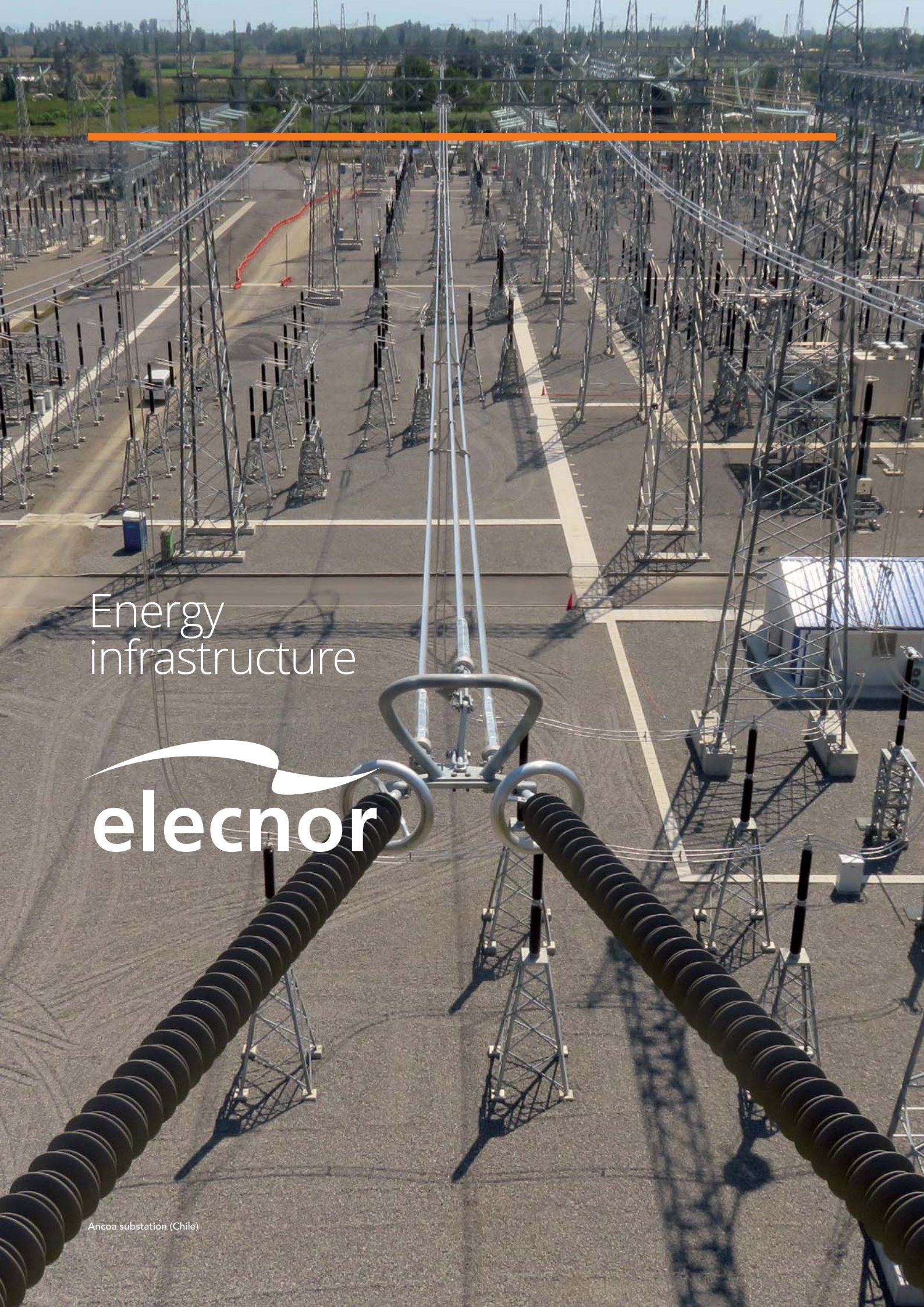
The plant will be a reliable source of sustainable energy in the region with an estimated annual production of 57,000 MWh, producing around 2280 equivalent hours, sufficient to meet the consumption requirements of some 9,800 households.

The project is financed by Clean Energy Finance Corporation (CEFC), an Australian Government-owned green bank specialising in the financing of projects related to renewable energy and energy efficiency. It also has funding from the Australian Renewable Energy Agency (ARENA).

The Australian government's backing for renewable energy is paving the way for new projects in this field in which Elecnor is keen to play a pivotal role.

Energy infrastructure

elecnor



Ancoa substation (Chile)

Electricity

Elecnor, via Celeo Concesiones e Inversiones, is among the leading developers of power transmission projects under concession arrangements, in Brazil and Chile. In the first of these two countries it was involved in a total of 12 concessions at the end of 2016, while in Chile it was involved in three including one (the Nueva Diego de Almagro transmission system) secured during the year.

Celeo Concesiones e Inversiones is involved in 12 power transmission concessionaires in Brazil, totalling 3,859 km of transmission lines. All of these are 30-year operation and maintenance contracts put out to tender by the Agencia Nacional de Energía Eléctrica (ANEEL), the energy regulator.

The Cantareira Transmissora de Energía concession, awarded in 2014, attained environmental permits in 2016 (Licencia Ambiental de Instalación), and the project is now in the execution phase. In addition, the project -which involves a 328 km 500 kV double circuit transmission line in the states of Minas Gerais and São Paulo- has more than 90% of terrain cleared. It is scheduled to come on stream in 2018.

ELECNOR SECURES A NEW POWER CONCESSION IN CHILE IN WHICH IT WILL INVEST USD 90 MILLION

In 2016, Elecnor won the contract to develop the Nueva Diego de Almagro transmission system in Chile via its subsidiary Celeo Concesiones e Inversiones. The project involves the construction, operation and maintenance of the transmission system and is expected to entail investment of USD 90 million (more than EUR 81 million), financed with its equity capital and long-term debt.

This project will provide Chile with more secure power transmission from generation centres to consumption points. It was awarded by Chile's Centro Económico de Despacho del Sistema Interconectado Central (CDECSIC) body.

The first phase of the project involves the construction of a new substation (Nueva Diego de Almagro) in the province of Chañaral in the Atacama region. The second phase involves the development of a 52 km 220 kV double circuit line and the installation of a 750 MVA, 500/220 kV autotransformer bank. The first and second phases are expected to take 24 months and 42 months respectively.

Alto Jahuel power line (Chile)

Assembly of the Charrúa-Ancoa line (Chile)

In addition, authorisation has been secured for two new reinforcements to the Pedras Transmissora de Energía concessions. This work involves the installation of an autotransformer bank (345/138 kV-3x133MVA) and of a 230 kV-15 Mvar reactor on the Linha de Transmissao Corumbá concession. The latter project is in the final start-up phase and is slated to begin operating at the start of 2017.

The strengthening of the Jaurú Transmissora de Energía concession authorised in 2015 and involving the installation of two 110 Mvar capacitors is in the execution phase and is slated to come on stream in 2017.

Chile

Celeo Concesiones e Inversiones is involved in three electricity transmission concessionaires in Chile, totalling 506 km of lines. One of these, the Nueva Diego de Almagro transmission system -which includes a substation, a 220 kV double circuit line and the installation of an autotransformer bank- was awarded in 2016.

Work also got underway on the extension project for the 2x500 kV Ancoa-Alto Jahuel line, stringing of the second circuit.

