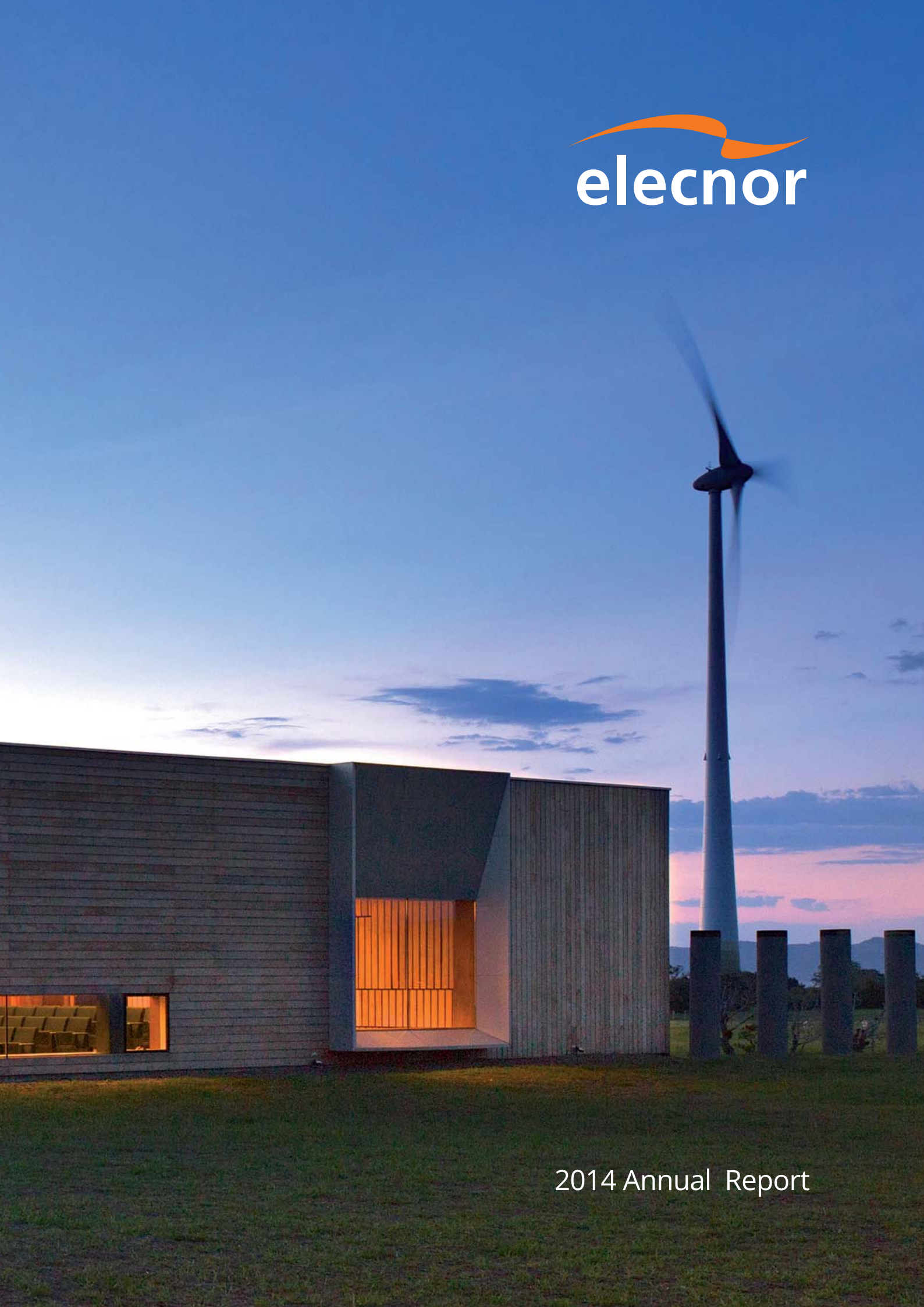

elecnor
2014 Annual Report

2014 Annual Report

Summary

500 kV Açailandia-Miranda transmission line (Brazil)

Letter from the Chairman

Dear shareholders:

I am pleased to present the Elecnor Group's 2014 Annual Report. This report contains a thorough summary of our activities, business development and corporate policies in the year, the annual financial statements and the directors' report.

We can regard 2014 as a satisfactory year, representing a clear turning point after two consecutive years of falling ordinary profits as a result of the long and difficult general economic crisis and, in particular, the Government's energy reform.

Elecnor's diversification of its business and the markets in which it operates in the years before the crisis enabled it to ride out the effects of the crisis until 2011, when adverse conditions in the domestic market struck again. We then saw a sharp contraction in both public and private investment, with a resulting contraction in the number of projects, and their scale and margins, which were also affected by tougher competition.

2012 saw the introduction of energy sector reforms that have impacted companies -like Elecnor- that rely on stability in the regulatory environment for their major long-term investment commitments as developers of renewable energy projects, as I explained in the Letters introducing the 2012 and 2013 Annual Reports.

Despite a gradual stabilisation in the domestic market in 2014 pointing to a better outlook for the future, the sluggish investment of many of our main domestic customers and the squeezing of the profitability of our renewable energy facilities in Spain continue to impact our business. A further element acting against us is the tax reform that came into effect on 1 January 2015, obliging the Group to adjust its tax credits in Spain.

Despite this, as I have already mentioned, we have seen a turning point: this is most clearly demonstrated by the 10% growth in our net profit, from EUR 53.3 million in 2013 to EUR 58.5 million. This trend is also reflected in EBITDA, which grew by 3.8%, to EUR 228.8 million.

In my opinion, the key to this improvement is our capacity to understand and adapt to the changing environment in which we operate. This has resulted in higher profitability in several countries, both those we have recently entered and those where we are well established.

Our international expansion is a continuing process building on efforts dating back decades -to well before the start of the recent crisis- with a continuity that demonstrates our firm commitment to this approach. Wind power projects in Brazil and Canada, the

In 2014, Elecnor demonstrated its capacity to understand and adapt to the changing environment in which it performs its activities

commissioning of new transmission lines in Brazil, strong performance by our concessionaires operating other transmission lines in Brazil and our strong presence in other markets, such as Angola and Chile, all made a significant contribution to the Group's 2014 results.

Our international expansion in terms of sales is also now well established, contributing 54% of the EUR 1,724 million sales for the year, compared to 46% for the domestic market. This is the third year running that international sales, which represented just 36% in 2010, have accounted for the largest proportion of the total. In my opinion, these figures support the Elecnor Group's commitment to international expansion as the growth driver over the coming years, whilst we continue to enhance our leadership of the domestic market, given the stable business platform this gives us. This approach led to significant increases in several of our activities in Spain in 2014, such as telecommunication infrastructure, maintenance and installations.

Another demonstration of the capacity to adapt I have already mentioned is our commitment to ensuring investment is as efficient as possible, at a time of limited resources. In this regard, 2014 saw two important developments in our partnerships and a number of significant corporate financing changes.

In terms of our partnerships, we entered into a major agreement with the Dutch APG group for joint development of new electricity transmission projects in Latin America. Under this agreement, our concessionaire, Celeo, agreed to APG taking a stake in its subsidiary Celeo Redes, which holds its investments in electricity transmission projects. The Dutch group acquired 49%, with Celeo retaining the remaining 51%. Celeo remains wholly owned by Elecnor. APG paid EUR 236.7 million for this stake.

In addition, the Canadian fund Eolectric Club Limited Partnership has taken a 49% holding in Enerfín, our wind power subsidiary, the owner of the L'Érable wind farm in Quebec, Canada, for which it paid CAD 71.8 million. Enerfín retains the remaining 51% of the capital.

This deal was agreed, in particular, to help us expand in these strategic markets, without compromising the Group's financial balance.

In the corporate finance field, in July 2014 we obtained EUR 600 million from a group of 19 financial institutions, both domestic and international, supplanting the EUR 401 million outstanding on the 2012 syndicated loan agreed. This also extended the average maturity of the company's funding and significantly improved the

previous terms and conditions, in terms of both margins and covenants.

I think it is also worth mentioning that this deal was completed at the highest end of the expected range, demonstrating once again the availability of bank funding for Elecnor.

In addition, Elecnor registered a company promissory note programme with the Alternative Fixed Income Market (MARF) in April 2014, seeking access under very attractive conditions to complementary funding to the bank facility. The Programme was registered with a limit on outstanding issues of EUR 100 million, with maturities of up to 12 months. The limit on outstanding issues was subsequently increased in November 2014 by a further EUR 100 million, bringing the total to EUR 200 million, and extending the maximum maturity for issues to 24 months.

This programme provides Elecnor with an alternative to bank funding at much better rates. As no drawings had been made against the increased limit as of 31 December, this did not increase our net financial debt.

While we are on the subject of net financial debt, this stood at EUR 348 million at year end, compared to EUR 359 million one year previously. This was impacted positively by the aforementioned agreements with partners, the impacts of which were partially offset by the equity investments committed to and the trend to one-off projects, particularly abroad, which increase average payment periods, temporarily affecting the Group's funding requirements.

All of these growth policies are diversified by sectors and markets. They are backed by prudent management of available financial resources and an ongoing search for new partnerships and sources of funding. These measures provide the best possible guarantee for consolidating a sustainable business model prioritising the medium and long term.

One of the most significant demonstrations of our commitment to sustainability is the continuity of our dividend policy throughout this lengthy crisis, which now seems to have bottomed out, delivering returns to our shareholders in cash every year.

As I said in my Letter introducing the 2013 Annual Report, Elecnor's philosophy is to avoid sharp changes in dividends, seeking the greatest stability possible. Therefore, the Board of Directors has decided to propose payment of a second dividend against 2014 earnings of EUR 0.2020 per share to the 2015 General Shareholders' meeting. If this proposal is approved, the total paid out of 2014 profits (including the interim dividend paid out in January 2015) will be EUR 0.2502 per share, 7% higher than in 2013.

I invite you to find out more about our activities, businesses and corporate policies in 2014 in this Report. 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 2014 Sustainability Report, for corporate social responsibility issues. These documents will show you that Elecnor is looking forward to the coming years with the same ambition and energy as always: ambition and energy that have made our Group into an international flagship for engineering, infrastructure, renewable energy and new technology.

Yours sincerely,

Fernando Azaola
Chairman

Board of Directors

Chairman

Mr. Fernando Azaola Arteche

Deputy Chairman

Mr. Jaime Real de Asúa Arteche

Chief Executive Officer

Mr. Rafael Martín de Bustamante Vega

Board Members

Mr. Gonzalo Cervera Earle
The Honourable Sir Mr. Cristóbal González de Aguilar Enrile
Mr. Juan Landecho Sarabia
Mr. Fernando León Domecq
Mr. Miguel Morenés Giles
Mr. Gabriel de Oraa y Moyúa
Mr. Rafael Prado Aranguren
Mr. Juan Prado Rey-Baltar

Secretary and Director

Mr. Joaquín Gómez de Olea y Mendaro

Key economic figures

Elecnor Group

At 31 December of each year and in thousands of euros

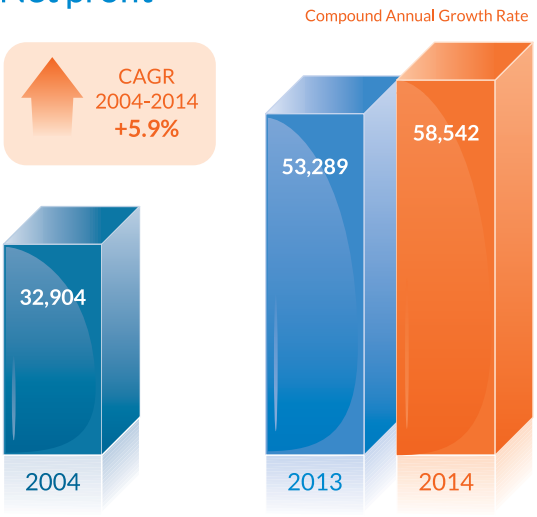
Results figures	2013	2014
Operating profit	141,541	134,838
EBITDA	220,430	228,846
Pre-tax profit	109,066	115,954
Net profit	53,289	58,542

Equity of parent company	2013	2014
Equity of parent company	451,373	465,612

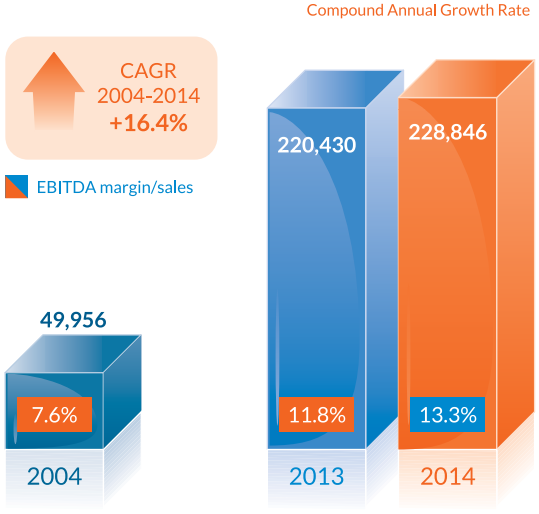
Turnover	2013	2014
Sales	1,864,174	1,723,728
National	818,004	794,539
International	1,046,170	929,189

Other figures	2013	2014
Workforce	12,637	12,479

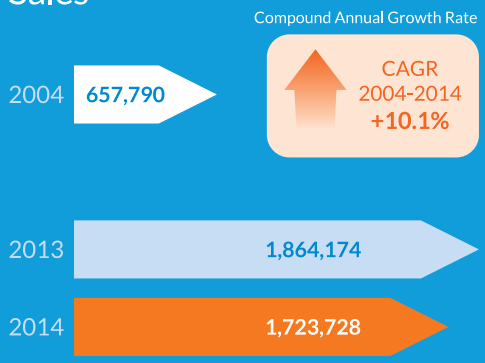
Net profit



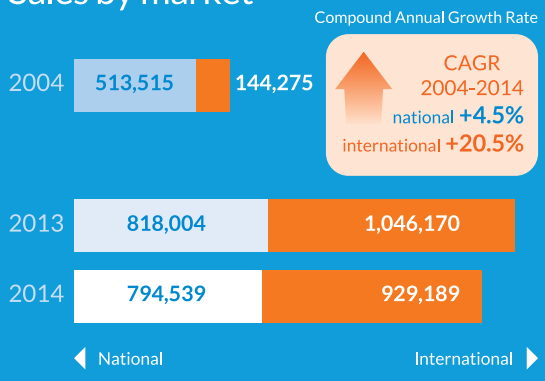
EBITDA



Sales

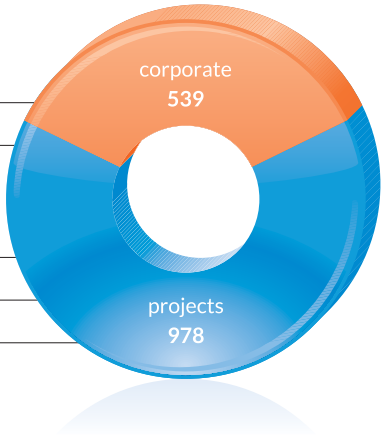


Sales by market



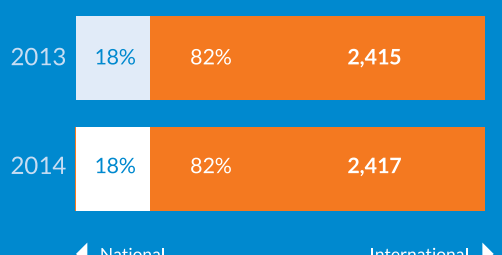
Financial debt

	2014
Net financial debt	348
EBITDA	229
Including projects	110
Excluding projects	119
Debt/EBITDA* ratio	2.56
Debt/Shareholder equity ratio	0.56



Order books

Figures in millions of euros



Workforce

Balance sheet trends

Balance sheet trends

In thousands of euros

ASSETS	2013	2014
Goodwill	32,360	32,386
Intangible property	70,506	65,371
Tangible fixed assets	1,093,068	1,208,149
Investments accounted for using the equity method	92,375	75,259
Non current financial assets	697,145	731,319
Deferred tax assets	74,267	78,255
Total non-current assets	**2,059,721**	**2,190,739**
Non-current assets held for sale	4,370	4,204
Inventories	36,328	44,091
Trade and other receivables	910,173	895,347
Trade receivables from related companies	47,525	43,550
Tax receivables	73,634	72,257
Other receivables	10,303	10,995
Other current assets	7,899	8,920
Cash and cash equivalents	248,674	266,427
Total current assets	**1,338,906**	**1,345,791**
TOTAL ASSETS	**3,398,627**	**3,536,530**

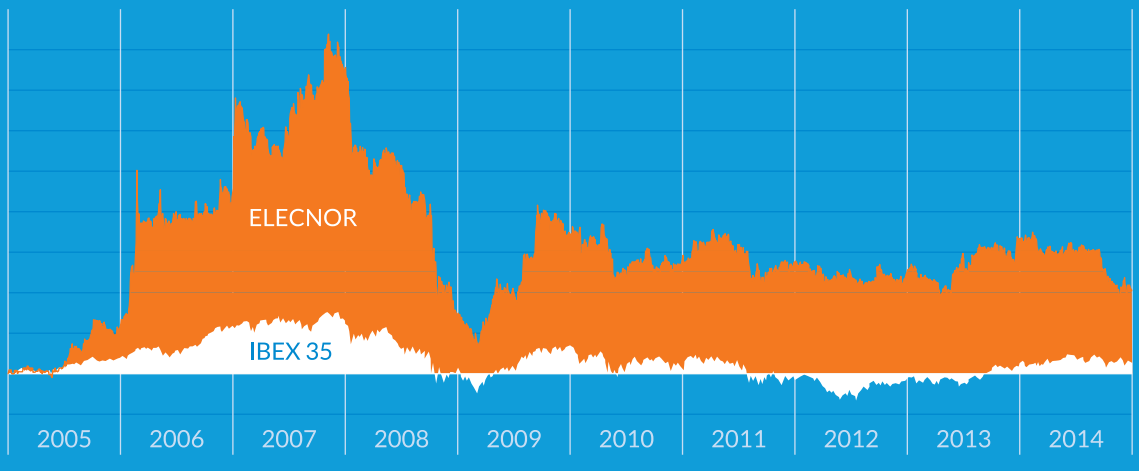
LIABILITIES	2013	2014
Share capital	8,700	8,700
Reserves	393,577	402,563
Profit for the year attributable to the parent	53,289	58,542
Interim dividend for the year	-4,193	-4,193
	451,373	**465,612**
Minority interests	81,112	344,124
Total equity	**532,485**	**809,736**
Deferred income	19,238	21,468
Provisions for contingencies and charges	22,948	13,378
Financial debt	1,096,883	1,221,614
Other non-current liabilities	19,454	19,574
Deferred tax liabilities	61,628	58,572
Total non-current liabilities	**1,220,151**	**1,334,606**
Financial debt	315,588	295,810
Trade payables to associates and related companies	3,623	3,498
Trade and other payables	1,128,523	949,949
Other liabilities	198,257	142,931
Total current liabilities	**1,645,991**	**1,392,188**
TOTAL EQUITY AND LIABILITIES	**3,398,627**	**3,536,530**

Stock market information

Monthly share price performance and trading trends in 2014

	Monthly					Trading volume	
	Days listed	Maximum	Minimum	Average	Closing	Shares	Cash
January	22	11.45	10.54	11.19	11.26	707,852	7,919,255.83
February	20	11.74	9.85	11.04	10.69	1,656,207	18,292,334.71
March	21	10.89	9.98	10.50	10.64	721,813	7,581,630.53
April	20	10.85	10.30	10.59	10.36	263,575	2,792,496.24
May	21	10.78	9.63	10.46	10.59	309,514	3,236,094.00
June	21	11.00	10.41	10.64	10.50	778,113	8,276,952.00
July	23	10.90	10.50	10.60	10.66	310,293	3,289,393.00
August	21	10.70	10.50	10.56	10.62	97,659	1,031,503.00
September	22	10.67	9.54	10.26	9.54	293,549	3,010,467.00
October	23	9.67	8.73	9.11	8.90	171,970	1,567,048.00
November	20	8.91	8.12	8.63	9.65	191,801	1,654,389.00
December	21	9.31	8.23	8.73	8.50	157,026	1,370,353.00
Total 2014	**255**	**11.74**	**8.12**	**10.61**	**8.50**	**5,659,372**	**60,021,916.31**

Share price performance

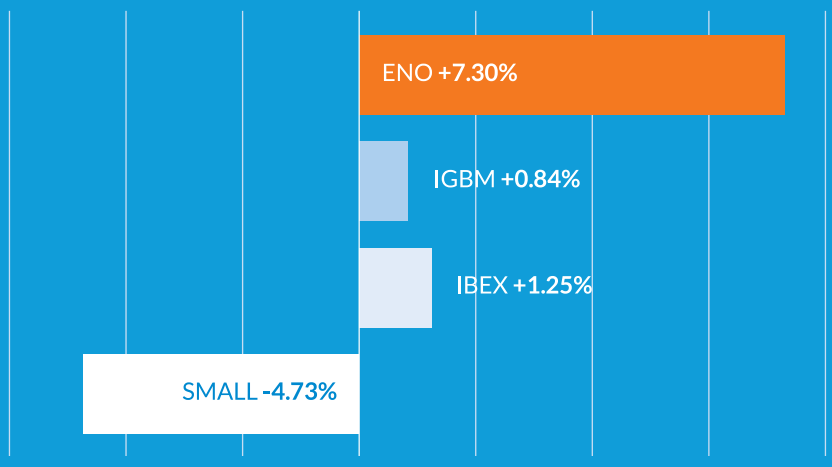


500 kV busbar upgrade at Alto Jahuel substation (Chile)

DIVIDEND PER SHARE	2013	2014
Dividend per share	0.2338	0.2502
Interim	0.0482	0.0482
Final	0.1856	0.2020*
Dividend/net profit (Pay-Out) (%)	73.05	55.24

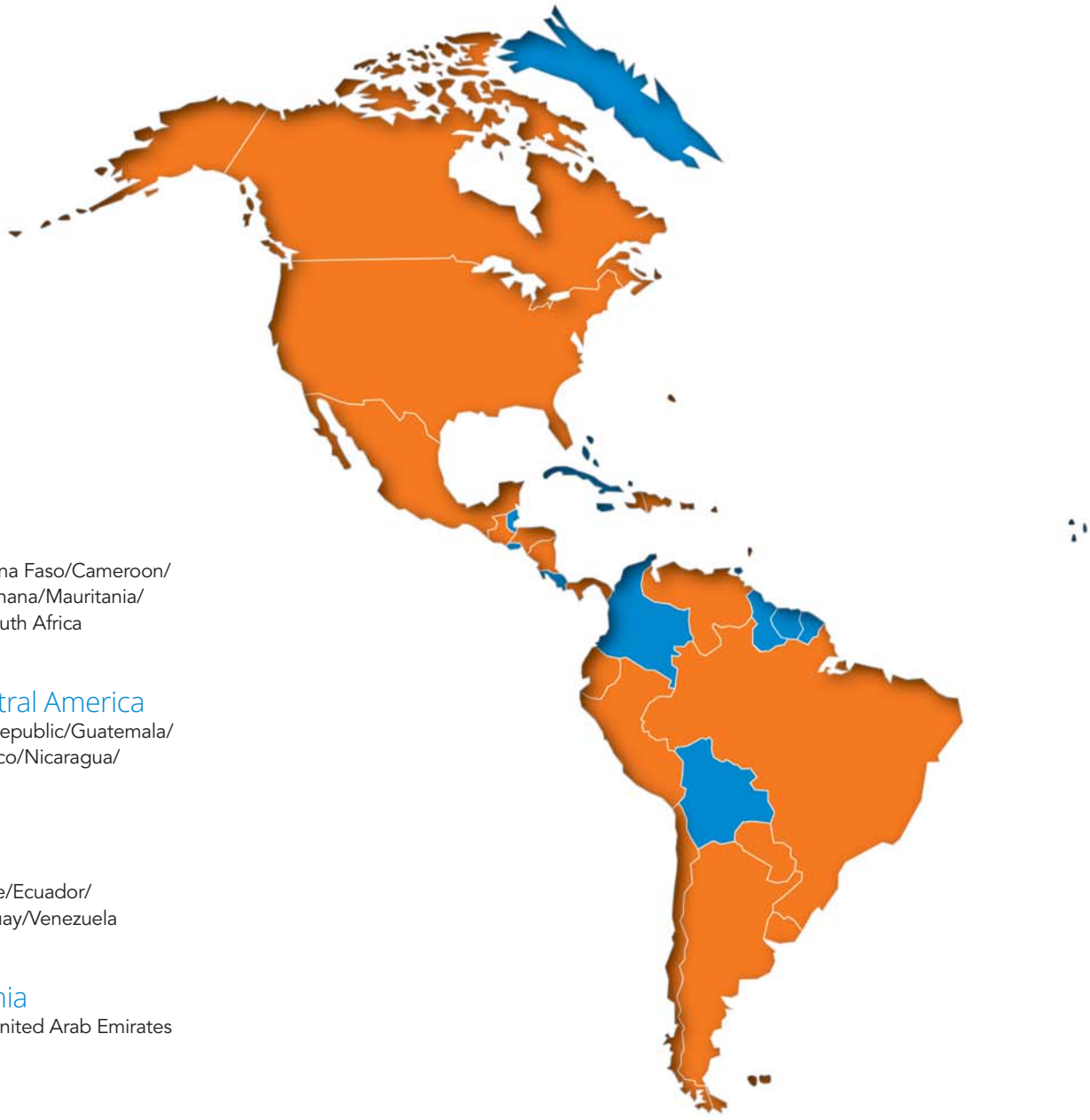
* Proposal of the Board of Directors to the Shareholders' Meeting

