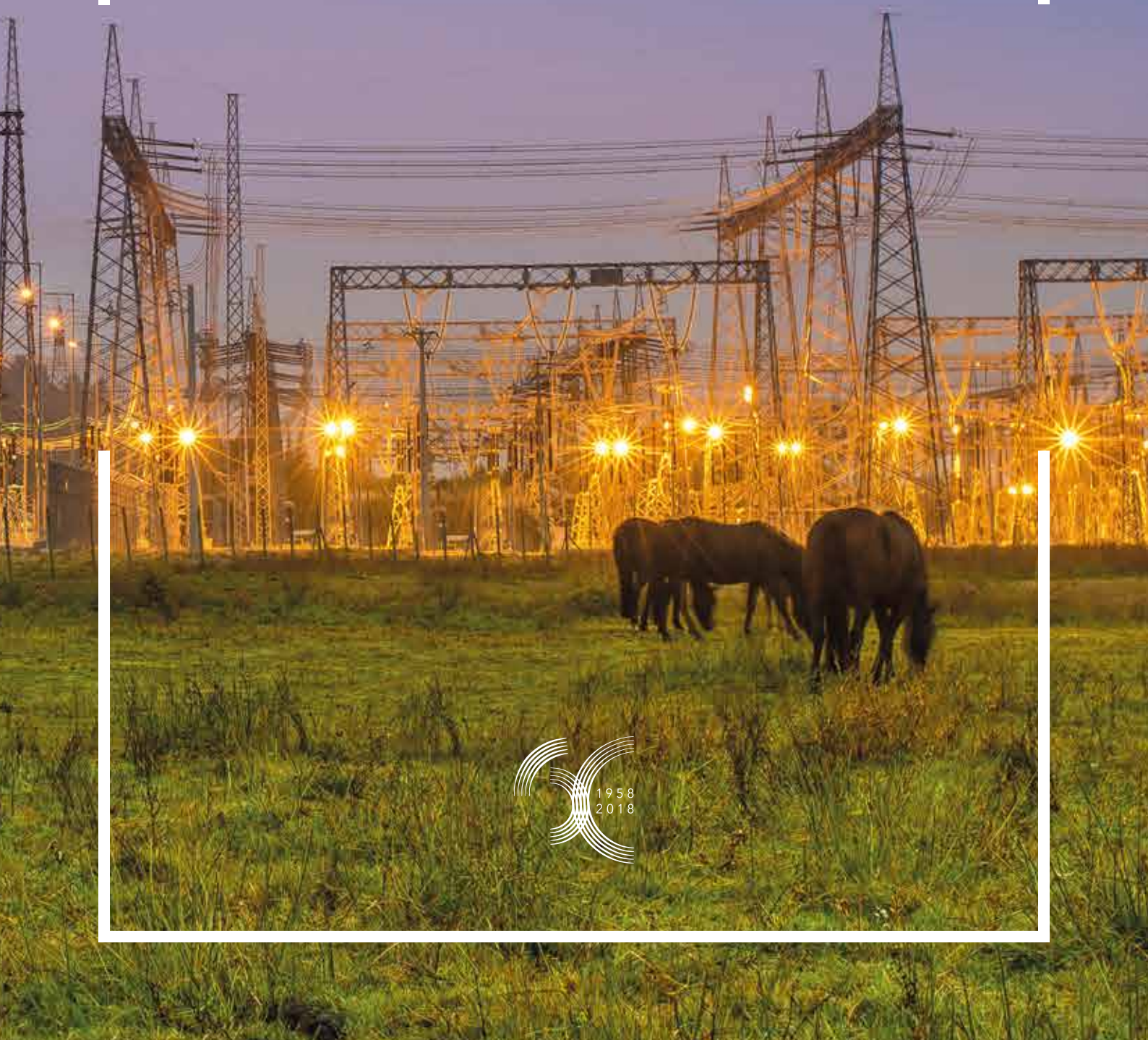




Integrated Report 2018





Integrated Report 2018



Letter from the Chairman. Board of Directors. About Elecnor. 60 years of history. Elecnor today. Main figures in 2018. Some of the major milestones in the year. Sustained growth. Operations in 55 countries. A unique business model. A strategy based on generating value. Elecnor in 2018. Business trends. Economic backdrop. Contract milestones. Infrastructure. Electricity. Power generation. Gas. Telecommunications. Railways. Maintenance. Construction. Environment and Water. Facilities. Space. Concessions. Electricity. Gas. Power generation. Wind power Solar PV. Solar thermal. Our people. A great team. Social value. Value creation. Achieving operational excellence. Technology and innovation. Committed to society. Responsible management. Corporate governance. Ethical management. Risk management. Appendices.

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Letter from the Chairman (GRI 102-14)

Dear friend,

As the Chairman of the Board of Directors, it is my pleasure to present Elecnor's 2018 Integrated Report to you, produced in line with the criteria established by the world's reference institution, the International Integrated Reporting Council (IIRC), and as part of which, we have also renewed our commitment to the ten principles of the United Nations Global Compact.

This report seeks to serve as a clear, transparent summary of the activities and policies performed in 2018 to make our most important commitment to our shareholders and other stakeholders a reality: creating value and the sustainable development of our business model. These policies and activities are not only associated with the performance of our main economic figures, activities and markets, but also the performance of all areas that currently define companies with long-term prospects, such as the social, environmental or corporate governance areas, to name just a few.



Our most important commitment: the generation of value and sustainable development

KEY FIGURES IN 2018

Elecnor closed 2018 with a consolidated net profit of EUR 74.3 million, up 4.3% on 2017. This percentage is in line with those seen in previous years and has been possible thanks to the contribution and satisfaction of expectations of our two main businesses: Infrastructure and Concessions, both in Spain and abroad.

The EBITDA seems to have performed positively, calculated using Operating Income plus depreciation and provisions, stripping out the impact of the application of IFRIC 12 relating to Service Concession Arrangements to the transmission lines operated by the Group in Brazil. This stood at EUR 338.6 million in 2018, up by 3.7% on 2017.

Now let's turn our focus to sales and the portfolio. In terms of the Group's revenues, it recognised EUR 2,273 million and the portfolio ended the year at EUR 2,229 million, up 3.2% on 2017.

In both these aspects, the international component has continued to show its dominance, accounting for 57% of total sales and 80% of the global backlog. In fact, internationalisation is one of the fundamental pillars of the strategy that Elecnor remains committed to, along with challenges such as prudent diversification, better cash generation, strict debt control and active interaction in the search for the maximum operating efficiency of the two aforementioned major businesses that structure our activities: Infrastructure and Concessions.

DEBT, FINANCING AND INVESTMENT CONTROL

Previously mentioned as a key pillar of our strategy is strict debt control. In this connection, in 2018, we took a substantial step forward in terms of net corporate debt, which fell by 38%, from EUR 223 million in 2017 to EUR 138 million. If we compare this to 2016, where debt stood at EUR 272 million at year-end, the cumulative decrease between 2016 and 2018 was almost 50%.

In terms of ratios in 2018, the Net Financial Debt/EBITDA ratio for the Restricted Group was 0.95 compared to 1.31 in 2017, well below the limits set in our financial covenants. The Consolidated Net Financial Debt/EBITDA ratio, including figures for projects stood at 3.8, which is also down year-on-year.

In terms of financing, you will already be aware of our efforts to ensure maximum diversification and the lowest possible cost of our different sources of financing. To this end, we maintain a combination of long and short term lines capable of guaranteeing a high level of stability in terms of the maturity of our sources and optimising the current cycle of low interest rates.

Among the new developments in 2018, I would like to mention the fourth novation of the Syndicated Financing Agreement we arranged in 2014, all of which have been to extend the deadline and improve the original conditions. The 2018 novation extends the term by two years, through to 2024. In addition, we have voluntarily repaid EUR 100 million of the loan, made possible thanks to our compliance with our cash generation target. This amortisation will make it possible to reduce finance costs, preserving comfortable financing limits. As a result, financing now has a limit of EUR 400 million consisting of a loan and a credit facility, both worth EUR 200 million.

Also worth mention, demonstrating the diversification of sources of financing I mentioned earlier, is the publication of a multi-currency promissory note programme on the Alternative Fixed Income Market (MARF) of up to EUR 300 million, which will allow the company to continue promoting projects and obtain funding in EUR and USD for terms of up to 24 months, optimising working capital funding costs.

And to support growth in our main international market, Brazil, our local subsidiary, Celeo Redes Transmissão de Energia, has agreed a project bond issue for its transmission lines. The BRL 565 million bond issue accrues interest equivalent to the yield of Interbank Deposit Certificates plus an annual spread of 0.75%.

Our policies guarantee the long-term sustainability of our business model

In effect, in 2018 Brazil consolidated its position as Elecnor's main market after Spain. In addition to ordinary operations and new progress in our traditional activity sectors, we also formally arranged the year's main corporate transaction. This involved Celeo's acquisition of shares held by the Isolux Group in two electricity transmission companies. Furthermore, we included a new business in our Brazilian portfolio, solar PV, after we were awarded the construction of 6 plants in Piauí state that together will generate 179.8 MW of power.

Furthermore, Enerfin, our wind power subsidiary, has also expanded its presence in the country, having entered into two 20-year energy purchase agreements for two new wind farms, São Fernando I and II, in the state of Rio Grande do Norte. We expect to build on this success in the near future and this positions the company as one of the main players in north-eastern Brazil.

OUR SHAREHOLDERS, A KEY ASPECT OF OUR STRATEGY

Creating value for our shareholders and their loyalty remain, as you well know, at the core of all our strategic principles. After an exceptional 2017 in terms of stock market revaluation (+48%), our securities have remained stable against a backdrop of sharp drops in the Spanish markets (the Ibex-35 was down 15%).

Dividend yield stood at 2.6% in 2018. In line with our desire to make the shareholder remuneration policy as stable and steady as possible, and based on 2018 results, the Board of Directors resolved to propose payment of a second per-share dividend against 2018 profits of EUR 0.252173 to the 2019 General Shareholders' Meeting. If this proposal is approved, the total paid out of 2018 profits (including the interim dividend paid out in December 2018) will be EUR 0.307293 per share, 7.1% higher than in 2017 and amounting to a pay-out of 36% against the consolidated figure.

Following this payment, the CAGR of dividends distributed in the past 5 years (2014-2018) will be 5.6%, with uninterrupted pay-outs year after year, and always in cash.

A SUSTAINABLE COMMITMENT

In 2018, we continued promoting the corporate policies that we believe are key to ensuring the long-term sustainability of our business model.

Starting with the security and career development of the almost 13,900 people that work for our organisation and who we always have in mind, through two highly ambitious programmes that we call "Excellence in Safety" and "Talent".

And the digital transformation of our processes, a source of resource optimisation and efficiency.

Without forgetting our commitment as a company that is fully involved in critical challenges facing today's society, such as climate change, which has seen us launch the 2030 strategy aimed at encouraging all the Group's activities to reduce greenhouse gas emissions, adapting to the impacts of climate change and harnessing the associated opportunities.

We adopt the highest ethical standards in all our activities

Among these corporate policies, worth special mention is our desire to adopt the highest ethical standards by continuously improving the regulatory compliance system. In this area, significant developments took place this year, such as the ISO 37001 certification by Aenor, an international standard established as the most modern and stringent expression of worldwide management systems to prevent bribery and for general compliance purposes.

This is in addition to the 2019 achievement of a further certification, UNE 19601, on criminal compliance management systems, the main benchmark in Spain for designing and articulating criminal risk prevention systems.

60 YEARS OF GROWTH

In 2018, Elecnor commemorated its 60th birthday. And it did so making important efforts to enhance its relationships with its main interest groups: employees, customers, shareholders and suppliers. This is reflected in the slogan used in different campaigns over the course of the year: Elecnor has your name.

In 2018, the Elecnor Foundation also celebrated 10 years contributing to a better world. It did so by maintaining its firm commitment aims to exploiting the more human side of engineering. This report develops on the main initiatives implemented over the course of the year, such as the Ebolowa project in Cameroon, which will contribute to the social and occupational integration of disadvantaged youths in addition to opening up the possibility of developing renewable energy in this area of the country; continuing and promoting projects already underway, for example the different partnerships and agreements with universities and centres of education to promote the development of knowledge.

But beyond our history, it's the future that we're concerned about. As can be seen in the introduction to the book we have published celebrating our 60th birthday, "we are driven on by dreams that speak of conquering new markets and sectors, breaking down geographical barriers that until recently seemed unachievable to us. The dream of consolidating our internal organisation that is full of talent, multicultural, safe, ethical and fully open to the active role of women".

Challenges like these are what keep us moving every day. My commitment is to continue moving forward to make Elecnor a company that is progressively more efficient and competitive. A better company. Better still: the best company.

Yours sincerely,



Jaime Real de Asúa
Chairman



Palmares wind farms
(Brazil). Enerfin

Board of Directors

Chairman

Jaime Real de Asúa Arteche

Deputy Chairmen

Fernando León Domecq

Ignacio Prado Rey-Baltar

CEO and Board Member

Rafael Martín de Bustamante Vega

Board Members

Fernando Azaola Arteche

Miguel Cervera Earle

Isabel Dutilh Carvajal

Irene Hernández Álvarez

Juan Landecho Sarabia

Miguel Morenés Giles

Gabriel de Oraa y Moyúa

Rafael Prado Aranguren

Emilio Ybarra Aznar

Secretary

Joaquín Gómez de Olea y Mendaro

Deputy Secretary

Cristóbal González de Aguilar Alonso-Urquijo



Hydroelectric power plant Laúca (Angola)

About Ecnor

(GRI 102-1)



In 2018, Elecnor achieved consolidated net profit of EUR 74.3 million, up 4.3% on 2017





In 2018, Elecnor celebrated its 60th birthday. And it did so making important efforts to enhance its relationships with its main interest groups

60 years of history

1958-1969

A major business project is born

- ⇒ Bilbao, **6 June 1958**: Constitution of Elecnor
- ⇒ Initial business activity: Electricity distribution
- ⇒ First offices in Valladolid, Navarra, Madrid and Valencia
- ⇒ Business diversification begins: facilities, HV lines, substations and telecommunications
- ⇒ **1964** Foundation of the first subsidiary: Postes Nervión, now known as Adhorna
- ⇒ **1967** Creation of the first foreign subsidiary: Rasacaven (Venezuela)
- ⇒ **1969** Participates in AMYS (Asociación de medicina y seguridad en el trabajo) since its foundation. Occupational Health and Safety Culture

1970-1979

Foundations for internal and external growth established

- ⇒ **1970** First power plants: Thermal power stations in Santurce and Guardo
- ⇒ **1972** First undertakings in the nuclear sector: Sta. María de Garoña power station
- ⇒ **1975** Creation of the second foreign subsidiary: Elecdor (Ecuador)
- ⇒ **1976** IDDE is born with the mission of promoting internationalisation
- ⇒ **1977** The company commences operations in the Canary Islands, thus giving it a direct presence in the entire Spanish market
- ⇒ **1977** Projects commence on live working technology
- ⇒ **1979** First telecommunications framework agreement