Work continued on construction of the 2x500 kV Ancoa-Alto Jahuel line, stringing of the first circuit project, which was awarded in 2012 and is slated to come on stream at the start of 2018.

12 CONCESSIONS
IN BRAZIL AT THE END OF THE YEAR, TOTALLING 3,859 KM OF TRANSMISSION LINES

3 ELECTRICITY
TRANSMISSION CONCESSIONAIRES IN CHILE, TOTALLING 506 KM OF TRANSMISSION LINES

Gas

In April 2016, Elecnor completed the commissioning of its first gas pipeline in Mexico, which it owns with Enagás via the Gasoducto de Morelos (GDM) joint venture. It is an infrastructure which provides natural gas transmission services for the Comisión Federal de Electricidad (CFE) and other consumers of natural gas for an initial 25 year period.

> “In April 2016, Elecnor completed the commissioning of its first gas pipeline in Mexico, the Morelos pipeline”

The service provision contract was put out to tender by the CFE and awarded to Elecnor in 2011. After signing the contract, Elecnor brought Enagás on board as a partner on the project. The project includes the design, financing, construction, commissioning and operation of the 170 km pipeline, which runs through the states of Tlaxcala, Puebla and Morelos, where it will feed the 640 MW CFE CC Centro Combined Cycle Plant.

Construction of the pipeline was delayed by the difficulties in acquiring the rights of way for the project, for which CFE bears contractual responsibility.

In October, GDM signed a natural gas transmission service contract with the local company Gas Natural del Noroeste (GNN). Under this contract, Gasoducto de Morelos will transport up to 7 MMSCFD of additional natural gas for the next five years and will collect the tariffs set by the Energy Regulatory Commission (CRE).

To ensure the correct operation of the pipeline, in 2016 GDM signed commercial advisory and technical contracts with its partner Enagás and operation and maintenance contracts with Elecnor, S.A.

Position 9 of the Morelos gas pipeline (Mexico)

Environment

elecnor

Zuera WWTP
(Zaragoza)

Environment

In line with previous years, in 2016 environment activities accounted for 3% of the investment assets of Celeo, the Elecnor Group's main vehicle for investing in, developing and operating concession. Specifically, these activities entailed three water treatment concessions (SADAR, SADEP and SAPIR) all located in Aragon in north-eastern Spain.

SADAR

This concession includes 10 waste water treatment plants for various municipalities in the Cinco Villas and Zaragoza regions.

The concession agreement covers one and a half years of construction and 20 years of operation, with a total budget of around EUR 111 million. All the plants have been operating since 2009.

SADEP

This concession involves the treatment of waste water for various municipalities in the Zaragoza and Valle del Ebro districts. It entails nine WWTPs and three collectors, which are remunerated at WWTP rates.

The concession agreement covers one and a half years of construction and 20 years of operation, with a budget of around EUR 75 million. The plants under this concession have been operating since their commissioning and came on stream gradually between 2009 and 2010.

SAPIR

This concession includes 58 treatment projects in the 'P2' area of the Pyrenees, along the Gallego River basin.

There are currently 20 WWTPs in operation, all of which were completed in 2012. Noteworthy is the Biescas-Gavín WWTP, which is designed to treat 12,000 pop.eq (population equivalent). Other WWTPs include Yebra de Basa, Hoz de Jaca, Yesero, Acumuer, Senegüe, Ara, Aso de Sobremonte, Escuer and Yosa de Sobremonte, all "nest head" types, and Binué, Javierre del Obispo, Larrede, Navasilla, Olivan, Oros Alto, Oros Bajo, Osán and Sobas, which all run off the Biescas-Gavin WWTP.

With regard to other construction work, the government of Aragon has authorised the processing of a modification. This is due to the current size of the WWTPs, which need to be adapted to reflect the significant changes in forecasts for urban development and the pollutant load. It has also authorised the change in the location of the Escarrilla-El Pueyo-Panticosa WWTP, which is the project entailing the largest investment.
The concession agreement covers two years of construction and 20 years of operation, with a total budget of approximately EUR 91 million.

CORPORATE STRATEGIES AND POLICES

elecnor

CH Cambambe 2 (Angola)

Financial solvency and risk management

Elecnor regards prudent financial management as being of the utmost strategic importance and bases its financial management policy on three key principles: appropriate financial risk management, arranging favourable conditions for funding and a balanced and sustainable debt structure.

> "The combination of the various sources of financing resulted in an average corporate financing rate of 1.84% in 2016"

Financial risk management

Elecnor is exposed to a range of financial risks, which it manages by grouping its risk identification, measurement, concentration limits and oversight systems. Financial risk management and limitation is managed by the Corporate Department, in coordination with the Group's business units and subsidiaries. Financial risk management activities are approved at the highest decision-making level, pursuant to established regulations, policies and procedures.

The major risk for Elecnor is market risk, basically exchange rate risk resulting from the Group's business activities in international markets. Some of the Group's revenues and procurement costs are denominated in currencies other than the euro. There is therefore a risk that the Group's profits could be impacted by exchange rate movements. Elecnor manages and minimises this risk through hedging strategies, with the objective of making profits only through its ordinary activities, not on exchange rate speculation.

This hedging basically involves debt instruments referenced to the contract currency, exchange rate insurance and financial swaps, through which Elecnor and a financial institution exchange flows on a loan in euros for flows on a loan in the other currency, and the use of a basket of currencies to cover mixed financing indexed to various currencies.

Exchange rate movements change the fair value of assets and liabilities that accrue fixed-rate interest, and future flows on assets and liabilities referenced to floating interest rates. Elecnor has access to external funding for its operations, basically relating to the development, construction and operation of wind farms, solar thermal projects and electricity infrastructure tenders, through project financing. With this type of financing, interest rate risk must be hedged contractually through interest-rate hedges.

With both project and corporate finance, borrowings are usually arranged at variable rates and the Group uses hedges to minimise the interest-rate risk on the borrowings. The hedging instruments are assigned to specific financial debt instruments and have a maximum value equal to the nominal values of, and with the same maturity dates as, the hedged items. These are basically interest rate swaps (IRS), which establish fixed interest costs for funding originally arranged at variable rates. Interest rate hedges are contracted subject to accounting efficiency criteria.

The Group is also exposed to the risk that cash flows and results may be affected, among other factors, by energy price trends. To manage and minimise this risk the Group makes precise use of hedging strategies.

Liquidity risk is mitigated by a policy of maintaining a highly liquid treasury position, holding non-speculative short-term instruments, such as treasury bills in non-optional reverse repurchase agreements and very short-term US dollar deposits at leading credit institutions, ensuring we can meet our obligations. We also contract credit facilities with a suitable limit and terms to meet projected needs.

Our main credit risk relates to counterparties or customers not meeting their contractual obligations with regard to accounts receivable for commercial transactions. We minimise this risk by working with customers with a sound credit history. The sector

Purépecha ES
(México)

and activity in which we are involved ensures that Elecnor's customers have high credit ratings. However, we use mechanisms such as advance payments and irrevocable letters of credit and take out credit insurance policies for international sales to non-recurring customers. We also analyse the financial solvency of the customer, stipulating specific contract conditions to ensure collection of monies due.