Equivalent annual variation over 10 years



Elecnor worldwide





SPAIN

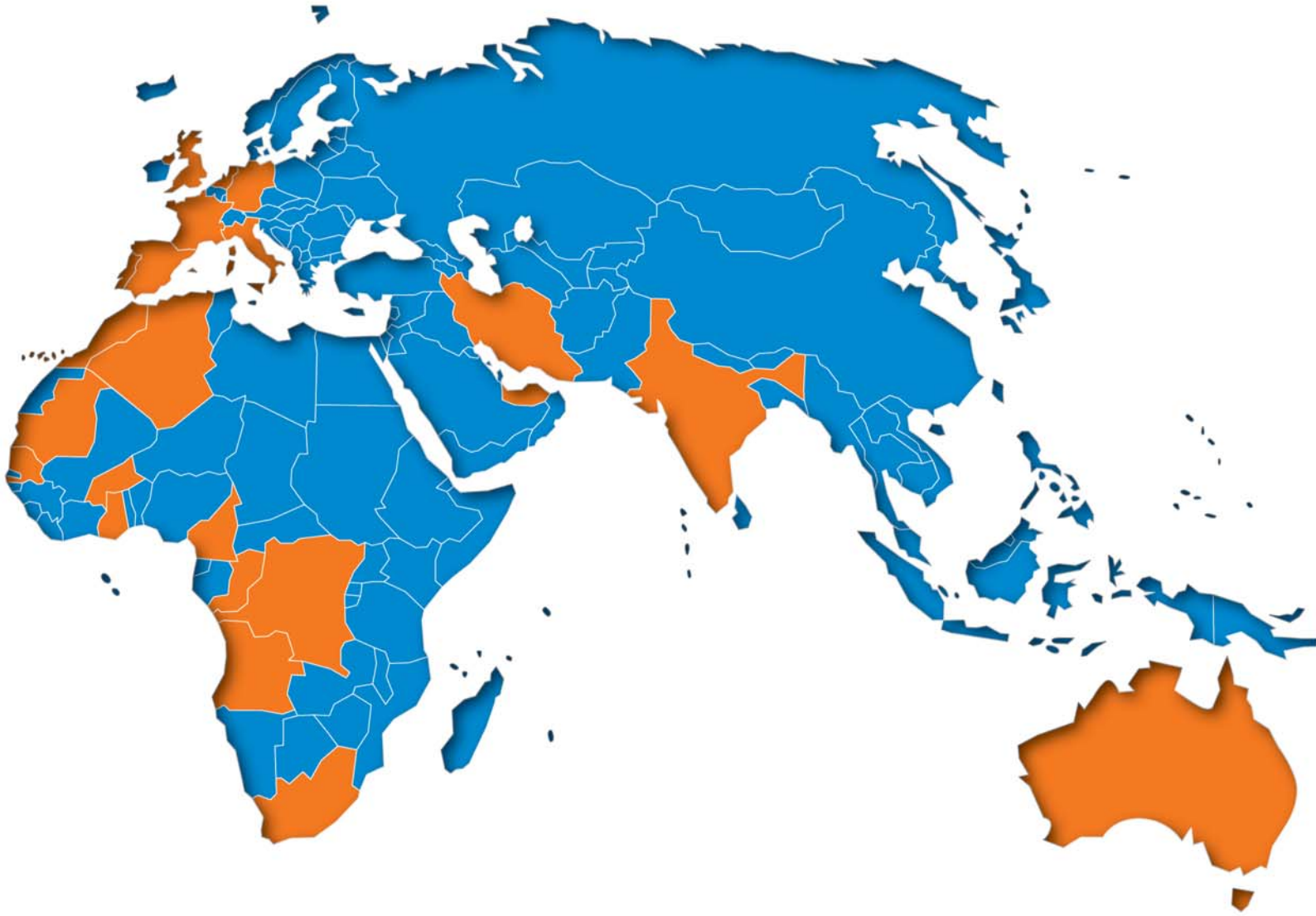
Africa
Algeria/Angola/Burkina Faso/Cameroon/
Congo/DR Congo/Ghana/Mauritania/
Morocco/Senegal/South Africa

North and Central America
Canada/Dominican Republic/Guatemala/
Haiti/Honduras/Mexico/Nicaragua/
Panama/USA

South America
Argentina/Brazil/Chile/Ecuador/
Paraguay/Peru/Uruguay/Venezuela

Asia and Oceania
Australia/India/Iran/United Arab Emirates

Europe
France/Germany/Italy/Netherlands/
Portugal/United Kingdom



Businesses

Over almost sixty years, Elecnor has established itself as one of the main global infrastructure corporations and a major developer and investor in fields such as renewable energies, power distribution systems, the environment and space. It combines an ever expanding international presence with its deep roots in, and commitment to, Spain

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

Economic conditions and Elecnor in 2014


500 kV Açailandia-Miranda transmission line (Brazil)

Economic conditions in Elecnor's main markets

SPAIN

The recovery glimpsed in the second half of the 2013 was confirmed in 2014. There were a number of reasons for this positive trend. These include falling oil prices, the significant depreciation of the euro and lower interest rates, the latter two being the result of ECB actions in the year. GDP grew by 1.4% in the year. This is the first annual economic growth following six consecutive years of contraction.

Domestic demand played a positive role during this period, mainly due to the pace of growth in private consumption. Public consumption also bounced back slightly after three consecutive years of contraction. Exports achieved a historic peak of over EUR 240,000 million, up 2.5% on 2013. Imports increased by 5.7%, after three years of decline, to EUR 264,500 million. As a result, the trade deficit increased to EUR 24,472 million, 53% higher than the previous year.

The current economic recovery is reflected in the infrastructure sector, with investment up 2.4% due to stronger performance in the housing, civil engineering and other construction segments.

Cumulative figures released by the Ministry of Public Works for 2014 show public sector tenders nationally increasing by 33%, the second successive year of growth. Public sector construction tenders amounted to EUR 9,207 million.

Of this, tenders relating to the AVE high speed rail network amounted to EUR 2,829 million, 21% of total government investment in 2014, almost double the figure for 2013. Work on the road network increased by 64%, with investment of EUR 2,840 million. 2014 also saw an increase in port (+78%) and environmental (+39.6%) projects. Water infrastructure projects were the only segment to contract in the year, down by 17.5%.

Turning to the energy market, despite the negligible increase in capacity in 2014 (27.5 MW), wind power was the second largest source of electricity generation in Spain, which has the fourth highest installed wind capacity in the world, after China, the USA and Germany. A total of 22,986 MW of wind capacity was installed as of 31 December 2014, making wind the second most important electricity technology, with output of 51,138 GWh, covering 20.4% of electricity demand in the year.

LATIN AMERICA

GDP in Latin America and the Caribbean grew by 1.1% in 2014, the lowest growth since 2009. However, there were significant differences among the countries in the region. This slow growth made a significant contribution to the slowdown in private consumption, as a result of labour market dynamics and increased restrictions on lending by the financial sector.

Brazil remains stagnant, with growth in 2014 of a scanty 0.2%. However, on a strategic level, Brazil has become one of the most important markets for the global wind power industry, with installation of 1.3 GW of capacity in the first half of 2014, taking total capacity to 4.7 GW, an increase of 38.2% in the first six months of 2014 alone. Brazil is now the third largest market for new wind power installations, behind China and Germany, and ahead of the USA.

ABEeólica (the Brazilian Wind Power Association) stated in the final quarter of 2014 that Brazil plans to invest around EUR 11,500 million in wind power projects between 2015 and 2018. This will increase the capacity of this renewable energy source to 7,227 MW. 202 wind farms are currently operating in the country, with 378 more under construction.

The Mexican economy has likewise not yet managed to achieve escape velocity, due to uncertain international conditions and weak recovery in internal spending. However, there were some encouraging signs in the second half of the year, with growth for 2014 coming in at 2.1%.

Mexico had around 2,500 MW of wind capacity in 31 wind farms at year-end 2014, in which EUR 4,200 million has been invested. A further six projects are underway, which will add an additional 732 MW.

Substation at Peralta wind farm (Uruguay)

The Mexican government launched a four-year EUR 12,000 million wind-farm development plan in early 2015. This will increase installed wind capacity to over 9,000 MW, sufficient to cover almost 10% of demand.

Chile's Central Bank has downgraded its estimate of 2014 growth to 1.8%, with forecast growth of 2.5% to 3.5% in 2015.

Chile installed 601 MW of non-conventional renewable energy (NCRE) between January and July, more than double the capacity installed in the whole of 2013. Chile now has 1.72 GW of installed capacity.

Wind projects contribute 680 MW of the country's total installed capacity, followed by biomass (460 MW), mini-hydro (342 MW) and solar photovoltaic plant (189 MW).

Brazil, Chile, Colombia and Peru are four of the main markets in Latin America for infrastructure investment opportunities, with estimated combined demand of USD 129,920 million in projects to 2017, according to a study by the Brazilian bank Itaú BBA.

Most of these investment projects relate to roads, although there is also an opening in the airport sector in Chile.

Brazil's Logistics Investment Programme 2014-2017 includes road, port and railway projects, through both direct investment and public-private partnerships.

NORTH AMERICA

The USA has become the main producer of oil and gas. According to the Energy Information Administration (EIA), the USA will produce 9.3 million barrels per day in 2015, its highest production since 1972. Meanwhile, the International Energy Agency estimates that the USA may become the largest oil producer in the world, overtaking Saudi Arabia and Russia.

The 26% increase in natural gas production over the last ten years resulting from the non-conventional gas boom is also of note, having led to a sustained fall in prices. In fact, the USA and Canada are the only countries to produce non-conventional gas in commercially attractive quantities.

US investment in renewable energy (wind, solar thermal, geothermal and solar photovoltaic) increased by 8%, to USD 51,800 million. According to analysis by the International Renewable Energy Agency, the USA now enjoys the technical conditions and cost efficiency to triple the contribution of renewable energy by 2030, from around 7.5% at present to 27%.

Canada continues to be a global energy powerhouse. Its investment in renewable energy increased by 26% in 2014, to EUR 9,000 million.

Figures from the Canadian Wind Energy Association (CanWEA) show that it broke the record for installing new capacity in 2014, for the second year in a row, with 1,871 MW installed, taking total installed capacity at year-end 2014 to 9,700 MW.

AFRICA

Africa is continuing to make significant macroeconomic progress. The IMF estimates that Sub-Saharan Africa grew by 4.8% in 2014, forecasting slightly higher growth in 2015 of 4.9%.

This strong performance by African economies is based on high demand for raw materials from emerging economies, a demographic boom, the expanding middle classes, development of more dynamic internal markets and increasing foreign investment.

Foreign investment in the region in 2014 is estimated to have reached record levels of USD 84,000 million. This investment is mainly in mineral and energy exploration, particularly for oil, setting up companies and developing infrastructure. The continent's infrastructure needs are enormous. Whilst Chinese companies won most of the construction contracts in the early part of the boom, European, Brazilian and Indian companies are also now starting to expand.

According to the World Bank, the strongest performing economies include Angola, Mozambique, Nigeria, Rwanda and Ethiopia. Angola was estimated at the start of the year to have grown by 8% in 2014. However, the fall in oil prices and increasing public spending may have reduced actual growth to no more than 5%. Despite the importance of oil to its economy, the country is diversifying, offering substantial potential for foreign investment in the industrial, mining, agricultural, communication technology, energy and gas sectors. It is also investing in improving its infrastructure and its communication systems, motorways, railways and ports.

The recovery in the global economy glimpsed in the second half of the 2013 was confirmed in 2014

60 kV Tetuan- Boussafou double circuit (Morocco)

L'Érable wind farm in Quebec (Canada)

Nouackchott wind farm (Mauritania)

Algeria also performed strongly in 2014, with growth initially expected to be around 4% (1.3 points higher than the previous year), although this was subsequently revised slightly downwards due to lower revenue from hydrocarbon exports and high public spending. The country is gradually opening up to foreign companies in fields such as infrastructure, housing, renewable energies, utility management and desalination plants.

Consolidation of international expansion and the order book

Elecnor's consolidated sales in 2014 amounted to EUR 1,724 million, a decrease of 7.5% on 2013. This decline is mainly due to lower revenues from the power generation projects in which the Group is involved and the impact of lower public and private investment in the sectors in which the Group operates in Spain.

The international market accounted for 54% of total revenue and the domestic market the remaining 46%. This is the third year running that international sales, which represented just 36% in 2010, have accounted for the largest proportion of the total. These figures underline the Elecnor Group's commitment to international expansion as the driver of its growth over the coming years, whilst at the same time cementing its leadership of the domestic market.

Our order book for contracts awaiting implementation increased to EUR 2,417 million at year-end 2014. By markets, international orders accounted for EUR 1,979 million (82% of the total) of this amount, while domestic orders totalled EUR 438 million, 18% of the total.

Areas and businesses

Elecnor's operations are structured around three major business lines:

Infrastructure: this is Elecnor's core business, both in terms of its experience and its finances. The Group provides end-to-end management of electricity, power generation, telecommunications and systems, installation, 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 infrastructures. Drawing on its constant development and technical and engineering expertise, Elecnor can now undertake major generation projects, such as combined cycle plants, solar PV plants and gas pipelines, particularly in overseas markets.

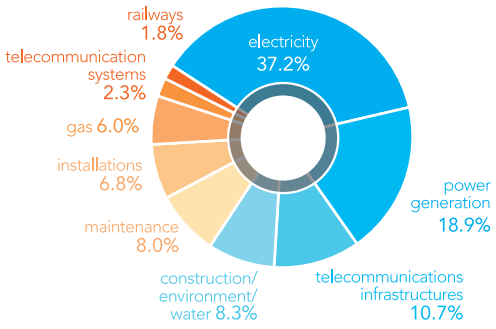
Renewable energies: Elecnor is a developer and contractor of turnkey wind power, solar thermal and hydroelectric projects.

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

Concessions and investment: Investment in renewable energy projects complement other businesses in which Elecnor, as the developer of its own projects, operates, normally under concession arrangements. These include electricity infrastructure, gas infrastructure and environmental projects.

The Company's first incursion into concessions started in 2000 in Brazil's electricity transmission line network. By the end of 2014, Elecnor had interests in 12 concessionaires in Brazil. In Chile, where the Company began operating five years ago, it is working on two projects in this sector.

The contribution by each specific business to the Group's revenue in 2014 was as follows:



Once again, the main revenue driver was the Electricity segment, contributing EUR 641 million. The Telecommunication Systems and Infrastructure businesses, along with, inter alia, our Maintenance and Facilities activities, also posted strong year-on-year growth.

Infrastructures

Since it was founded, infrastructure has been at the heart of Elecnor's business, both in terms of its experience and business considerations. It has demonstrated its comprehensive capabilities in fields such as electricity, power generation, telecommunications and systems, installations, gas, construction, maintenance, the environment and water, railways and space

Electricity

Electricity activities generated revenues of EUR 641 million in 2014, 37% of the Group's total, providing the Group's main revenue source once again. This strong position was achieved in a difficult environment, given the impact of the Spanish Government's energy reforms on the investment capacity of the main utilities. As in previous years, foreign markets have continued to grow in importance. However, Elecnor is maintaining a strong presence in the domestic market, where it offers an increasing range of services to all companies

Spanish market

In Spain, Elecnor has continued to maintain and, in some cases, extend its share of framework contracts in the sector. This is the case with the framework medium- and low-voltage contract with Iberdrola, where our share at year-end 2014 was 30%, whilst the framework contract for substation activity with Iberdrola was extended until December 2014.

The same is true of EON, which awarded Elecnor a framework contract for live working for a 5 year period in Cantabria and Castilla y León.

The scope of the framework medium- and low-voltage and live working contracts with Endesa has been reduced, because of the conditions proposed. We have also been awarded a framework contract for Endesa Energía's medium- and low-voltage grid for corporate customers in the Balearic Islands, Cantabria, Asturias, Castilla y León, Galicia, the Basque Country, La Rioja, Navarra, Madrid, Caceres, Toledo, Guadalajara, Cuenca and Ciudad Real.

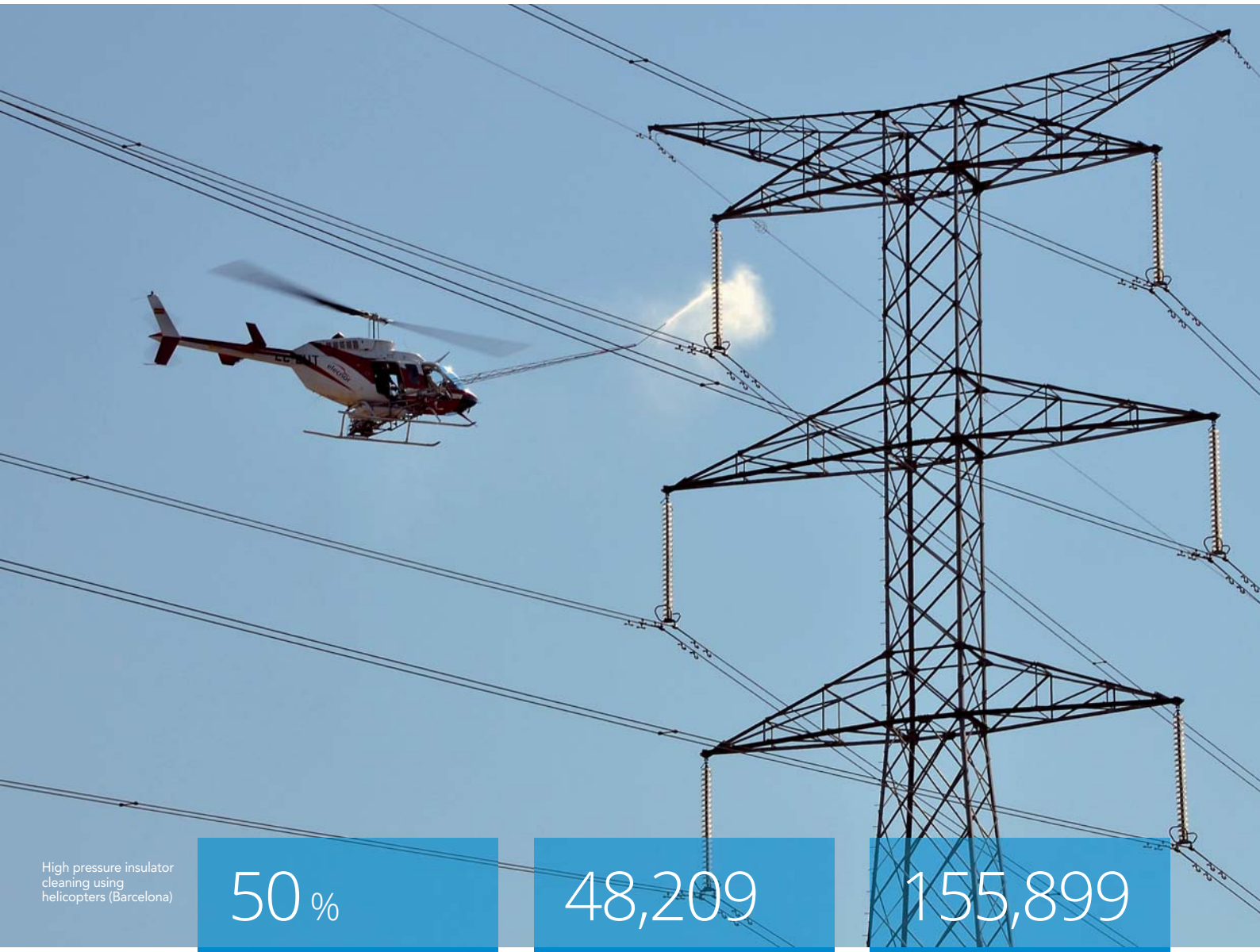
One of the highlights of the year was the accreditation from Gas Natural Fenosa to take part in its framework substation maintenance contract, followed at year-end 2014 by the award of a first zone, Madrid East, until the end of 2018.

Highlights in the domestic market, include Elecnor's inclusion in the group of companies working on interconnections to increase electricity exports from the Iberian Peninsula to the rest of Europe. Specifically, we were involved in building the infrastructure linking the Spanish and French power systems in 2014. This infrastructure consists of an underground cable between the towns of Sta. Llogaia, in Gerona, and Baixas, in France. The electricity infrastructure designed consists of two rectifier substations that convert alternating current into continuous current in both towns and the laying of two high voltage circuits between them.

Close to the French border, the two circuits run through the Pyrenees in an eight-kilometre tunnel. Fibre optic cable is used for all the communications installations.

Other work includes:

- For Prysmian, start of a 132 kV line Asturias stretching 1.7 km
- For REE, repowering of conductors for operation on the 220 kV lines between Algeciras-Puerro Real (Cadiz) and Logroño-El Sequero and El Sequero-Quel, in La Rioja
- Also for REE, cabling of the 2nd stretch of the 400 kV DC triplex Brovales (Badajoz)-Guillena (Seville) line



High pressure insulator cleaning using helicopters (Barcelona)

50 %

reduction in councils' public lighting costs thanks to Elecnor's energy efficiency measures

48,209

new lights included in Elecnor's public lighting portfolio in Spain in 2014

155,899

lights managed in this way in Spain at year-end 2014

Public lighting in Villarrica (Chile)

Elecnor's facilities at Hawkeye (United States)

The Group is undertaking an increasing number of projects in the USA through Elecnor Hawkeye

One unique activity was the use of helicopters in north-east Spain to clean the insulation of live REE lines using pressurised water. We also used helicopters during work to replace 25 supports for the 220 kV Telledo (Asturias)-Villablino (Leon) line.

International market

As with its other areas of activity, Elecnor is working to expand its electricity operations in international markets. Elecnor made further headway in the main markets in which it is involved in electricity work and services in 2014:

THE UNITED STATES

The Group is rolling out an increasing number of projects in the country through Elecnor Hawkeye, including:

- Refurbishment of electricity distribution grids for the State University of New York at Stony Brook, Long Island
- Refurbishment of various substations for Iberdrola, including Central Maine Power, in Massachusetts, where it also implemented a 34 kV 185-A overhead line
- Installation of overhead power line systems for the Long Island Rail Road company in Long Island (New York)
- Laying of underground high voltage 345 kV cable for PSEG, in New Jersey
- Laying of underground high voltage 138 kV cable for Duke Energy in Pennsylvania
- Framework contract for directed drilling in 2015-2017 with PSEG, in Long Island, New York

Elecnor acquired Hawkeye in 2013 to provide the Group with local construction and maintenance capabilities in the electricity, natural gas and telecommunications sectors. This deal has strengthened Elecnor's position in the United States and helped drive its expansion there. Through Elecnor Hawkeye LLC, the Elecnor Group began providing infrastructure services serving electricity and gas companies in the Northeast and Mid-Atlantic states, where Hawkeye has a strong track record.

UNITED KINGDOM

The two most significant events in the year were the framework contract that IQA, Elecnor's Scottish company, signed with Iberdrola's ScottishPower subsidiary. The contract involves changing meters and low-voltage work.

Also noteworthy was activity under the framework contract for ScottishPower substations involving refurbishment of low-voltage electrical systems for control buildings and the first award of a tender by ScottishPower for implementation of medium-voltage overhead lines.

Elecnor has been working in the UK market since 2012, when it acquired the specialist Scottish low-voltage company IQA. In 2013, it began working on medium-voltage projects for the first time, one of the strategic objectives behind the incorporation of IQA into the Group. This involved two activities, an underground line and an overhead line for ScottishPower.

ITALY

In 2014 Elecnor was awarded an extension until August 2016 of its framework medium- and low-voltage contract with Enel for the Piedmont area, which has been in place since 2012.

BRAZIL

The projects completed in the year included the construction work for the two new concessions brought on stream in the country by Celeo, Elecnor's concessionaire subsidiary, namely: Caiuá Transmissora de Energía, a 135 km, 230 kV line and two substations with a combined total of 700 MVA, in Paraná state; and Integração Maranhense Transmissora de Energía, consisting of a 365 km, 500 kV transmission line in Maranhão state.

We also completed the TSLE project in Rio Grande do Sul state for Electrosul. This involved up-grading a substation to 525 kV, construction of an additional substation and a 270 km, 525 kV line.

In terms of new projects won, Elecnor will be working on Cantareira Transmissora de Energía, a new concession awarded to Celeo. This consists of a 328 km, 500 kV double circuit transmission line in the states of Minas Gerais and São Paulo. Other new projects include various stretches of transmission line and substations for the local companies Electrosul, Furnas and Neoenergia.