1980-1989

First major international expansion

- ⇒ **1980** First contracts in the rail sector
- ⇒ **1982** First major project in Africa begins: Ivoinor (electrical grid roll out in Ivory Coast)
- ⇒ **1984** Electricity connection between Guatemala and El Salvador
- ⇒ **1985** Stable implementation in the Dominican Republic
- ⇒ **1986** First contracts in the commercial facilities sector (Sollube Building Madrid)
- ⇒ **1987** Operations begin in Honduras, with the adjudication of seven turnkey substations
- ⇒ **1988** In Cameroon and Senegal with the implementation of the first 220 kV line in the country (Cap des Biches-Tobène)

Six decades that have made the Group one of Spain's major exponents of



INFRASTRUCTURE | RENEWABLE ENERGY | NEW TECHNOLOGIES

1990-1999

Diversification and first investment projects

- ⇒ **1990** Implementation in Angola, Africa's first stable market
- ⇒ **1991** Elecnor Argentina is incorporated
- ⇒ **1993** Activities begin in Mexico with the 230 kV Metrópoli and Wisteria power stations
- ⇒ **1994** First exceptional works for airports (Pico de la Gorra electric plant, Gran Canaria)
- ⇒ **1995** Development of a large-scale hydroelectric project: Duquenco (Chile), with a capacity of 120 MW, the Group's first project finance
- ⇒ **1996** First environmental projects and addition of Hidroambiente to the Group
- ⇒ **1997** Creation of the Enerfín subsidiary to invest in the wind power market. Malpica wind farm, La Coruña
- ⇒ **1998** Incorporation of the Uruguayan subsidiary: Montelecnor

2000-2009

Renewable expansion, promotion of concessions and first space satellite

- ⇒ **2000** Catenary contracts for high-speed railway between Madrid and Barcelona
- ⇒ **2002** First electricity transmission concession in Brazil
- ⇒ **2004** Incorporation of Atersa and start of solar PV activities
- ⇒ **2006** Enerfín starts up Latin America's largest wind farm to date, in Brazil, in Osório, with a capacity of 150 MW
- ⇒ **2008** The Elecnor Foundation is created on the Group's 50th birthday
- ⇒ **2008** Elecnor in Canada. L'Érable wind farm (Quebec)
- ⇒ **2009** Creation of Celeo, the Group's concessionaire, with concessions in Brazil and Chile
- ⇒ **2009** Launch of Europe's first earth observation satellite, Deimos-1, developed by Elecnor Deimos. Five years later, the second Deimos-2, would be launched
- ⇒ **2009** The Ministry of Industry awards three 150 MW thermal power plants to Elecnor

2010-2018

Birth of a genuine global corporation

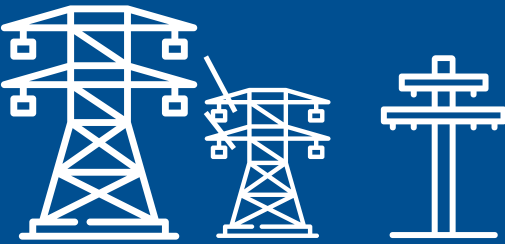
- ⇒ **2011** Major activity in Mexico: CCC Agua Prieta II, with a capacity of 394 MW, and the Morelos gas pipeline
- ⇒ **2013** The Group's sales abroad exceed sales in Spain for the first time
- ⇒ **2013** Elecnor in the US, with Hawkeye and Belco, and in the UK, with IQA
- ⇒ **2014** Partnership with APG for the joint implementation of new transmission projects in Latin America
- ⇒ **2015** Leader in Angola in the development of hydroelectric power stations: Gove, Cambambe 1 and 2 and Laúca
- ⇒ **2016** The Group's sales exceed EUR 2,000 million for the first time and Elecnor is the industry leader in Spain
- ⇒ **2017** Major players in renewable energy in Australia with solar power plants Moree, Barcaldine and Bungala Solar
- ⇒ **2018** Issue of two project bonds dedicated to transmission lines in Chile and Brazil
- ⇒ **2018** First company in the industry to obtain ISO 37001 certification for its anti-bribery management systems
- ⇒ **2018** Significant increase in renewable energy
- ⇒ **2018** New electricity infrastructure projects in Chile and Brazil
- ⇒ **2018** Major improvement in occupational health and safety rates

Elecnor today

Two major businesses as a growth driver

A wide range of activities which offer progress to the world and to people

Electricity



Gas



Generation



Facilities



Railways





Infrastructure

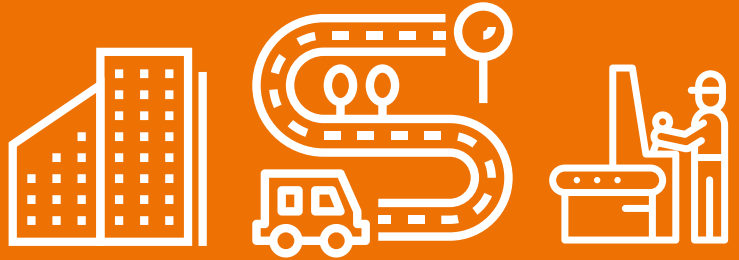


Concessions

Telecommunications



Maintenance



Airports



Environment



Water



Construction



Space



Main figures in 2018

Profitability



Consolidated net profit

EUR **74.3** million

(+4.3%)

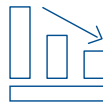


EBITDA

EUR **338.6** million

(+3.7%)

Debt



Corporate net debt

EUR **138** million

(-38%)

Businesses



Sales

EUR **2,273** million



Markets

55 countries

People

Workforce



13,889

(+8.7%)

Training



233,406

hours (Spain)

26.4

hours per
employee (Spain)

Security



4.6

Injury Frequency Index

0.16

Serious Injury Index

Shareholders



Change in share price
-0.68%

Market cap on Spain's
Continuous Market
EUR **1,148.4** million

P/E ratio
15.5

Total dividend charged to
the year
EUR **27** million

Change in dividend with
respect to 2017
+7.1%

Dividend yield in 2018
2.6%

CAGR dividends
distributed in the last
5 years
5.6%

Environmental management

Reduction in
emissions
-6.47%

Emissions
62,322.2
t CO₂e

- ⇒ 2017-2019 emissions reduction plan
- ⇒ 2030 Climate Change Strategy

Social commitment

- ⇒ Continuous dialogue with stakeholders
- ⇒ Elecnor Foundation social infrastructure and training and research projects
- ⇒ Assistance for local communities in developing countries

Compliance

- ⇒ Code of Ethics
- ⇒ Compliance policy
- ⇒ Signatory of the United Nations Global Compact
- ⇒ ISO 37001 certification of Elecnor's anti-bribery management system
- ⇒ Certification of the Compliance System under UNE 19601 for Criminal compliance management systems

Operations in 55 countries (GRI 102-4)

Practically since its foundation in 1958, Elecnor has prioritised its continuous internationalisation. It has been stepped up in the last decade, so that sales abroad now outstrip sales in Spain.

The decisive factors of Elecnor's steady international expansion are high-intensity persistent sales operations and cooperation with renowned partners in strategic alliances.

In 2018, Elecnor's sales in the international market amounted to EUR 1,287.4 million. This represented the majority of its business for the sixth consecutive year, 57% of the total.

In addition to Spain, the Group has built up a solid and stable presence in 15 other markets: These are Brazil, Venezuela, Angola, Mexico, the USA, the Dominican Republic, Uruguay, Argentina, Chile, United Kingdom, Portugal, Italy, Ecuador, Honduras and Australia. Elecnor obtained sales in another 39 countries in 2018, with a total of 55 countries contributing to its revenue.

Furthermore, 80% of the total order book of EUR 2,229 million at year-end was accounted for by the international market. EUR 1,775 million.



55
countries
contributed to
Group revenue
in 2018



5,052
employees
abroad (36%
of the total
headcount)



16
countries are
now stable
markets for
Elecnor

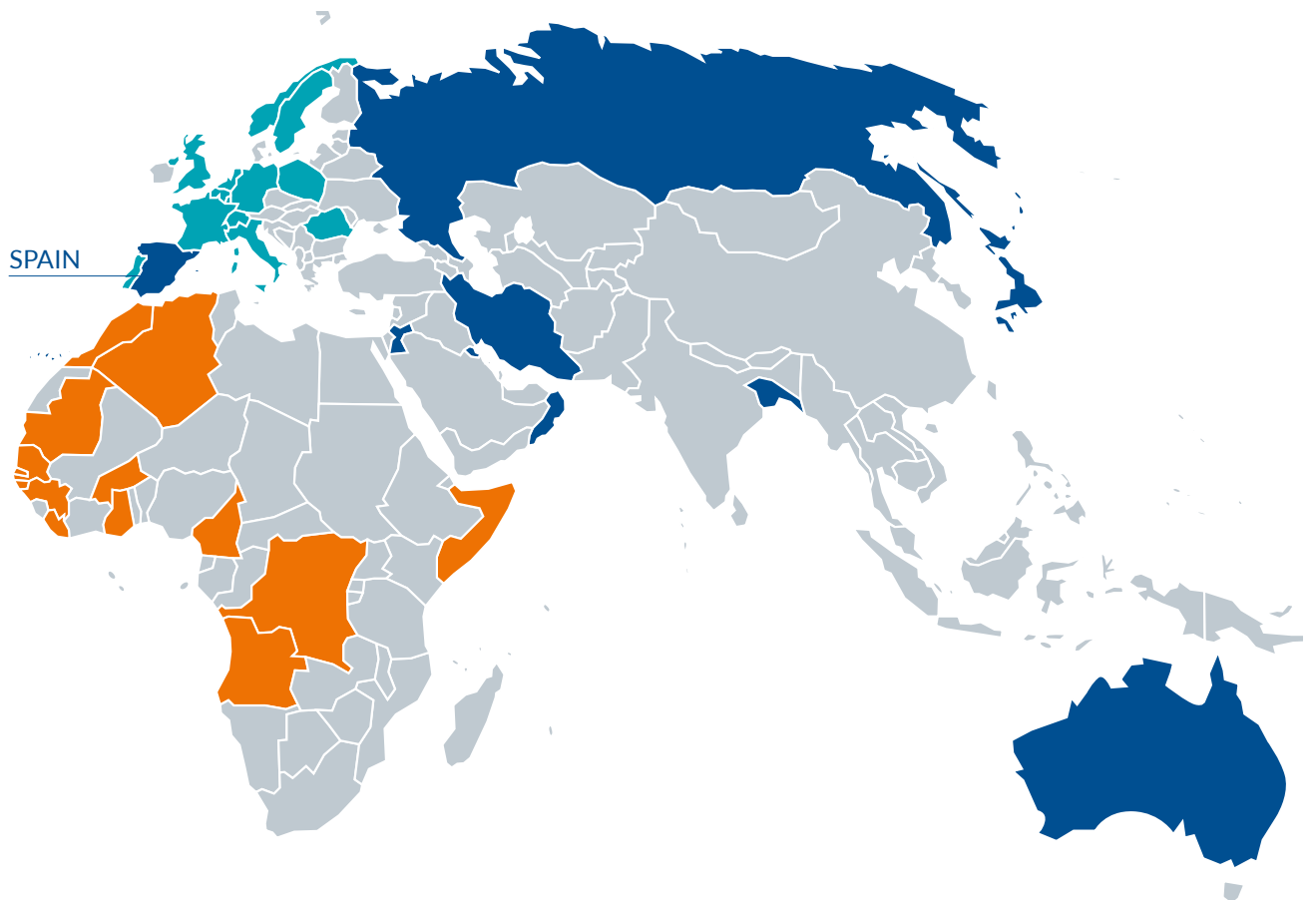
NORTH AND CENTRAL AMERICA

Canada/El Salvador/United States/Haiti/Honduras/Jamaica/Mexico/Panama/Dominican Republic

SOUTH AMERICA

Argentina/Bolivia/Brasil/Chile/Colombia/Ecuador/Peru/Uruguay/Venezuela

The foreign market
accounts for 57% of
Group revenue



EUROPE

Germany/Andorra/
Belgium/France/Italy/
Norway/Netherlands/
Luxembourg/Poland/
Portugal/United
Kingdom/Romania/
Sweden/Switzerland

AFRICA

Angola/Algeria/Burkina
Faso/Cameroon/DR
Congo/Gambia/Ghana/
Guinea/Guinea Bissau/
Liberia/Morocco/
Mauritania/Senegal/
Somalia

ASIA AND OCEANIA

Australia/Bangladesh/
Iran/Japan/Jordan/
Kuwait/Oman/Russia

A unique business model (GRI 102-2)

Elecnor is one of the leading corporations in project development, construction and operation through two major mutually-enriching business areas.



INFRASTRUCTURE

Geared towards undertaking engineering, construction and services projects, with a particular focus on the electricity, power generation, telecommunications and systems, facilities, gas, construction, maintenance, environmental, water, railway and space industries.

Elecnor has several specialist subsidiaries with which it works in some of its activity segments, providing added value and end-to-end services for customers.

138 kV substation
20 MWAC PV arrays
Suffolk County,
New York
(United States).
Elecnor Hawkeye

Our projects
improve people's
standard of living

CONCESSIONS



Includes the operation of services through investment in power transmission systems, wind and solar thermal energy, and other strategic assets. These are investments that enable Elecnor to undertake major projects end-to-end, generating revenue from their promotion, implementation, operation, maintenance and exploitation.

This business's principal companies are Enerfín, specialising in wind farm projects, and Celeo, the subsidiary specialising in the operation of power transmission grids, gas pipelines, solar thermal plants and water treatment facilities. (GRI 201-2)



Palmares wind farms (Brazil).
Enerfín

Elecnor's mission is to contribute to economic and technological progress, to social welfare and to sustainable development in the markets in which it operates, through all its activities.

The Elecnor Group business model is based on strategic cornerstones such as profitable growth, internationalisation, business diversification, operational excellence, innovation, financial prudence and synergies between the two core businesses.

A business model supported on the Group's values

The Group intends to rise to the top of the market as a highly competitive company which is constantly growing and international in scope. Furthermore, it seeks to be recognised for the quality of its human team, social responsibility, commitment to customer service, technical and financial standing and the values of reliability, commitment and efforts, customer orientation, solvency and innovation. (GRI 102-16)

A strategy based on generating value (GRI 103-1, GRI 103-2, GRI 103-3)

All Elecnor's business strategies and corporate policies strive to generate sustainable value for shareholders, customers, employees and society at large.

The main focuses of this strategic framework are:





FEBRUARY

Enerfin renews the Malpica wind power plant' in its entirety with 7 new machines producing 66 GWh per year, doubling its previous generation.

Elecnor is the first company in its sector in Spain to secure ISO 37001 standard certification.



MARCH

Agreement with the SUSI Energy Efficiency Fund to finance an energy efficiency project portfolio.

Development of prefabricated elements of concrete towers at the La Mudarra wind plant in Valladolid.



APRIL

Celeo Redes Brasil secures 6 PV plants in Brazil, with a power of 179.8 MW and investment of EUR 181 million.



Some of the major milestones



SEPTEMBER

Turnkey construction of the project to strengthen and stabilise the high voltage grid in Yaoundé, the capital of Cameroon.



OCTOBER

Integrated management civil protection facilities on the high-speed rail line between Cordoba and Malaga.



NOVEMBER

Allocation of the construction, operation and maintenance of two new Zonal Transmission System projects in Chile, for the sum of USD 466 million.