Under the current Spanish regulatory framework, the electricity generated by our wind farms is sold into the Iberian Electricity Market (MIBEL) and we collect revenues from the market operator, OMIE, subject to a payment-guarantees system, and the National Markets and Competition Commission (CNMC), the Spanish energy-market regulator, which reports to the Ministry of Industry. Ventos do Sul Energía, S.A., Parques Eólicos Palmares, Ltda., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Indios Energía, S.A. (Brazil), have signed 20-year electricity sale contracts for their output with the corresponding Brazilian electricity distribution companies, while Eoliennes de L'Érable has signed a 20-year contract with the electricity distribution company in Québec. Likewise, our Brazilian electricity infrastructure concessionaires have signed electricity distribution contracts with customers with high ratings, which, together with the restrictions imposed by the transmission system, ensure that there will be no insolvencies.

With regard to transmission lines, specifically those that provide their services in Brazil under concession arrangements, the Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating the system's collections and payments and informs the concessionaire on a monthly basis of the companies that must pay it: generation companies, large energy-consuming industries and transmission companies connected to the system. Prior to their connection to the system these companies deposited a guarantee which will be executed in the event of non-payment, resulting in immediate disconnection from the

system and distribution of the payment liability among the other users of the system. In this way the concessionaire's payment is guaranteed by the national electricity system.

The transmission lines in Chile are part of the backbone transmission system, with the corresponding Economic Load Dispatch Centre (CDEC) -CDEC–SIC (Central Interconnected System) or CDEC-SING (Great Northern Interconnected System)- holding responsibility for coordinating the flow of payments from generators to transmitters. The payment guarantee for the trunk transmission system is underpinned by a protocol whereby, in the event of non-payment, the CDEC disconnects the defaulting generator from the system and distributes the payment obligation among the other generators that use the system. From 2017 CDEC-SIC and CDEC-SING will merge into the Coordinador Eléctrico Nacional, which assumes responsibility for system regulation, distributing payment obligations to transmitters between generators and distributors.

In today's economic climate, Elecnor remains more concerned about credit risk than other financial risks. Faced with this situation, Elecnor is continuing to take measures to offset these risks, reviewing its credit risk exposure regularly, including individualised analysis when required, and recognising provisions as appropriate.

Elecnor pays close attention to regulatory risks, particularly with regard to renewable energies, so as to monitor potential impacts on its income statement.

Obtaining funding

With regard to funding sources, Elecnor maintains a combination of long and short term lines that fosters stability in terms of the maturity of sources, while taking advantage of historically low interest rates.

In the long term, Elecnor signed a novation contract in June 2016 to modify several of the conditions of the EUR 600 million syndicated loan taken out in July 2014 with 19 Spanish and international financial institutions. This resulted in maturity being extended by one year and a marked improvement in the original margin conditions. Under this new agreement, which came into force immediately, maturity was extended by one year to July 2021 and the margin conditions originally agreed in 2015 were maintained.

In terms of short term lines, at the end of 2016 Elecnor maintained EUR 245 million of bilateral bank financing lines and a EUR 200 million commercial paper programme with the Alternative Fixed Income Market (MARF). Issues in this market are at one-year rates of around 0.80% and one-month rates of below 0.30%.

The combination of these sources resulted in an average corporate financing rate of 1.84% in 2016.

With regard to financing, the Group was involved in the following transactions in 2016:

- In August, Enerfín sold the Villanueva I and II wind farms, which have total installed power of 66.7 MW, for EUR 33.7 million.
- At Aerogeneradores del Sur, S.A., senior debt and the swap contract were settled in advance in November.
- At Galicia Vento, S.L., senior debt and the swap contract were settled in advance in November.
- Celeo refinanced the project debt for the Siberia Solar solar PV project via the issue of a EUR 42 million 21-year project bond at a fixed rate below 4%.
- In March the financial restructuring of Dioxipe was agreed, extending the maturity by seven years to 2037 and significantly reducing the interest rate.
- In November, the Brazilian Development Bank BNDES approved the BRL 423 million (approximately EUR 124 million) financing for the Cantareira power transmission project.

Debt

Elecnor ended 2016 with net corporate financial debt of EUR 272 million, compared with EUR 280 million in 2015 and EUR 348 million in 2014.

To interpret these figures more fully, EBITDA must also be taken into consideration. The Group ended 2016 with a ratio of 2.02, lower than the figure of 2.20 reported in 2015 and significantly below the limit of 3 set by the financing entities.

“Elecnor ended 2016 with net corporate financial debt of EUR 272 million, compared with EUR 280 million in 2015 and EUR 348 million in 2014”

Cambutas ES (Angola)

Agua Prieta II combined cycle plant (Mexico)

Internationalisation

Elecnor made further progress in its ongoing internationalisation process in 2016, with international markets accounting for 55% of its sales, a figure that rose to 82% of the backlog at the end of the year. And in addition to consolidating its presence in 16 stable markets across four continents, sales were achieved in another 35 countries.

51 COUNTRIES
CONTRIBUTED TO THE GROUP'S REVENUE IN 2016

5,539
EMPLOYEES ABROAD (41% OF THE TOTAL HEADCOUNT)

In 2016, Elecnor's international sales totalled EUR 916 million, up 8% from EUR 851 million in 2015. This meant they represented the majority of its business for the fourth consecutive year, with 55% of the total. In addition to Spain, the Group has built up a solid and stable presence in 15 other markets: Brazil, Venezuela, Angola, Mexico, the USA, the Dominican Republic, Uruguay, Argentina, Chile, the United Kingdom, Portugal, Italy, Ecuador, Honduras and Australia. And Elecnor achieved sales in another 35 countries in 2016, bringing the total number of countries in which it generated revenue to 51.

Furthermore, 82% of the total order book of EUR 2,339 million at year-end 2016 derived from the international market, amounting to EUR 1,917 million.

Together with diversification, internationalisation is one of the key aspects of Elecnor's development, and has been particularly significant over recent years. The international business was employing 5,539 people at the end of the year, 41% of the total headcount.

Without frontiers

There are no frontiers for Elecnor's internationalisation. The most significant progress in 2016 was achieved in Australia, where two large-scale solar PV projects were concluded; the Middle East, with new contracts in Jordan in the field of renewable energy and potential orders in other countries; and Bolivia, where the Group secured its first two contracts for solar PV plants.

Operative at the Cambambe 2 HP (Angola)

> “Elecnor's international sales stood at EUR 916 million, an increase of 8% compared with the figure of EUR 851 million in 2015, and represented 55% of the total”

ANGOLA

In 2016 Elecnor celebrated its first 25 years in Angola, a country where it has grown to become a benchmark player in the energy infrastructure sector.

The flagship projects which Elecnor has carried out to date include the Gove, Cambambe and Cambambe 2 hydroelectric plants and the water collection, treatment and distribution infrastructure for the cities of Andulo and Waku Kungo.

In 2016,the fall in oil prices in recent years again took a toll on the country's economy. This situation has prompted the government to adopt a management model focused on optimisation of resources, which are being allocated to new infrastructure projects that are crucial for the growth, strength and diversification of the Angolan economy.

Thus, Angola remains a country of opportunities, with plans for infrastructure construction that are key to growth, expansion of the services sector and new laws and regulatory frameworks to incentivise private investment with the aim of diversifying the economy and creating better living conditions for its people.

Against this backdrop, Elecnor continued to carry out large-scale projects in 2016 including construction and assembly of the Cambambe 2 hydroelectric plant, which will have a generation capacity of 700 MW and play a pivotal role in the country's social and economic development, and construction of the 60 kV Dondo–Cassoalala transmission system, which will provide 15,000 people with access to electricity. Many of these households will benefit from lighting and power for the first time. Work also concluded on the construction of the 400 kV Cambutas–Catete transmission line, which will carry the power generated at the new Central de Cambambe 2 plant to the country's capital, Luanda.