As part of our strategy of diversifying our public- and private-sector customers in Brazil, we have entered into advanced public lighting and energy efficiency contracts with public and private wind-power companies and councils. A regulatory change for municipal public lighting was introduced in 2014, with lighting assets passing from distribution companies to councils.

CHILE

Elecnor Chile continued the roll out of the main projects in which it is involved in 2014. This involved, for example, considerable progress on the 260 km Ancoa-Alto Jahuel line, part of Elecnor's first concession as a group in Chile, consisting of a double circuit 500 kV line and connection of the line to the two destination substations. This transmission line is part of the backbone of the Central Interconnected System's Trunk Transmission System.

We also continued work on the second circuit of the line.

With regard to new electricity infrastructure projects, we were awarded a contract by Codelco, the largest copper miner in the world. The project consists of the "Electrical and Telecommunications Network Upgrade of the Polígono Concentradora" for the Radomiro Tomic Division. The work includes construction of 23 kV and 13.8 kV lines, fibre optic connections and tap off points, as well as the dismantling of existing medium-voltage lines to prepare the areas for future work by the division.

VENEZUELA

Elecven, Elecnor's Venezuela subsidiary specialising in electricity infrastructure, completed the installation of 20 km of 115 kV duplex double circuit lines for PDVSA's NIF substations. This project started in 2012. Construction of 17 km of 13.8 kV lines in Quiriquire was also completed.

Elecven's current projects for PDVSA include 7 km of fibre optic cabling, cabling of crossroads and civil engineering assembly, and cabling of 2 towers and entrance porticos for the Quiriquire electricity substation. It is continuing its work for Corpoelec on a project started in 2013 to expand the Juana la Avanzadora substation. This consists of engineering work, supply and construction for 35 km of 13.8 kV of transmission lines and 18 km of 34.5 kV transmission lines.

URUGUAY

In 2014, Montelecnor, Elecnor's Uruguayan subsidiary, signed an agreement for the Peralta GCEE wind-power complex, consisting of the Peralta I and Peralta II wind farms. This entails the installation of 50 Enercon E-92 wind turbines with combined capacity of 100 MW, in an area of approximately 2,800 hectares in the Peralta GCEE development. Specifically, the Group's work includes building the Cuchilla de Peralta substation and 5 km of high-voltage 150 kV lines.

Elecnor is building electricity transmission lines for the Uruguayan forestry company Montes del Plata's new industrial complex in Punta Pereira in the Colonia region of Uruguay. This complex can generate 160 MVA from biomass, of which 80 MVA will be consumed on-site. The remaining 80 MVA -equivalent to the annual consumption of 200,000 households- will be transmitted to the country's national grid through the lines being built by Elecnor.

The project will be carried out over three phases. In the first phase, a 150 kV, 6.2 km-long line will be built. In the second, a 150 kV double circuit line will be built on the existing 30 km-long live line. During construction, bypasses will be built in order to dismantle the existing transmission line and construct the new one. The third phase will see the laying of the second circuit of the 150 kV Rodríguez-Rosario transmission line. The second circuit, which will be 75 km long, will be laid while the other circuit is live.

New business won in the country includes the supply and work associated with cabling the second stretch of the 150 kV Bonete-Young-Paysandú line, for the state company UTE. UTE has awarded the Group the "turnkey" development of two important transmission projects: 145 km of 150 kV line connecting the existing Artigas and Rivera transmission stations; and 4 km of 150 kV line connecting the future Melo station and tower N° 257 of the Treinta y Tres-Melo line.

ECUADOR

Elecdor, Elecnor's subsidiary in Ecuador, was involved in a number of major projects in 2014. It was awarded the contract for 72 km of 230 kV line between Manduriacu and Santo Domingo by Corporación Eléctrica CELEC EP-Transelectric. It also completed development of 8 km of 138 kV lines between the Peaña and Machala electricity substations and the upgrading of the Posorja substation, and made progress on the Montecristi substation, which is scheduled for completion in 2015.

Lucala-Uige 220 kV line (Angola)

Public lighting ESC in Ribadesella (Asturias)

ARGENTINA

In Argentina, Elecnor carried out the contract for voltage-related work for YPF in one of the main oil fields in the country, Neuquina, in the provinces of Neuquén and Mendoza.

It was also awarded the 33 kV Gualeguay-General Galarza-Entre Ríos Province line by the company Energía de Entre Ríos (ENERSA), providing all materials, manpower and assembly.

During the year it also worked for the electricity distribution company EDESUR to refurbish the Remedios de Escalada substation and change the power supply of the Perito Moreno substation to the Alberdi substation.

CENTRAL AMERICA

We have signed a contract in Honduras for the design, construction and commissioning of two substations being developed for the Cadelga Group's Azucarera Tres Valles. This is a private customer with 25 years experience in the Honduran market, with power generating potential from the biomass in sugar cane waste.

We also completed the official handovers of two projects developed over recent years in the Central American region, the Guate Norte and Guate Este substations in Guatemala, after completion of their guarantee periods with no defects in the work performed by Elecnor.

We are working on 8 transmission line projects in the Dominican Republic. One highlight, because of its value, is the 53 km of 138 kV line between Nagua and Rio San Juan, including the 24 fibre OPGW (optical ground wire), contracted by Empresa de Transmisión Eléctrica Dominicana (ETED). The Corporación Dominicana de Electricidad (CDEEE) has awarded Elecnor the tender for 55 km of 69 kV line between Cruce Cabral and Duverge.

ANGOLA

In 2014, the Empresa Nacional de Electricidade (ENE) contracted Elecnor to build 130 km of 400 kV line between Cambutas and Catete. This will

Elecnor is a certified ESC which means it can develop projects to improve energy efficiency

allow power from the new Cambambe 2 plant being built by Elecnor to supply the country's capital.

We are also working for ENE on an important project that started in 2012, the 220 kV Cacuato-Boavista transmission system, including construction and assembly of the Boavista 2 substation, 220 kV power line panels and 6 x 60 kV power line panels, upgrading of the substation with 2 x 220 kV power line panels and 20 km of double circuit 220 kV line.

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. 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 life of the concession or the mixed supply and service contract.

In 2014, Elecnor won 15 new contracts for 48,209 lighting points. Most notable are the wins in La Campiña, in Guadalajara; Ribadesella, in Asturias; Archena, in Murcia; and San Fulgencio, in Alicante. At the end of 2014 Elecnor was managing a total of 155,899 lighting points in Spain as a certified ESC.

Outside Spain, the company was especially active in Chile, where it secured three major contracts in the regions of Maule, Curicó and Pozo Almonte, involving the installation and, in some cases, maintenance of a total of 8,400 LED lights.

Iberdrola's Start programme: making the electricity grid smart

Following a successful pilot in Castellón in 2012, Elecnor has been working on Iberdrola's Star Project (Remote Grid Management and Automation System), in which Iberdrola is implementing remote management and automation systems to replace analogue meters with digital meters.

In this project, Elecnor is involved in the entire value chain, including the manufacture, assembly and supply of cabinets to upgrade the system to a smart grid. In 2014, Elecnor was awarded the contract to supply 3,600 cabinets and 15,780 auxiliary items, 30% and 90% of the totals being rolled out by Iberdrola during the year, respectively.

Power generation

Elecnor has never ceased developing its technical and engineering capabilities since it was created, enabling it to develop large power plants. This experience is demonstrated today by the construction of combined cycle, hydro-electric, wind and solar photovoltaic power projects

Combined cycle plants

One of the main projects in this field is the 394 MW Agua Prieta II combined cycle plant in Sonora, Mexico.

Elecnor is responsible for the design, engineering and supply of equipment and material (except for the turbines), and construction and testing to ensure safe and efficient operation.

The project is a hybrid solar-combined cycle power plant thanks to the incorporation of a solar field with net capacity of 12 MW, which will feed 100% of its capacity into the cycle.

This is currently in the final construction phase, with completion of the mechanical and electrical installation of the gas and steam turbines being expected in the first four months of 2015.

In parallel with this, we are also responsible for commissioning all of the processes involved in the combined cycle. The objective is for the plant to be generating electricity in the second half of 2015, including the 12 MW from the adjacent solar farm.

This project is being performed for the Comisión Federal de Electricidad.

Thermoelectric plants

Elecnor is involved in two thermoelectric plants in Venezuela: the 350 MW simple cycle Güiria plant and the 140 MW EDC-Sur project.

The Güiria project has been in development since 2014 and is on schedule. Progress on the site includes completion of the foundations for the main equipment and delivery and installation of the turbines.

We are currently installing other equipment, both primary and auxiliary, associated with the power island.

The "turnkey" EDC-Sur project for CORPOELEC (Corporación Eléctrica Nacional de Venezuela) involves a 140 MW thermoelectric plan based on twin turbines.

The plant's main features are a 3,300 m^3 fuel tank, a 1,000 m^3 filtered fuel tank, a 3,800 m^3 raw water tank, a 1,000 m^3 demineralised water tank, a demineralisation plant, a fuel processing plant and expansion of a 230 kV substation with a breaker-and-a-half configuration and preparation of a substation bay. It also includes all buildings, supplies and related mechanical, electrical and civil engineering works.

1,500 MW

of wind power at various stages of development

400 MW

MW of solar power installed

Agua Prieta II combined cycle plant (Mexico)

We have completed the 3 MW solar photovoltaic plant in Zouerate, Mauritania

The project is now over 90% complete, although at the time of writing work is currently halted as we await supplies for which CORPOELEC is responsible for completion and commissioning of the plant.

Hydroelectricity

One of our main projects in this field is the Cambambe 2 hydroelectric plant in Angola. This is the third hydroelectric plant Elecnor has built in Angola. The others are the Gove facility, which started up in July 2012, and the upgrade of the Cambambe plant, which was completed in December 2012.

The AHE Cambambe 2 project involves installing four 178 MW Francis turbines, for a total capacity of 708 MW. This is approximately double Angola's current installed hydroelectric capacity.

Elecnor, working in a consortium with Voith Hydro, is responsible for electro-mechanical 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.

Elecnor is modernising the Inga I hydroelectric plant built in the Congo in the 1970s for the national electricity company, Société Nationale d'Électricité. The most significant work carried out in the year includes development of engineering, the supply of 56 cofferdams, auxiliary systems, power transformers and bridge cranes. We have also completed infrastructure work and dismantled one of the generator units and started assembly of its replacement.

In Honduras, the contract for operating and maintaining the 30 MW Nacaome hydroelectric plant was extended in 2014, recognising our construction of the plant in the 1990s and our work over subsequent years.

Wind and solar power

Elecnor's extensive experience in "turnkey" wind, solar and thermoelectric projects has led to it building power plants in countries where it already had a presence, such as Mauritania, and in new markets, such as Jordan and Australia.

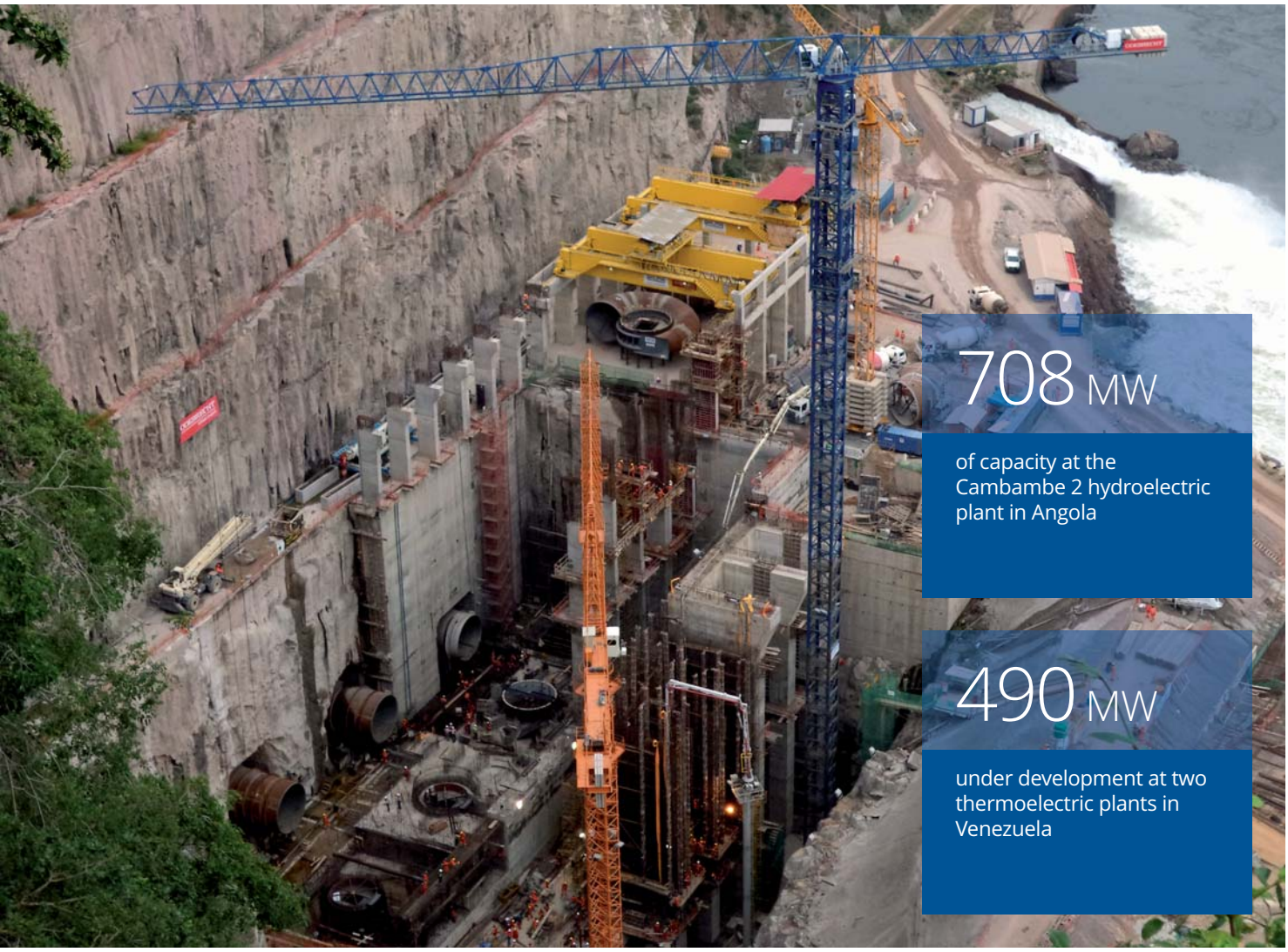
In 2014, we completed a 3 MW solar photovoltaic plant in Zouerate, the largest city in the north of Mauritania. The plant covers approximately 78,500 m^2 to the south of the city and features support structures, panels and inverter, transformer and control centres. The area is fenced off and has perimeter lighting. The photovoltaic modules were made by Atersa, the Group's photovoltaic subsidiary, at its factory in Nouakchott which started operations in April 2013.

We have also started to install the first wind turbines at the 30 MW wind farm Elecnor is building in Mauritania's capital, Nouakchott, the first to be built in the country. Elecnor is building this wind far for the Mauritanian electricity company Somelec, as part of the Mauritanian government's drive to expand the country's renewable energy sector, a cornerstone of its domestic electricity production strategy.

In Jordan, Elecnor has won a contract to build a 66 MW wind farm in the city of Maan. Elecnor was chosen by Jordan's Ministry of Energy and Mineral Resources (MEMR) for the engineering, supply and construction of the country second wind power development.

Elecnor has won its first major contract in Australia, a core market in its current international expansion. The project involves construction of a 72 MW solar photovoltaic plant in Moree, New South Wales.

The Renewable Energy section of this report provides fuller information on projects in which Elecnor is not just the builder, but also the developer, investor and manager, demonstrating its comprehensive power plant development capabilities.



Cambambe 2 hydroelectric plant (Angola)

Elecnor grows in Australia with a solar photovoltaic plant

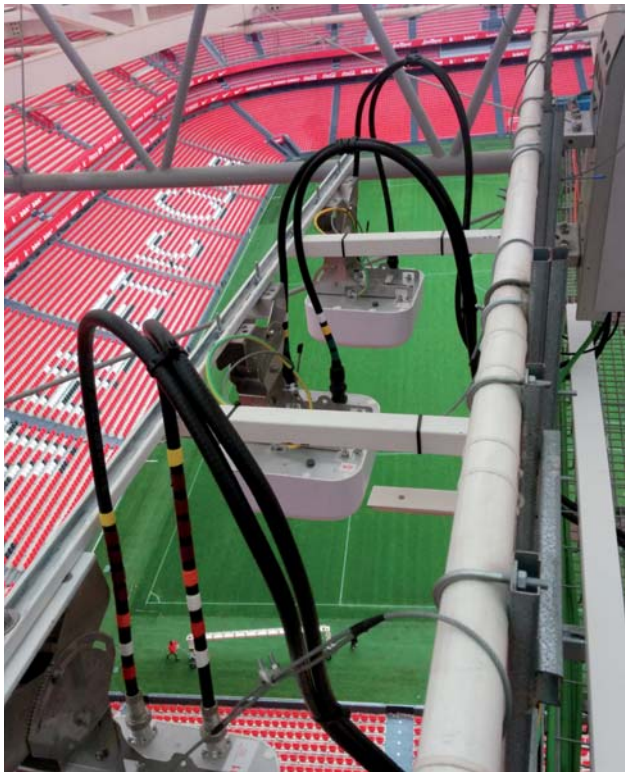
Elecnor is building its first major contract in Australia, a 72 MW solar photovoltaic plant. The development is located in Moree, New South Wales, and is owned by Moree Solar Farm Pty Ltd, which belongs to Fotowatio Renewables Venture. The contract is worth EUR 95 million.

The plant is one of the country's largest solar projects, and will comprise 232,960 panels covering 191 hectares. The forecast annual output is 155,000 MW/h, equivalent to the electricity consumed by roughly 15,000 households. The project also entails saving over 165,000 million litres of water compared to a coal-fired plant, preventing the emission of around 95,000 tonnes of CO_2 each year. The plant will be operational in 2016.

This project is driving Elecnor's activity in Australia, one of the priority markets for its current international expansion.

Telecommunications Systems

Elecnor has over 40 years' experience in telecommunications infrastructures, covering the complete life cycle from specifications and design to operation and maintenance. One of the fields in which it is most active is the provision of services to large telecoms operators, in which it has played a leading role in the roll out of fibre optics throughout Spain



Mobile network infrastructure at San Mamés football stadium in Bilbao (Vizcaya)

The generalised roll out of the FTTH network throughout the country continued in 2014. This is being led by Telefónica, which has an agreement to share the investment with Jazztel. Orange and Vodafone have built a smaller volume of the network, despite also sharing FTTH investment costs.

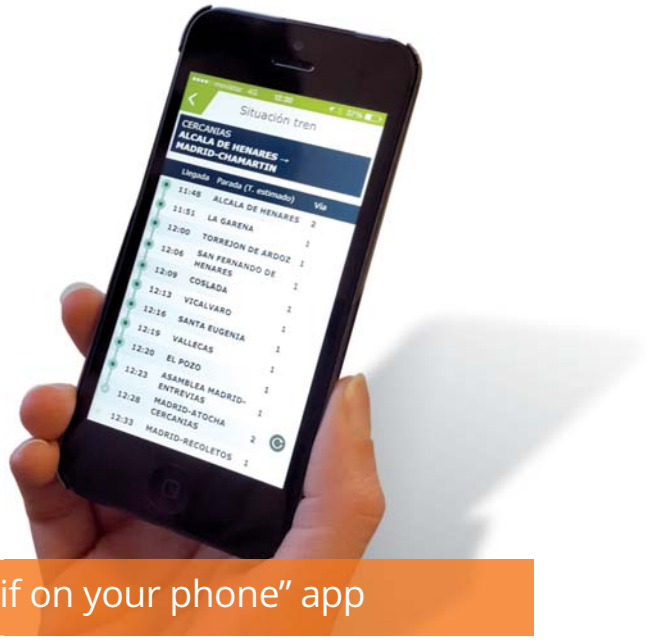
The roll out of the 4th generation mobile phone network by the main companies in the sector, Telefónica, Vodafone, Orange and Yoigo, continued in 2014.

Reflecting the dominant trend throughout Europe, the integration strategy being pursued by telecommunications operators in Spain is noteworthy. In 2014, Vodafone fully incorporated the company ONO, which it agreed to buy at the start of the year, into its structure. Orange also bought the company Jazztel, which it plans to absorb in 2015, although this is pending approval from the European Commission. This will reduce the telecommunications market to 3 operators: Telefónica, Vodafone and Orange.

This has made the market more dynamic, resulting in a significant increase in investment in telecommunication infrastructure. However, at the same time, market liberalisation and the current economic crisis have combined to drive down prices.

Against this backdrop, Elecnor continues leading the market in both FTTH and 4th generation network equipment. This has included:

- Roll out of FTTH for Telefónica in Madrid, Barcelona, Gerona, Valencia, Vitoria, Murcia, Bilbao, Pamplona, Burgos, Logroño, Valladolid and Las Palmas de Gran Canaria; for Orange, in Valladolid, Madrid and Barcelona; and for Jazztel, in Valencia, Barcelona, Madrid, Burgos, Seville and Huelva.
- In the mobile network, involvement in the roll out of 4th generation mobile networks for Telefónica, Orange, Vodafone and Yoigo, working with the equipment manufacturers Huawei and Ericsson, who are Elecnor's customers in this segment and in the lead on implementing this equipment. We have also started working with Nokia Siemens on the installation of its 4th generation equipment for Telefónica in Castilla y León.
- Network engineering, works management and technical assistance for roll out of Ono's HFC network nationally.
- Engineering, supply, installation and technical services for the technological maintenance and upkeep of the electronic communications infrastructure of the regional government of Castilla y León for transmission and broadcast of national and local digital television programmes.



Passenger information system, the “Adif on your phone” app

In 2009, Adif awarded Elecnor Deimos a tender to study, design and develop a passenger information and station supervision system to cover a large number of widely dispersed stations. This system had to be compatible with all the other traffic management and regulation systems in use in the network managed by Adif.

Given the commitment to contain costs, Elecnor Deimos chose to develop a mobile phone app to cover all of the stations without having to invest in physical equipment in the stations (e.g. display screens, intercoms, and so on), also saving on installation and maintenance costs.

Development of the Adif mobile phone app was completed in late 2014. The app incorporates real-time information (delays and sidings) and information on services, commercial areas and customer service in the stations Adif manages.

The excellent results achieved by the system resulted in the service being extended to all trains, stations and users of the Spanish rail network, putting information on over 1,200 stations in the hands of users.

Passengers can use the app to check train departures and arrivals in real time. On the local rail network, passengers can find out when a train is in the station and when it is ten minutes to departure, together with expected departure and arrival times. Information is also provided on scheduled and actual timetables for high-speed and medium and long-distance trains.

Systems

Our Systems strategy during the year continued the company's geographic expansion strategy.

Elecnor Deimos won a major contract in the Aeronautics and Maritime field from CORPAC, Peru's civil aviation authority, to upgrade the country's airports by refurbishing the navigational assistance equipment of its national airport network. This involved supplying two complete ILS/DME systems (airport instrument landing systems) and ten VOR radio beacons, which provide the navigation system for aircraft in flight. The project involves locations as varied as 3,000 metre high mountains, the fringes of the Amazon jungle and airports on the shores on the Pacific Ocean.

We also continued developing our maritime surveillance system for Cameroon. This is a state-of-the-art system based on high-resolution radar for surveillance, control and management of maritime traffic within its area of influence.

Finally, Elecnor Deimos has consolidated its position with its main customers in the Technology Transfer area: AENA, ADIF and RENFE. Elecnor Deimos is responsible for passenger information systems for all AENA's airports in Spain and it has installed systems in Seville for ADIF.

In the energy field, Elecnor's Systems team has developed Cimelux, a monitoring system especially designed as a solution for the audit, installation and commissioning of public lighting facilities. This comprises a remote control and metering system for lighting designed to improve the control and management of facilities, making maintenance quicker and easier while promoting energy efficiency.

Cimelux is complemented by Gisal, a tool developed by Elecnor's energy services unit to manage energy efficiency in public bodies.

Installations

Installations at the Renault plant in Oran (Algeria)

The installation business closely reflects the performance of the construction sector, where 2014 may well turn out to have been the last year of contraction in the lengthy crisis stretching back to 2008. Conditions remain difficult, but this did not hold Elecnor back, with 22% year-on-year growth in the sector

Elecnor's value proposition in the installations sector stretches from design and start-up to operation and maintenance, in activities covering landmark buildings, cultural and leisure centres, airport terminals, railways, industrial plant, buildings of cultural interest and heritage sites. As with its other activities, Elecnor is gradually expanding these services in the export market.

2014 highlights included airport, refurbishment, repair and international hotel projects.

Airport sector

Elecnor won several major contracts in 2014. This demonstrates its capacity to adapt to AENA's requirements at a time of the strictest austerity and cost containment, exploiting opportunities

2014 highlights included airport, refurbishment, repair and international hotel projects

H&M installations at Nervión Plaza shopping centre (Seville)

through increasing specialisation in a market that is ever more demanding. It has done this to exacting technical standards, meeting the needs for most airports, being particularly strong in runway activities.