Renewal of the substation and lines

MAY

Allocation of the first wind farm in Panama: Toabré, with a capacity of 66 MW and estimated production of 240 GWh/year.

A new EPC project in Jordan: a 100 MW wind farm in Tafilah. It is Elecnor's fourth wind power plant in this country.



JUNE

Launch of the Teguisse I wind power plant in Lanzarote.



JULY

Turnkey construction of the second wind farm in Mauritania, with a capacity of 100 MW.

Elecnor Deimos signs a strategic agreement with Orbex, a British private launch services firm dedicated to the small satellites industry.



ones in the year



framework agreement with Endesa in Spain.

Enerfín enters into two 20 year energy purchase agreements in Brazil for two new wind farms in the state of Rio Grande do Norte.

Novation of the syndicated financing agreement, extending the term by two years, to July 2014.



DECEMBER

Celeo Redes secures the construction and operation of a new 240 km long, 230 kV transmission line in Brazil.

A new wind farm in Chile: Vientos

Patagónicos, with capacity of 10 MW.

At the new Nachtigal hydroelectric plant (Cameroon), Elecnor will electromechanically assemble seven 60 MW generation units, the evacuation substation and auxiliary systems (BOP).

Acquisition of two transmission line concessions from the Isolux Group in Brazil, strengthening Elecnor's position in the country.

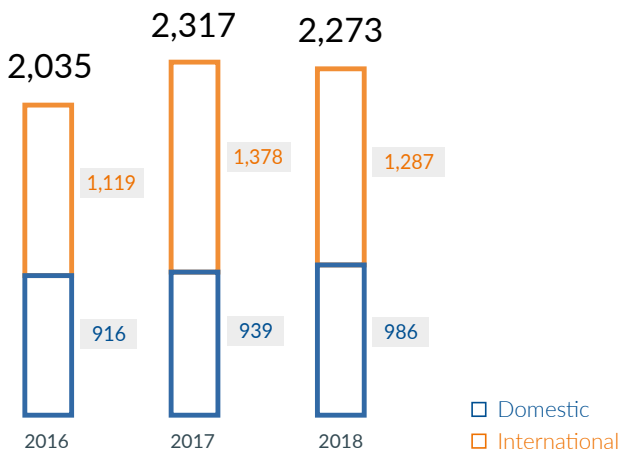
BRL 565 million project bond issue in Brazil, to be dedicated to the Group's transmission lines in the country.

Sustained growth (GRI 102-7)

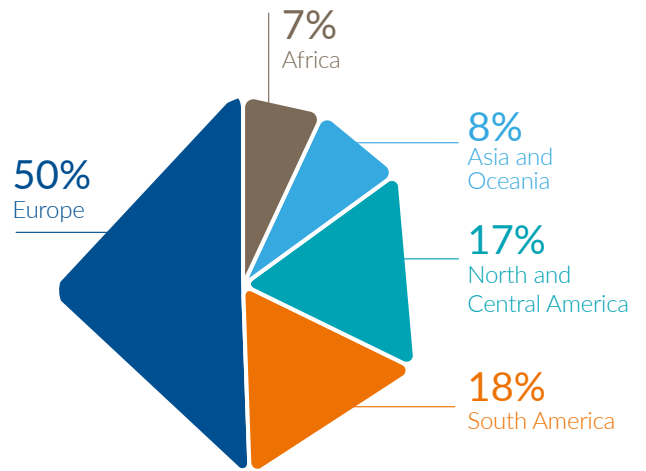
Sales

Evolution

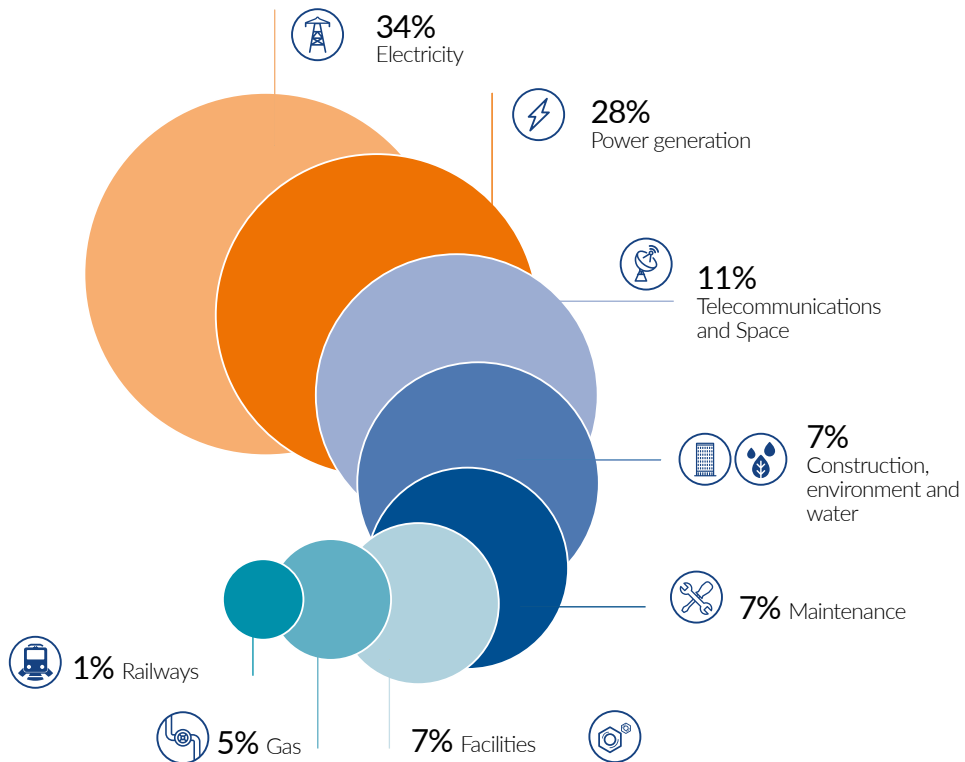
Figures in millions of euros



By geographic area

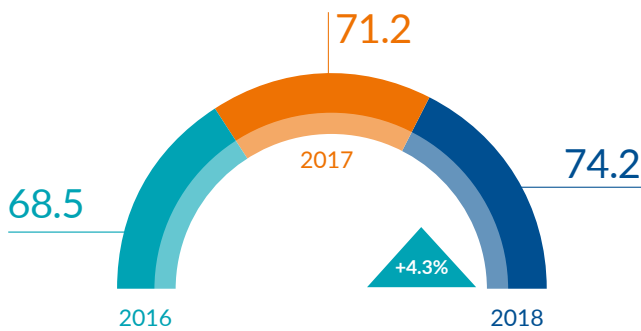


By activities



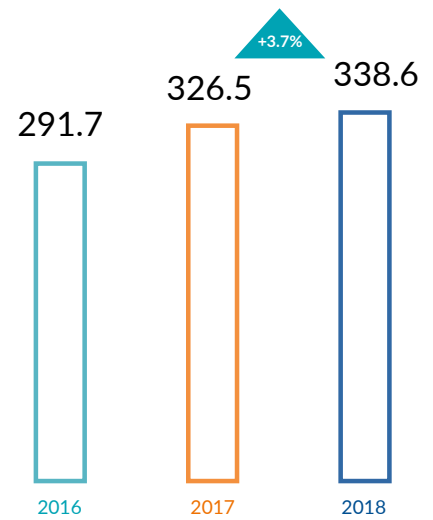
Net profit

Figures in millions of euros



EBITDA

Figures in millions of euros

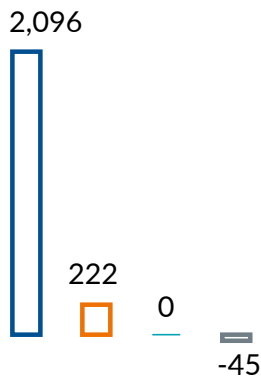


Key figures by segment

Sales

2,273

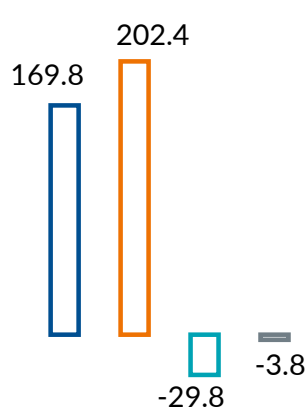
Figures in millions of euros



EBITDA

338.6

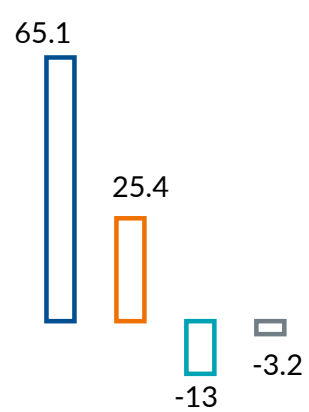
Figures in millions of euros



Net profit

74.3

Figures in millions of euros



- Infrastructure
- Concessions
- Corporate
- Inter-segments

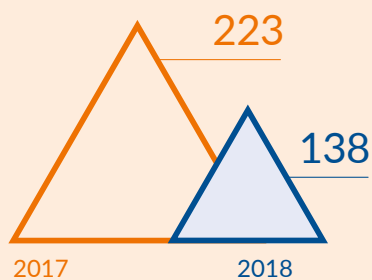
Figures in millions of euros

2017

2018

	2017	2018
Corporate Net Debt	223	138
Ebitda	327	338
Recourse	148	122
Non-recourse	179	216
Ratio of Debt/EBITDA with recourse + project dividend	1.31	0.95
Consolidated Net Financial Debt	1,268	1,280
Recourse	223	138
Non-recourse	1,045	1,142
Ebitda	327	338
Ratio of Consolidated Net Financial Debt/Ebitda	3.88	3.78

Change 2018-2017

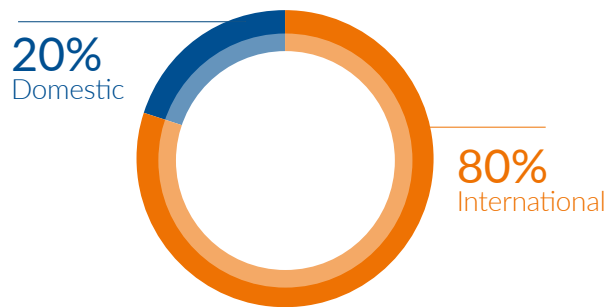

-38%


Corporate net debt has dropped by 38%

Backlog

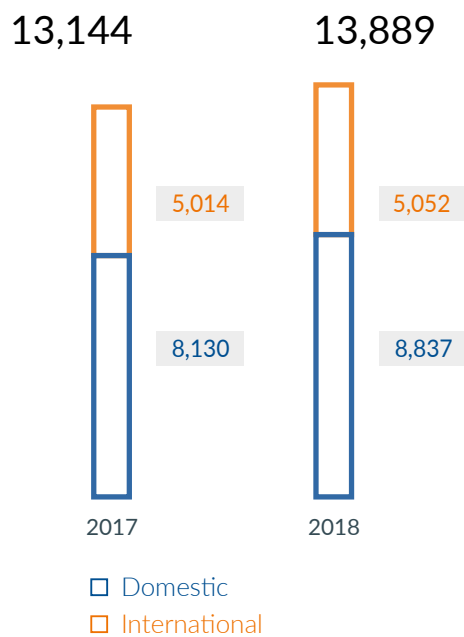
A professional team of more than 14,000 people

Change 2018-2017

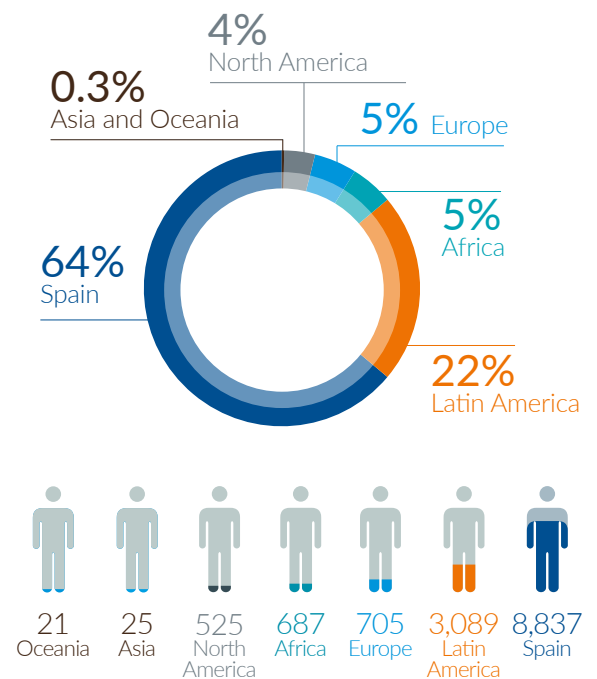


Workforce

By market



By geographic area





Cantareira
transmission system
(Brazil)

Elecnor in 2018





Biomass plant
in Fundão (Portugal)

Business trends (GRI 102-6)



INFRASTRUCTURE BUSINESS

Elecnor has the capacity to comprehensively manage any project.

The Group carries out viability studies, basic and technical engineering, construction and services, with a particular focus on electricity, power generation, telecoms and systems, installations, gas, construction, maintenance, the environment and water, railways and space.



CONCESSIONS BUSINESS

Elecnor's experience in infrastructure construction and operation and its increasing financial wherewithal led the company to undertake investment projects in its areas of activity.

This area of business addresses the operation of services through investment in power transmission systems, wind and solar thermal power, and other strategic assets.

Economic backdrop

CANADA

- GDP growth: 1.8%, well down on the 3% recorded in 2017, as a result of activities coming to a standstill in the final quarter of the year
- This performance at the end of 2018 can be attributed to the drop in investment and the export of goods and services

UNITED STATES

- GDP growth: 2.9%, compared to 2.2% in 2017. The figure for 2018 is the strongest since 2015
- Very propitious financial conditions (tax cut for companies) and solid trust between businesses and consumers, despite the trade war with China



MEXICO

- GDP growth: 2%, the same as in 2017, the lowest rates since 2014
- Adverse impact of uncertainty on the future of the Free Trade Agreement with USA and Canada, which was ultimately renewed, and the change of administration following the victory of Andrés Manuel López Obrador in the presidential elections

CHILE

- GDP growth: 4%, compared to 1.6% in 2017
- The catalyst of this expansion was the recovery of mining (+5.2%), in particular copper, after three consecutive years of contraction. Construction also grew again (+3.3%) after contracting in 2017

VENEZUELA

- GDP performance: -18%, the fifth consecutive year in which it has contracted, cutting national wealth in half since 2014
- Main factors: political and social instability and sharp fall in oil production, accounting for 90% of exports

BRAZIL

- GDP growth: 1.1%, one tenth up on 2017 and after contractions of 3.5% in 2015 and 2016
- Uneven recovery below expectations, leading the IMF to cut its 2019 forecast to 2.5%

SPAIN

- GDP growth: 2.5%
- First year the growth rate dips below 3% after three years of faster growth
- 562,000 jobs created
- Record exports:
EUR 285,024 million (+2.9% compared to 2017)
- Tourism record: 82.8 million visitors (+1.1% compared to 2017)
- Tenders for public works projects across all levels of government:
EUR 16,843 million (+31.8% compared to 2017 and the highest since 2010)



ANGOLA

- GDP performance: -2.4%, meaning three years running of recession
- Unfavourable environment thanks to the decline in oil production and poor price recovery



AUSTRALIA

- GDP growth: 2.3%, one tenth up on 2017
- Continued growth since 1991, although on a clearly decelerating path
- Weak trend in domestic demand, much debt in private economies and a contracting real-estate market

Elecnor reported sales of EUR 2,273 million in 2018

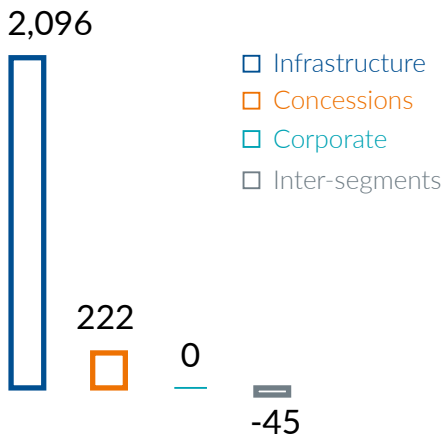
In 2018, Elecnor reported sales of EUR 2,273.1 million, the third consecutive year where sales have come to more than EUR 2,000 million. This is 1.9% down on 2017, caused primarily by the depreciation in the currency of several of the most significant companies to the Group's activities, such as Brazil, the US and Chile.