With regard to the future, Elecnor is eyeing new opportunities in the hydroelectric sector and its associated power transmission systems, the electrification of provinces, solar PV/thermal diesel generation hybridisation and construction of water supply systems for various cities.

> In 2016, Elecnor marked the 25th anniversary of its stable presence in Angola, a milestone it will reach in 2017 in Mexico

MEXICO

After celebrating its 25th anniversary in Angola in 2016, Elecnor will achieve the same milestone in 2017 in Mexico, one of its most important international markets. This is the result of the steady progress achieved in this country since 1992, illustrated by such important projects as the construction of 65 electrical substations with total installed power of 7,000 MVA, the installation of 1,100 kilometres of transmission lines and 255 kilometres of fibre optic cable, the construction or refurbishment of 6 hospitals and the development of two combined cycle power plants and a hydroelectric facility.

Today, Elecnor draws on its capabilities as an EPC company across multiple power, gas and oil infrastructure activities, large-scale power plants, telecommunications and construction, while at the same time promoting and investing in gas infrastructure and working on plans to do so in renewable energy.

In 2016, Mexico completed the first stage of its energy reform programme, in which it has invested almost USD 60,000 million between the oil and electricity sectors. The Energy Reform has provided a boost to the oil industry but this does not extend to the major state-owned company Pemex, which has severe liquidity problems. Meanwhile, the Comisión Federal de Electricidad (CFE)'s tenders have yielded opportunities in many areas including administration, independent generation and public-private partnerships.

Elecnor, taking advantage of this gradual opening up of the market, is constantly tracking opportunities. The level of activity in the electricity sector was maintained in 2016, both in the CFE's public tenders and for private companies. Elecnor is also striving to gain a foothold in new sectors such as facilities and maintenance.

Investor and alliance efforts

Among the main strengths Elecnor can apply to carve out a position in foreign markets are its investment capabilities and expertise in the concession business, which have enabled it to enter and gain a foothold in the transmission line markets in Brazil and Chile, the wind power market in Canada and Brazil, and the gas transport services market in Mexico.

Elecnor's international growth strategy is firmly based on alliances with industrial and financial partners. Two alliances of clear strategic interest continued to progress as expected in 2016. In 2014 Elecnor signed a strategic agreement with the Dutch group APG, which manages the world's second largest pension fund, for joint development of new power transmission projects in Latin America. Under this agreement, APG took a 49% interest in Celeo Redes, previously a wholly-owned Elecnor Group subsidiary responsible for overseas investment in power transmission projects.

The other agreement, also inked in 2014, was with the Canadian Eolectric Club Limited Partnership fund, which took a 49% stake in the 100 MW L'Érable wind farm in Quebec.

16 COUNTRIES
ARE NOW STABLE MARKETS FOR ELECNOR

Diversification

Elecnor is also assisted in its internationalisation by its broad range of skills, credentials and experience in some of the fastest growing and most promising sectors in its markets, from large-scale power generation plants (combined cycle plants, solar thermal plants, hydroelectric power stations, and wind and solar PV farms) to electricity, gas and telecommunications infrastructure, railway electrification, building construction, energy efficiency and water treatment.

55%
CONTRIBUTION OF FOREIGN SALES TO TOTAL SALES IN 2016

CHILE

Chile is Elecnor's second largest Latin American market after Brazil. Elecnor has been active in Chile for almost 20 years, and plays a leading role in developing the country's power supply, generation and distribution capacity, the development of renewable energy and the application of energy saving measures in facilities.

The growth of renewable energy in Chile in recent years, mainly in wind power and solar generation, along with the need to improve Chile's backbone system to absorb the transmission demand for the power generated, provided interesting opportunities in 2016.

The country offers significant opportunities, as does the highly competitive nature of the market following the arrival of new players with very aggressive policies for securing a foothold. Faced with this situation, Elecnor is pursuing a prudent approach and focusing on reliability for the customer as an added value.

In contrast, the fall of copper prices has resulted in significant cuts in the mining sector, which has prevented Elecnor from securing new projects. The situation is the same in all areas of the public market because mining is the country's main source of revenue.

In 2016, Elecnor Chile was involved in three main business lines: public lighting, transmission and renewable energy. It is also continuing to seek to diversify, including its service to the mining industry.

For a number of years Elecnor's most important business line has been public lighting, a sector in which Elecnor continues to play a prominent role in the country. The award of five new projects, including Macul, involving the replacement of 17,000 lights in the Metropolitan Region, further cemented Elecnor's status as one of the leading sector players.

In transmission a significant achievement was notched up: the successful powering up of the 2nd circuit of the Ancoa-Alto Jahuel transmission line for Celeo Redes Chile. For Celeo Redes work is also continuing on the construction and stringing of the first circuit of the 2x500 kV Charrúa–Ancoa transmission line and the expansion of the associated substations.

In the renewable energy market the San Juan wind farm was successfully started up for Latin American Power. This is the largest such facility in Chile with installed power of 184.4 MW and 56 turbines. And a significant event after the year closed was the securing of a USD 117.2 million (equivalent to around EUR 110.8 million) contract to build a solar PV plant. This facility, with installed power of 115 MWp, will be in the municipality of Til Til, to the north of Santiago, in the Metropolitan Region.

Corporate integration

elecnor

110 kV Camarasa-Cervera line (Lérida)

Quality Management

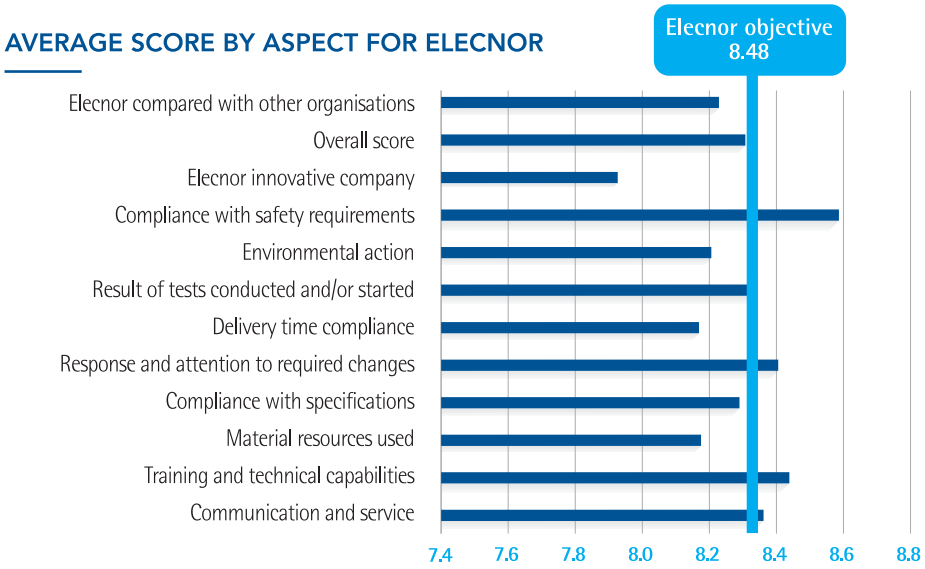
Since it was created the Elecnor Group has had a steadfast commitment to quality which is part of the bedrock of its culture. The Group strives ceaselessly to achieve customer satisfaction, continuous improvement, professional commitment and strict compliance with current legislation.