By working together, Elecnor and Elecnor Deimos have optimised synergies in the Group, consolidating its position as a leader in navigational systems, such as Instrument Landing Systems (ILS), involving highly specialised technical work.

The starting point for this was the 2013 award of a contract in Palma de Mallorca for the first stage in the renewal of its landing systems. This work was designed to ensure compliance with the statutory airport certification requirements under Royal Decree 862/2009 set down by AESA (the State Aviation Safety Agency).

The project involved replacing two of the ILS/DME landing systems then in use and upgrading to the ILS 2100 and DME 1118A systems manufactured by Selex Systems Integration Inc, for which Elecnor Deimos is the exclusive representative and distributor in Spain.

This initial contract planted the seed for winning further contracts in 2014, including Valencia, Pamplona, Tenerife North, Vigo and, in early 2015, Adolfo Suárez Madrid Barajas.

As a result, and expecting a further contract in 2015, Elecnor will be simultaneously involved in activities in the airfields of at least seven Spanish

Installations at Four Seasons Hotel in Casablanca (Morocco)

Extending our experience in the hotel sector to large international establishments

Elecnor has developed specific capabilities for the hotel sector. At a time of intensive international expansion of all Group businesses, there have also been significant developments in this segment.

The 2013 contract for electrical installations at the Hotel Four Seasons in Casablanca (Morocco) was extended in 2014 to include mechanical installations. The hotel developer is the Spanish company Inveravante.

The hotel is on the sea front in the heart of Casablanca. It was designed by the architects Foster+Partners. Anfa Plage is the first Four Seasons hotel in the city and its second in Morocco, having opened the first in Marrakech in June 2011.

The 35,000 m² hotel will have 5 floors, with 186 rooms, 2 restaurants, a swimming pool and spa.

These two projects were accompanied in 2014 by work on the electrical and mechanical installations for the 5 star Hilton Tanger City Center hotel in Tangier, Morocco. This hotel is also being developed by Inveravante and is planned to open in spring 2015.

This 5 star hotel will feature 25,700 m² over 15 floors. Its facilities will include 182 rooms, 20 panoramic suites, a restaurant -also with panoramic views- lobby lounge, and fitness and business centres.

The new hotel is part of the Tanger City Center development, a luxury complex featuring the largest shopping centre in the city, 500 hotel rooms in two hotels, 803 residential units and 10,000 m² of office space. Located in the heart of the city close to Mohammed VI Avenue, the focus for leisure and recreation in the city, Tanger City Center overlooks the bay of Tangier, and boasts stunning views of the Straits of Gibraltar.

airports. This is a significant leap forward in our customer's appreciation of our capabilities and competencies, building on our traditional work in terminals, power stations and so forth. These important contracts provide the best possible guarantee of winning further contracts in the airport sector in future.

Aside from our increasing activity in airfields, we have continued our involvement in other areas of airport infrastructure, enhancing our capacity to adapt to ever changing circumstances in a wide range of installations.

We have also been awarded a range of maintenance projects throughout the airport network. These include two major contracts at the Adolfo Suárez Madrid-Barajas airport: one for the high-voltage generation and distribution grid and one for low-voltage and stable power activities. We are also involved in maintenance work at Santiago de Compostela, Bilbao, Malaga, Menorca and Lanzarote airports.

Refurbishment and renovation

Refurbishment and renovation were important business segments in 2014, partly due to companies adapting and changing their organisational structures, resulting in them needing to change the layouts of their office and other buildings, together with our usual refurbishment work on public buildings to renovate their infrastructure.

Some of our highlights among our many projects in this area include:

- The Foster Tower/Bankia offices: refurbishment of 5 floors for new layout
- Foster Tower/Cepsa offices: Activities on 20 floors
- Bayer Iberia: enhancement and refurbishment of the mechanical installations in 3 buildings in Alcalá de Henares (Madrid)
- Telefónica: electrical and mechanical installations and civil engineering work to prepare spaces for technological use in Alcobendas (Madrid)
- Renfe: upgrading of technical facilities in local network railway stations
- Iberdrola: electrical installations at the San Agustín de Guadalix Campus (Madrid)

Shopping centres

Although the recovery in this sector was just beginning in 2014, Elecnor added a number of contracts to its extensive portfolio: electrical facilities in the Primark shopping centre in Bermeo (Vizcaya), the IKEA store in Salinetas (Las Palmas de Gran Canaria), integrated facilities in the Lorquí logistics centre (Murcia) and the Desigual logistics centre in Viladecans (Barcelona).

Industrial sector

A degree of activity is always underway in this segment, with projects always arising to upgrade and optimise production. Some 2014 highlights include:

- Consorcio de Aguas Bilbao Bizkaia: upgrading of electrical installations at the Galindo drinking water treatment plant
- Renault España: remodelling of the heating system in the bodywork building at its Palencia factory
- VW Volkswagen España: centralisation of boilers at its Landaben factory (Navarra)
- Secna: installations in its new Chiva factory (Valencia)
- Alnut: complete overhaul due to change of factory
- Mango: various installations in the new logistics building in Lliçà d'Amunt (Barcelona)

Energy efficiency for buildings

The main development in this area in 2014 was the award of 2 contracts for building installations as an energy service company (ESC). This involves work in 5 hospitals for Sergas, the Galicia health service, and replacement of conventional lighting with LEDs in Vips Group premises (Starbucks, Vips and Ginos).

We were also involved in many energy efficiency projects during the year, including winning the tender to install recharging points for electric vehicles in car parks in Barcelona.

Gas

Comgas technical assistance (Brazil)

Elecnor has over thirty years' experience in the gas industry, making it one of the market leaders in Spain. It is involved in nearly all areas of the gas value chain, from transport to industrial and home distribution, generating turnover of EUR 104 million in 2014. Its main markets are in Spain, Portugal, Brazil and Mexico

In 2014, Elecnor continued working with leading customers in the sector in Spain, such as the Gas Natural Group, Enagás, Gas Extremadura, Naturgas (Hidrocantábrico) and MRG (Madrileña Red de Gas).

Gas Natural Fenosa

The framework agreements for the construction of new pipelines and the maintenance of networks and connections with an MOP of 10 bar and the contract to construct steel networks and connections were consolidated and extended to 2014 for the Group's distributors in Catalonia, Madrid, Huelva, Seville, Malaga, Granada, Cordoba, Jaen, Burgos, Leon, Guadalajara, Cuenca, Pontevedra, Vigo, Navarre, La Rioja and the Valencia region.

We also continued our activity on other framework maintenance contracts, such as those for: distribution networks, regulation and metering stations and related infrastructure for the Gas Natural Group in Catalonia; the framework contract for our regular inspection service of domestic and industrial facilities for gas customers, with 170,000 inspections carried out in 2014 in Catalonia; and the framework contract for emergency services for Gas Natural Fenosa in Huelva, Córdoba and Jaen in Andalusia, and for Gas Galicia in Vigo.

With regard to work carried out, we completed the remote control of valves for the Gas Natural Control Centre, the regulation and metering stations for the A Mariña Lucense gas pipeline, the connection to Coterran (León), the branch line to Bellver (Alicante), upgrading for Granada and the polyethylene branch lines in El Ejido, Almeria.

We also captured 11,400 new points of supply for the Gas Natural Fenosa Group and were contracted for commercial capture and trench excavation work in municipalities including Cirueña y Medrano (La Rioja), Herrera (Cordoba), Velilla de San Antonio and Arroyomolinos (Madrid), Orihuela (Alicante) and Can Claramunt, Can Alegre and Can Rigol in Catalonia, and a number of housing estates.

These contracts included:

- Construction and assembly of the diversion of existing services in the gas supply rack at the Sabon CCGT (La Coruña)

Anaco gas pipeline (Venezuela)

Anaco gas pipeline (Venezuela)

- Remote control of valves 2015
- Branch line to Almazora (Castellón)
- Branch line to the Osuna Hospital (Seville)

Enagás

We built valve positions in Valdemorillo (Madrid), a regulation station in Granada and a compressor point in Euskadour (Irun, Guipuzcoa).

We were also awarded the maintenance contract for the Alarm Centre and continued work on the framework maintenance contract for pipelines and transformer centres in the basic national pipeline network.

Gas Extremadura

We consolidated the framework contracts for work and maintenance services at distribution facilities in Badajoz, Olivenza and Montijo, and emergency services at the facilities of Gas Extremadura Transportista.

EDP Group: Naturgas/Hidrocántabrico

As part of the framework contract with this company, we were involved in the extension of the new network and replacement of the existing network (polyethylene/steel) and the retainer contract for repairing the network (polyethylene/steel) and the preventive maintenance and emergency service.

We also carried out the Gijon-Musel Phase I reconnection and the associated regulation and measurement station and consolidated the contracts for the Funciona service, for technical lighting and gas services and sales teams for in-person campaigns.

MRG (Madrileña Red de Gas)

We consolidated the framework contract for the construction of new pipelines and the maintenance of networks and 10-bar MOP connections and the contract to construct steel networks and connections.

We also consolidated regular inspection activities, with 50,000 inspections in 2014.

CLH

We were awarded the contract for electrical assembly and instrumentation for the Algeciras storage centre.

International market

VENEZUELA

Rasacaven, Elecnor's Venezuela subsidiary specialising in the industrial, oil and gas and petrochemicals sectors, was awarded an important contract in the gas sector by PDVSA. The project involves artificial gas lift in the El Furrial area, including the manufacture, installation and soldering of 30 km of 8", 6" and 3" pipes for natural gas injection lines in mature wells.

Work on the 2012 contract with the PDVSA for maintenance of storage tanks at the Amuay and Cardón refineries also continued.

BRAZIL

Our framework contract with Comgas for technical assistance in the home was renewed in 2014.

Elecnor's gas activity in pictures

Construction

Elecnor's specialist construction capabilities enable it to offer high-quality services in all areas of civil engineering and industrial and building projects, both in Spain and abroad

Despite glimpsing some initial signs of recovery in 2014, the domestic construction market contracted once again. However, figures from ITec-Euroconstruct to December 2014 point to this being the last negative year for the sector, following an annual fall of 2.4% in the year. Whilst the Spanish construction market will remain at levels well below the European average, growth is expected over the coming years.

Elecnor's construction area has been involved in the following projects in Spain:

- Upgrading and refurbishment of the Paediatrics Area of the "Rafael Méndez" Hospital in Lorca (Murcia), for the Murcia Health Service's Murcia Region Health and Social Policy Department. This project involved the creation of a Neonatal Unit, a Paediatrics Unit, resuscitation and examination rooms and other complementary facilities.
- Construction of municipal markets in Calafell and Gavá in Barcelona and Creixell in Tarragona.
- Construction of buildings and installations for the T-System and CaixaBank data processing centres in Cerdanyola del Vallés, Barcelona.

New facilities for the US Department of Defense in Bahrain and United Arab Emirates

Elecnor has been chosen by the United States Department of Defense to design, construct and supervise the construction and renovation of its facilities in Bahrain and the United Arab Emirates. It will also supply the equipment, materials and resources.

The contract involves new construction, renovations, alterations, demolition, repair work, and all necessary design, including: waterfront, pier, quay, industrial, airfield, aircraft hangar, infrastructure, administrative, training, retail, food service, dormitory and, community support facilities.

The work will be carried out in three locations:

- Manama (north of Bahrain), including the NSA Bahrain and NSA II military bases and Bahrain international airport;
- South of Bahrain, including the Isa Air Base and Bahraini Defence Force; and
- United Arab Emirates, including Jebel Ali, Al Dhafra Air Base, Fujairah, Abu Dhabi, etc.

This tender reinforces Elecnor's standing with the US government, for which it also carries out work at the Rota naval base in Cadiz.

Construction of Municipal Library in Martorell (Barcelona)

Upgrade and expansion of Border Inspection Post at Port of Algeciras (Cadiz)

Conditioning project for duty-free shops at Adolfo Suárez Madrid-Barajas Airport (Madrid)

Forecasts for the construction sector point to a positive outlook for the coming years

- Construction of an "Audi Tooling" building in Martorell, Barcelona, for the carmaker Audi. This involved the installations in the industrial building, the office building, using a prefabricated concrete structure, the metallic structure for the factory building, the facilities, urban development and gardening.
- We have undertaken work on the Casa Gracia in Barcelona, including refurbishment of accesses, building multi-use rooms and upgrading the premises to meet noise regulations.
- Construction of a 1,800 m^2 public library in Martorell, Barcelona.
- Refurbishment and upgrading of border inspection facilities and the new live animal building for the Border Inspection Post at the Algeciras port in Cadiz.

International market

Construction activity abroad was buoyant, with both new and continuing projects.

In Panama, work continued on the Rafael Hernández and Chepo Hospitals, and work began on the Chitré Clinic. Work continued in Haiti to rebuild the Haiti University Hospital.

The US Department of Defense chose Elecnor to build and refurbish its facilities in Bahrain and the United Arab Emirates.

In the USA, our US subsidiary Belco was awarded the tender to refurbish the Los Angeles Hall of Justice.

In Uruguay, Montelecnor was awarded the tender to build a new building for the Nutrition School of the Nursing Faculty at the Parteras Medical Technology College in Montevideo.

Construction of a new data processing centre

Elecnor is building and developing the installations for a new data processing centre (DPC) for CaixaBank in Cerdanyola del Vallès, Barcelona.

The contract is to build the 3 buildings in the complex:

- Building A for offices, 2,250 m^2
- Building B for IT rooms, 4,766 m^2
- Building C for technical and production rooms, 2,388 m^2

In the words of CaixaBank, this new DPC will be "technologically speaking, one of CaixaBank most ambitious projects".

This is the second DPC developed by Elecnor, following its work on the construction, installation and weak signals for the T-SYSTEMS DPC.

Maintenance

Maintenance was one of Elecnor's most dynamic areas in 2014, growing by 27%. The Group provides comprehensive and flexible maintenance services to its customers, both domestically and internationally, ensuring that their installations and processes are in optimum working condition

In the current macroeconomic climate, the subcontracting of general maintenance services is becoming increasingly important to many 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, our customers are increasingly seeking to contract suppliers of comprehensive 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 looking to diversify in four directions to drive its expansion in this area:

- Towards new sectors: health, banking, shops, industry, hotels, etc.
- Towards new geographic areas: opening new production centres in the domestic market and stepping up sales activity in neighbouring countries, such as France, Portugal and Italy, and in large installation and infrastructure projects where the provision of maintenance services provides added value.
- Towards customers of the Group's other activities.
- Through new services: industrial cold, instrumentation, property managers and owners associations, and so on.

Activities in 2014

Significant projects in 2014 included: in the banking sector, comprehensive maintenance of La Caixa branches in Galicia, Asturias, the Basque Country, Castilla y León, Extremadura and Castilla La Mancha; approval of Elecnor by BBVA as a supplier or property services for its corporate buildings; maintenance of the climate control systems of some Kutxa branches throughout Spain; and renewal of the comprehensive maintenance of Santander branches in Galicia, Asturias, Castilla y León and Castilla La Mancha.

In the health sector, Elecnor was awarded the technical, regulatory and legionnaires-disease maintenance of all hospital clinics in the Quirón-IDCsalud Group, and contracts with the Lucus Augusti, Lugo and O Salnes hospitals belonging to the Galicia Health Service (SERGAS).

CBRE awarded Elecnor the contract for comprehensive maintenance of various buildings in Madrid. Elecnor is also working for Iberdrola Tower in Bilbao and a number of T-Systems office buildings.

Shopping centres are also an important segment. Three major contracts were renewed in this area, for the shopping centres of Sonae Sierra (La Farga-Barcelona, Plaza Mayor-Malaga and Luz del Tajo-Toledo), SCCE (the Loranca shopping centre in Fuenlabrada, Madrid) and Gentalia (AireSur, Seville) and for the L'Illa shopping centre in Barcelona. Elecnor was also awarded the contract for the

Maintenance of the Carmen y Severo Ochoa Hospital in Cangas del Narcea (Asturias)

Maintenance of the Carmen y Severo Ochoa Hospital in Cangas del Narcea (Asturias)

Integrated multi-services for Telefónica

In 2014, Elecnor started work on a 5-year contract for multi-services and building services in Telefónica buildings.

The work covers the autonomous communities of Galicia, Asturias, Cantabria, the Basque Country, Navarre, La Rioja, Aragón, Castilla y León, Madrid and Castilla La Mancha, while building services will be performed on demand throughout Spain.

This is a challenging project in terms of resource management, as there are expected to be sites with up to 1,000 workers, including Elecnor staff (multi-assistance, air conditioning and energy maintenance, etc.), personnel from other specialised companies managed by our company (lifts, pest and rodent control, disinfection, insect control, cleaning, etc.) and our own and subcontracted resources for the execution of construction works.

Elecnor is diversifying its maintenance activity into new sectors and geographic areas, towards Group customers and into new services

Gran Vía shopping centre in Alicante, which is managed by Auxideico.

The most important contracts for shop premises and supermarkets are for businesses with multiple establishments (H&M, C&A, Día and Mercadona).

And the most significant new contract in telecommunications relates to multi-services (cleaning, lifts, legionnaires disease, disinfection and pest control, maintenance, climate control and electricity) and other property services for Telefónica.

In the electricity sector, we are responsible for comprehensive maintenance of the offices of Naturgás countrywide. With regard to renewable energy, the commissioning of the Group's three solar thermal plants in Spain in 2013 represents a calling card for our technical capabilities at the various stages of a project of this scale.

In the industrial area, we have been awarded contracts by Renault, Ford, Peugeot and Citröen, by Repsol for its plants in Cartagena and Puertollano, and by Nestlé. We have also been awarded contracts for electo-mechancial maintenance (steam generators, cold rooms, electricity) and stockage, control and warehousing of spares in the pharmaceutical company Rovi's plants in Madrid and Alcalá.

In the infrastructure field, a number of contracts with AENA have been renewed for maintenance of its public information system throughout all its airports and preservation and maintenance of the control, fire fighting, static signalling and high voltage systems at the Adolfo Suárez Madrid-Barajas airport. New contracts include the comprehensive maintenance of Santiago airport, maintenance of climate control installations for Malaga airport and maintenance of fire fighting installations for Metro de Madrid.

Other significant customers and contracts in 2014 included:

- FC Barcelona: comprehensive maintenance of its Ciudad Deportiva sports facilities
- Electrical maintenance for the Polytechnic University of Valencia and climate control at the University of Alcalá de Henares (Madrid)
- Government of the Basque Country: building maintenance for the Security Department
- Renewal of comprehensive maintenance of Parques Reunidos
- Vocento: multi-service (cleaning and comprehensive maintenance services nationally)

Infrastructure preservation

Audeca is a Group company specialising in preserving the environment and maintenance of highway infrastructure.

The budgets of many public sector bodies have suffered major cuts in all areas since 2010. This has had a significant impact on this activity, as public-sector tenders have reduced dramatically, resulting in much tougher competition in all tenders, leading, in turn, to slimmer and slimmer margins.

Furthermore, as there has been practically no investment in new infrastructure, many construction companies are now trying to get involved in the services sector, increasing the number of bidders significantly in all infrastructure preservation tenders.

Against this backdrop, in 2014 Audeca won three major contracts in this area for various maintenance and operational activities in sector 0-01 of the province of Asturias, the 51-MU-0306 highway and in southeast Huelva.

Environment and Water

Infrastructure preservation (Madrid)

The Group offers experience, reliability and competitiveness in environmental protection, waste processing and water treatment activities through the parent company and its specialist subsidiaries Audeca and Hidroambiente

In 2014, Audeca, Elecnor's specialist environmental and railway maintenance subsidiary stepped up its international expansion activity, in response to cuts in domestic public spending.

This strategy involves seeking out opportunities matching the company's areas of specialisation, such as building water and waste processing plants, in markets where the Elecnor Group is already active, so as to exploit synergies.

For example, the accession of Croatia to the European Union and the availability of substantial cohesion funds for the environmental sector has led Audeca to establish a stable presence in the country to facilitate participation in tenders as they arise.

Domestically, the economic recovery and governmental negotiations with the European Union about the 2014-2020 cohesion funds lead us to expect new investment in the coming year, mainly in waste processing and water treatment, and a revival of public tenders.

Some of the main contracts awarded in 2014 include:

- The project to improve the Navacerrada drinking water treatment plant, Madrid
- Supply, installation and maintenance of underground waste containers in Gijon
- Operations, maintenance and conservation of the Calamocha and Daroca WWTPs (wastewater treatment plants), in Teruel and Zaragoza, respectively
- Maintenance and conservation of water courses in Cordoba and Seville
- Maintenance and conservation of landscaped areas, irrigation and sluicing facilities and the irrigation heads and tank at the Ciudad de la Luz film studio complex in Alicante

Navacerrada WWTP (Madrid)

- Burial of solid waste and segregated recycling containers in the Pintores area of the municipality of Alcobendas, Madrid
- Forestry work to prevent forest fires in the hills of Basconcillos del Tozo, Burgos

In 2014, Hidroambiente, the Group subsidiary specialising in industrial water treatment solutions, experienced a slowdown in the domestic market and a major boost in the international market.

One of the highlights of the year was the opening of a new office in Mexico to serve public- and private-sector customers. The company is also prospecting in Southeast Asia, and is developing projects in a number of countries, including Peru, Bangladesh, Georgia, the USA and the UK, for both the industrial and public sectors.

The company is working on various R&D projects, including water treatment using graphene. It has also launched a new business line for processing foods, mostly in liquid form.

Meanwhile, Elecnor was awarded a contract in Argentina by AYSA, the Buenos Aires water and sanitation company, to upgrade its Refuerzo Rucchi secondary water network, in the Lanus region of Buenos Aires province.

A water treatment plant in Peru

Hidroambiente has developed a water treatment plant for incorporation into the refining processes at the La Pampilla refinery in Peru, for the Spanish company Repsol.

This new installation is part of the current extension of the refinery, which will double its capacity.

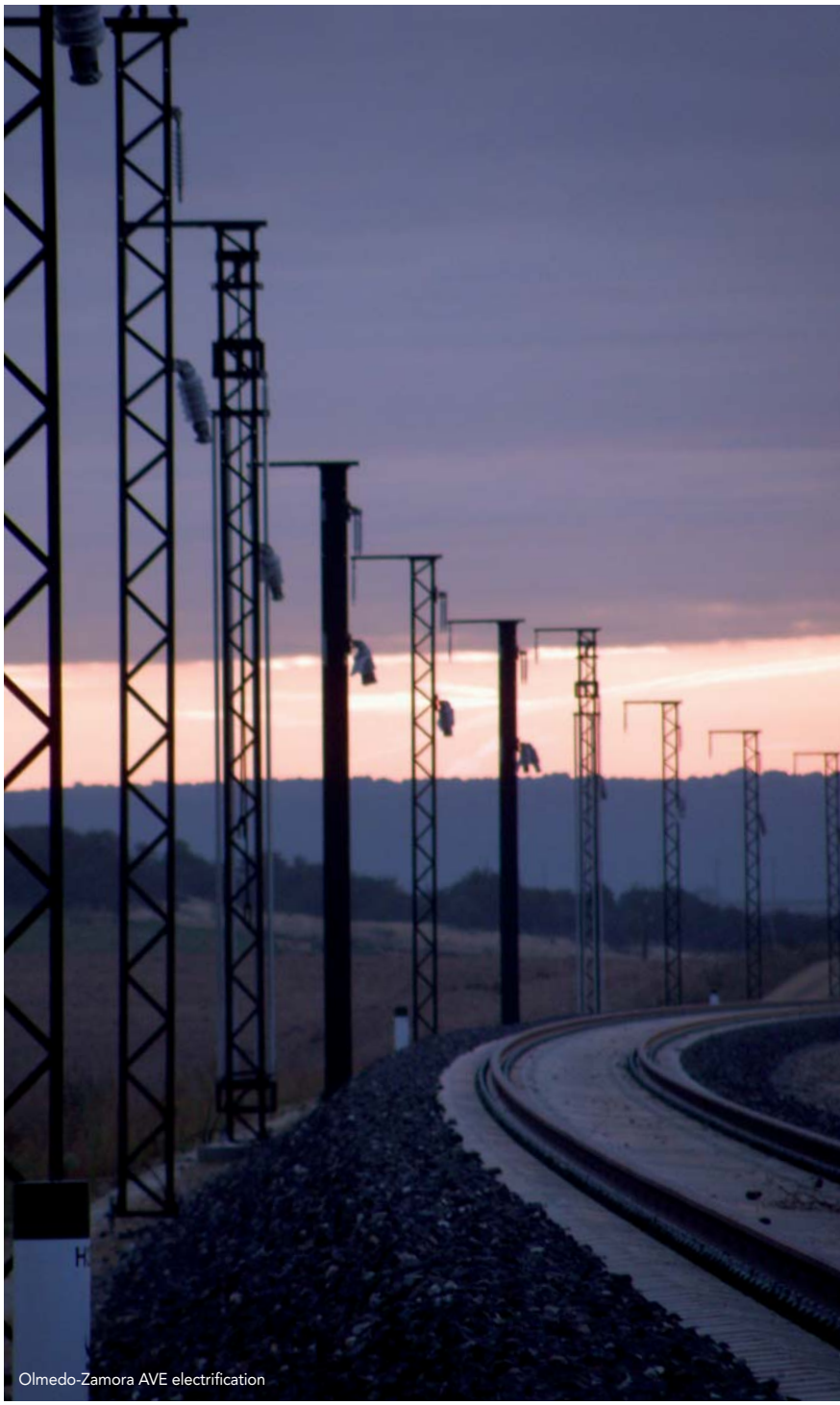
The project consists of equipment to produce ultra-pure water using a demineralisation technique. The first stage in the process guarantees the elimination of solids suspended in the water, reduction of the SDI and effective protection of the results. The second stage involves reverse osmosis in a two-step process, using a high-pressure pump. Finally, "polishing" is carried out using a two-stage ion-exchange process using strong cation exchange resin followed by strong anion exchange resin, with the corresponding regeneration system. The plant can treat a flow of 100 m^3/h.