The breakdown of these figures shows that Infrastructure business sales amounted to EUR 2,096.1 million. Meanwhile, the Concessions business came to EUR 222.1 million.

Sales

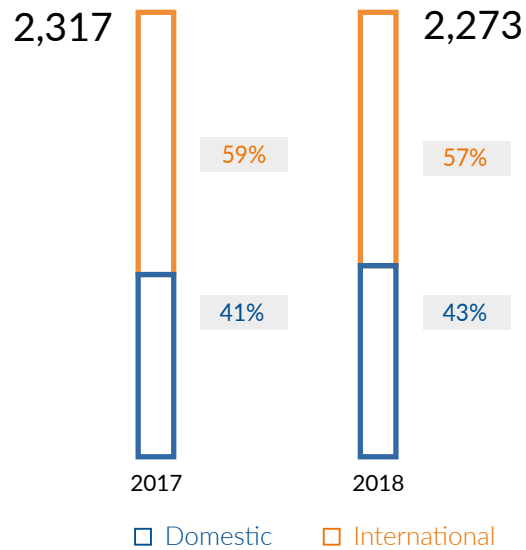
Figures in millions of euros

2,273



Sales by market

Figures in millions of euros



The international market, with sales in 55 countries in 2018, accounted for 57% of total revenue, and the domestic market accounted for the remaining 43%.

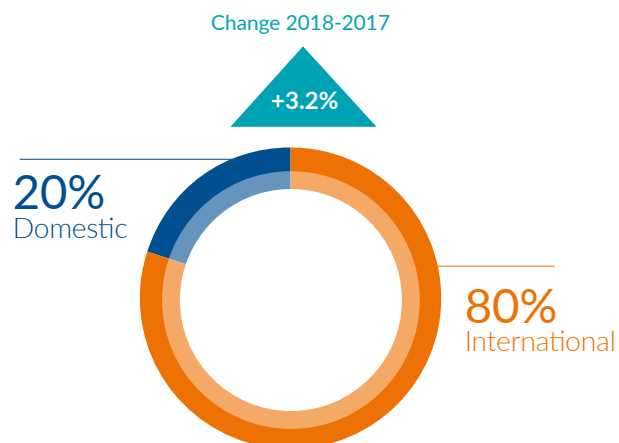
Among the catalysts for revenue is the domestic infrastructure market in electricity, power generation and telecommunications activities.

Also in the scope of Infrastructures, but outside Spain, worth particular mention are the gas and power transmission construction projects in Brazil, the turnkey development of two PV plants in Australia, the completion of a solar PV plant in Chile, the strong volume of activities in the US and progress in renewable energies with the construction of the fourth wind farm in Jordan, the third in Chile, the second in Mauritania and the first in Panama.

As part of the Concessions business, worth particular mention is the commissioning of new transmission lines in Brazil and Chile and the improved management of wind production sales on the international market.

The order backlog at the end of 2018 stood at EUR 2,229 million, up 3.2% year-on-year. International orders accounted for EUR 1,775 million (80% of the total) of this amount, while domestic orders totalled EUR 454 million, the equivalent of 20% of the total.

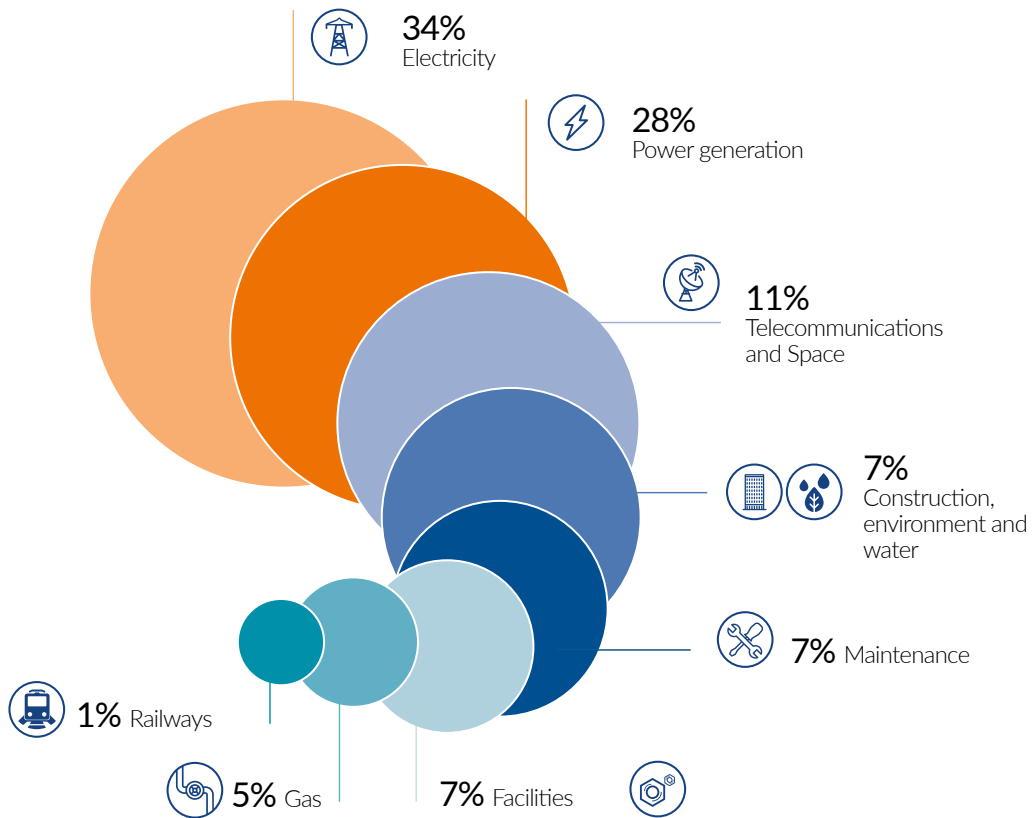
Backlog



Distribution by business and area

Infrastructure

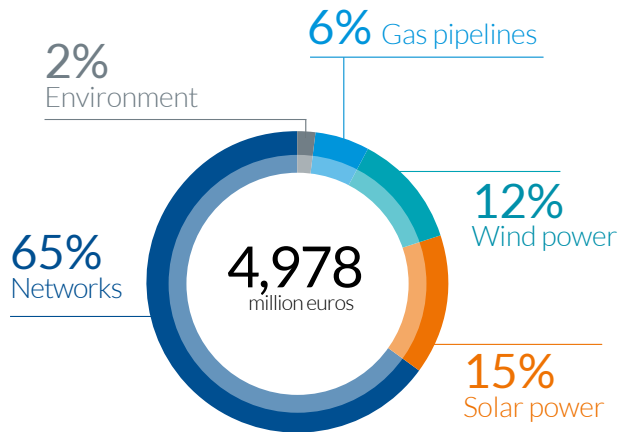
Sales by activity



Concessions

Assets managed

By activities

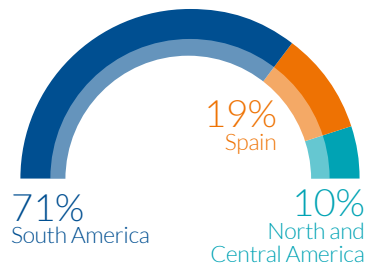


Situation

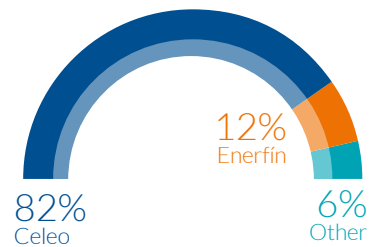
64.2%
in operation

35.8%
under construction

By geographic area



By companies



Infrastructure

Electricity



Elecnor leads the Spanish market in distribution networks, transmission lines and transformer substations. As a benchmark player for the main electricity operators, it has been able to progressively and constantly enlarge its market and expand abroad.

BACKDROP

In general, Spain's electricity sector has been experiencing a surge, with clear indications of increased investment thanks to the regulator's new remuneration system. This investment cycle looks set to last until at least 2020.

In the distribution segment, according to specialist surveys, energy transition to meet EU environmental targets by the year 2030 will require investment in Spanish systems of between EUR 29,000 million and EUR 34,000 million before that date. Investment must be used to address the need to replace ageing facilities; assist relevant penetration by distributed generation, autoconsumption and electric cars; in addition to the implementation of other services, including demand management.

There are also growth opportunities in the development of the renewable plants (primarily wind and solar photovoltaic) auctioned off in Spain in 2016 and 2017. In this connection, a considerable increase is expected in civil engineering projects associated with the plants, substations and feeder lines. Furthermore, the decrease in cost of PV panels has meant that investors are encouraged to promote projects without the need for subsidies, which will extend activities beyond 2019.

In the longer run, electricity, which at the present time accounts for a quarter of Spain's energy demand, will assist with the expansion of sources of renewable energy, particularly wind and solar power. According to the most recent government plans, the ratio of renewable energy against all energy will grow from the current rate of 17.5% to 42% by 2030, which will require the significant development of the corresponding infrastructures.

Activities

Power transmission

- 132 to 800 kV interconnection lines
- Maintenance work
- Live working

Energy transformation

- Substations of up to 500 kV
- Maintenance work
- Live working

Power distribution

- Medium-voltage overhead power lines
- Medium-voltage underground power lines
- Transformation centres
- Any type of low-voltage power grids
- Live working
- Preventive and corrective maintenance
- Grid operation work

2018 MILESTONES

SPAIN

Endesa

- Renewal of the substation and lines framework agreement.
- Renewal of the maintenance framework agreement and MV/LV, live working, SS and HV grids in Ponferrada (As Pontes).
- Renewal of the minor work framework agreement, comprising small civil works at installations owned by this company.

Enel X

- Renovation of the MV/LV inspection framework agreement and/or performance of phase II works.
- Renewal of the framework agreement for MV/LV electric maintenance services.



Enel Green Power

- Allocation of the framework agreement for wind farm maintenance in the Canary Islands and Asturias.

Iberdrola

- Renewal of the framework agreement for the maintenance of very high voltage lines.
- Replacement of supports, conductors and ground and fibre optic cables in the 132 kV Basauri-Alonsotegui line and Larraskitu bypass (Vizcaya).

REE

- Renewal of framework agreements for airline maintenance brigades, cleaning of voltage insulation and support brigades in the Balearic Islands.
- Renewal of line maintenance framework agreements in the maintenance of Peñafior and Monzón (Aragón), in addition to contracting two new areas, Mesón and Lomba (Galicia).
- Replacement of supports, conductors and 220 kV ground and fibre optic cables in Abadiano-Sidenor (Vizcaya) and the repowering of the 220 kV line between Dos Hermanas (Seville) and Puerto Real (Cádiz).

As an ESC,
Elecnor
manages
214,486
light
points

Energy efficiency

- 4,534 new lighting points added to the energy-efficiency public lighting contract portfolio as an energy service company (ESC), coming to a total of 214,846 at year-end.
- 6,900 new public streetlights contracted over the course of the year for maintenance, taking the total accumulated at year-end 2018 to 151,262 light points across 32 towns and cities.

EUROPE

United Kingdom

- Allocation of the framework agreement for switchgear and automation maintenance SSE.

Portugal

- For the public company, REN, "uprating" the 400 kV line between Rio Maior and Alto Mira.

Germany

- Renewal of the 380 kV Helmstedt-Wolmirstedt line.

Sweden

- Renewal of the 400 kV Storfinnforsen-Midskog line.

Switzerland

- Renewal of the 380/220/132/65 kV Ltg Mörel-Ulrichen Abschnitt Fiesch-Ulrichen Montagearbeiten line.

AMERICAS**United States**

- Renewal of different framework agreements: NSTAR and CL&P (directed drilling), Eversource and PSE&G (MT and BT) and Pepco (MT).
- Overhead adaptation agreements for National Grid, in Massachusetts.
- Projects involving 220 kV underground transmission lines.
- For Invenergy, 20 MW 69 kV substation for the evacuation of a photovoltaic park in Long Island.

Mexico

- Culmination of the project to supply, assemble and start-up the interconnecting electrical infrastructure between Tizimín wind farm and Alarde: two substations and an interconnecting line.
- Electrical BOP project with assembly of turbines for the San Matías wind power plant.
- For CFE, completion of the South Peninsular substation (6th phase) and continuation of the 208 SLT 1722 Southern Distribution project (3rd phase).

Central America

- **El Salvador.** Interconnection of a natural gas plant owned by Energía del Pacífico via 3 substations and the associated transmission lines at voltages of 230 kV and 115 kV.
- **Panama.** 230 kV GIS Burunga electricity substation.
- **Honduras.** Electricity BOP for the Chinchayote wind plant.
- **Dominican Republic.** 345 kV transmission line between Punta Catalina and Julio Sauri, measuring 45 km and expansion of the Southern transmission system.

Brazil

- Completion of the Cantareira transmission project on behalf of Celeo Redes: construction of 342 km of 500 kV transmission lines in a dual circuit and expansion of the two 500 kV substations with seven 45 MVAR line reactors each.
- Start of the Serra Ibiapaba Transmissora de Energia transmission project (lot 2) on behalf of Celeo Redes: expansion of seven 500 and 230 kV substations and construction of 441 km of 500 kV transmission lines.

Argentina

- Framework agreement for the maintenance of MV and HV lines via live working work for YPF. These activities are performed in the provinces of Neuquén, Río Negro and Mendoza.
- Order intake and start of work at the Ezeiza 132 kV substation in Buenos Aires for Transener.
- Work on the Stage II substation in Neuquén, for YPF.

Chile

- For Celeo Redes: new Diego de Almagro substation, expansion of the Cumbre substation of 40 km 220 kV line.

Uruguay

- Electricity distribution contracts awarded by public company UTE in central, northern and western regions of the country.

AFRICA

Angola

- Rehabilitation and expansion work of the Viana 400/220 kV and Gabela 200/60 kV substations, doubling the power transformation capacity of Viana substation, the main supplier of the Angolan capital, Luanda, to 1,000 MW.
- Installation of 400 kV HV Laúca-Waku Kungo line.