Elecnor's Quality Management strategy is governed in general by the following principles of conduct:

- Managing customer satisfaction. This involves considering customer expectations when designing and supplying products and services so that they are completely satisfied.
- Establishing continuous improvement in the process of defining and implementing preventative, corrective and improvement actions.
- Involving the entire workforce in the challenge of quality, improving the integration of know-how into the quality system and optimising management of production processes.

A number of activities and initiatives were undertaken in 2016 to enhance customer satisfaction management and the continuous improvement process, including:

- The establishment of general objectives for the entire organisation with the aim of orientating the current Integrated Management System to achieving results. These objectives also enable the company to consolidate key data for the main Quality and Environmental areas, unlocking synergies between all Elecnor's organisations.
- In 2016 Elecnor achieved a customer satisfaction score of 8.48 (out of 10). Once again, the best rated aspects were the training and professional capabilities of employees and their performance in the sphere of health and safety and risk prevention.



- Also, and with the aim of orienting results to Elecnor's profitability, work began on the implementation of new method for the control of non-quality costs and benefits generated , which will enable costs to be reduced.

- Having laid the foundations for internationalisation, the Corporate Quality and Environment Department continued to roll out the Integrated Management System at Elecnor do Brasil and certification of the quality and environment systems for >66 kV transmission lines and substations activity is expected to be awarded in June 2017.

- AENOR performed external audits of the ISO 9001 certification of the Elecnor Group's business units, divisions and subsidiaries, all of which produced satisfactory results. Certification was also obtained for the quality and environment management systems of our Italian subsidiary Elecnor Infrastrutture S.R.L.

- Elecnor's companies were all subject to internal audits and system monitoring committees.

In 2017 the appropriate modifications were made with the aim of adapting the company's Integrated Management System to the new ISO 9001:2015 and ISO 14001:2015 standards.

Certification

In 2016, Elecnor secured AENOR Multisite Certification for its Quality Management Systems. This is a single certificate for all the organisations of Elecnor Infraestructuras which covers the entire scope of the various activities and all work centres, which previously were registered individually. The single certificate is the ER-0096/1995, which includes the following organisations:

- Major Networks Unit

- Energy Unit

- Facilities and Networks Unit:
  - Centre Business Division and Northern Offices
  - Northeast Business Division
  - East Business Division
  - South Business Division
  - Elecnor Environment
  - Elecnor Seguridad
  - Área 3, Equipamiento, Diseño e Interiorismo
  - Elecnor Infrastrutture S.R.L.

In addition, certification was maintained for the following subsidiaries:

- Ehisa Construcciones y Obras (ER-2042/2004)

- Atersa (ER-0979/1997)

- Audeca (ER-0990/1999)

- Elecnor Deimos (ES 028047-2)

- Hidroambiente (SGI 1201167/11)

- Jomar Seguridad (ER-0166/2014)

- Omninstal Electricidade, S.A. (2005/CEP.2457)

AENOR MULTISITE CERTIFICATION

This Multisite Certification awarded in 2016 by AENOR to Elecnor's Environment and Quality Management Systems enables the processes and operating systems of the various organisations to be standardised and synergies to be unlocked. Last year the ISO 9001 quality certifications and ISO 14001 Environmental Management certifications for each organisation were adapted under the same application criteria, which means that all work with the same procedures.

One advantage of this development is that it is now possible to objectively analyse all Elecnor's organisations, regardless of the type of activity. This provides a global view and as a result enhances both system efficiency and its image in the eyes of customers. It also enables procedures to be significantly simplified, reducing costs and shortening audits.

This type of certification has resulted in a 42% reduction in direct cost and 28 fewer external audit days being required. This means indirect cost savings have been achieved in terms of hours and staff travel.

Cambambe 2 HP
(Angola)

Environmental Management

Elecnor is committed to protecting the environment and efficient consumption of energy resources in all of its environmental management activities. These objectives have made respect for the environment and sustainability part of the bedrock of its culture and values throughout the organisation.

In 2016 Elecnor renewed its "AENOR Medio Ambiente CO_2 Verificado" carbon footprint certificate under the ISO 14001:2004-1 standard. This means the Group meets rigorous independent standards with regard to the calculation of the greenhouse gas emissions from its activities whilst striving to improve its environmental and energy management processes.

Elecnor also had its carbon footprint registered in the Ministry of the Environment, Rural and Maritime Affairs' "Carbon Footprint, Offset and Carbon Dioxide Absorption Projects Register".

In the area of Systems Management, Elecnor obtained AENOR Multisite Certification for its Environmental and Quality Management Systems in 2016. This is a single certificate for all the orga-

nisations of Elecnor Infraestructuras which covers the entire scope of the various activities and all work centres, which previously were registered individually. The single certificate is the GA-2000/0294, which includes the following organisations:

- Major Networks Unit
- Energy Unit
- Facilities and Networks Unit:
  - Centre Business Division and Northern Offices
  - Northeast Business Division
  - East Business Division
  - South Business Division
  - Elecnor Environment
  - Elecnor Seguridad.
  - Área 3, Equipamiento, Diseño e Interiorismo
  - Elecnor Infrastrutture S.R.L.

In addition, certification was maintained for the following subsidiaries:

- Ehisa Construcciones y Obras (GA-2006/0131)
- Atersa (GA-2009/0396)
- Audeca (GA-1999/0134)
- Elecnor Deimos (ES 028048-2)
- Hidroambiente (SGI 1201167/12)E
- Enerfín (GA-2003/0416)
- Jomar Seguridad (GA-2014/0085)

2016 also saw the consolidation and certification by AENOR of our Energy Management System (GE-2013/0033) under the UNE-EN ISO 50001:2011 standard, enhancing the Group's commitment to sustainability. A series of energy audits were carried out at the company that will enable areas to be identified where energy consumption can be minimised, thereby contributing to a reduction in our carbon footprint.

NATIONAL CARBON FOOTPRINT REGISTER

One of the leading initiatives nationally is the creation of the Carbon Footprint, Offsetting and CO_2 Absorption Project Register by the Climate Change Office (OECC) of the Ministry of Agriculture, Food and the Environment with the aim of encouraging companies to calculate, reduce and offset their carbon footprint and to register it voluntarily.

The aim of this measure, which is closely associated with carbon footprint calculation, is to encourage companies to calculate and reduce their carbon footprint and to offset it through absorption projects in Spain, at the same time achieving domestic reductions.

There are benefits for organisations which record their carbon footprint in this Register including the award of a national seal that determines the level and timeframe compliance. Furthermore, carbon footprint registration will be taken into account in the award of public contracts, so it is definitely in companies' interest to register this indicator.

Elecnor has met its objective of recording its carbon Footprint in this Register before there is a legal requirement in this regard and achieving an added value for future projects. Accordingly, in 2016 the company obtained the corresponding certification for inclusion in the Register.

Energy Management

Energy Management is one of the five components in Elecnor's Integrated Management System (SAQP), together with Environmental Management, Quality, Occupational Health and Safety and R&D&i. As with other areas, it has been recognised with the award of UNE-EN ISO 50001:2011 certification for Energy Management.

Elecnor bases its energy management policy on an understanding of energy usage and consumption in its own facilities and projects, its ongoing drive for profitability and energy efficiency in procurement of energy and products, and the design of its facilities. It also pays particular attention to raising awareness among employees and suppliers about the importance of efficient and responsible energy usage and consumption.