The project was completed in 12 months.

Railways

Elecnor has extensive experience in railway infrastructure projects, both domestically and internationally. The company has the capabilities to carry out "turnkey" projects for overhead power lines, substations, signalling and interlocking, communications and control systems

Utrera-Las Cabezas electrification (Seville)



Olmedo-Zamora AVE electrification

As in 2013, 2014 was dominated by continuing cuts in the domestic public sector and the resulting reduction in tenders. This led Elecnor to step up its international expansion efforts in the railway sector.

In the domestic market, and as part of the Group's prominent role in the expansion plans for Spain's high speed rail network (AVE), Elecnor is involved in the work to ensure the electricity supply for the Utrera-Las Cabezas de San Juan sub-stretch of the Utrera-Jerez airport part of the Seville-Cadiz high speed line. This involves the construction of two new substations at Las Alcantarillas and Las Cabezas de San Juan, and refurbishment of the existing Utrera substation. It is also assembling the ADIF CA-220 overhead contact line, transformable to 25 kV AC, at this location.

Major tender awards include the overhead line and related systems for the high-speed rail line linking the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed line This award adds to Elecnor's extensive experience in Spain's high-speed rail sector, in which it has been involved in around 2,250 km of cabling for the 2,700 km of AVE lines built in Spain.

Elecnor is continuing to maintain the overhead power lines and associated systems for the Madrid-Seville-Cordoba-Malaga high-speed line and electrification of the Olmedo-Zamora-Pedralba stretch of the new high-speed access to Galicia.

In the international market, Elecnor is continuing to seek new growth opportunities in other countries, mainly in railway electrification projects, particularly in Algeria, Norway, the USA, Israel, Denmark and Algeria.

One of the highlights of our work abroad is the construction of a tram system in Algeria. The tramline, the first in the Algerian city of Ouargla, is 12.6 km in length and will connect the city's old quarter with a university area located in the outskirts. The project is currently underway, following some provisional deviation of roads, with some 2,500 m of platforms under construction. Earth-moving work has been completed for the control centre and building work is now beginning.

Elecnor on the AVE to France

The railway manager Adif Alta Velocidad has awarded Elecnor the contract to build the overhead line and related systems of the section of the AVE high-speed rail (HSR) line linking the Mediterranean Corridor with the Madrid-Barcelona-French border line.

The contract entails the installation of the overhead lines in several sections of the route, as well as heating elements at switch points, tunnel lighting, power connections from the overhead lines to buildings and the power remote control.

In all, the project, expected to take 12 months and co-financed with support from the European TEN-T Programme, covers 62 km (45.6 km of double rail track and the remainder branch connections) and includes the Rojales tunnel, the Francolí viaduct, the L'Hospitalet de l'Infant station and the Mont-roig del Camp and Cambrils siding and passing posts.

The route of the new connection comprises two clearly distinct sections: One section of conventional width from the connection with the present L'Ametlla, Castellon-Valencia line to the future gauge changer planned in Vila Sec de Solcina, and the connection with the present Reus-Tarragona line. And a section of UIC gauge from the new gauge changer at Vila Seca de Solcina to the connections with the present Madrid-Barcelona-French border HSR line.

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 and the leader in developing Earth observation and space surveillance systems

In 2014, the Spanish space market finally returned to the situation prior to the crisis. At the European Space Agency (ESA) Ministerial Conference held in Luxembourg in December 2014, Spain announced investment in future space programmes of EUR 344 million, almost as high as in the years before 2012.

In parallel to this, the European Union has established itself as an important new player, financing major programmes such as Galileo, Copernicus and Horizon 2020.

Against this backdrop, Elecnor Deimos' business strategy is based on:

- Geographic expansion in Europe to minimise the negative impact of low Spanish investment in the ESA
- Emphasising commercial space programmes, to decrease dependence on the public sector (ESA and EU)
- Increasing satellite assembly activities to complete the value chain for space programmes
- Exploitation of its own earth observation satellite systems
- Development of satellite applications for end users of space technology for navigation and earth observation
- Technology transfer from the space sector to other sectors (transport, energy, communications, the environment, etc.) to decrease dependency on the space sector

The results of this approach were demonstrated by a number of significant achievements in 2014. In terms of geographic expansion, we have established the new subsidiaries Deimos UK in Harwell, near Oxford, in the UK, and Deimos Rumania, in Bucharest

Both of these countries have expanding space programmes. These subsidiaries will be involved in developing three strategic lines: interplanetary exploration activities; Earth observation; and satellite navigation. As part of this third area, they are seeking to get involved in two main programme types:

- The new generation of Galileo, including inter-satellite link techniques, where Elecnor Deimos has accumulated vast experience and is the leader in Europe.
- Space Situational Awareness (SSA), including all aspects of space waste, the space climate and asteroid-collision study and mitigation activities.

We also opened other subsidiaries in Cameroon and Peru in 2014.

Elecnor Deimos has been very active commercially, particularly in the Americas (Colombia, Bolivia, Ecuador, Chile, Paraguay and Brazil) and Asia (Thailand).

655

million km² captured by Deimos-1, taking the total since launch to 2,721 km²

5,281

images captured, taking the total since launch to 20,185

1,286.9

km travelled between launch and year-end 2014, equivalent to 9 times the distance between the Earth and the Sun

São Miguel Island, Azores (Portugal). Photo taken by Deimos 2

Deimos-2 satellite monitoring, control and receiver antenna in Puertollano (Ciudad Real)

We have established the new subsidiaries Deimos UK, in the UK, and Deimos Rumania, in Bucharest

The most important achievement in 2014 was the launch and successful bringing on stream of our second earth observation satellite, Deimos-2. Fuller information on this is provided in the "Concessions and investment" section of this report. This satellite is one of the best five satellites in the world in terms of its basic parameter, space resolution.

Elecnor Deimos has contributed to the development of all of the ESA's space programmes:

- In science, the company has made a significant contribution to the ExoMars project, the next mission to Mars
- We are developing three major subsystems for Galileo -MGF, MSF, RDG- and we are playing an important role in defining the future of Galileo (the EGEP programme)
- In EGNOS V3 (navigation), Elecnor Deimos remains part of Airbus' core team for the development
- In the SST programme (Space Surveillance Telescope), we are playing a significant role in planetary protection against possible asteroid impacts and rolling out services to control risks from space waste
- In the ESA's earth observation satellites (Sentinel 1, Sentinel 2, Sentinel 3, SMOS, GOCE, Aeolus and others), Elecnor Deimos is playing a key role in developing various subsystems for all these missions
- As part of the IXV programme, for the ESA's first reusable atmospheric re-entry vehicle, Elecnor Deimos has critical mission analysis, mission engineering, guidance and control responsibilities

Elecnor Deimos has continued its strategic contribution to the Earth segment of the Spanish government's Engineering and Peace projects.

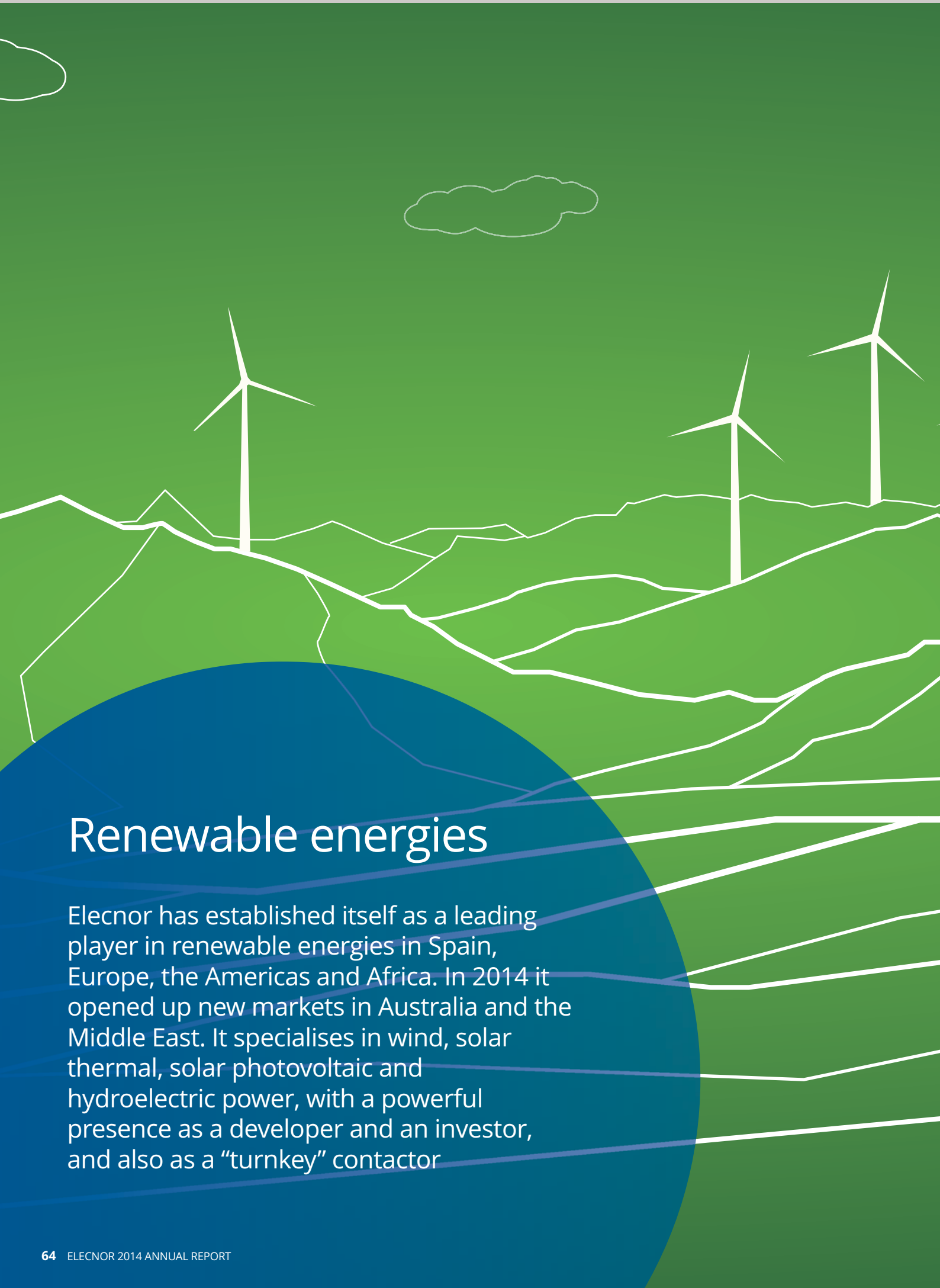
Elecnor Deimos' key role in the ESA's IXV mission

The Intermediate eXperimental Vehicle (IXV), the European Space Agency's (ESA) atmospheric re-entry demonstrator, was successfully launched from the Kourou Space Centre in French Guyana on 11 February 2015, using the European VEGA rocket. As planned, the vehicle ascended to 413 km -outside the Earth's atmosphere- splashing down in the Pacific Ocean one hour and 42 minutes later. A system of floats enabled the vehicle to be recovered whole by the Aries ship.

The mission was a huge success for the ESA, as its objective was to demonstrate critical re-entry technologies for the return to Earth of manned and unmanned missions, using a hypersonic vehicle with a lifting body.

Elecnor Deimos made a key contribution to the project. It is solely responsible, directly to the major contractor, for all analysis, design and assessment of the mission's features, from launch to splashdown, including providing vehicle-design support through mechanical atmospheric flight activities and characterising mission safety.

Four other Spanish companies were also involved in the mission. In fact, because of the competitiveness of its industrial fabric and major budget investment, Spain has played a particularly significant part in the IXV programme, being the second largest contributor through its technical and budgetary contributions, of around 18%. Spain is Europe's fifth largest space power, being highly specialised in providing satellite systems, equipment and instruments.



Renewable energies

Elecnor has established itself as a leading player in renewable energies in Spain, Europe, the Americas and Africa. In 2014 it opened up new markets in Australia and the Middle East. It specialises in wind, solar thermal, solar photovoltaic and hydroelectric power, with a powerful presence as a developer and an investor, and also as a "turnkey" contactor

Discover Elecnor Renovables' global capabilities

Wind power

Osório wind farms (Brazil)

Enerfín, Elecnor's wind power subsidiary, continued to focus on export markets in 2014, particularly Brazil, Canada and Australia. It also studied investment opportunities in the USA and Mexico

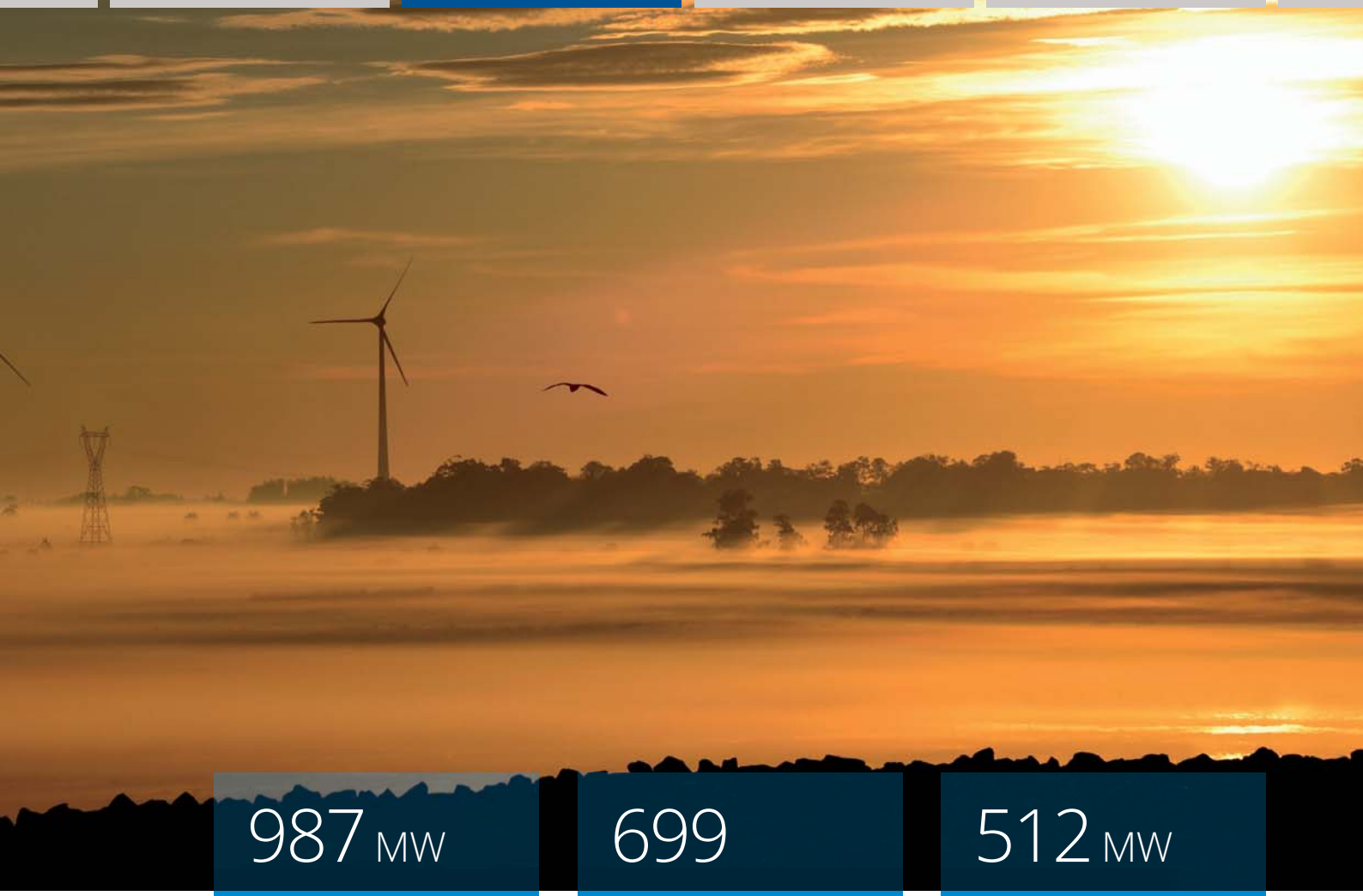
Enerfín has a proven track record in managing all stages of wind farm projects. It is currently one of the sector's flagship companies both in Spain and in the Americas. It boasted total installed capacity at the end of 2014 of 987 MW, 699 MW of which are directly attributable to the Elecnor Group, with a further 1,500 MW of capacity at various stages of development.

The company's increasing focus on the export market is revealed in the breakdown of this total capacity: 512 MW in operation in Spain and 475 MW in the international market, having incorporated new resources to enhance its development activity in the Americas.

Spain

In 2014, the Government completed its reform of the electricity sector with the approval of a new regulatory framework for renewable energy. This was achieved through Royal Decree 413/2014, regulating electricity generation from renewable sources, cogeneration and waste, and Order IET/1045/2014, approving remuneration parameters for different types of installations.

Royal Decree 413/2014 establishes a new remuneration system for renewable energy. This comprises revenue from energy sales at market prices plus, as applicable, specific remuneration for



987 MW
in operation

699
directly attributable to the Group

512 MW
in Spain

investment (€/MW installed), replacing the previous concept of production incentives (RD 661/2007). Specific remuneration is calculated for each "type of installation", based on remuneration parameters reviewable at the end of each 3-year regulatory semi-period, and reasonable returns (7.39%) reviewable at the end of each 6-year regulatory period.

Ministerial Order 1045/2014 establishes the "installation type" with which each operating facility is associated, thus determining the regulated remuneration it will receive.

Future installations must be the result of a competitive tender organised by the Ministry of Industry, Energy and Tourism to be eligible for specific remuneration.

This change to the model has drastically reduced the profitability of operating plants compared to projections before the reform was initiated in 2013, severely penalising the future development of projects underway in Spain.

This new regulatory framework means that a significant percentage of Enerfín's revenue from its plants is from electricity sales in the market at highly volatile pool prices. Enerfín has therefore implemented a raft of measures to ensure and improve revenues from its plants. These include entering into price hedging contracts, implementing action strategies in the electricity market and updating contracts to reflect the new regulatory framework.

With regard to corporate activities, Enerfín and Enhol entered into a swap of interests in the plants they share in Navarra. As a result, Enerfín became the sole owner of the Montes de Cierzo I and II (60.2 MW) wind farms, taking full management control of them and implementing the operating measures indicated previously.

With regard to development, and despite the regulatory uncertainty surrounding new projects, Enerfín has continued the administrative processes for obtaining the official permits and authorisations needed for the projects it has been awarded in Galicia, the Valencia region and Aragon, positioning itself for future tenders for assignment of specific remuneration.

Enerfín has started the process of repowering the Malpica (16.57 MW, La Coruña) and Punta Gaviota (6.9 MW, Gran Canaria) wind farms, because of their age and the new regulatory framework.

Brazil

In 2014, the Government continued to promote the energy auction system (leilões) launched in 2009. 15 GW have now been contracted under this system, for which installation will be completed in 2019, complying with the 2013-2020 Ten Year Plan, requiring contracting of 5 GW per year, of which 2 GW must be wind power, so as to cover power requirements during droughts.

In 2014, 2,246 MW were awarded in three leilões (LER, A-3 and A-5) at an average price of BRL 136.15/MWh, 16% higher than the 2013 price (BRL 117.3/MWh). This increase in the electricity sale price is due mainly to wind turbines becoming more expensive and financing costs.

2014 was one of the driest years in recent history. This, coupled with infrastructure shortages in the electricity system, resulted in electricity prices in the free market hitting historic highs, reaching a peak of BRL 822/MWh. As a result, the Government has set a BRL 388.48/MWh ceiling price for electricity sales in the free market from 1 January 2015.

Against this background, Enerfín is driving forward its developments in Brazil, which are concentrated in Rio Grande do Sul. Two new wind farms, Dos Indios 2 and 3, came into commercial operation in December 2014. These are the final components in the 318 MW Osório wind farm complex.

Enerfín also has 57.5 MW of installed capacity and 189 MW with a PPA (Power Purchase Agreement) assigned in the neighbouring municipality of Palmares do Sul, bringing the total capacity it has been awarded in Brazil to 564 MW.

Enerfín continued the development of the aforementioned 189 MW in 2014, together with a further 800-plus MW of capacity at different stages of development in its pipeline, of which 124 MW are now ready to take part in future auctions.

With regard to corporate transactions, Elecnor took an interest in CEEE-GT (Companhia Estadual de Energia Elétrica-Geração e Transmissão) through a 10% stake in its Ventos do Sul subsidiary in December 2014. Following this transaction, CEEE-GT is now a shareholder in Ventos do Sul, Parques Eólicos Palmares, Ventos da Lagoa and Ventos do Litoral, with a 10% stake.

With regard to opportunities to expand in Brazil, three new leilões have been arranged for 2015 under the 2013-2020 Ten Year Plan, to be brought on stream between July 2017 and January 2020, although wind power can only take part in two of these. A further leilão, A-5, is also planned for late 2015, in which wind power can participate.

Looking to the future and the outlook for growth in the wind-power sector in Brazil, Enerfín is seeking strategic openings to drive its growth through increased development activity in the country, where it already has a significant presence in the sector.

Canada

2014 was a record year for installed wind-power capacity in Canada, at 1,871 MW, mainly in the provinces of Quebec and Ontario.

Although short- and medium-term energy demand in these provinces is now practically covered, they remain committed to the sector, as a driver of job creation and to diversify the energy mix. Against this background, Québec organised a tender in 2014 to allocate 450 MW. One new development in this tender was the requirement for local firms to be at least 50% shareholders in the project. Ontario meanwhile announced two 300 MW tenders for 2015 and 2016. It launched a pre-qualification process for the first of these, in which it selected 21 developers, including Elecnor's wind-power subsidiary.

In other provinces, we expect the greatest short- and medium-term activity in Alberta, where measures are expected to be announced in 2015 increasing the price of carbon credits (which would help wind power by offsetting low pool prices), and Saskatchewan, where a new Strategic Plan is expected to be published in 2015.

In Canada, Enerfín also completed a deal with Canadian fund Eolectric Club Limited Partnership, which saw the latter take a 49% stake in the 100 MW L'Érable wind farm in Quebec. In parallel with this, Enerfín continued promoting its development activity in 2014 in the provinces of Quebec (where an 87 MW project ready to compete in future tenders arose), Ontario (where it was pre-qualified to take part in a 2015 tender) and British Columbia (where it signed two contracts to occupy public land for measurement purposes).

Enerfín position in Canada has been reinforced by the local fund Eolectric Club taking a stake in the L'Erable wind farm

L'Érable wind farm in Quebec (Canada)

The Osório wind farm is now fully operational

Enerfín started commercial operations at its Dos Indios 2 and 3 wind farms, with combined capacity of 52.9, in December. These are the final components in the 318 MW Osório wind-power complex to come on stream in Brazil's Rio Grande do Sul state.

This is one of the largest wind-power complexes in Latin America and has become an international technological benchmark, and an example of integration, sustainability and commitment to the region's unique values.

Enerfín also has 57.5 MW of capacity on stream and 188.6 MW of new construction in the nearby town of Palmares do Sul, giving it total awarded capacity in Brazil of 564 MW, establishing it as one of the largest wind-power operators in the country.

Australia

Regulatory uncertainty is rife in Australia following parliamentary debates about reducing the current renewable energy objective of 41,000 GW by 2020, slowing the sector's development.

In Victoria, where Enerfín is developing the Bulgana wind farm, the Labour Party won state elections in November; the resulting change of government is expected to favour the regulatory framework for renewable energy in the state.

The 150 MW Bulgana wind farm is 225 km to the north west of Melbourne, in the state of Victoria, and is expected to receive official authorisation in the first half of 2015. Enerfín is planning to study new opportunities that might complement its project portfolio.

Mexico

The government approved secondary energy reform legislation in 2014 introducing a competitive generating market open to private companies and establishing mechanisms to promote renewable energy.

Although some regulatory aspects and targets remain to be defined in 2015, the new electricity market is expected to start operating on 1 January 2016. Uncertainty about how the new market will work slowed growth in the sector in 2014.

Enerfín is following these changes closely and promoting its development activity in the country to position itself for the new power generation scenario expected.

The United States

In December, the Government extended its Production Tax Credit (PTC), the main driver of the wind-power sector, to projects that come into operation before 1 January 2017 -extending the end date by one year- and on which construction began before 2014 (previously 2013). As a result, around 12,700 MW are currently under construction in the USA.