Interconnection of
the Tizimin wind farm
(Mexico)

Power generation (GRI 201-2)

Elecnor's diversification of its business, markets and industries over the past two decades has been particularly concentrated on large-scale complex power generation plants of much renown emerging in all 5 continents.



BACKDROP

WIND POWER

In 2018, the wind sector maintained the upward trend seen in recent years, with the installation of a total of 53.9 GW around the world, up from the 52.3 GW seen in 2017. Thus, total installed capacity at the end of the year came to 600.3 GW. Of this accumulated amount, the leading countries were China (221 GW), the USA (96 GW), Germany (59 GW), India (35 GW) and Spain (23 GW).

On the one hand, this expansion has been supported by the progressive extension of an auction system to different markets and tenders associated with PPA contracts and, on the other, by constant technological progress in the wind industry. In this regard, the efforts wind turbine manufacturer to adjust the cost of turbines and develop more powerful and efficient equipment that produce more energy are worth particular note, enhancing the feasibility of projects that in the past would not have been profitable.

Special mention must also be made of markets that, after stagnating in recent years, have resumed their commitment, awarding new projects and building new facilities. This is the case of Poland and, in particular, Spain where, in 2018, 392 MW were installed following the allocation of 4,500 MW of wind power at auctions held by the government in 2016 and 2017 to meet 2020 renewable energy targets.

The Spanish market is moving towards arranging PPA agreements and even the construction of facilities for the sale of energy directly to the market, without PPA agreements in place.

In overall terms, against the backdrop of a positive market trend, the sector continues to suffer from competition from the photovoltaic sector. To overcome this challenge, attempts may be made to move towards the hybridisation of both technologies as efficiently and as economically as possible.

Activities

Turnkey projects and operation and maintenance services for the following:

- Wind farms
- Solar PV plants
- Solar thermal plants
- Combined cycle plants
- Hydroelectric power plants





Faro-Farelo
wind power
plant (Galicia).
Enerfin



Bungala Solar PV plant
(Australia)



SOLAR PHOTOVOLTAIC

2018 was once again an important year for international solar PV. The new installed power capacity remained slightly above 103 GW, meaning the total accumulated power at year end came to more than 503 GW.

Despite the unexpected adjustment of subsidised tariffs in China, on account of the government's intention of exerting greater control over market growth, the Asian giant was once again the leader in terms of installed power, with a little over 44 GW (43% of the global share). It was followed, once again, by the USA (11%, India (9%) and Japan (6%).

In any case, the year was defined by the expansion of the solar-power industry in emerging markets, with a total of 13 countries generated more than 1 GW new installed power during the course of year, including significant countries like Australia, Brazil and Mexico.

Energy auction mechanisms remain the main catalyst for solar power growth. In 2018, a total of 53 countries used this model of development.

In terms of the Spanish market, it has been characterised by the start of construction of a large part of the 3.9 GW allocated in projects at the 2017 auction, which is due to come into service at the end of 2019. Furthermore, the sector received significant support following the publication of Royal Decree 15/2018, revoking the so-called "sun tax", simplifying administrative procedures and leaving the door open to shared auto-consumption and the net balance.

In 2018, progress was made with technology, increasing the efficiency of solar modules, making energy storage systems more competitive and hybridising photovoltaic power with wind power to offer a production curve that is better suited to demand. This will all help, in the near future, consolidating this technology as a genuine alternative to conventional generation.



SOLAR THERMAL

Currently, there are 50 solar thermal plants in operation in Spain, accounting for 2,300 MW of power, making it the market with the greatest operating capacity in the world. The significance of this industry is also measured by its contribution to GDP (EUR 1,464 million per year) and the job market (5,269 jobs).

Spain is also the world leader in technological capacity. Spanish companies in

the solar thermal sector are starting to embark on ambitious projects around the world, including the United States, the Middle East, China, India and Australia. This leadership position has been achieved, in large part, thanks to continuous R&D&i efforts.

Internationally, global solar thermal capacity will increase by 87%, equivalent to 4.3 GW, between 2018 and 2023, according to data from the International Energy Agency (IEA) in its 2018 Renewable Energy Report. In the long term, the largest individual increase will be seen in Saudi Arabia, which is aiming to build 2.7 GW of capacity by 2030, according to its current energy plans.

COMBINED CYCLE POWER PLANTS

Combined cycle power plants employ the thermal technology that has grown the most in Spain in the first years of the 21st century. In effect, between 2002 and 2016, a little over 28,000 MW of thermal generation capacity entered into service, an accumulated investment of around EUR 15 billion, according to REE.

However, according to specialist research, there are various factors that have diminished the general competitive status of combined cycle plants in Spain: the evolution of the sector's structure, the penetration of other technologies, the development of regulations and changes in fuel markets to name just a few. The combined influence of all these factors means that combined cycle plants are clearly underused and their future economic feasibility is severely compromised.

In fact, the installed capacity of this type of technology entered a stagnant phase of growth in 2011, with little more than 1,000 MW added in the following five years. Despite their underuse, it must not be forgotten that the current status of the energy sector enhances the role of this type of production as the only backup technology that is flexible and reliable enough to cover demand and guarantee the supply of electricity at all times.

HYDROELECTRICITY

In Spain, the consumption of primary energy in 2018 continued on the upward trend that began in 2015; however, hydroelectricity crashed by 49.1% as a result of the "historic" drought, with the second lowest level of rainfall recorded since statistics began, according to Statistical Review of World Energy 2018.





Agua Prieta
combined
cycle plant
(Mexico)

This meant that coal consumption experienced the largest growth, 28.5%. And, following the increase in consumption of less clean energy, CO₂ emissions in Spain rose by 6.9%, the fastest rate since 2012.

Internationally, in 2018 non-fossil fuels accounted for 15% of all production, with hydroelectricity accounting for 7%, renewable energy for 3.6% and nuclear power for 4.4%, according to the same study.

2018 milestones

Spain

- **Solar PV:** provision of 1.4 Mwp modules to Veolia for the installation of auto-consumption at one of the hospitals in Cordoba whose energy efficiency is managed by the French firm.

America

Mexico

- **Wind power:** 30 MW San Matías project. Elecnor's scope includes engineering, civil and electricity construction for the project (BOP) in addition to work to install the turbines purchased directly by the customer.

Completion of the first wind project undertaken by Elecnor in this country. This is the Tizimín plant, with a capacity of 75.6 MW. Elecnor's scope extends to the construction of two substations and the interconnection line.

- **Combined cycle plant:** execution of the Empalme II combined-cycle plant in the town of Empalme, Sonora state, with a guaranteed net power output of 791.1 MW. The project was 99.8% complete at year end 2018.

Chile

- **Wind power:** 10 MW Cabo Negro project. This is an EPC where Elecnor's scope entails both the engineering and construction and supply of the turbines.
- **Solar PV:** powering of the 115 MW Til Til plant. In addition to the EPC of the plant and high voltage evacuation infrastructure, Elecnor is responsible for operating and maintaining the plant.

Bolivia

- **Solar PV:** construction of the Uyuni and Yunchará plants, with a combined power output of 65 MW. This is the country's main clean energy project.

Argentina

- **Solar PV:** start of construction of a 1.2 MWp solar plant in Mendoza province, thus becoming one of the select group of companies involved in the construction of renewable energy facilities in the country.

Uruguay

- **Wind power:** completion of construction of the 50 MW Cerro Grande wind farm, where the company has performed engineering, provided supplies and electromechanically assembled the entire farm.

Panama

- **Wind power:** 66 MW Toabré wind farm, Elecnor's first project in this country. Complete EPC scope.

Dominican Republic

- **Wind power:** completion of the engineering, supply, construction and start-up of the 48.3 MW Larimar wind farm.

Honduras

- **Hydroelectric power plant:** operation and maintenance of the Nacaome hydroelectric power plant, one of the most important in the country.

Europe

Portugal

- **Biomass:** construction contracts for two 15 MW plants, powered by forest fuels. They are located in Viseu and Fundão. Elecnor is responsible for the design, engineering, supply of equipment, construction, installation and start-up of both plants, the evacuation line for the Fundão facility and the associated substation for the Viseu plant.

Australia

- **Solar PV:** execution of the first two phases of the Bungala Solar project (Bungala One and Bungala Two). The promoters are Enel Green Power and Dutch Infrastructure. The project in Port Augusta, with a total power of 275 MWp and currently Australia's largest ongoing photovoltaic project, is the largest Elecnor has built to date.

Africa

Angola

- **Hydroelectric power plant:** coordination and execution of electromechanical assembly for the Laúca hydroelectric plant. When it has been commissioned, it will be the country's largest power production facility, with an output of 2,073 MW.

Cameroon

- **Hydroelectric power plant:** Nachtigal project, the largest hydroelectric power plant in the country. Elecnor is responsible for electromechanically assembling seven 60 MW generation units, the evacuation substation and auxiliary systems (BOP).

Mauritania

- **Wind power:** second wind farm in this country: Boulenouar, with 100 MW. Elecnor will be responsible for the engineering, construction and start-up. It also includes a substation and the medium-voltage line. A further 11 year operation and maintenance services contract was also signed.

Senegal

- **Solar PV:** supply, installation and start-up of a USD 15.9 million UN project to electrify 128 villages. Each of the villages has a hybrid facility, chiefly composed of PV modules, batteries, generators and inverters, to manage energy production by the generators and the PV panels and control battery charging and discharging.

Morocco

- **Solar PV:** supply and installation of the project consisting of the replacement of photovoltaic modules at the Maghreb–Europe gas pipeline control stations.

Middle East

Jordan

- **Wind power:** 100 MW Tafilah wind farm, Elecnor's fourth wind project in this country. Elecnor, in partnership with the turbine manufacturer (GE) is building one of the biggest wind farms in Jordan. Continuation of the Al Rajef wind farm. The project includes the engineering work, construction of the wind farm, the medium-voltage power and communications network and the complete substation, including start-up.

Gas



Elecnor has over thirty years' experience in nearly all areas of the gas value chain, from transport to industrial and household distribution, Its main markets are located in Spain, the US, Portugal, Brazil and Mexico.



Gas pipeline in Gijón (Asturias)

BACKDROP

Overall, in 2018 natural gas has consolidated its position as a clean fuel that is in increasing demand. Its outlook is favourable in light of the energy transition under way worldwide to limit the effects of global warming.

The Spanish gas market expanded for a third consecutive year mainly as a result of industrial recovery which was in turn driven by a phase of economic expansion. By sector, the most dynamic were the metallurgical and construction industries.

This performance was more stable in the residential industry, with figures similar to those seen in recent years.

Activities

Elecnor holds contracts with the leading gas operators, with capacities for the following types of works:

- Regasification plants
- Gas transport
- Compressor stations
- Regulation and metering stations
- Gas distribution
- Integrated services

In terms of the grid, the progressive roll-out seen in recent years has continued. At year end, it covered 80% of the population with 31% penetration in homes.

Spain remains the European leader in this sector thanks to its storage capacity at LNG plants: its supply capacity and diversity are factors that mean the country boasts a high security of supply.

In this situation, Elecnor maintained its strategy of maintaining and upscaling presence with all gas distributors with integrated service activities.

In the case of the US, investment in the gas sector remains on the up, in particular investment dedicated to modernising obsolete facilities. Elecnor's North American subsidiary, Hawkeye, diversified its business in New York state, working with the main two utilities firms in the area, ConEdison and National Grid.

In Brazil, the oil and gas sector, which accounts for almost 10% of the country's GDP, is on the up again following the recovery of Petrobras and the privatisation of many of its activities in addition to the arrival of private capital at gas distributors in a number of States.

2018 MILESTONES

SPAIN

Nedgia

- Continuation of the main activities to expand the grid and maintenance associated with the construction of new polyethylene and steel pipelines and connections and the execution of new shared and/or separate gas reception facilities.
- Order intake for the development of the integrated gas service in Catalonia, Castile-Leon, Galicia, Rioja and Andalusia. This includes emergency, maintenance, inspection, registration and conversion assistance.
- Dismantling of LPG plants.

Enagás

- Renewal of the national contract for the maintenance of power lines and transformer centres for the basic gas pipeline network.
- Order intake for minor work in the electricity and construction industries.

Madrileña Red de Gas

- Construction of new piping and polyethylene/steel connections and construction of new incoming gas facilities.
- Maintenance service for distribution networks and associated components.
- Service for maintenance of teleinformation equipment for regulation and metering stations.

Redexis Gas

- Extension to the province of Cádiz of work to construct new piping and polyethylene connections.
- Execution of the integrated line construction project and distribution of new supply points in Medina Sidonia (Cádiz).

Gas Extremadura

- Continuation of the main grid expansion and maintenance activities, associated with the construction of new lines and polyethylene connections.

Nortegas

- Expansion the grid and maintenance associated with the construction of new polyethylene and steel pipelines and connections and the execution of new shared and/or separate gas reception facilities.
- Integrated gas service.
- Construction of the LPG plants.

UNITED STATES

- Hawkeye, Elecnor's subsidiary in the US, renewed the gas framework agreements with ConEdison for the Queens and Westchester area.
- Consolidation as National Grid's local contractor on Long Island, with the allocation of the valve installation programme for 2019.

BRAZIL

- Execution of two EPC contracts for Eneva in the state of Maranhão.
- Pipeline for Gasmig in the state of Minas Gerais.
- 70 km pipeline for Bahigás in the state of Bahía.



Low pressure gas
in Queens,
New York
(United States).
Elecncor Hawkeye

Telecommunications



Elecnor has more than 40 years experience in the telecommunications infrastructure field for operators, covering the entire lifecycle of a telecommunications grid: from engineering to construction of the grid, equipment installation, customer connections and maintenance of the grid.

BACKDROP

In 2018, the roll-out of next generation access grids (NGA) remained apace, with Spain in a prime position in Europe in terms of extending the coverage of the fibre optic grid available or progress with 4G+ mobile networks, meaning speeds of up to 700 Mbps can be reached on mobile phones.

According to the most recent data published by the National Markets and Competition Commission (CNMC) concerning the third quarter in 2018, total NGA accesses or next generation grid accesses installed came to 53.8 million, 16.8% up on a year ago. The accesses that grew the most were fibre to the home (FTTH), with 42.9 million accesses deployed compared to 35.2 million in September 2017.

Spain remains at the top of 4G coverage, with almost 84%, although growth has slowed somewhat and the development of 4G networks seems to have been curbed.

In the roll-out of FTTH, Spain is well ahead of major European countries like Germany, United Kingdom, Italy or France. The FTTH Council, an international organisation that supports the roll-out of fibre to the home, places Spain at the top of European countries based on the penetration of fibre to the home, at 44% according to the most recent report prepared by the organisation. In fact, Spain places third among OECD countries in the roll-out of this technology, behind only Japan and South Korea.

2018 MILESTONES

SPAIN

Engineering on the fixed-access network

- Contract for engineering work and technical assistance on the Vodafone fixed HFC (hybrid fibre coaxial) network.
- Engineering work on the fixed FTTH (Fibre to the Home) network for Telefónica, Orange, MásMóvil, Lyntia and Euskaltel.

Activities

- Engineering
- Construction
- Installation of equipment
- Customer connections
- Maintenance

Engineering on the mobile-access network

- Through the main vendors, like Huawei and Nokia, engineering services on the radio access network, offering capacities for the design of radio and transmission, selection and engineering for the infrastructure and components on the mobile network, definition of the integration parameters for these networks, monitoring and adjustments and the drive-tests required.