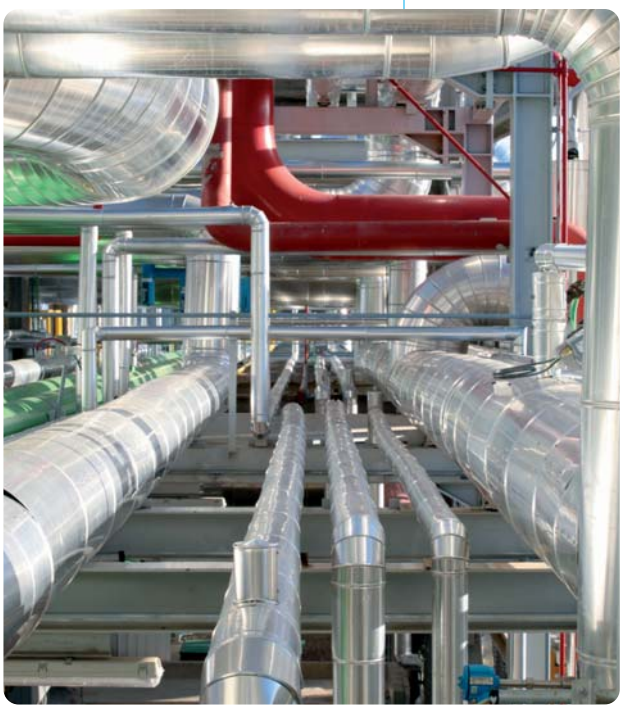
The Integrated Management System includes the following procedures to implement this policy:

- Energy review: establishing systems to identify energy usage and consumption, determining significant sources, prioritising opportunities for improvement and defining objectives.
- Energy performance: a methodology for identifying indicators of significant energy usage and consumption in Elecnor's projects and facilities subject to its energy efficiency management, and the methodology for establishing the guidelines associated with these.
- Design of energy-efficient facilities: establishing a system for implementing opportunities to improve energy performance and operational control in the design of new, modified and refurbished facilities achieving a significant impact on the energy performance of our projects and facilities covered by the system.
- Monitoring and measurement: putting in place a system to monitor and measure the key characteristics of operations and activities that might have significant impact on energy management, verifying that energy is used in accordance with legal and other requirements.

Through the application of these procedures, the Integrated Management System (SAQP) meets UNE-EN ISO 50001:2011 requirements, as certified by AENOR with reference GE-033-2013, for the following activities:

- Provision of comprehensive maintenance and energy efficiency services in all types of facilities, buildings and premises, whether our own or owned by others and operated on a managed basis. Management of electricity and fuel production and supply. Repair and replacement of facilities for converting this energy into warm and cold air, hot and cold water and lighting.
- Provision of comprehensive maintenance and energy efficiency services for rail infrastructure and urban lighting, on a managed basis. This has been implemented in the HQ offices of our Central business division and in the municipal buildings and public lighting of Villanueva de Perales council in Madrid.

The Astexol 2 solar thermal plant (Badajoz)



Occupational Health and Safety course in Angola

Occupational Health and Safety

In keeping with our commitment to occupational health and safety, Elecnor strives continuously to improve the working conditions of everyone involved in the Group's activities. Although 2016 was a landmark year in terms of injury frequency, there is no scope for complacency in this area. On the contrary, the objective is to improve health and safety protection for everyone involved in the company's projects in pursuit of our zero accidents goal.

In 2016, Elecnor strengthened its strategies for achieving its steadfast target of zero accidents. From a statistical standpoint, these efforts were rewarded with our best injury frequency index in Spain since 1967, when the Group started preparing these occupational health and safety indicators. More specifically, the injury frequency index (which represents the number of workplace accidents resulting in an absence, divided by the overall number of hours worked) for 2016 was 13.2, compared with 14.3 in 2015. In the international market, the index was 7.2, which is also better than in 2015 (7.6).

This means the Group-wide injury frequency index stood at 10.5, the best performance since the Group started including data for the international market.

These figures reflect Elecnor's ongoing and unwavering commitment to improving working conditions in order to raise the level of occupational health and safety of everyone involved in the company's works and projects. This commitment is at the heart of the Integrated Environmental, Quality and Occupational Health and Safety Policy, approved and implemented across the Elecnor Group, and within the framework of which the following activities took place in 2016:

13,510 SAFETY INSPECTIONS AND 13,214 CORRECTIVE MEASURES IN THE INTERNATIONAL MARKET

> "In 2016, Elecnor recorded its best injury frequency index since recording began in 1967: 13.2, compared with 14.3 in 2015"

Video

Video of the campaign

- The performance by Aenor of external follow-up audits of the OHSAS 18001 certification of the Elecnor and its subsidiaries Atersa, Audeca, Ehisa, Enerfín and Jomar Seguridad, all of which produced satisfactory results. Legal audits were also performed on Elecnor and its subsidiaries Área 3, Deimos Space, Elecnor Seguridad and Hidroambiente.

- Enhancement and extension of Internal Audit's OHS oversight of our projects, with a total of 959 inspections of this kind over the year.

- 27,324 safety inspections took place in Spain to monitor actual working conditions. These resulted in 15,100 corrective measures being implemented to improve safety. A further 18,138 simpler working condition checks were carried out by line managers to monitor conditions in their projects.

  13,510 international safety inspections were carried out, with a total of 13,214 corrective measures implemented.

- Planned training and information activities for the workforce continued involving 14,239 people, most of whom took part in more than one training event. A total of 75,891 hours of

"IT'S YOUR DECISION"

The internal campaign for World Day for Safety and Health at Work on 28 April on this occasion sought to foster -by means of a video and signs in workplaces- reflection among employees on the importance attached to certain decisions that they take in their lives (getting married, having a child, buying a home, career guidance, etc.) whilst in the workplace less considered decisions are sometimes taken that turn out to be wrong and which can have grave consequences if there is a serious or fatal accident.

The campaign, with the slogan "The decision is your", concluded with a main event which was also attended by executives and employees from Elecnor and its subsidiaries, representatives of customer companies (Endesa, Orange, Telefónica and UFD), the National Institute of Safety and Hygiene at Work (its Director presided over the event), and employers' (ADEMI) and workers' representatives. A total of 9 Elecnor work centres were honoured which achieved outstanding results in occupational health and safety in 2015, improving on their performances in previous years.

There were also workshops staged in all units during which employees viewed the video and the presentation prepared for the campaign. The campaign poster and video were translated into English, French, Italian, Portuguese, Brazilian Portuguese and Arabic and distributed throughout the Group.

occupational health and safety training took place in the year, not including OHS aspects of technological and management training (electrical qualifications/authorisations, equipment operators, etc).

- As in previous years, Elecnor carried out inspections of subcontractors. Many of the inspections were focused on their work and coordination and information meetings were also held.

- Special activities for World Day for Safety and Health at Work on 28 April 2016 were carried out to raise awareness among employees.

- The Excellence in Safety Project also continued to be rolled out.

- Outside Spain, in addition to continuing to compile indices for our subsidiaries and branches, and steadily bringing activities into line with those performed in Spain, visits were made to five countries (Brazil, Chile, Angola, Ghana and Oman) to learn about OHS activities, applicable legislation, etc, in these countries to assess their strong points and areas for improvement.

  In all these countries training was provided to foster a common Group culture, increasing staff involvement in risk prevention activities and strengthening their knowledge of specific aspects of health and safety. The recipients of this training ranged from country managers to project supervisors.