Enerfín has stepped up its development activity in the country, and has signed an agreement to start developing a 75 MW wind farm in Oregon. It also analysing a range of opportunities in the country, mainly in the Great Lakes region, the north west (Oregon and Washington) and north east (Pennsylvania, New York and Maine).

Enhanced shareholder structure in Canada

Enerfín completed a deal with Canada's Eolectric Club Limited Partnership fund in November, which saw the latter take a 49% stake in the 100 MW L'Érable wind farm in Quebec. Enerfin, with a 51% stake, remains the majority shareholder and retains the management and operation of the farm.

The total outlay on this operation, which was made through a share issue, was CAD 71.8 million.

Eolectric Club LP's backers are Industrialist Alliance Insurance and Financial Services Inc., one of the biggest insurance companies in Canada; Fiera Axium Infrastructure Canada LP and Fiera Axium Infrastructure Canada II LP, two investment funds controlled by Fiera Capital Corporation and Axium Infraestructure Management; and Eolectric Inc., one of the main wind energy developers in the province of Quebec.

The completion of this deal coincided with the first anniversary of L'Érable coming into commercial operation, celebrated on 16 November. This first year of operation has been highly satisfactory, with power generation and availability far higher than projected.

Construction of Dos Indios 2 wind farm in Osorio (Brazil)

375 MW
in Brazil

100 MW
in Canada

1,500 MW
at various stages of development

Solar thermal

Elecnor made a strong entry into the solar thermal market in 2010 when it began building three solar thermal plants simultaneously in Spain. These showed that the Company has the technical and economic capacity to design, supply, build, start-up, operate and maintain solar thermal plants based on parabolic trough collector technology

The Aste 1A and Aste 1B plants in Ciudad Real operated satisfactorily in 2014, exceeding their electricity generation targets set at the start of the year by 4% and 6%, respectively. The output of the Astexol 2 plant in Badajoz was about 3% below target, due to maintenance work planned for 2015 being brought forward, extending its annual downtime to the end of the year.

The regulatory changes introduced by Royal Decree 413/2014 and Ministerial Order 1045/2014 have impacted on electricity generation from renewable, co-generation and waste sources, ending the regulated tariffs that previously applied and establishing specific remuneration as a new method for incentivising power generation. This specific remuneration comprises two parts: an amount per unit of installed capacity covering the investment costs of each type of installation not recovered through energy sales in the market, termed investment remuneration; and an amount covering the difference between operating costs and revenue for participation in the market for that type of installation, termed operating remuneration.

In addition, minimum and maximum equivalent operating hours have been established for each type of installation for the application of this specific remuneration. As a result, in the cases of Aste 1A, Aste 1B and Astexol 2, approximately 85% of total projected annual revenue was obtained by achieving 60% of the planned annual output of each plant.

The capacity of the control centre has been extended and improved, enabling continuing optimisation of the operation of the three plants. These measures have improved a number of operating processes in the three plants, contributing to an increase in performance of around 6% at each plant compared to the previous year. Furthermore, gas and electricity supply contracts have been improved by adjusting their technical terms and conditions or signing new agreements, resulting in significant cost savings in all cases.

An audiovisual tour of Elecnor's solar thermal plants

150 MW

of solar thermal energy in Spain

90,000

households provided with clean electricity

144,000

tonnes of CO_2 emissions prevented with the three solar thermal plants in operation

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

Solar photovoltaic

Azrak solar plant (Jordan)

Elecnor carries out photovoltaic activity through the parent company and its subsidiary Atersa, which develops project engineering solutions, distributes products and manufactures modules and electronics for solar photovoltaic energy

Global figures for the photovoltaic sector show a divergence between Spanish and international energy policy, with increasing international commitment to developing solar photovoltaic power. For example, 1.2 GWp were installed in Spain in the 5 years between 2010 and 2014, whilst 1.8 GWp were installed in Germany in 2014 alone.

As a result of regulatory changes over recent years and the legal uncertainty resulting from their retroactive application, activity in the domestic market was paralysed in 2014, with less development and the viability of the photovoltaic sector reduced to 2008 volumes.

Photovoltaic facilities connected to the grid in Spain totalled 4.7 GW, 3.2% of total installed capacity.

The international market, however, is continuing to break world records for installed photovoltaic capacity. Lower manufacturing costs for modules and other photovoltaic installation components are making this a global generating technology. However, installed capacity fell significantly in Europe in 2014. The penetration of the market by Asian companies through dumping should also be noted. This has still not been resolved, despite being pursued by the competition authorities.

Against this background, Atersa has continued driving forward its international expansion based on its three complementary business lines: manufacturing solar photovoltaic modules and electronics applied to solar power; product distribution; and engineering services, technical advice and project management.

The company's sales in 2014 were down year-on-year due to the renewable energy situation in Spain and, internationally, the disappearance of the Italian market, contraction of the Belgian, French and German markets, and commercial difficulties in north Africa. However, net profit increased considerably.

In Argentina, Elecnor was awarded the operation and maintenance contract for the Chimbera and Cañada Honda solar power facilities in San Juan province, with installed capacity of 7 MW.

Exploring new opportunities

Some of the growth opportunities Atersa is pursuing include the opening up of new markets for solar photovoltaic energy, the on-site market, the net balance in Europe and electrification of isolated rural areas due to scarcity of conventional networks in some parts of the world.

Increasing our presence in the Latin America market for constructing plants and developing network connection projects in Africa are of particular importance. We are also promoting our engineering services for large facilities.

In addition, new anti-dumping measures in non-European countries (Australia, Canada and India), together with technical problems with Asian modules installed in Europe in 2007 and 2008, point to demand for solar photovoltaic panels taking off.

Plants in operation

Elecnor exceeded its targets for its photovoltaic installations in 2014.

However, the remuneration of our plants was reduced by application of the new remuneration framework for renewable energy.

At year-end 2014, Elecnor was operating and maintaining the eight photovoltaic facilities it owns: 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).

Atersa in the first photovoltaic plant development in Jordan

As a result of Atersa's international expansion drive, it has been awarded the tender for the first solar photovoltaic plant in Jordan. This contract covers supply, installation and the first two years of operations at the plant.

The project involves a 2.18 MWp plant connected to the grid, divided into two sections: 1.12 MWp on a fixed support structure and 1.06 MWp on one-axis trackers. The project is located in the city of Azraq in the north of the country, about 60 km from the Syrian border.

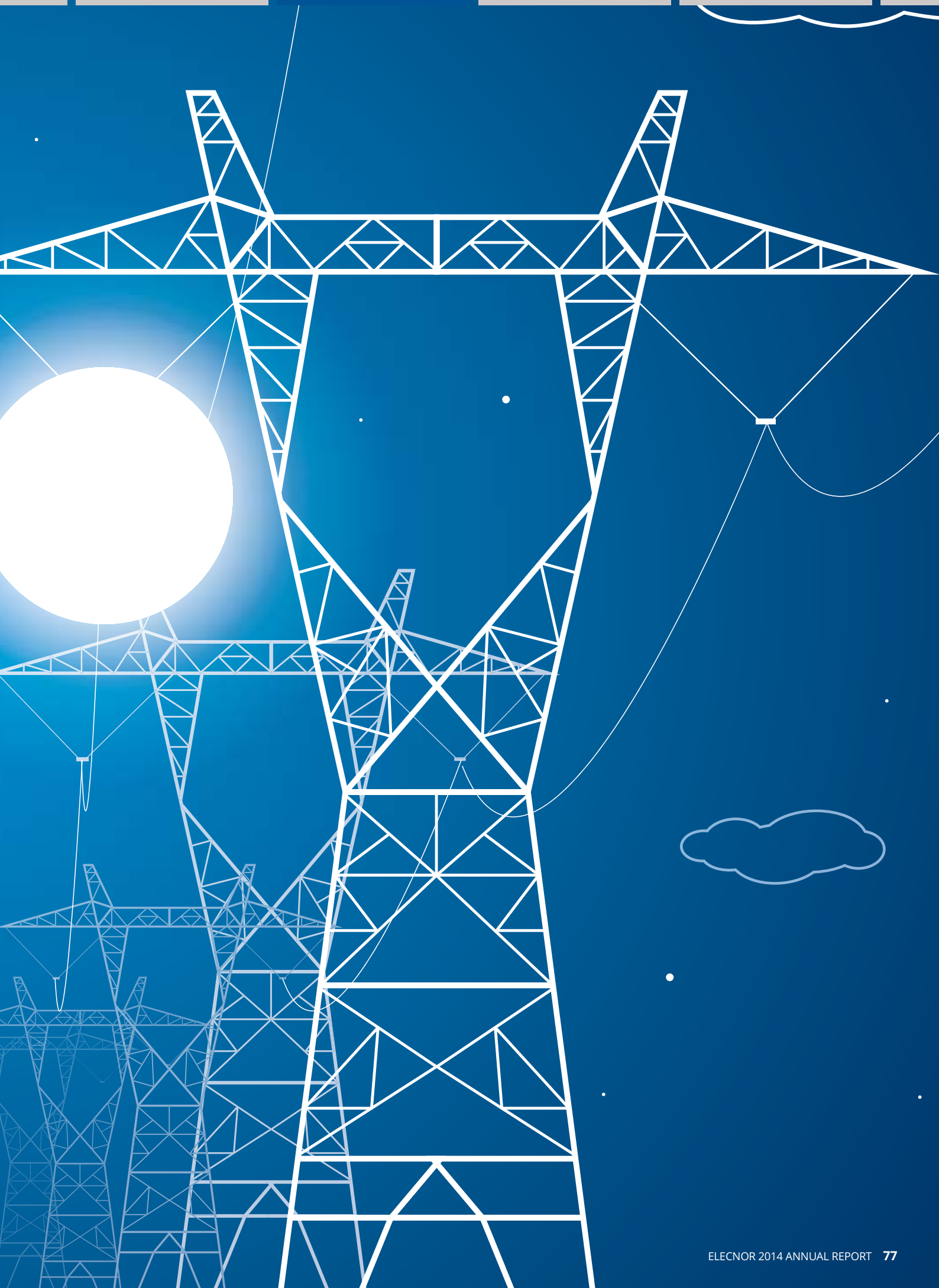
The modules used will be from Atersa's A-295P ULTRA range, which it manufactures at its Almussafes plant in Valencia. Our CSP 12™ 1kV model connection case will also be installed, facilitating the grouping of series of panels with protection and supervision of the current in each series of panels.

The solar plant will connect to Jordan's electricity grid at 11 kV.

Atersa will also supply the photovoltaic panels for an adjacent 3 MWp plant.

Concessions and investment

Elecnor's concession activity, alongside its promotion of renewable energy plants, has resulted in it developing a significant concession and investment presence, requiring intensive investment in capital for the development of large end-to-end projects, generating revenue from development, implementation, operation, maintenance and exploitation in areas such as power transmission, gas, the environment and space



Electricity infrastructure

Elecnor is among the leading developers of electricity transmission projects under concession arrangements in Brazil and Chile. It was involved in 12 concessions in Brazil at year-end 2014. The Group was awarded its first project in Chile, the 255 km, 500 kV Ancoa-Alto Jahuel transmission line, in 2009. A second line was added to this in 2012

Açailandia substation (Brazil)

3 new

concessions come into commercial operation in Brazil

The 12 electricity transmission concessionaire companies in Brazil in which Elecnor is involved through its subsidiary Celeo Concesiones e Inversiones operate 3,859 km of lines. All of these are 30-year operation and maintenance contracts put out to tender at different times by the energy regulator, Agencia Nacional de Energía Eléctrica (ANEEL).

3 concessions were commissioned in Brazil in 2014:

- Integração Maranhense Transmissora de Energía, consisting of 365 kilometres of 500 kV transmission line in Maranhão state.
- Caiuá Transmissora de Energía, consisting of 135 kilometres of 230 kV line and two substations, totalling 700 MVA, in Paraná state.
- Brilhante II Transmissora de Energía, involving a 200 MVA substation in the state of Mato Grosso do Sul.

The company was also awarded the new Cantareira Transmissora de Energía concession in 2014. This consists of a 328 km, 500 kV double circuit transmission line in the states of Minas Gerais and São Paulo. This project is expected to come on stream in 2018.

The company was also awarded the construction of an upgrade to the existing Encruzo Novo Transmissora de Energía concession, with an additional 100 MVA transformer, which is expected to be commissioned in 2016.

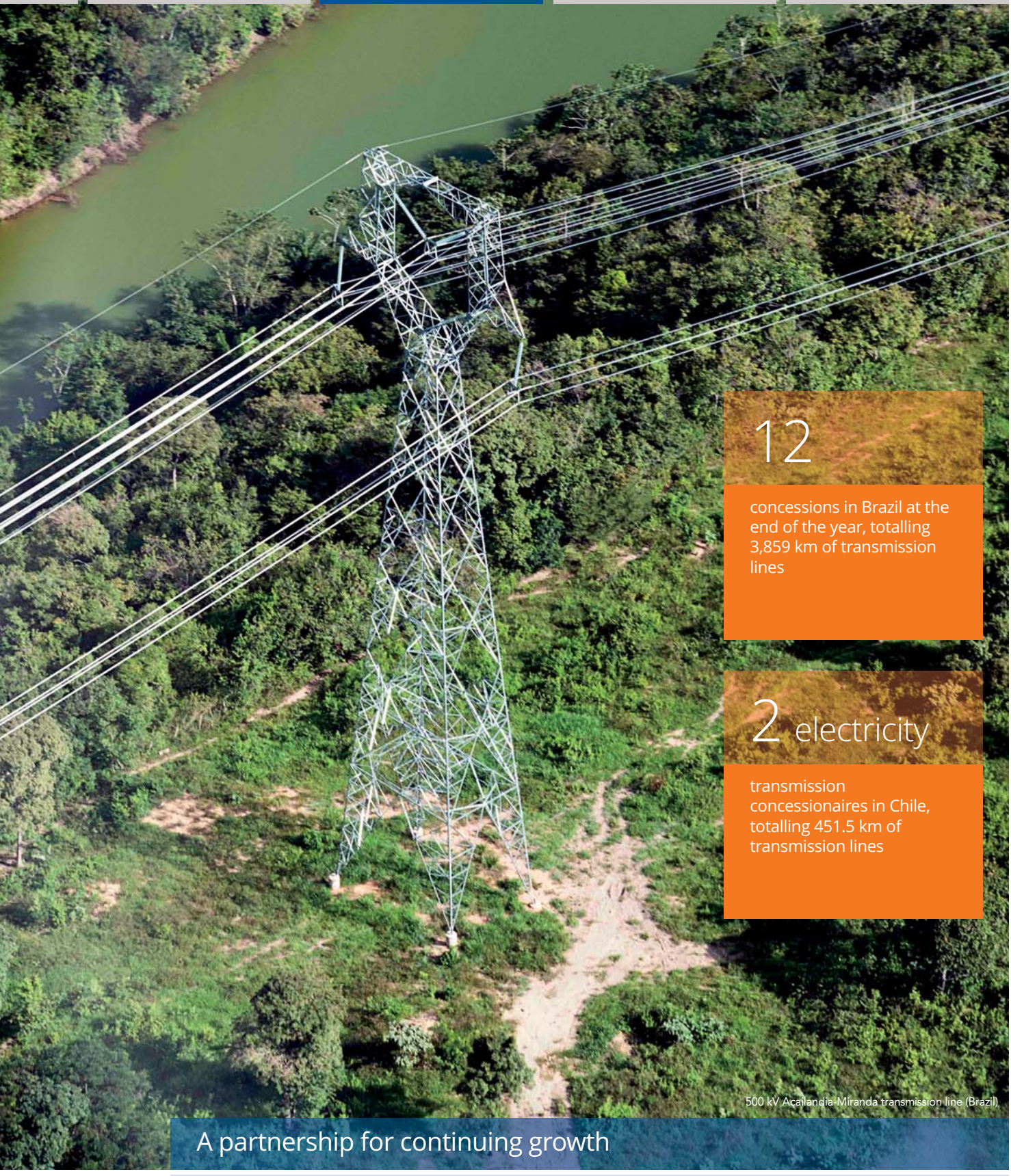
Chile

Celeo Concesiones e Inversiones is involved in two electricity transmission companies in Chile, totalling 451.5 km of lines.

In 2014, work progressed on construction of the 2x500 kV Ancoa–Alto Jahuel project, with the cabling of the first circuit, which is expected to come on stream in 2015. The project consists of a 500 kV, 255 km transmission line and the grid connections for each of the substations.

Work has also begun on the extension project for the 2x500 kV Ancoa-Alto Jahuel line with cabling of the second circuit. This project was awarded in 2013 and is expected to come into service in 2016.

In 2014, we carried out the design work, and obtained the permits and environmental authorisation for the "2x500 kV Charrúa-Ancoa line, laying of first circuit" project. We were awarded the contract for this 196.5 km, 1,400 MVA line in 2012.



12

concessions in Brazil at the end of the year, totalling 3,859 km of transmission lines

2 electricity

transmission concessionaires in Chile, totalling 451.5 km of transmission lines

500 kV Acailandia-Miranda transmission line (Brazil)

A partnership for continuing growth

Elecnor, through its concessions subsidiary Celeo, and Dutch pension fund manager APG Asset Management sealed a strategic agreement in September 2014 to jointly develop and invest in power transmission projects in Latin America.

Under this agreement, APG took a 49% stake in Celeo Redes, a wholly owned subsidiary of Celeo Concesiones e Inversiones, the company which manages the Elecnor Group's investments in power transmission projects. APG paid EUR 237 million for this stake. As part of the alliance, Elecnor and APG have committed to additional investment of over EUR 350 million in a plan to expand power transmission assets in Latin America over the next five years.

Gas infrastructure

Morelos gas pipeline (Mexico)

Elecnor continued work on its first gas pipeline in Mexico in 2014, to provide natural gas transmission services for the CFE (Federal Electricity Commission) for an initial 25 year period, renewable for further periods

The contract involves constructing, operating and maintaining Elecnor's Morelos gas pipeline, its first in Mexico, which will also serve other customers. Investment of USD 270 million has been earmarked for the project. The pipeline is approximately 160 km long and runs through the Mexican states of Tlaxcala, Puebla and Morelos. It links the current gas pipeline system owned by the Mexican company Pemex Gas Petroquímica Básica in Tlaxcala to several power plants to be developed in Morelos in the future.

Work on the first stage of the project started in 2013 and will continue until 2015. This first stage includes providing a service for electricity generating facilities in the municipality of Yecapixtla, in the State of Morelos. The remaining work on stage 1 will be completed in 2015, with stage 2 expected to start in the second half of the year.

Morelos gas pipeline (Mexico)

Environment

Environmental activities are the backbone of Celeo, the Elecnor Group's main vehicle for investing in, developing and operating concessions. Specifically, these activities entailed three water treatment concessions in Aragon in north-eastern Spain, SADAR, SADEP and SAPIR

SADAR

This concession involves 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.

Around 3.6 hm^3 of water were treated in 2014.

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.

2.6 hm^3 of water were treated in 2014.

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 was commissioned in August and 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. Combined, they can treat a 45,540 pop.eq flow of waste water.

The concession agreement covers two years of construction and 20 years of operation, with a total budget of approximately EUR 91 million.

1.4 hm^3 of water were treated in 2014.

39

waste-water treatment plants in operation in Aragon

7,6 hm^3

of water treated

Biescas WWTP (Huesca)

Space

Elecnor Deimos completed one of its most significant investment projects in 2014: the 19 June 2014 launch of its second Earth observation satellite, Deimos-2, the first Spanish high-resolution satellite. Elecnor has invested EUR 60 million in this development, which is expected to increase to EUR 100 million by the end of its useful life, estimated to be 7 years. Since going into orbit, it has been considered one of the best five satellites in the world for its core parameter, space resolution

On 19 June 2014, Elecnor's technology area completed one of the most ambitious aerospace projects ever undertaken in Spain. This was the launch of the first Spanish high-resolution satellite, Deimos-2, from Russia's Yasny launch base.

This mission has been developed in a record time of three years. Since launch, Deimos-2 has been involved in various projects at the service of society. It provides highly accurate information in response to requests from its customers (mainly governments and large companies) for images relating to agriculture, the environment, climate change, crisis control and civil protection (fire and floods), defence, intelligence and border control.

This new panchromatic and multispectral satellite, weighing 300 kg and measuring 2 m high by 1.5 m wide, is fitted with a camera that captures very accurate and detailed images, with 75 cm resolution. The satellite is capable of covering 150,000 km^2/day. One pixel of an image taken by Deimos-2 captures 30 times more data and detail of an area than one pixel of an image taken by Deimos-1, the company's first satellite, launched in 2009.

Elecnor Deimos' second proprietary mission

The first satellite developed by the company was Deimos-1, which stood out as the first Spanish earth observation satellite and the first project of its kind in Europe to be funded in full by the private sector. It was put into orbit in July 2009 and over the last five years has become one of the most widely used in the fields it was designed to serve: agriculture, the environment and mitigating the effects of natural disasters.

Deimos-1 boasts a sensor that captures images with a swath width of 650 km.

Total

investment of EUR 100 million planned for the development and working life of Deimos-2

150,000

km^2 of high-resolution images captured by Deimos-2 daily

Deimos-2

circles the Earth 14 times each day

Elecnor's second earth observation satellite, Deimos-2, is involved in a range of projects at the service of society

Ebro River in flood near Zaragoza. Photo taken by Deimos 2

Elecnor Deimos' pioneering Satellite Assembly and Operations Centre

Elecnor Deimos has developed a pioneering Satellite Assembly and Operations Centre in Puertollano, Ciudad Real, to build and subsequently control the Deimos-2 mission. With investment of close to EUR 8 million, this complex, inaugurated in 2013, enables the Company to assemble and control not only its proprietary satellites, such as Deimos-2, but also those of third parties.

It is equipped with the most advanced technology and is structured as follows:

- Engineering area: where the work of designing and engineering satellites is carried out.
- 400 m^2 clean room, for satellite assembly and testing. This is fitted with a sophisticated ventilation and air filtration system to maintain the most rigorous environmental parameters and temperature and humidity control for assembly of satellites to the most demanding standards.
- A 10.2 m diameter, dual band (S + X) dish is used to communicate with Deimos-2 and receive the images collected by the satellite. Three more dishes are included in the array for communication with Deimos-2: in Boecillo, Valladolid (where Elecnor Deimos has another control centre from which Deimos-1 is currently monitored), another in Inuvik, Canada, and a third in Kiruna, Sweden.
- Control Centre: from which Elecnor Deimos communicates with, and monitors and controls, the satellite. Remote control data is sent from here to programme the images Deimos-2 takes, how it should manoeuvre and to perform emergency manoeuvres to avoid collisions with space junk. The Centre also receives telemetry data on the satellite's health and the images taken by Deimos-2.

Once the images reach the Control Centre, the data is processed and converted into a finished product for customers (primarily companies and governments). Elecnor Deimos has developed software in house for this process (the gs4EO product suite, capable of processing and delivering images to customers in less than two hours).

Through Deimos-2 and the Puertollano Satellite Assembly and Operations Centre, Elecnor Deimos operates across the entire space mission value chain, giving it the capability to manage entire space programmes; design, assemble, test, launch and operate earth observation satellites; operate observation satellites commercially; and develop earth observation systems for third parties.

The launch ceremony for Deimos-2, in images

2,891

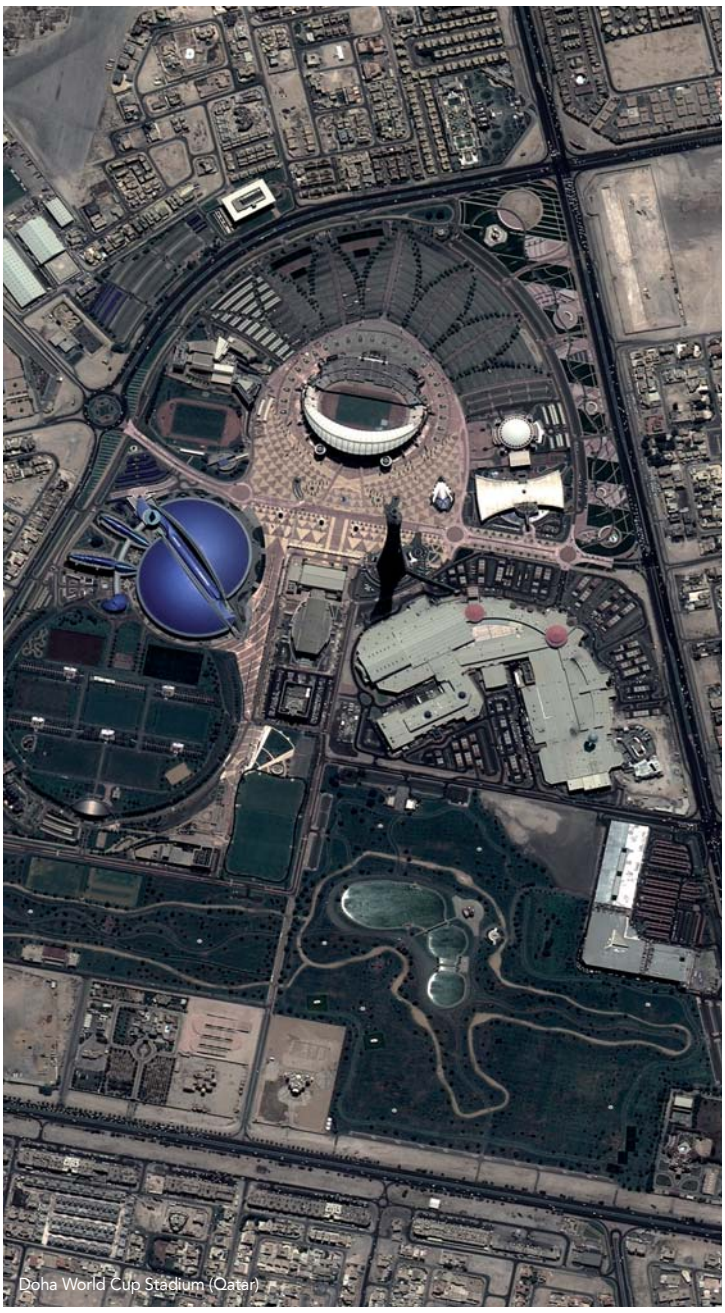
orbits of the Earth and 127,000,000 km travelled from launch to year-end 2014

EUR 8 million

directly invested in the Puertollano Centre

4,000 m^2

of space at the Puertollano centre for satellite control and monitoring


Doha World Cup Stadium (Qatar)


San Francisco (United States)


San Francisco (United States)


Doha World Cup Stadium (Qatar)

The first images captured by Deimos-2

The new Deimos-2 satellite started capturing images only 12 hours after its launch and has continued to do so ever since. The first images taken by the satellite were of San Francisco in the USA and Qatar's capital city, Doha, showing its avenues and the development being built there for the 2022 World Cup.