Construction and maintenance of fixed access grids

- 1,500,000 FTTN household units - fibre optic networks for Telefónica, Orange and MasMóvil.

- Addition of a new contract with Lyntia (reference neutral operator in the telecommunications wholesale market in Spain) to construct the FTTH grid in small towns.

- Maintenance of the fixed telephone infrastructure of Telefónica, Orange, Vodafone, MásMóvil, R Cable and Correos Telecom.

Construction and maintenance of mobile access grids

- Service for Telefónica in two zones that include, on the one hand, the provinces of Cantabria, Álava, Guipúzcoa, Biscay, Navarre, La Rioja, Gerona, Barcelona, Tarragona, Lérida, Zaragoza, Huesca and Teruel; and, on the other, Jaén, Granada, Almería, Burgos and Soria. The total number of nodes maintained comes to 7,500.

- Service for other operators, including Orange and Vodafone.

Installation and maintenance of mobile and fixed grid equipment

- Ecnor has a network equipment installation contract with Huawei and Nokia, which the different operators entrust to these vendors.
- 4G modes installed: more than 2,000.
- WDM modes installed: more than 500.



Project to implement LTE 800 technology in Biar (Alicante)

Installation and maintenance of customer connections

- ElecnoR provides FTTH customer connection services to Telefónica, Orange, R Cable and Euskaltel.
- Number of customer connections in the year: 500,000.

Services to operators sharing telecommunications infrastructures

- Contracts with Cellnex and Telxius for development and maintenance of their respective infrastructures, with activities such as the installation of new lattice towers and tube towers, reinforcement work on existing towers or adaptation of antenna supporting structures.

ITALY

- As part of the strategic objective to develop telecommunications activities in new markets where ElecnoR already performs other activities, in 2018 work started to roll-out FTTH networks in Italy for Open Fiber, Enel's subsidiary tasked with acting as the neutral fibre operator in this market.

URUGUAY

- Construction of FTTH lines for the regions of Montevideo, Maldonado and Lavalleja, in addition to the construction of business fibre optic lines in the regions of Cerro Largo and Tacuarembó for public firm Antel.



Huawei coverage in Mestalla football stadium (Valencia)

Railways



Elec nor has played a consistent role in the rail market over the last 25 years and has been prominent in the deployment of the Spanish network's modern infrastructure, in particular the 350 km/h high-speed network.

Activities

- Rail electrification
- Traction substations
- Communications and control of facilities
- Signalling and interlocking

BACKDROP

In the Spanish market, and following years of budgetary constraints in rail infrastructure, in 2018 there were signs of a slight upturn in calls for tender for the upgrade and maintenance of existing rail lines.

In the final months of the year, a large part of high-speed rail infrastructure projects were cleared for new calls for tender to complete the different railways under construction.

With the entry into force of the new Law on Public Sector Procurement in March 2018, different rail administrations amended their criteria for assessing tenders, prioritising bids with the best technical and economic ratio, with price no longer the main decision-criteria. Furthermore, as part of calls for tenders in this sector, priority has been given to the solvency of resources; therefore, the capacity of a company in the face of certain difficulties and projects of a certain size is a key factor.

At the same time, Elec nor remains committed to globalisation as a key part of its activities and has made a start on drawing up a master plan for foreign operations. This entailed an analysis of markets and Group capacities, a search for the right opportunities and striking partnerships with companies operating in the sector to undertake major projects involving a range of activities (infrastructure, signalling, operation and design, among others).

On the international front, the company is working on opportunities in some particularly dynamic markets such as northern and eastern Europe. It also aims to take part in large-scale projects under way around the globe: the high-speed railway in California (USHSR), the high-speed railway in the UK (HS2) and the electrification of commuter train lines in Toronto, Canada (RER).

2018 MILESTONES

SPAIN

- On the Madrid-Galicia high speed rail line, the electrification project of the section between Pedralba de la Pradería (Zamora) and Orense, in addition to civil protection facilities in the section between Pedralba de la Pradería (Zamora) and Vilariño de Conso (Orense).
- Final execution phase of PPP Olmedo (Valladolid)-Zamora-Pedralba de Pradería (Zamora): execution and maintenance of energy facilities in the high-speed section.
- Integrated management of the underground civil protection facilities in Córdoba, the Abdalajís tunnels and underground facilities in Málaga on the Córdoba-Málaga high-speed line.

NORWAY

- Start of construction of the rail systems for the new twin high-speed train tunnels between Oslo and Ski.

ALGERIA

- Delivery and start up of infrastructure and electrification work of the tram system in Ouargla, some 700 km from the capital Algiers. This is a 12.6 km routing between the old part of the city and the university district in the suburbs.



Tramline
in Ouargla
(Algeria)



Maintenance of the high-speed railway (Córdoba)

Maintenance



Elecnor provides customised solutions for technical, commercial and ancillary services as part of public electricity, communications, gas, water and facilities services. This means it can guarantee global flexible scope for its customers, ensuring the best possible operation of facilities and processes in hospitals, business parks, shopping centres, office buildings, town halls, airports, thermal power plants, nuclear power plants, wind farms, solar plants, factories and universities, among others.

BACKDROP

In 2018, the maintenance market experienced moderate growth compared to previous years, against a favourable economic backdrop supporting the increase in demand.

In the short term, it is believed that the value of the market could increase by around 2% per year, with the industrial and energy sectors being the most dynamic.

The main threat to the sector remains the high level of competition based on the price factor, although there has been important growth in service quality as a distinguishing factor.

Among the main opportunities is the increase in business associated with the energy efficiency of buildings and facilities, promoted by new regulations and the increase in government aid as part of the 2017-2020 National Energy Efficiency Plan.

Activities

At Elecnor, Maintenance is a comprehensive service with a global flexible scope, in areas such as:

- Technical/legal
- Conductive
- Corrective
- 24-hour service and predictive
- Renovation
- Rehabilitation
- Optimisation of consumption
- Energy efficiency
- Security systems



Maintenance at the Polytechnic University of Valencia

2018 milestones



Automotive sector

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



Pharmaceutical and healthcare

Elecnor provides services for groups such as Quirón and Vithas (technical-regulatory and legionnaires' disease maintenance in all their hospitals), Clínica de Navarra university hospital, Bayer, Roses and Cofares.



Industrial sector

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



Telecommunications sector

Multi-service contract in Telefónica buildings and property works, at the request of the operator all over Spain. Services are also provided for Orange.



Airport sector

Maintenance of the high and low voltage line for Madrid Barajas Airport and expansion of radiocommunication systems in Valencia Airport.



Banking and insurance

Leading customers include BBVA, Santander, Liberbank, La Caixa and Kutxabank.



Hotel and real estate sector

NH, Meliá, Metrovacesa, Unibail and Rodamco. Services are also provided for the Iberdrola Tower in Bilbao and the Picasso Tower in Madrid.

2018 milestones


Commercial premises and hypermarkets

Particularly noteworthy are contracts for businesses with multiple establishments (C&A, Día, Mercadona and Aldi).


Chemical and petrochemical sector

Repsol, Petronor, Cepsa, Galp, Air Liquid and CLH, are some of the customers operating in this sector.


Urban mobility

Málaga metro and replacement of 2,000 parking meters in Barcelona.


Security systems

New operations and control room for Parque de Atracciones del Tibidabo (Barcelona), security at the Consorcio de Aguas de Tarragona facilities and maintenance of the TMB railway converters room (Barcelona), among others.


Energy efficiency at buildings and facilities

- Project to refurbish the building that formerly housed the Ca l'Alier factory (Barcelona) including maintenance and energy management for a period of 10 years.
- Energy services contract for facilities run by Empresa Municipal de Transportes (EMT) de Madrid, generating 25% energy savings.
- Self-consumption photovoltaic installation at Hotel Torre del Marqués, in Monroyo, Aragón.
- Start of construction with energy efficiency criteria at the Research Institute at Hospital Sant Pau (Barcelona).
- Renovation with energy efficiency criteria of the facilities of Sant Antoni Market (Barcelona).
- Electrical, HVAC and climate control facilities via BMS (Building Management System) for new Lidl logistics platform in Alcalá de Henares (Madrid).
- HVAC and fire extinguishing facilities at the new Helios complex, currently being developed by French developer Therus Invest with energy efficiency criteria in Campo de las Naciones (Madrid).
- Renovation with energy efficiency criteria of the Mapfre building in Calle Mateo Inurria, 15 (Madrid).

Smart cities. The future is already here

Cities are progressing and growing, generating a huge volume of information which must be processed in order to meet present and future challenges.

The use of information and communication technologies as part of solutions and services that foster innovation and achieve more efficient and sustainable cities, increases the life quality of residents and the efficiency of available resources.

Efficient management is one of the aspects on which the Elecnor Group has focused its high capacity for innovation, to help cities and companies to be more efficient, fostering energy saving and reducing consumption.

In the sphere of smart cities, smart territories or industry 4.0, the Elecnor Group is positioned as a local partner with a global mindset, leading the way in technology and innovation. The Group leads the way in technology and innovation and has the necessary skills and resources to deliver excellence in all the areas that drive smart development. Integrated management of street lighting and rail information, smart lighting/energy/fieldwork/gardens/water or new traveller information systems are just a few of the solutions that the Group provides to achieve greater efficiency and effectiveness in terms of resource management.



Facilities



Elecnor has become a reference point for facilities, with teams specialising in providing end-to-end services stretching from design and start-up to operation and maintenance in activities spanning landmark buildings, cultural and leisure centres, airport terminals, railways, industrial plants, buildings of cultural interest and heritage sites.

BACKDROP

The status of the construction sector has a direct impact on Facilities activities. In this connection, worth note is the continuation in 2018 of the expansive phase that began in 2015, which is forecast to progress by 4.5% in 2019 and 3% in 2021. Specifically in 2018, an increase in production of 5.7% was registered, despite the economic slowdown that was notable in the second half of the year in different macroeconomic indicators.

By segment, the performance of the residential construction has been strongest, with growth of around 11% in 2018 and a forecast of 8.5% for 2019. The key to this expansive cycle is in the new equilibrium visible on the market, thanks to adaptation by new players and the emergence of demand niches to justify new development projects.

The outlook for non-residential construction remains more uncertain, although in the medium term, activity is not expected to fall due to market niches with sufficient potential to prop it up.

Activities

- Electricity
- HVAC
- Fire protection
- Ventilation
- Management systems
- Security
- PA systems
- Telecommunications
- Plumbing and sanitation



Assembly for U-3200 derivatives plant (Tarragona)

2018 milestones



Airport sector

- Primary maintenance services at Adolfo Suárez Madrid Barajas airport.
- Maintenance and facilities improvement and adaptation service at Barcelona-El Prat airport.
- Other airports: Valencia, Pamplona, Bilbao, Lanzarote, Alicante-Elche, Palma, Menorca, Santiago de Compostela, La Coruña, Vigo, Reus (Tarragona).
- Refurbishment of AENA's headquarters, a project that required jointly coordinating and performing three processes, encompassing (actively involving subsidiary Área 3) facilities to compartmentalisation and carpentry, fixtures, furniture, etc.



Rail sector

- Facilities maintenance services at Puerta de Atocha (Madrid) and María Zambrano (Málaga) train stations.
- Building services: regulation and control centre in León, Zaragoza Plaza cargo transport terminal and repair workshops in Villaverde (Madrid), among others.



Defence sector

- In collaboration with Telefónica, renewal and extension of the fibre optic network at the Ministry of Defence in Madrid.



Sector of energy efficiency for buildings

- Contracts in connection with energy efficiency improvements to large infrastructures

Construction



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

BACKDROP

In Spain, in 2018 the construction sector continued the expansive phase that began in 2015, which is forecast to progress by 4.5% in 2019 and 3% in 2021. Specifically in 2018, an increase in production of 5.7% was registered, despite the economic slowdown that was notable in the second half of the year in different macroeconomic indicators.

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In terms of civil engineering, the 2019 electoral calendar saw the revival of projects in 2018 to some extent. However, in the longer term, serious doubts remains as to the State's capacity to revitalise this subsector, given the strong commitments it will need to make in other fields (motorways in poor condition and tolls motorways for which concessions are coming to an end, for example).

2018 MILESTONES

SPAIN

- New E cruise ship terminal in Barcelona port.
- Administrative campus for the Generalitat de Catalunya (Barcelona).
- Reform work on the Mapfre Tower in Barcelona.
- New Sant Antoni market (Barcelona).
- Infant and Primary School in Sobradriel (Zaragoza).
- Hotel Torre del Marqués in Monroyo (Teruel).
- Preliminary work on the future new stadium for FC Barcelona (Nou Camp Nou).

Activities

Services

- Building
- Civil engineering
- Hydraulic facilities
- Industrial sector

Solutions

- Commercial building
- Residential and hotel sector
- Educational and cultural centres
- Social healthcare equipment
- Sports and recreational centres
- Industrial buildings
- Energy efficiency and renewable energy
- Infrastructure

PANAMA

- Construction as part of a joint temporary merger with Acciona of the new 600 bed David Hospital Complex in Panama City.
- Construction of new areas for external consultancy, emergency services and parking lots at the Chepo Regional Hospital.
- Construction of the new Dr. Roberto Ramírez de Diego Polyclinic in Chitre (Herrera province), at the former location of the old El Vigía Hospital.
- Adaptation and improvement of electricity infrastructure at the Pereira campus at the University of Panama.

HAITI

- Reconstruction of the Port-au-Prince University Hospital in the capital, destroyed by the huge earthquake on 12 January 2010. The complex has 10 buildings, 9 of which are used for hospital activities, and 1 for logistics.



HSR arch on
the Y Vasca
line between
Lemoa-Galdakao,
Elexalde tunnel
(Vizcaya).
Adhorna

Environment and Water



The Group provides specialist environment and water infrastructure services through Elecnor and through Audeca and Hidroambiente. Spain is the largest market for all three, although they also have many foreign operations and work on an increasing number of major projects.

BACKDROP

The Group's environment and water services rely heavily on investment by public administrations, whose budgets for the Spanish market have been cut drastically in recent years.

In this connection, 2018 was an unusual year as it was defined by two extraordinary factors. On the one hand, the entry into force in March of the New Public Procurement Law, which has meant that calls for tender were concentrated in the first half of the year and, from then on, they came to a complete standstill (lack of specifications adapted to the new law, etc.). On the other, the political situation in Spain, which led to a change of government halfway through the year and which brought Administration activities to a standstill for almost four months in terms of calls for tender.

Nonetheless, Elecnor met the production target established at the start of the year thanks to the intense order intake during the first half of the year.

Concerning the forecast for 2019, it is worth noting that calls for tender in the public sector will probably come to a standstill again due to the different elections due to be held.

As part of its commitment to returning to the civil engineering sector, the Group is bidding for road construction works at the Ministry of Development and has seen an uptake in the calls for tender for infrastructure conservation work, a sector in which Elecnor enjoys a notable presence.

Furthermore, it is expected that calls for tender will be sent out in the construction sector for waste water treatment plants in Spain and that such contracts may be sent out to tender by means of concession for the treatment of waste water in the Region of Castile-La Mancha.