EXCELLENCE IN SAFETY AS PROGRESS IS MADE TOWARDS THE "ZERO ACCIDENTS" GOAL

In 2016 work continued on a key strategic initiative for the Group: the Excellence inSafety project, the vehicle for the achievement of Elecnor's steadfast goal of "zero accidents" via a cultural change that makes every employee the principal and active protagonist in workplace safety. The consultancy firm Dupont is serving as an advisor to the project.

After an assessment carried out at the end of 2015 and the start of 2016, the seven lines of action were established and the corresponding working groups created. These are: principal risks, individual awareness-raising, integrated organisation, capture of learning , progressive motivation, ongoing improvement and management of sub-contractors.

Training and awareness-raising initiatives associated with the "The Risk Factor" programme also began. This is regarded as a key element of the Excellence in Safety project owing to its focus on awareness-raising among all employees. As of 31 December 2016, this programme had been delivered to union representative level and it will be rolled out to all of the Group's employees in Spain in the first half of 2017.

27,324
SAFETY INSPECTIONS AND 15,100 CORRECTIVE MEASURES IN SPAIN

> “With the Excellence in Safety project the Group is working to bring about a cultural change that makes every employee the principal and active protagonist in workplace safety”

R&D&i

Elecnor's approach to R&D&i management treats innovation as an inherent part of corporate culture. It encourages the creation of innovative ideas and helps transform them into tangible projects.

In 2016 Elecnor consolidated the changes made in 2015 in the sphere of R&D&i and launched new initiatives with the aim of fostering innovative projects that will enable the company to maintain its competitiveness and sustainability.

These new initiatives included:

- Adaptation and certification of the R&D&i Management Systems of Elecnor and Audeca to the new UNE 166002:2014 standard.
- Definition of a business Vision for R&D&i.
- Implementation of a new system for improving the technology watch collection and dissemination process.
- Improvement of the tools for measuring the satisfaction level of partners and customers in the sphere of R&D&i.

New horizons

The objectives for R&D&i in 2017 include:

- Launch of a new internal call for financing of INNOVA projects which is more streamlined and prizes for the best ideas.
- Improvement of the tools for communicating and disseminating the results of R&D&i.
- Consolidation of the new system for the competitive intelligence process.

ELECNOR'S VISION FOR R&D&I

In 2016, Elecnor adopted the following R&D&i Vision:

Elecnor, through innovation, seeks to safeguard the sustainability, competitiveness and uniqueness of the company by contributing greater added value to the services its provides to customers.

Principles:

- To position Elecnor as a provider of high value-added services by carrying out innovative projects that increase the efficiency of processes and services provided.
- To maintain and develop an R&D&i management system which enables the systematisation and ongoing improvement of the innovation process.
- To systematically foster the generation of innovative ideas and support them until they are transformed into innovation projects.
- To align R&D&i with customer requirements and the Group's organisations.
- To establish technology watch and competitive intelligence mechanisms that enable opportunities to be identified early.
- To disseminate the results of projects internally so that the company's employees can make use of the knowledge generated.
- To protect the results of R&D&i activities through use of the most appropriate mechanism.
- To foster collaborations with companies and external bodies through agreements that enable Elecnor to increase its potential for innovation.

Find out about all our R&D&i projects in 2016

PEOPLE

Working on the new headquarters of Banco Popular (Madrid)


elecnor

An ongoing commitment to training

20,074
ATTENDEES

166,122
TRAINING HOURS

21.7
HOURS RECEIVED PER PROFESSIONAL

Ongoing training remains a cornerstone of Elecnor's strategy in relation to its human capital. Promoting specialisation, supporting the specific needs of the various business areas and fully developing the talent and careers of employees are all priorities for Elecnor.

In 2016, various training activities were delivered aimed at providing, maintaining and adapting the technical qualifications required by Elecnor professionals to carry out their work across the company. Training was focused on highly-skilled jobs in areas where knowledge and skills must be constantly updated.

There was a particular focus on electrical training. Technical training includes occupational health and safety instruction, with a particular focus on work involving electrical risk and working at height. Qualification training was provided to 289 people in the local operators and discharge agents activity and an additional 905 people received refresher training in the same qualification. 389 people received low voltage live working training, with a further 575 receiving refresher training, while 88 received high-voltage live working training, with 231 receiving refresher training.

In addition, specialist programmes were carried out for power distribution activities, general facilities, telecommunications, gas, maintenance and railways and for vehicle operators.

Also noteworthy was the training delivered to all employees by Quality and Environment technicians. In occupational health and safety, Elecnor continued to pursue its strategy for strengthening the company's organisational culture and structure. In fact, most of the training delivered by Elecnor is in this area, with 14,040 attendees and 78,217 hours delivered in 2016.

A total of 166,122 training hours were delivered in 2016, with 20,074 attendees. A total of 4,756 Group employees received some form of training, representing 65.3% of Elecnor's workforce. The average number of hours received per professional was 21.7.

Below is a breakdown by unit and training area:

> “A total of 4,756 Group employees received some form of training in 2016, representing 65.3% of Elecnor's workforce”

TRAINING AREAS	ATTENDEES	HOURS
Management	251	2,626
Technology	4,795	72,949
IT	50	578
Languages	328	10,520
Quality and the Environment	246	1,232
Occupational Health and Safety	14,404	78,217
TOTAL	20,074	166,122

A team of growing talent and commitment

The new talent joining Elecnor become part of a great team that is professional, motivated and committed to the company's core values in Spain and all of the other countries where the Group operates. But we are not just talking about new recruits, since internal mobility plays a key role in the retention and promotion of the people who already form part of the organisation.

In 2016 the recruitment team continued to work at international level, with a strengthening of the trend in recent years with regard to languages, specialisation and international mobility.

Elecnor continues to implement recruitment plans in its traditional markets including Mexico, Chile and Venezuela and also in new markets such as Bolivia and Jordan following the award of contracts.

And whilst the recruitment team values technical and managerial competences, the ability to work in a team, an aptitude for service, innovation and long-term commitment are becoming ever more important.

To acquire new talent in 2016, Elecnor also worked in close partnership with universities and vocational training centres to attract students and graduates. Elecnor takes part in recruitment fairs and information events at universities and training centres to attract new talent. In 2016, for example, the Group was present for the first time at the fairs at Seville Polytechnic University and Asturias University.

Also noteworthy was the internalisation of the assessments of recruitment processes traditionally performed by external consultants. To this end, the recruitment team obtained certification in a new tool ('Predictive Index'). The Predictive Index Behavioral Assessment offers a clear understanding of workplace behaviour.

A procedure has also been defined for performing interviews of all people who voluntarily decided to leave the company. The information obtained will enable Elecnor to make improvements in the areas where turnover is greatest.

Elecnor also uses the latest technologies in its recruitment activities. In 2016 Elecnor strengthened its presence in social media by introducing a section called "Elecnor Talent" on its LinkedIn home page where details of the most important talent acquisition activities and projects can be found.

In addition, an initiative launched last year was also more fully developed: the internal recruitment tool for talent retention. This brings existing vacancies to the attention of internal personnel with the aim of filling these positions with professionals from the company. In this way, internal mobility is fostered both in Spain and internationally.