Corporate strategies and policies

Against the backdrop of the current economic recovery from the crisis that began in 2008, Elecnor has reaffirmed its corporate strategies and policies, which have demonstrated their effectiveness over recent years: financial solvency and prudent risk management, seeking partnerships with prestigious partners who increase the Group's investment capacity, international expansion and promoting quality and environmental, R&D and innovation, energy management and occupational health and safety policies

Financial solvency and risk management

Elecnor places the utmost strategic importance on prudent financial management. It bases its financial management policy on three key principles: financial risk management, arranging favourable funding conditions and a balanced and sustainable debt structure

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. This type of financing requires interest rate risk to be hedged contractually through interest-rate hedges. Borrowings for both project and corporate finance are arranged at variable rates, with the Group using hedges to minimize the interest-rate risk on the borrowings. The hedging instruments are assigned to specific 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.

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 banks, 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

In 2014, Elecnor registered a company promissory note programme with the Alternative Fixed Income Market (MARF)

Dos Indios wind farms (Brazil)

receivable for commercial transactions. We minimise this risk by working with customers with a sound credit history. The sector and activity in which we are involved ensures that Elecnor's customers have high credit ratings. However, we use mechanisms such as 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, Parques Eólicos Palmares, Ventos da Lagoa, Ventos do Litoral Energía and Ventos dos Indios Energía (Brazil) have signed 20-year electricity sale contracts for their output with the Brazilian electricity distribution company. 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.

In today's economic climate, Elecnor is more concerned about credit risk than other financial risks. Faced with this situation, it is continuing to take measures to offset these risks, reviewing its credit risk exposure regularly 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.

Liquidity and debt

Elecnor's net corporate financial debt totalled EUR 348 million at year-end 2014. The EBITDA/net financial debt ratio was 2.56, below the 3.5 maximum in the covenants of the syndicated credit facility.

This syndicated credit facility also places a limit on net financial debt of 95% of capital and reserves. This stood at 56% at year-end

Elecnor's treasury position at year-end 2014, excluding project treasury, amounted to EUR 191 million. Including its undrawn credit facilities of EUR 540 million, its total funds available amounted to EUR 731 million, of which only EUR 60 million matures in the current year. This demonstrates the company's strong liquidity.

Obtaining funding

There can be no doubt that Elecnor has come through the worst of the financial crisis with a high degree of solvency. The robustness of its financial position is shown by its ability to sign a 5-year EUR 500 million syndicated loan facility in January 2012.

However, that agreement has never been an obstacle to the company seeking to take advantage of changes in financial markets, so as to keep its financing costs tightly contained and to maintain limits at optimum levels. As a result, it signed a new syndicated loan agreement in July 2014, cancelling the remaining EUR 401 million under the 2012 agreement and replacing it with EUR 600 million, maturing in July 2019.

This agreement was signed with 19 institutions, both domestic and international, with 6 new institutions joining the 13 in the funding replaced. Once again, the agreement was oversubscribed, this time by 30% (8% oversubscribed in 2012). The main lenders are Santander, Caixabank, Bankia and Sabadell, who together account for 50% of the facility.

In addition to increasing the limit and extending the maturity, Elecnor also negotiated considerably improved terms and conditions, reducing financing costs by over 100 APR points, saving EUR 21 million over the life of the operation.

The alternatives available in capital markets were analysed in depth before deciding to seek a new syndicated loan. Choosing bank funding has enabled Elecnor to achieve costs that could not be matched in capital markets for comparable maturities and amounts.

However, as an alternative to bilateral credit facilities, Elecnor decided to issue corporate promissory notes in the Alternative Fixed Income Market to meet its short-term funding requirements. It published an Issue Programme in March 2014 with a limit of EUR 100 million, which it subsequently increased to EUR 200 million, which may be issued for up to 24 months. This is currently the Group's cheapest funding option. As a result, it rolled the programme over for a further year in March 2015.

Elecnor signed a new syndicated loan agreement in 2014, with a limit of EUR 200 million, maturing in July 2019

Miranda II Substation (Brazil)

Internationalisation

Elecnor made further progress in its international expansion in 2014, with international markets accounting for 54% of its sales. In addition to consolidating its presence in 10 stable markets on 3 continents, it chalked up sales in 31 other countries, further expanding its project pipeline

In 2014, Elecnor's sales in foreign markets amounted to EUR 929 million, 54% of its total sales, representing the majority of its business for the second consecutive year.

In addition to Spain, the Group has built up a solid and stable presence in 12 other markets: Brazil, Venezuela, Angola, Mexico, the USA, the Dominican Republic, Uruguay, Argentina, Chile, the UK, Ecuador and Honduras. Elecnor obtained sales in another 31 countries in 2014, with a total of 40 countries contributing to its revenue.

Furthermore, 82% of the total order book of EUR 2,417 million at year-end 2014 derives from the international market, amounting to EUR 1,979 million.

Together with diversification, international expansion is one of the key aspects of Elecnor's development, and has been particularly important over recent years.

The international business was employing 5,402 people at the end of the year, 43% of the total headcount.

On five continents

There are no frontiers for Elecnor's international expansion. The most significant developments in 2014 occurred in Australia, where a subsidiary was established that has already generated its first projects, and the Middle East, with various renewable energy (wind and solar photovoltaic) contracts in Jordan and potential orders at an advanced stage in other countries.

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, two aspects that have enabled it to enter and gain a foothold in the transmission line markets in Brazil and Chile, the wind power markets in Canada and Brazil, and the gas transport service market in Mexico.

Elecnor's international growth strategy is firmly based on alliances with industrial and financial partners. Two alliances of strategic interest were signed in 2014. Firstly, 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.

54 %

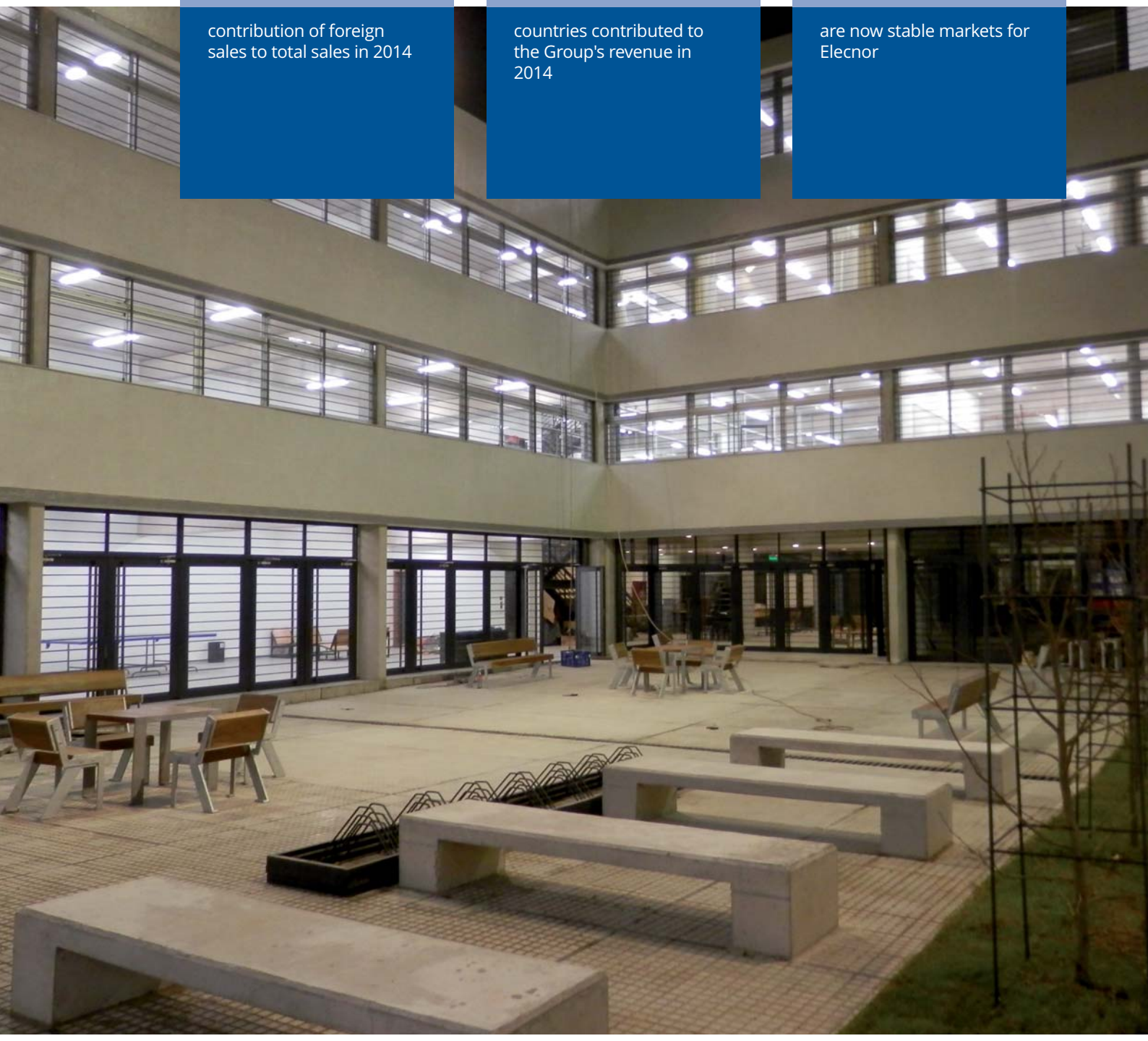
contribution of foreign sales to total sales in 2014

42

countries contributed to the Group's revenue in 2014

12

are now stable markets for Elecnor



Construction of Liceo 17 (Uruguay)

Sales to 40 countries on 5 continents in 2014

The Group also agreed a deal with Canadian fund Eolectric Club Limited Partnership, which saw the latter take a 49% stake in the 100 MW L'Érable wind farm in Quebec. This deal reinforces the Group's strategy of stepping up its development activity in Canada, where it is already studying new wind projects in the provinces of Ontario, Quebec and British Columbia.

Diversification

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

Australia

As part of its international expansion strategy, Elecnor recently established a new subsidiary in Australia, headquartered in Melbourne. This will focus on developing infrastructure and renewable energy businesses in this and other countries in the region.

Elecnor has chosen Australia as the base from which to expand its operations in the Asia-Pacific region, one of the Group's priority markets.

Elecnor Australia was created in response to the increasing energy, infrastructure, water and industrial opportunities in the region.

The newly-established Elecnor subsidiary has already won its first major contract in Australia, to build a 70 MW photovoltaic plant in Moree, New South Wales. This project is particularly noteworthy as, in addition to being the largest photovoltaic project built by Elecnor, it is also the largest photovoltaic facility in Australia.

Elecnor Australia is also developing a 23 MW photovoltaic project of its own in Barcaldine, Queensland, through its subsidiary Barcaldine Remote Community Solar Farm, in partnership with Kingsway Europe.

5,402

employees abroad (43% of the total headcount)

EUR 551

million allocated to investment projects abroad in 2014, 69% of the total

Guernsey solar park in California (United States)

The United States

The US and the rest of North America are key markets in Elecnor's international expansion plans. This is demonstrated by our stable presence in the country through our subsidiaries Elecnor Inc., Elecnor Belco, which operates on the eastern seaboard of the US, and Elecnor Hawkeye, which provides infrastructure services for power and gas sector companies in the country's North-east and Mid-Atlantic states.

The purchase of Belco in late 2011 enhanced Elecnor's presence in the US electricity infrastructure market. The first major project in the country was the construction of a 20 MW installed capacity solar PV plant in California. Highlights in 2014 included the refurbishment of the electricity installations at the new Student Services Building at the Lawndale Institute in Southern California and new facilities at the Hall of Justice in Los Angeles, California.

Elecnor Hawkeye is Elecnor's US subsidiary, set up following its acquisition from the Willbros Group in 2013. The company's strategic approach in the current year is to increase its reach through client electricity companies. This approach will continue in future. Some of the main projects include the upgrade of power distribution systems for the Stony Brook campus of the State University of New York on Long Island, construction of a 34 kV overhead line for Iberdrola in Maine and the laying of a 345 kV underground cable for PSEG in New Jersey, which is noteworthy because of the specialisation and difficulty involved.

Corporate integration

Quality Management

Quality has been part of Elecnor's culture from the outset, focusing on 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
- Establishing continuous improvement in the process of defining and implementing preventative, corrective and improvement actions
- Involving the whole workforce in the challenge of quality and improving the integration of know-how into the quality system

A number of activities and initiatives were undertaken in 2014 to enhance the continuous improvement process. These included:

- We continued our successful experience in increasing the integration of distribution activity into our Integrated Management System over previous years with the integration of other Elecnor activities, specifically facilities and substations exceeding 66 kV. As with distribution activity, we have prepared and updated production procedures, which we will start to roll out across the organisations involved in such activities
- AENOR performed external audits of the OSHAS 9001 certification of the Elecnor Group's business units, divisions and subsidiaries, all of which produced satisfactory results.
- Elecnor's companies were all subject to internal audits and System Monitoring Committees.
- The Corporate Quality and Environment Department has put in place the basis for the international roll out of the Integrated Management System

Further developing our continuous improvement, in 2015 we will be orientating the current Integrated Management System to achieving results. To this end, we have established general objectives for the whole organisation. These will enable us to align the objectives of the System with those of the company more clearly. 2015 will be the first year in which we consolidate key information across the main Quality and Environment areas.

Certification

In 2014, AENOR audited Elecnor's organisations, maintaining UNE-EN ISO 9001:2008 certification for the Quality Management Systems of the:

- Energy Unit (ER-0096/1995)
- Major Network Unit (ER-0711/1996)
- East Business Division (ER-0175/1995)
- Centre Business Division (ER-0313/1995) and Northern Offices (ER-0360/1995)
- Northeast Business Division (ER-0700/1996)
- South Business Division (ER-1766/2002)
- Elecnor Medio Ambiente (ER-0122/2004)

And the Group's subsidiaries:

- Ehisa Construcciones y Obras (ER-2042/2004)
- Elecnor Seguridad (ER-1887/2007)
- Área 3, Equipamiento, Diseño e Interiorismo (ER-1383/2010)
- Atersa (ER-0979/1997)
- Audeca (E R-0990/1999)
- Elecnor Deimos (ES 028047-2)
- Hidroambiente (SGI 1201167/11)
- Adhorna Prefabricación (ER-0076/1997)
- Jomar Seguridad (ER-0166/2014)
- Omninstal Electricidade (2005/CEP.2457)
- Ditra Cantabria (ESC-5469/10)

Environmental Management

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

Elecnor's environmental management system is certified under the UNE-EN-ISO 14001:2004 standard, which offers a number of benefits, including:

- A reduction in environmental risks, thereby improving the Group's environmental management in line with its commitment to protecting the environment. Elecnor has enhanced its Environmental Management by contracting environmental liability insurance for all of its activities
- Improved training and environmental awareness of employees
- Promotion and development of activities to improve energy management efficiency

In 2014, AENOR audited Elecnor's organisations, maintaining UNE-EN ISO 14001:2004 certification for the Environmental Management Systems of the:

- Energy Unit (GA-2000/0294)
- Major Network Unit (GA-2000/0295)
- East Business Division (GA-2002/0225)
- Centre Business Division (GA-2003/0220) and Northern Offices (GA-2002/0183)
- Northeast Business Division (GA-2004/0031)
- South Business Division (GA-2004/0273)
- Elecnor Medio Ambiente (GA-2004/0030)

And the Group's subsidiaries:

- Ehisa Construcciones y Obras (GA-2006/0131)
- Elecnor Seguridad (GA-2007/0649)
- Área 3, Equipamiento, Diseño e Interiorismo (GA-2010/0752)
- Atersa (GA-2009/0396)
- Audeca (GA-1999/0134)
- Elecnor Deimos (ES 028048-2)
- Hidroambiente (SGI 1201167/12)
- Enerfin (GA-2003/0416)
- Adhorna Prefabricación (GA-2014/0003)
- Jomar Seguridad (GA-2014/0085)
- Ditra Cantabria (MA-1859/10)

Calculating our carbon footprint

Climate change is one of the main global challenges of the century, because of its significant impact on economic activity, the welfare of the population and eco-systems. Elecnor contributes to the struggle against this phenomenon through its global strategy of respecting and defending the environment and activities and businesses that reduce greenhouse gas emissions.

In 2014, this strategy was enhanced by calculating our carbon footprint pursuant to the most widely recognised international standards: the Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard and the ISO 14064 standard.

There were two stages in this project. The first involved a pilot assessment of the characteristics and activities of Elecnor's units to determine the scope of the study, the nature of the processes, the analysis levels and relevant indicators. This involved selecting a sample of units, offices and subsidiaries for the first phase of analysis. The results obtained were used to define the operational control to be used in calculating the indicator for Elecnor. This involved including direct and indirect emission sources in the control of each organisation.

In the second stage of the project, Elecnor's units reported the information needed to calculate our carbon footprint. The result of the second stage was therefore Elecnor's 2014 carbon footprint.

In 2015, we will be consolidating the implementation of this indicator in Elecnor, registering our carbon footprint in the Ministry of the Environment, Rural and Maritime Affairs' "Carbon Footprint, Offset and Carbon Dioxide Absorption Projects Register".

Energy Management

Energy Management is one of the five components in Elecnor's Integrated Management System (SAQP), alongside environmental management, quality, occupational health and safety, and R&D and innovation. As with the other areas, this has been recognised through the award of UNE-EN ISO 50.001:2011 Energy Management certification

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 features the following procedures for implementing this policy:

- **Energy review:** establishing systems that 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 basic guidelines associated with these
- **Design of energy-efficient facilities:** providing 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 the projects and facilities falling within the scope of our system
- **Monitoring and measurement:** putting in place a system to monitor and measure the key characteristics of operations and activities that might significantly impact 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 50.001:2011 requirements, as certified by AENOR with reference GE-033-2013, for the following activities:

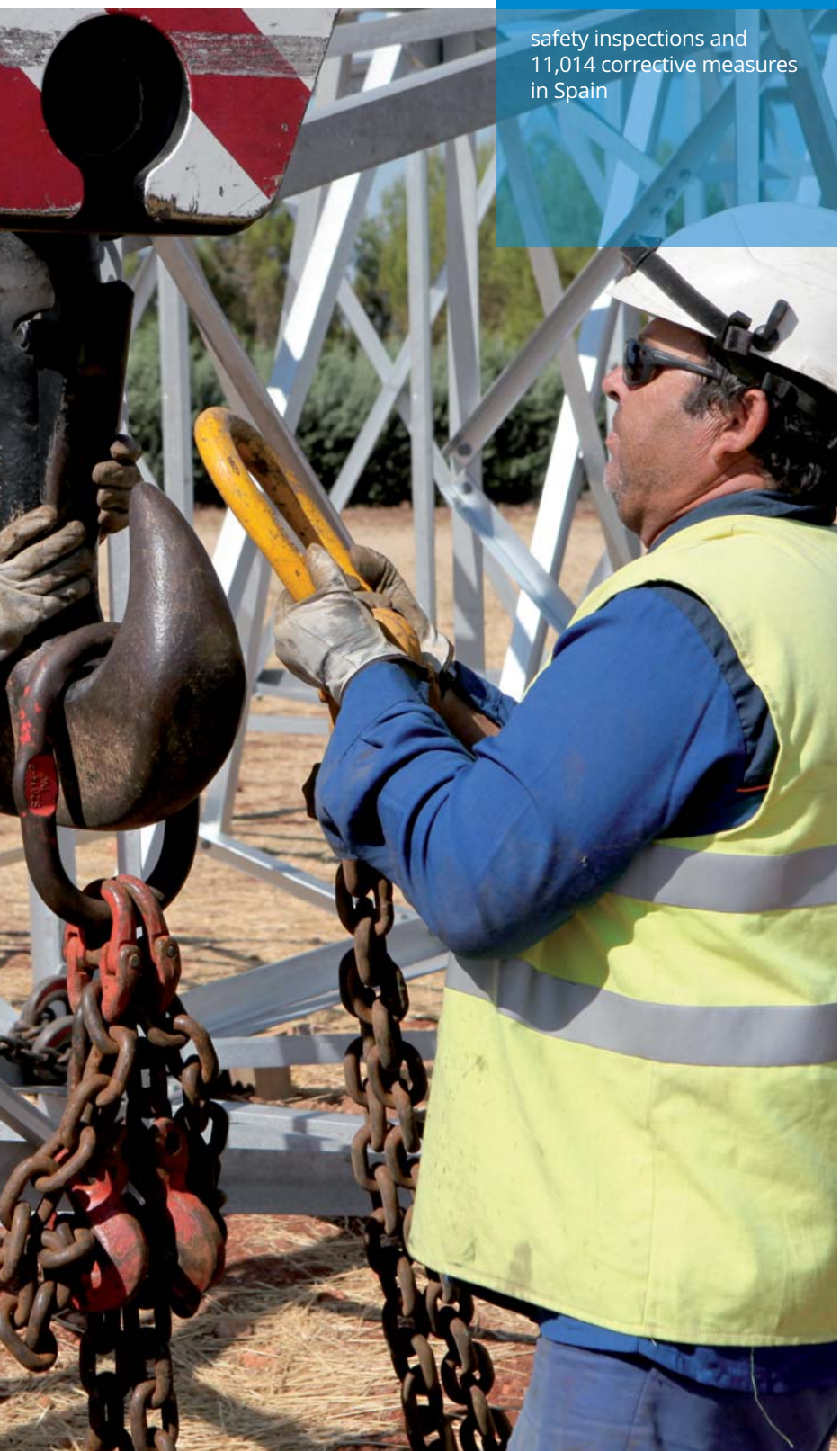
- Provision of comprehensive maintenance and energy efficiency services in all types of facilities, buildings and premises, whether our own or owned by others and operated on a managed basis. Management of electricity and fuel production and supply. Repair and replacement of facilities for converting 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. We have implemented this in the HQ of our Central Regional Office and in the municipal buildings and public lighting for Villanueva de Perales council, in Madrid.

Public lighting ESC in Ribadesella (Asturias)

Occupational Health and Safety

In keeping with our commitment to occupational health and safety, Elecnor is committed to continuously improving the working conditions of everyone involved in the Group's activities. Our objective is to increase health and safety protection for everyone involved in the company's projects

Alarcos-Piedrabuena 45 kV double-circuit, high-voltage aerial line (Madrid)



24,496

safety inspections and 11,014 corrective measures in Spain

Our main occupational health and safety activities in 2014 included:

- External OHSAS 18.001 certification audits by AENOR of two Units, four Organizations and the Northern Office, the activities of Elecnor Medio Ambiente and our subsidiaries Ehisa and Audeca, all with satisfactory results. Enerfín and Jomar Seguridad also obtained OHSAS 18.001 certification. The external legal audit of all Joint Prevention Service companies that must be conducted every two years also took place, covering 14 companies in addition to Elecnor.

- Enhancement and extension of Internal Audit's OHS oversight of our projects. 824 audits of this kind were conducted during the year.

- 24,496 safety inspections took place in Spain to monitor actual working conditions. These resulted in 11,014 corrective measures being implemented to improve safety. A further 17,262 working condition checks were carried out by line managers to monitor conditions in their projects. 6,229 international safety inspections were carried out, with a total of 6,229 corrective measures implemented.

- Planned training and information activities for the workforce continued, involving 17,609 people, most of whom took part in more than one training event. A total of 80,417 hours of occupational health and safety training took place in the year, not including OHS aspects of technological and management training, such as electrical qualifications/authorisations, equipment operators, etc.