Activities

Environment

- Environmental services: waste collection, street cleaning, gardening and cleaning of buildings, among others.
- Forestry work: preventing and putting out fires, plantations, construction of paths and roads etc.
- Channelling, cleaning and restoration work on rivers and river banks.
- Construction, operation and sealing of waste dumps.
- Construction and operation of waste plants: classification, construction and demolition, gasification and leachates.

Water

- Construction and operation of water treatment plants: drinking water purification systems, wastewater treatment systems and desalination plants.
- Energy: water plants for cooling systems and services specialising in nuclear, coal, combined-cycle and solar thermal plants.
- Petrochemical: plants to treat waste containing hydrocarbons or organic products from chemical processing procedures. Redesign of refinery waste processes, elimination of odours or tertiary treatment for re-use of water.



2018 MILESTONES

SPAIN

- Paving at the Convention Centre in León, guaranteeing access and outdoor functionality with environmental criteria: use of permeable paving that allows the infiltration of rainwater into the soil, avoiding it being diverted from its natural course.
- Wastewater treatment plant (WWTP) in settlements in the Bajo Guadalhorce region (Málaga): Álora, Pizarra and Coín.
- Consolidation of our presence in Galicia, with order intakes with the Provincial Government of Pontevedra and different town councils, resulting in the inauguration of a stable production centre in this Autonomous Community.
- In the water sector, order intake for four years for a service to operate, conserve and maintain supply systems in Campana de Oropesa and Gévalo (Toledo).
- Operation of water plants for Spanish industrial firms, including Sidenor, ArcelorMittal and Asturiana de Laminado, Ence and Bungie in the chemicals industry.

MEXICO

- Actions for Coca-Cola bottling firm in the city of Reyes.
- Start of a water treatment plant for the Playa Mujeres hotel complex in Quintana Roo.

HONDURAS

- Water treatment plant in Comayagua, using Spanish cooperation funds (AECID).

PORTUGAL

- Development of water plants for the Viseu and Fundão biomass plants.

Space



Elecnor's technological arm, Elecnor Deimos, specialises in engineering, designing and developing solutions and integrating systems in the aerospace, information systems and telecommunications network sectors.

Elecnor Deimos is currently one of the leading players in the European aerospace industry, with direct operations in Spain, the United Kingdom, Portugal, Romania and Italy, and the leading developer of Earth observation and space surveillance systems.

BACKDROP

Concerning regulations and public investments, in 2018 the Spanish space market, which is mainly institutional, took up from where it left off in previous years in terms of the important progress made with contributions to the European Space Agency (ESA), which had dropped significantly during the financial crisis.

The outlook for this market in the years ahead are also favourable, among other reasons due to Spain's hosting of the next ESA Ministerial Conference in 2019, which will be held in Seville in November and which will serve as an opportunity to discuss future European space projects. Therefore, in the months prior to the meeting, Spain will be responsible for moving the main space programmes forward to make the conference a success and enable the greatest possible number of projects to be undertaken.

Another factor that must also be considered is that, as in previous years, the European Union continues to consolidate as a major player, not only through its funding of extensive space programmes such as Galileo, Copernicus and Horizon 2020 (which has a specific line of funding for space R+D+i), but also on the new SST space waste surveillance programme. In fact, despite the impact of Brexit, it is worth noting that the draft EU budget for 2021-2027 provides for a significant increase in investment, up to EUR 16 billion, in these flagship space programmes.

Against this Spanish and European institutional backdrop, Elecnor Deimos continued to base its business strategy on:

- Strengthening traditional activities in the Group's strategic lines within the ESA.
- Efforts to diversify activities on commercial space programmes outside Europe.
- Consolidation of the geographic expansion in Europe through subsidiaries in Portugal, the UK, Romania and Italy.

Activities

- Space
- Aeronautics
- Maritime
- Transport
- Information and communications technologies
- Industry and utilities

- Priority for the strategic line of satellite applications for Earth observation and satellite navigation.
- Growth in order intake in the transport, energy, communications, environment, aviation and maritime sectors.
- As part of this strategy to cover the entire space industry chain of value, an important milestone was reached in 2018: inclusion as a leading shareholder in Orbex, a British-Danish company that seeks to develop a new European launcher for small satellites.

2018 milestones



Space surveillance

- As part of the EU's Space Surveillance & Tracking (SST) programme, Elecnor Deimos continued to make investments in 2018, with a fourth telescope at its observatory in Puerto de Niefla (Ciudad Real), which is managed remotely from its facilities in Puertollano.
- First order intake to provide services directly to Eumetsat, the European meteorological satellite operator.



ESA

- On the space transport (Space Rider), continuation of major projects for the successor of the IXV atmospheric reentry vehicle.
- Involvement in the design and development of European space missions to Mars, as in previous years. On the second ExoMars mission, Elecnor Deimos forms part of the project development "core team" alongside Thales Alenia Space in Italy.
- On the Galileo programme, Elecnor Deimos is still developing three of the major subsystems (MGF, MSF and RDG), playing a central role in the definition of the future Galileo programme (EGEP). Furthermore, in 2018, Elecnor Deimos started its activities as a member of the Airbus "core team" to deploy Version 3 of the Egnos programme, funded by the EU and operated jointly with the ESA.
- Development of the different subsystems for all the earth observation satellites of the ESA (Sentinel 1, Sentinel 2, Sentinel 3, SMOS, GOCE, Aeolus and Flex), Eumetsat (Meteosat) and in Spain (Ingenio and Paz).
- As part of ground systems, Elecnor Deimos successfully embarked upon a range of projects using innovative "Big Data" technology (Melo, Better or Next-Geoss), becoming the leading European company in the development of data processors for earth observation satellites.



Launchers

- Elecnor Deimos, in collaboration with its investee company Orbex and the Scottish government, won one of the two 10 million pound contracts awarded by the UK Space Agency in 2018 to perform space launches from the North of Scotland in 2021.



Aeronautics and Maritime

- Continued development of contracts to update airports in Peru, both in the civil sector (Corpaq) and for the military.
- Start of activities for new projects awarded by ASECNA, the air traffic control body for French-speaking Africa.
- Strategic contract awarded, in collaboration with the Computing division at El Corte Inglés, to maintain the Spanish SIV coastal surveillance system, with the Spanish Civil Guard as a new noteworthy customer.
- A range of activities at Spain's major airports.



Prime, the world's biggest 3D printer motor. Photo from Orbex



Drones

- Delivery of the first UAV model designed, manufactured, assembled and tested by Elecnor Deimos (D-80 Titán). This was for the renowned French aerospace institute Onera.
- Development of more equipped versions with autopilot and cameras to start testing with the Spanish Ministry of Defence.



Information and communications technologies

- Consolidation as one of the main suppliers of technologies for the rail sector, where the key customers are Adif and Renfe, with installations in 2018 at the main stations on Spain's high-speed network.
- In air transport, and for AENA as a customer, Elecnor Deimos was awarded the strategy contract for a modern smart management car park system at Madrid Barajas Airport.
- Active participation in the Group's joint strategy for Smart cities.



Unmanned
air vehicle
D-80 Titán.
Elecnor
Deimos

Concessions

Power infrastructures

Electricity



Elecnor, via Celeo Concesiones e Inversiones, is among the leading developers of power transmission projects under concession arrangements, in Brazil and Chile. In the former, at year-end 2018, it was involved in a total of 13 concessions in operation measuring 4,134 km in length, in addition to two new concessions granted over the course of the year which are currently under construction, with 606 km of lines. Furthermore, in Chile it operates and maintains 710 km of lines. In 2018, two new projects were awarded in addition to the four already under way.

BACKDROP

Increased competition in recent transmission tenders reflects increasingly narrow margins. No significant reductions are expected in profits in view of the current narrow returns.

In Brazil, the new government of Jair Bolsonaro has embarked upon widespread reformation, leading to uncertainty while the corresponding measures are defined. The outlook from the perspective of investment projects is positive and a significant increase in them is expected.

This scenario of an expected increase in Investment with respect to expansion of Brazil's transmission network has caught the eye of the main global agents in the sector. Three main factors also contribute to this: better remuneration for projects, flexible financing conditions and better timelines for construction of the transmission facilities, thereby reducing risk.

The auctions in 2017 and 2018 were characterised by the significant dispute between private investors (traditional and new), the lack of state investors and the appearance of small and medium size construction firms.

In Chile, the power sector has led investments the employed in recent years, although a slowdown is forecast in the generation sector after 2020 as the increase in demand decelerates.



Ancoa-Alto Jahuel
power line
(Chile), Celeo



Ancoa substation
(Chile). Celeo

2018 milestones

Brazil

- Start-up of the 342-km transmission line of the concessionaire Cantareira Transmissora de Energía, following the completion of construction at the end of 2017. The line was started up one month before the deadline set in the contract.
- Completion of the acquisition, by Celeo Redes Brasil, of all shares in the Isolux Group in two transmission line concessionaires. The transaction involved the purchase of 33.3% and 100% stakes in the transmission concessionaires Jaurú Transmissora de Energía and Cachoeira Paulista Transmissora de Energía, respectively.
- At the ANEEL auction in December, the company was awarded a concession in the States of Pará and Amazonas including the construction and operation of a 240 km long 230 kV double circuit transmission line and three substations with 900 MVA power transformation capacity. The facilities will stretch 3.8 kilometres over the Amazon river and 4.5 kilometres over canals in Parintins.
- Through its local subsidiary Celeo Redes Transmissão de Energia S.A., agreement for a project bond issue for its transmission lines in Brazil. The BRL 565 million bond issue accrues interest equivalent to the yield of Interbank Deposit Certificates plus an annual spread of 0.75%.

Chile

- Allocation of the construction, operation and maintenance of the facilities corresponding to Group 1 of the most recent tender for the Zonal Transmission System organised in Chile, by the National Energy Commission. The infrastructure will be located to the west of Santiago de Chile, between Melipilla and Valparaíso, and includes two new substations and a 110 km long 220 kV double-circuit transmission line.
- Awarded the facilities corresponding to Group 3, located to the south of Santiago, as part of the same tender. The project involves the construction of five substations and a 360 km transmission line divided across six substations.
- Culmination of the first stage of the Nueva Diego de Almagro project with the start-up of the 220 kV Illapa substation and the corresponding sections.

Gas



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

BACKDROP 2018

Mexico is a country witnessing significant growth, which needs a modern and dynamic energy market and system. The Energy Reform pursued by then-President Enrique Peña Nieto sought, among other measures, to promote the production of gas. As a result, the forecast was to achieve 8,000 million cubic feet in 2018 and build on this figure to 10,000 million by 2025.

Natural gas is one of the most sensitive energy policy issues in Mexico.

According to data from the National Hydrocarbons Commission (CNH), Mexico registers demand for 8,000 million cubic feet a year, of which Pemex supplies 2,000, and of the remaining 6,000 million, Mexico imports 5,000 from the US. It is therefore necessary that the Reforms pursued bear fruit and that gas production, in addition to other energies, counteracts the country's reliance on imported energy.

However, as mentioned by different experts, a period of between 8 and 12 years would be necessary for the measures taken to mature and to start to bear fruit.

Morelos gas pipeline (Mexico)

- The services contract was tendered by CFE and won by Elecnor in 2011
- Following signature of the contract, Elecnor brought Enagás in as a project partner.
- The project includes design, financing, construction, commissioning and operation of the pipeline, which is more than 170 km long and runs through the states of Tlaxcala, Puebla and Morelos.
- In Morelos the gas is used at the CFE combined-cycle facility, with an installed power capacity of 640 MW.
- In October 2016 a natural gas transmission service contract was signed with local company Gas Natural del Noroeste (GNN).
- To guarantee proper operation of the pipeline, GDM signed commercial advisory and technical contracts with Enagás and operation and maintenance contracts with Elecnor, S.A. de C.V.
- At present, the operation and maintenance of the gas pipeline continues (Morelos O&M).



Morelos
gas pipeline
(Mexico)

Power generation

Wind power



Not only has Elecnor built a large number of turnkey wind power plants in Spain and other countries around the world for various promoters, but it has also acted as promoter and operator through its subsidiary Enerfin, which has proven experience in all phases of a wind project, from development and construction right through to operation.

It is currently one of the sector's benchmark companies both in Spain and the Americas and Oceania, with more than 1,100 MW of wind power fully operational and under construction.

The group's philosophy is based on technological independence and excellence in development, with a special commitment to environmental respect and integration.

BACKDROP

In 2018, Enerfin continued promoting its activities as an end-to-end project manager; worth particular mention was the order intake of an additional 218 MW of wind power in Brazil and Australia and the implementation of a development in Spain, in addition to the consolidation of a portfolio of projects in different stages of development involving over 4,000 MW of concentrates, specifically in Spain, North America, Latin America and Australia, a basis for its future growth.

SPAIN

Following the allocation of 4,500 MW of wind power at auctions held by the government in 2016 and 2017 to meet the renewable energy targets for 2020, in 2018, 392 MW were installed. Furthermore, construction began on additional power, mainly in Aragon, Galicia, Navarre and Castile-Leon. This is in addition to the call for tenders by the Ministry for Ecological Transition for a further 180 MW in the Canary Islands, which may resort to aid from the ERDF Fund.



The competitiveness of renewable energy in Spain has led to increasing interest among both distributors and major firms in private long-term PPAs, consolidating their position as an energy sales instrument to make projects viable and obtain better financing conditions.

BRAZIL

The Government continued with the 2013-2020 Ten Year Plan, which looks to expand wind power by between 1 and 2 GW per year. Specifically, in 2018, two auctions were held for 1,251 MW of wind power.

Worth note is the extension of the downward trend in bid prices, forcing developers to tend for projects in regions with high resources and a viable connection.

In addition, ANEEL awarded the concession of 7,152 km of transmission lines across 13 states to be started up in 2024, favouring the planned development of a large number of wind power projects that have been hampered by the delay in transmission expansion plans.



AUSTRALIA

The public utilities firm Snowy Hydro held a call for tender to allocate more than 800 MW of renewable energy, attracting participation of more than 17,000 MW.

Beyond 2020, no national target has been defined for generating renewable energy; therefore, the federal elections (scheduled for May 2019) will be important in terms of future energy policies, with the Labor Party, currently in opposition, having announced the policies that most favour developments in the renewable energy industry.

CANADA

Growth of the wind power industry remains limited to the provinces of Saskatchewan and Alberta. In the latter, several calls for tender have been held to award a PPA for 400 MW and 300 MW, ultimately allocating more power than initially specified. Although the current Government has an ambitious renewable energy target, the provincial elections scheduled for May 2019 have generated some level of uncertainty.

In Saskatchewan, the first tender for SaskPower, a government-owned utilities company has been completed, to satisfy the objective of 1,900 MW of wind power by 2030.