> "The recruitment team is increasingly attaching importance to technical and managerial competences, the ability to work in a team, a commitment to service, innovation and long-term commitment"

620
NEW SELECTION PROCESSES

428
SELECTION PROCESSES COMPLETED

816
JOB OFFERS PUBLISHED

Social commitment

In addition to the social benefits of Elecnor's activities to the communities where it operates, the Group's social action is chiefly carried out through the Elecnor Foundation, although various Group companies are also involved in many initiatives.

> "In 2016 the H2OMe system was installed in Angola. Following an investment of EUR 767,000, 10,000 people in Gove in Huambo province now have a drinking water supply for the first time"

Inauguration of H2OMe project (Angola)

Elecnor is aware of the growing importance to the business of integration into the environments where the Group is present and social legitimacy in the eyes of stakeholders.

ELECNOR FOUNDATION

In its eight years of existence the Elecnor Foundation has undertaken projects in Spain, Honduras, Uruguay, Mexico, Peru, Chile, Nicaragua, the Dominican Republic, Ghana and Angola. In 2016, the Foundation sought to continue with its social infrastructure projects and training and research initiatives and to participate in civil society.

Social infrastructure

In 2016, the most notable initiative in the sphere of social infrastructure was the installation of the H2OMe system for the first time in Africa, and more specifically in Angola. An investment of EUR 767,000 means 10,000 people in Gove in Huambo province now have a drinking water supply.

This multiple award winning project was conceived as an innovative response to the dearth of drinking water in developing countries and was made possible by the Elecnor Group's internal R&D&i FOCUS competition for funding research, development and innovation projects.

In 2016, work also continued, in partnership with Plan International Spain, on the Digital Business and Learning Project

(PEAD) in Nicaragua. The aim of this project is to support education and training for local people, in particular children and adolescents from the Miskita ethnic group, through the sustainable use of ICTs. The project entails the installation of six solar PV-powered digital kiosks to improve access to basic telecommunications services, i.e. telephony and internet.

Meanwhile, there was a new development in relation to the Lights for Learning project, which is being undertaken by the Elecnor Foundation, the Organisation of Latin American States (OEI) and the Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE) company to bring electricity to 82 rural schools in Uruguay. At the end of 2016, the Elecnor Foundation, the OEI and UTE pledged to relocate the solar PV facilities that are no longer in use at the 17 schools of the 82 which have already been connected to the grid (another five are expected to be connected in 2017) to the rural schools farthest from UTE's grids, in this way improving the resources available for children's education by bringing electricity to both schools and their homes.

Also noteworthy was the launch of the latest edition of the Elecnor Foundation's Corporate Volunteer programme. On this occasion, the beneficiary was the Solar Back–Up Systems Project in Ghana. The aim of this project, carried out in 2013, was to provide a stable electricity supply to ensure the smooth operation of facilities such as operating theatres and emergency and maternity units in six hospitals and three clinics in Ghana.

With the aim of optimising use and maintenance of the equipment, several volunteers were selected to analyse the operation of the systems and current power demand in two of

the hospitals taking part in the project, Saint Xavier in Assin Fosso and Our Lady of Grace in Asikum. The volunteers collected and analysed data, simulated proposals for energy saving measures and wrote a final energy diagnostics report, which was shown to each of the hospitals. Finally, the technical action to be implemented was selected based on the results obtained and a basic project was developed.

Training and research

The Elecnor Foundation carries out a series of initiatives with the aim of fostering the development and professional progress of young people whilst nurturing initiative, talent and innovation in the sector.

In 2016 the fourth edition took place of the specialist post-cycle course in low- and medium-voltage electrical installations run by the Elecnor Foundation in conjunction with the Salesianos Deusto College (Bilbao). This edition had fourteen attendees who combined theoretical and hands-on classes and visited Elecnor's facilities.

Also noteworthy was the placement of students from the Nuevo Pachacútec Higher Technological Institute in Peru at Elecnor's solar thermal plants in Ciudad Real. The students received training in occupational health and safety, electrical installation, maintenance and mechanics in the field of solar thermal plants. Tourism, gastronomy and cultural activities were also organised for the students.

The Elecnor Foundation Renewable Energy and Energy Efficiency Chair, created in partnership with Madrid's Polytechnic University's Higher Industrial Engineering Faculty, held the Second Laboratory of Ideas on change in the energy sector. The theme of the event was "Changes to be made to electricity systems to satisfy the requirements of the Paris Summit" and the experts present looked at the challenges faced by the energy sector following the agreements reached at the Climate Summit in the French capital in December 2015.

Laboratory of Ideas on Renewable Energy. Elecnor Foundation

A 3 kW photovoltaic facility was also donated for the subject "Engineering an electrical system".

Elecnor's internship programme with the Valencia's Polytechnic University's Higher Industrial Engineering Facility also continued. Many university students on this programme have joined our workforce over the years, some of whom currently hold management positions.

Other social initiatives

In addition to the important work undertaken by the Elecnor Foundation, the Group also carries out other social initiatives in the communities where it is present, notably those undertaken by its subsidiaries Enerfín and Celeo.

In Brazil, the Group's wind power subsidiary Enerfín opened a Visitor Centre, a space which strives to contribute to the development of the social, environmental and cultural infrastructure of the municipality of Osório, making it a standard-bearer for ecology and tourism on the route that leads to the coast of Río Grande do Sul.

At the end of 2016 Enerfín also negotiated agreements in Brazil to support and develop projects to foster culture and social investment throughout 2017. Some of these projects will stimulate cultural activity through the organisation of concerts and entertainment shows and by supporting film festivals. The other projects are for the benefit of disadvantaged groups such as impoverished older people and young offenders.

Enerfín also took part in several initiatives to mark the IV centenary of the death of Cervantes in Brazil. In partnership with the Pontifical Catholic University of Rio Grande do Sul, the Cervantes Institute and the Consulate General of Spain, it sponsored a short film which was shown in local cinemas. Enerfín also took part in the publication of a children's book.

In Canada, continuing with the activities in 2015 to publicise the L´Erable wind farm, Enerfín produced a new educational video on wind power and the wind farm which will be shown in the tourist office and erected information boards at various points on the circuit around the facility.

Meanwhile, in Brazil Celeo continued with activities related to the "Social development of the region through the improvement of technical training, agricultural production and strengthening of the CFR Padre Josimo Tavares, Bom Jesus das Selvas, Maranhao Technical Agricultural School" project. This project seeks to contribute to the sustainable development of the region through the quality education, infrastructure and training offering of this school, the generation of income and the reduction of dependence on external resources.

Also noteworthy is Celeo's support for the documentary "Dois Caminhos, Uma Fé" ("Two Ways, One Faith") which advocates a dialogue between the Way of St. James (Spain) and the Way of Faith (Brazil). These two trails stimulate various sectors of the economy, industry and culture while offering countless opportunities for reflection and dialogue on different facets of the experiences of pilgrims.

Also, and with the aim of promoting healthy eating among children, Celeo Redes took part in the project to set up a greenhouse in the El Huilquío rural school in Chile, providing the irrigation system for the organic garden in which students and teachers work.

> “The multiple-award-winning H_2OMe project was made possible by the Elecnor Group's internal R&D&i FOCUS competition for funding research, development and innovation projects”

Dirección y Edición:
Dirección de Comunicación Corporativa

Diseño y maquetación:
JLC diseño gráfico

Fotografía:
Archivo Gráfico Elecnor

Impresión:
Graymo

Elecnor, S.A.
Paseo de la Castellana, 95
Edif. Torre Europa
28046 Madrid
www.elecnor.com

elecnor

www.elecnor.com