- Special activities for the World Day for Safety and Health at Work on 28 April 2014 were carried out to raise awareness among employees.

- On-going monitoring of the activities of subcontractors, including managing the inspections of many of these. Coordination and information meetings were also held with sub-contractors.

In 2014, we recorded our second best injury frequency index since 1967

These efforts were rewarded with our second-best accident frequency rate in Spain since 1967, when the Group started preparing these statistics. In 2014, the accident frequency rate was 14.1. In the international market, the rate was 12.8. This means the overall Group-wide accident frequency rate stood at 13.5, the joint second-best performance since the Group started compiling these statistics.

Alarcos-Piedrabuena 45 kV double-circuit, high-voltage aerial line (Madrid)

If you care about your life, protect it at work

In something that has now become a tradition, on 28 April 2014 Elecnor carried out an internal campaign for the World Day for Safety and Health at Work.

This year the campaign focused on a video establishing the similarities between risks in personal life and at work. The objective was to raise awareness of the need to take every precaution in both areas, particularly at work where these are sometimes ignored. The video was aimed at an international audience. It was translated into English, French, Italian, Portuguese, Brazilian and Arabic, and distributed to all the countries where the Group is active.

An event was also held featuring executives, representatives of Elecnor's management chain and workers, representatives of customer companies (Telefónica and Endesa), the regional government of Madrid, and employers' and workers' representatives. This event was then extended to all of our business units, with the company's workers taking part in workshops to analyse their attitudes to health and safety. Our workers were also presented with an updated Occupational Health and Safety Folder, improving the OHS documentation previously provided.

80,417

hours of OHS training for 17,609 participants

6,229

safety inspections and 6,229 corrective measures in the international market

R&D and innovation

Elecnor's global approach to R&D and innovation management treats innovation as an inherent part of corporate culture. As a result, it promotes the creation of innovative ideas and provides support to transform them into tangible projects

The R&D and Innovation Management System provides a methodology for systematic innovation development and planning in Elecnor. The Corporate Quality and Environment Department was involved in a number of activities and initiatives in this area in 2014, including:

- An AENOR audit of the R&D and Innovation Management System of Elecnor, S.A. under the UNE 166002:2006 standard, with satisfactory results.
- Internal audits and attendance of Review Committee meetings by System managers.
- We work continuously to improve the Management System and adapt it to our organisational and management changes.

Elecnor's certification, IDI 0023/2012, applies to all the company's research, development and innovation activities for:

- Railway electrification technology.
- Non-conventional energy technology (maritime).
- Computer software science for electricity and railway infrastructure simulation and management.
- Electricity transmission and distribution engineering and technology.
- Development of software tools to improve process management.
- Environmental engineering and technology relating to waste water and water treatment.

The R&D and innovation management systems of Audeca, Atersa and Elecnor Deimos were also audited by AENOR, under the UNE 166002:2006 standard, retaining their certification.

Promoting innovation

In addition to activities related to the R&D and Innovation Management System itself, in 2014 the company also sought to expand internationally and to continuously improve its corporate tools, in order to generate and implement high added value projects in the Group's main markets. Some of the main activities included:

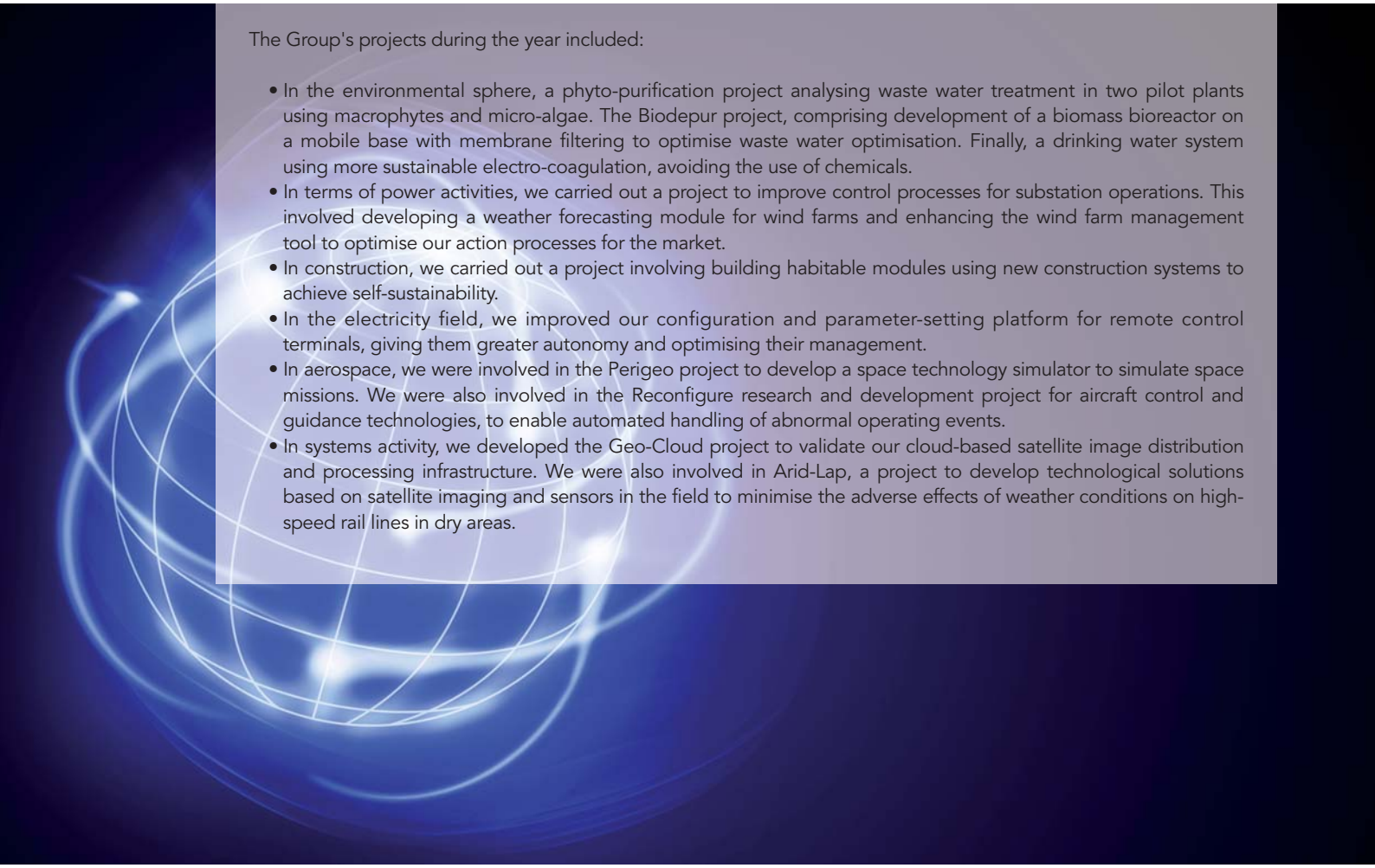
- The Focus 2014 competition for financing internal R&D and innovation projects. This year foreign subsidiaries were involved for the first time, specifically Chile, Brazil, Mexico and the USA. The competition focused in particular on projects that can be brought to the market quickly.
- Two themed workshops focusing on issues of particular interest to the organisation: energy services and hybridisation of diesel power plants through photovoltaic power. The event took a strong international approach and attracted Group personnel involved in such activities.

All our R&D and innovation projects in 2014

Elecnor's R&D and innovation is aligned with the Group's global objectives of international expansion and generating new business

In 2015, we will be seeking to continue the international development of R&D and innovation through involvement in internal project financing competitions. We also want to optimise internal competitions to increase the quantity and quality of the projects carried out, and to align R&D and innovation more clearly with generating new business.

Major R&D and innovation projects in 2014



The Group's projects during the year included:

- In the environmental sphere, a phyto-purification project analysing waste water treatment in two pilot plants using macrophytes and micro-algae. The Biodepur project, comprising development of a biomass bioreactor on a mobile base with membrane filtering to optimise waste water optimisation. Finally, a drinking water system using more sustainable electro-coagulation, avoiding the use of chemicals.
- In terms of power activities, we carried out a project to improve control processes for substation operations. This involved developing a weather forecasting module for wind farms and enhancing the wind farm management tool to optimise our action processes for the market.
- In construction, we carried out a project involving building habitable modules using new construction systems to achieve self-sustainability.
- In the electricity field, we improved our configuration and parameter-setting platform for remote control terminals, giving them greater autonomy and optimising their management.
- In aerospace, we were involved in the Perigeo project to develop a space technology simulator to simulate space missions. We were also involved in the Reconfigure research and development project for aircraft control and guidance technologies, to enable automated handling of abnormal operating events.
- In systems activity, we developed the Geo-Cloud project to validate our cloud-based satellite image distribution and processing infrastructure. We were also involved in Arid-Lap, a project to develop technological solutions based on satellite imaging and sensors in the field to minimise the adverse effects of weather conditions on high-speed rail lines in dry areas.

People

Elecnor's corporate culture has been built up by the contributions of generations of employees and professionals over almost 60 years of history. Elecnor's commitment to people is not restricted to our employees, we are also helping disadvantaged communities in the countries in which we operate, and are committed to personnel development and recruiting new talent

Promoting continuous training

Elecnor regards enhancing and developing knowledge as a cornerstone of its training strategy. On-going training encourages specialisation and enhances the talent and professional development of the Group's human capital

Last year, various training initiatives were performed aimed at providing, maintaining and adapting the technical qualifications required by Elecnor staff to carry out their work in different parts of the company. Training efforts focused on highly-skilled jobs in areas where knowledge and skills must be constantly updated, as is the case in the electricity industry. We also implemented specialised programmes for generation and renewable energies, power distribution activities, telecommunications, gas, maintenance and railways, and vehicle operators.

In the area of Quality and the Environment, further training was provided on the processes involved in "Environmental Responsibility and Environmental Risks", "the Implementation of an R&D+i system" and "the Occupational Risk Prevention Audit: OSHAS 18001:2007".

In keeping with Elecnor's Occupational Risk Prevention commitment to achieving zero-accidents, intensified practical training was provided to line managers and operators on the risks of electric shocks and working at height and in confined spaces. They also received further training in risk prevention duties essential for the "Proper Discharge of Occupational Health and Safety Duties".

In the year ahead, work will continue along the lines proposed in the 2014-2016 Strategy Plan, focusing on performance, talent and commitment management.

Training areas

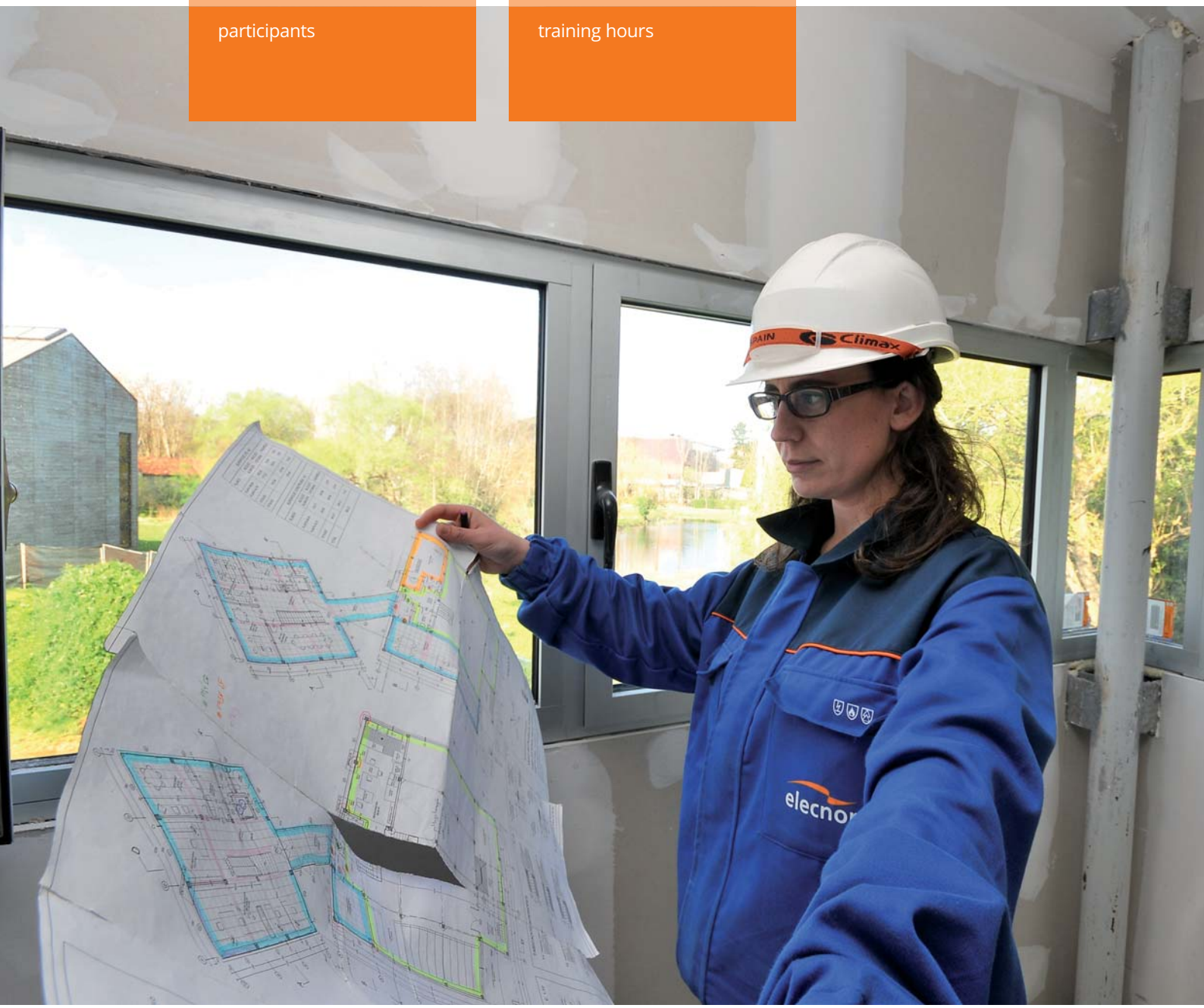
By major business line, the breakdown for training initiatives in 2014 was as follows:

Subject area	Attendees	Hours
Management	305	3,053
Technology	3,588	51,774
IT	27	466
Languages	573	19,294
Quality and the environment	1,256	5,519
Occupational health and safety	17,609	80,417
Total	23,358	160,523

Our activities over the coming year will be based on managing talent, performance and commitment

23,358
participants

160,523
training hours



Creating a great team

The new talent joining Elecnor will become part of a great team that is professional, motivated and committed to the company's core values: a great team in Spain and in all the countries where the Group is active and a great team of professionals and recent graduates

528

new selection processes

380

selection processes completed

Elecnor's on-going international expansion is reflected in the Group's continuous recruitment processes. The 2013 trend continued into 2014, marked by increased recruitment processes in the international area, due to the new tenders awarded.

We have introduced a new form of recruitment for the foreign market, seeking Spanish candidates for local contracting. We have signed agreements with local recruitment portals, such as Bayt in Jordan, Aldaba in the Dominican Republic, Trabajando.com in Chile, Posao.hr in Croatia, and Infojobs Italia. The highest recruitment rates have been in Australia, Haiti, Algeria, Venezuela, Chile, Angola, Congo, Uruguay and Jordan, and in Europe, Italy, France and Croatia.

As in recent years, the characteristics we are most looking for are languages, technical specialities and international mobility. We also continue to value technical and managerial competences, with the

12,217
candidates registered on Elecnor's employment portal

497
job offers published

104,161
applications for the job offers published

ability to work in a team and a commitment to service, innovation and long-term commitment becoming ever more important. These will guide Elecnor's recruitment activities in 2015.

We started 528 recruitment processes in 2014, of which we completed 380 (72%). Of the posts filled, 33% of new hires were engineers, while 38% held vocational training or higher education qualifications.

In addition to its central recruitment mission, the recruitment team also carried out the following initiatives during the year:

- Collaboration and active participation with universities and vocational training centres to recruit students and graduates. We maintained these links by introducing innovative recruitment activities in certain schools and by taking part in employment forums and informative events in universities and training centres.

  For example, as usual, we attended the Recruitment Workshops organised by the Madrid Polytechnic University's Industrial Engineering School, which seek to bring students in their final years into contact with the world of business and open up access to the domestic and international recruitment processes of participating companies. As a result, a number of candidates meeting the profiles needed by Elecnor were selected for junior positions and internships

- We also took part in Madrid's Employment and Disability Fair again, with our stand highlighting our commitment to employment opportunities for people with disabilities.

Social commitment

Integration into the local environment is becoming ever more important for Elecnor, as a global company with increasing international involvement and activity in countries with different cultures, ethnicities and levels of development. Legal legitimacy is no longer sufficient. Businesses must also have social legitimacy in the eyes of the stakeholders directly involved in, and affected by, their operations

Elecnor has understood from the outset that it is a driver of progress, a guarantee of well-being and part of the solution to some of society's problems. Elecnor contributes to progress and social improvement through its infrastructure, energy, environmental and space industry activities, whilst helping improve access to basic necessities, such as energy and drinking water.

In addition to the social benefits inherent to its activities, the Group also carries out social welfare activities, mainly through the Elecnor Foundation. Elecnor and its subsidiaries are also involved in a wide-range of activities in the local communities where they operate.

Elecnor Foundation

The Elecnor Foundation was established in 2008 to implement many of the Group's social initiatives. The Foundation's activity focuses on areas where the Group is active. It is particularly interested in key issues for society today, such as training young talent and research and development.

Since its creation, the Foundation has invested EUR 3.6 million in social infrastructure and training projects: EUR 1.4 million of this was invested in 2014.

A number of social infrastructure projects were completed in 2014. The Sinergia Project was completed in Totoral, Chile, bringing two basic necessities -water and power- to this region of the country. This project was a partnership with the Chilean Agriculture Ministry's Institute of Agricultural Development (INDAP).

The Project involved installing two photovoltaic plants, a water distribution network for local irrigation to individual plots, covering a maximum area of 15 hectares, an electricity grid and four photovoltaic lights in communal areas.

The programme was inaugurated in March 2014 and included a corporate volunteering programme in which 3 Elecnor volunteers provided ten days of technical assistance and training for maintenance of the facilities built by the Elecnor Foundation.

The launch of these facilities brings clean and sustainable power to all the local people in their homes, plaza, school, church and park, increasing the region's socio-economic development and quality of life, and developing the technical and management capacities for the project to operate.

The Ronald McDonald House in Madrid was also completed. This is the Elecnor Foundation's first social infrastructures project in Spain. It has been developed in partnership with the Ronald McDonald House Charities, which seek to create and maintain programmes that

Alongside the social benefits inherent to its activities, the Group carries out social welfare activities through the Elecnor Foundation

312
photovoltaic panels

43
power points in homes and the school and church

15
hectares irrigated

Sinergia Project (Chile)

directly enhance the health and welfare of children worldwide, offering families of children receiving in-patient treatment accommodation close to the health centre where they are being treated.

Elecnor built the 3,000 m^2 Madrid Ronald McDonald House turnkey project in the grounds of the Niño Jesús Children's Hospital. It has 23 rooms with their own bathroom and terrace and also offers communal facilities for sharing experiences, such as dining rooms, games rooms, and computer, library and sports areas to help children with their education.

Sinergia project/Chile

Ronald McDonald House Project (Madrid)

This is the first Ronald McDonald House to be built using energy efficiency criteria. The design and development features some of the latest and most efficient technologies, reducing the environmental impact of the facilities to a quarter of what it would otherwise have been, achieving the same impact as planting over 8,700 trees. This will also significantly reduce the annual energy consumption of the Ronald McDonald House.

With regard to training and research, the Foundation promotes initiatives in all areas of engineering, building alliances and agreements with universities and educational centres to encourage the development of knowledge and its practical application.

Supporting the training and employability of our young people is of particular importance during a crisis like the one we are currently experiencing, with such high unemployment, particularly among the young.

In 2014, the Foundation promoted its second specialist vocational training course in collaboration with the Colegio Salesianos de Deusto (Bilbao). This course in medium- and high-voltage installations is setting a benchmark in the world of vocational training through its focus on the business world.

550

families may benefit from the House every year

52.45

tonnes of CO_2 equivalent emissions saved each year - equivalent to planting 8,700 trees- by using energy saving and efficiency criteria in building the House

Ronald McDonald House, Madrid

The project complements the formal vocational training received by students of electricity distribution, preparing them for a career in the electricity industry.

The Elecnor Foundation's Renewable Energy and Energy Efficiency Chair at the Madrid Polytechnic University's Industrial Engineering School has been renewed for a further three years. During the year this was involved in a number of activities, including the 5th Energy Efficiency Day, focusing on water and energy, two issues of particular importance for Spain, given its energy dependency and vulnerability to water crises.

We also continued our internship programme with the Valencia's Polytechnic University's Higher Industrial Engineering Facility. Finally, another highlight was the first Deusto Business School-Elecnor Foundation Dialogue Forum. This event brought international experts together to discuss the vital importance of corporate social responsibility in the international expansion of businesses,

The event was part of the collaboration agreement signed in ¬2013 by the Elecnor Foundation and the Deusto Business School, to launch and organise joint forums and training activities relating to sustainability, corporate social responsibility and social innovation.

Other social initiatives

In addition to the work of its Foundation, the Elecnor Group also carries out other initiatives through its subsidiaries. These included, for example, the activities of the Group's Brazilian wind-farm subsidiary, Enerfín, which signed two agreements with the municipality of Osório to promote environmental education and tourism through:

- Construction and management of a Visitors' Centre at the Osório Wind Farm, providing technical information on wind farms and the region's tourist potential, environmental riches and sporting activities.
- Donation of a space in the Visitors' Centre to the local government to promote tourism.
- Improving the communications infrastructure of the "Largo dos Estudantes", a cultural and information hub in the municipality of Osório.
- Support for the "Jogue Limpo com Osório" environmental education programme to encourage a change of behaviour in using public spaces.
- Fitting out a space in the Osório wind farms for receiving visitors and displaying information on the parks and the environment, in partnership with the Mirador de Borússia Visitors' Centre.
- An environmental education programme for state schools in the area, including school visits to the park and presentation of the Complex's nature trail and organic garden.

Celeo, the Group's concessionaire subsidiary, was also very active in social initiatives in Brazil, including:

- The Viagem Teatral travelling theatre project, promoting annual fire prevention and environmental awareness campaigns, using drama to highlight environmental issues, such as fire prevention and managing waste. Free performances were held in plazas and venues in 20 cities in the states of Minas Gerais, Pará, Goiás and Maranhao. Some 7,400 people attended the performances during the tour. Elecnor paid all of the costs of the project, totalling BRL 263,240.
- The Bonecos Theatre: This project aims to develop the artistic and technical language of children through workshops organised by a

multidisciplinary performing arts team, specialising in building and operating puppets. The resulting performance of "Romeo and Juliet" attracted an audience of around 500 people. Elecnor contributed BRL 191,000 to the Bonecos Theatre.

Celeo also carried out a number of initiatives with indigenous communities in Brazil, including:

- The LTC (Linha de Transmissao Corumbá) concession. The route chosen for building the Anastacio-Corumbá transmission line runs close to three areas inhabited by the Terena indigenous people. A number of mitigating actions have been developed to offset the potential impact of this work, including: the Social Communication Programme (PCS); the Environmental Awareness Programme (PEAT), focusing on issues affecting indigenous peoples; and the Terena Revenue Generation and Cultural Support Programme. This latter programme includes benefits such as the building of a Terena cultural centre, a rainwater-capture system, refurbishment of a community centre, building of an industrial kitchen and training courses in IT, traditional cookery, compost production and administration.
- BTE (Brilhante Transmissora de Energia) concession. The Chapadao–Anastacio transmission line passes close to two area inhabited by the Terena indigenous people. The concession agreed with the villages to develop the social guidance programmes proposed by the villages and to provide educational grants. In total, 18 students from 9 villages are now receiving education, at a cost of BRL 900 each.

Around 1,000

children and 200 teachers and teaching assistants will benefit directly

82 rural

state schools hooked up to the Internet and electricity in 2014, with Uruguay becoming the first country in Latin America to successfully complete the Luces para Aprender programme

"Luces para Aprender project" (Uruguay)

The social and educational activities of the Elecnor Foundation are complemented by those of the company itself and its subsidiaries

Lighting up the future for new generations of Uruguayans

The Elecnor Foundation completed the "Luces para Aprender Uruguay" (Lights for Learning) project in 2014. This initiative has brought electricity and internet connections to Uruguay's 82 rural public schools that lacked these resources, thus improving the rights and education of children in these rural areas.

The overriding goal of "Luces para Aprender" is to raise the quality of education and optimise learning and communication in five areas: provision of alternative energy, connectivity, teacher training, community development and sustainability.

The initiative is part of the Elecnor Foundation's commitment to human rights through public policies and international cooperation, expanding the right to quality education and access to culture and information and communication technologies.

The Elecnor Foundation was responsible for the technical side of the project, installing photovoltaic systems to meet the internal and external lighting needs of the schools. It also trained the individuals appointed in each community on how to use and maintain this sustainable and environmentally-friendly energy system with a view to keeping the system in good working condition and extending its useful life.

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