The
institutional
centre at the
Osório wind
farms (Brazil).
Enerfin

2018 milestones

Spain

- Promotion of Enerfín's most advanced projects in administrative procedures, in particular Cofrentes (50 MW, Valencia) and La Rinconada (30 MW, Zaragoza).
- Consolidation of the 120 MW connection in Navarre, as part of a partnership agreement for the development and implementation of infrastructure to expand SET La Serna.
- Launch of a pilot storage project with built-in batteries at Montes de Cierzo I wind farm (Navarra), operated by Enerfín.
- Most noteworthy activities at operating wind farms (445 MW): preparation and start of involvement at farms owned by subsidiaries Aerogeneradores del Sur and Parque Eólico Malpica in power system adjustment services, entering into price hedging contracts, promotion of a tool that serves to optimise management of energy sales and the sale of renewable energy certificates.
- Renewal of wind turbine O&M contracts for its subsidiaries Aerosur (54.4 MW) and Galicia Vento (128 MW) with GE for a period of 7 years, in addition to the O&M contract and operations management performed by Enerfín on behalf of its subsidiary Eólicas Páramo de Poza, for a period of 5 years.

Brazil

- Award of 142 MW, distributed across two wind farms (São Fernando I and II). It is the Group's first wind project in Rio Grande do Norte. The awarding of the contract is accompanied by the long-term order intake for power generated (20 years). In the near future, a further 23 MW will be added in this region with a project to sell power on the free market.
- Operation of the 375.5 MW in the country (318 MW in Osório and 57.5 MW in Palmares).
- Continued development of more than 1,000 MW in the Enerfín portfolio in Rio Grande do Sul.

Australia

- Acquisition of 50% of the Woolsthorpe wind farm (73 MW Victoria), which was awarded as part of the call for tender organised by Snowy Hydro to complete a PPA for the sale of 100% energy generated under the project, for which delivery must begin in September 2020. Construction is due to begin in 2019. Enerfín will be responsible for both supervising construction and handling the farm's operations.

Canada

- Management of the L'Érable wind power plant (100 MW, Quebec), which has been operational since 2014.
- Intensification of promotion activities in Saskatchewan (involvement in three of its projects in the first 200 MW call for tenders) and Alberta (development of a 90 MW project with a view to participating in future calls for tender).

Colombia

- Prior to the take off of renewable energy in Colombia, Enerfín has promoted its outstanding projects in La Guajira and started to develop new power, having set up a portfolio of around 800 MW.
- For its most advanced project, El Ahumado (50 MW) it has obtained the definitive authorisation for connection, meaning it will be able to participate in the auction to be held in 2019.
- Furthermore, the Musichi (194 MW) and Dividivi (150 MW) wind farms have obtained preliminary authorisation for connection.

Mexico

- Continued development activities in Yucatán through the consolidation of the 600 MW Panabá-Sucilá wind complex. Specifically, Enerfín has been short listed in the first phase (Panabá 1ª, 153 MW) to attend the auction.

Solar photovoltaic



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

BACKDROP

2018 was once again an important year for international solar PV. The new installed power capacity remained slightly above 103 GW, meaning the total accumulated power at year end came to more than 503 GW.

Despite the unexpected adjustment of subsidised tariffs in China, on account of the government's intention of exerting greater control over market growth, the Asian giant was once again the leader in terms of installed power, with a little over 44 GW (43% of the global share). It was followed, once again, by the USA (11%, India (9%) and Japan (6%).

In any case, the year was defined by the expansion of the solar-power industry in emerging markets, with a total of 13 countries generated more than 1 GW new installed power during the course of year, including significant countries like Australia, Brazil and Mexico.

Energy auction mechanisms remain the main catalyst for solar power growth. In 2018, a total of 53 countries used this model of development.

In terms of the Spanish market, it has been characterised by the start of construction of a large part of the 3.9 GW allocated in projects at the 2017 auction, which is due to come into service at the end of 2019. Furthermore, the sector received significant support following the publication of Royal Decree 15/2018, revoking the so-called "sun tax", simplifying administrative procedures and leaving the door open to shared auto-consumption and the net balance.

In 2018, progress was made with technology, increasing the efficiency of solar modules, making energy storage systems more competitive and hybridising photovoltaic power with wind power to offer a production curve that is better suited to demand. This will all help, in the near future, consolidating this technology as a genuine alternative to conventional generation.

2018 milestones

Spain

- Access and 106 MW photovoltaic connection in the province of Ciudad Real, namely Nudo Manzanares 220, into which the Elec nor ASTE 1A and ASTE 1B solar thermal plants evacuate 50 MW of power each, providing a total evacuation power of 206 MW.
- Operation and maintenance of the eight photovoltaic facilities owned by Elec nor: 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).

Brazil

- Celeo Redes Brasil awarded six photovoltaic plants in Piauí by the national electricity agency (ANEEL). The facilities generate 179.8 MW. In addition to the sale of energy generated by the 6 plants, the project includes an evacuation substation and a 500 kV connection line.



The
Valdecaballeros
solar PV plant
(Badajoz)

Solar thermal



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

BACKDROP

Currently, there are 50 solar thermal plants in operation in Spain, accounting for 2,300 MW of power, making it the market with the greatest operating capacity in the world. The significance of this industry is also measured by its contribution to GDP (EUR 1,464 million per year) and the job market (5,269 jobs).

Spain is also the world leader in technological capacity and companies in the solar thermal sector are starting to embark on ambitious projects around the world, including the United States, the Middle East, China, India and Australia. This leadership position has been achieved, in large part, thanks to continuous R&D&I efforts.

Internationally, global solar thermal capacity will increase by 87%, equivalent to 4.3 GW, between 2018 and 2023, according to data from the International Energy Agency (IEA) in its 2018 Renewable Energy Report. In the long term, the largest individual increase will be seen in Saudi Arabia, which is aiming to build 2.7 GW of capacity by 2030, according to its current energy plans.

2018 milestones

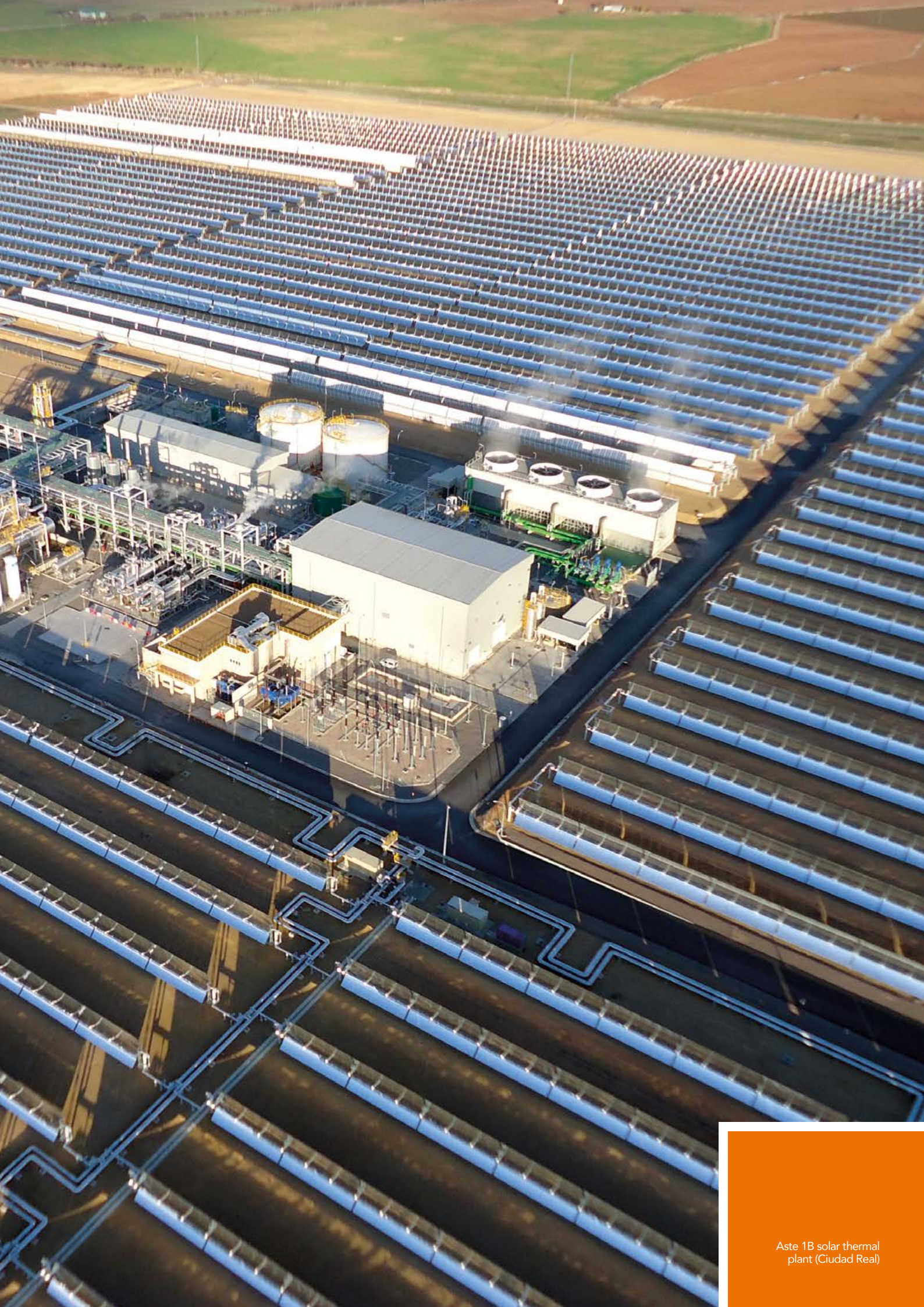
Spain

Ciudad Real

- The Aste-1A and Aste-1B plants operated normally throughout the year, surpassing the initial production targets.

Badajoz

- The Astexol-2 plant's electricity production surpassed the target for the year.



Aste 1B solar thermal plant (Ciudad Real)

Environment



In 2018, environmental activities accounted for 2% of the investment assets of Celeo, the Elecnor Group's main vehicle for investing in, developing and operating concessions. Specifically, these activities entailed three water treatment concessions, all located in Aragon (North-East Spain). These concessions, SADAR, SADEP and SAPIR, encompass a total of 39 operating stations treating 7.4 hm³ of water during the year.



Wastewater treatment plant in Villanueva de Gállego (Zaragoza)

Water purification in Aragón (Spain)

SADAR:

- Comprises ten wastewater treatment plants.
- Involves the treatment of wastewater for various municipalities in the Zaragoza and Cinco Villas districts.
- All the plants have been in operation since 2009 and the contract has a term of 20 years.
- 3.4 hm³ of water were treated in 2018.

SADEP:

- Consists of nine WWTPs and three collectors, which are remunerated at WWTP rates.
- This concession involves the treatment of wastewater for various municipalities in the Zaragoza and Valle del Ebro districts.
- The plants under this concession have been operating since their commissioning and came on stream gradually between 2009 and 2010. This is a 20-year concession.
- 2.7 hm³ of water were treated in 2018.

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).
- In terms of the other undertakings pending construction, the Regional Government of Aragón ordered the partial termination of the contract, after the final liquidation phase occurred during the year.
- 1.3 hm³ of water were treated in 2018.



Our people

(GRI 103-1, 103-2, 103-3)



Our people, a great team

Elecnor Group's Integrated Human Resources Management Project places the spotlight on its main asset: people.

With a view to implementing, promoting and developing all talent at the organisation, in 2018, work continued on consolidating the Integrated Human Resources Management System, which encompasses selection, performance and remuneration aspects in addition to development and training. The project is first being rolled out in Spain, before being implemented in other countries.

INTEGRATED HUMAN RESOURCES MANAGEMENT SYSTEM



13,889
Employees

Recruitment

As a way of acquiring and attracting the best talent available on the market, with priority given to internal talent.



17%
increase in
order intake

Performance

This as a process to analyse the work and results of each employee in their posts.



2,485
People
Planning Phase

Remuneration

Focussed on fair remuneration in such a way as to reward and acknowledge merit.



New map of posts
Salary surveys
New international mobility department

Development

Putting the emphasis on existing potential in order to provide opportunities for growth and improvement of professional careers.



46
internal
promotion
processes via
eTalent

Training

Structured towards developing skills and broaden knowledge for the best possible employee/job match.



233,406 **26.4**
training hours in Spain
hours of training per employee in Spain

SELECTING THE BEST

Aware of the importance of internal talent, this year we launched 46 internal promotion processes via the eTalent platform, of which 20% were covered by company employees.

As has been the case in the past, the company continued to collaborate with universities and vocational training centres to recruit students and recent graduates. To this end, it took part in recruitment fairs and information events such as those below:



355
interns

- Networking workshops in Barcelona
- ICAI Madrid
- School of Engineering in Seville
- Madrid Polytechnic University
- Valencia Polytechnic University
- Catalan Polytechnic University
- University of Comillas
- University of Valladolid
- University of the Basque Country
- University of La Rioja

Furthermore, to promote the company's prestige in attracting talent, its presence on LinkedIn has been enhanced as the main external social network to publish news and vacancies at the Group.

In addition, with a view to decreasing unwanted turnover, the exit interview processes was rolled out.

WITH A FOCUS ON TALENT (GRI 103-1, GRI 103-2, GRI 103-3)

In terms of Performance Management, efforts have been made to define the structure of competences that defines our way of being and getting things done at Elecnor. Furthermore, we have aimed to create a direct channel of communication between the appraiser and the appraisee and promote a culture of excellence,



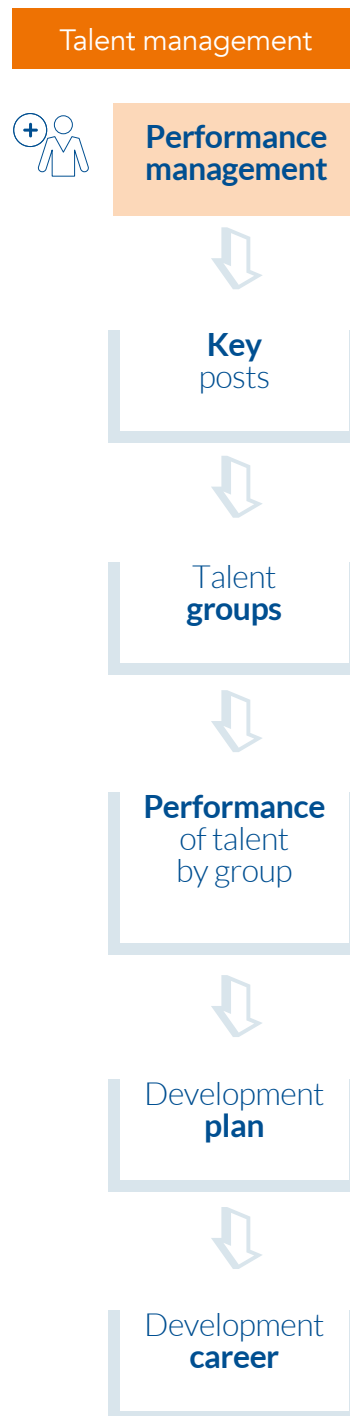
performance orientation and continuous improvement, in such a way that this assessment system is a source of objective, reliable information that guarantees fairness in the decision-making process.

In 2018, 2,485 people took part in Performance Management in Spain. The development of this process provides the organisation with relevant, objective and transparent information to draw up remuneration, training and development plans. (GRI 404-3)

Furthermore, different training initiatives were organised to strengthen the four key competences that define all those who form part of Elecnor:(GRI 404-2)

- Prevention/Regulatory compliance/Internal policies
- Teamwork/Collaboration/Working environment
- Cross-Business relationships/Transparency/Group Vision
- Customer Relations (external or internal)/Influence capacity/Acceptance

The strength and implementation of Performance Management represents a new approach to talent management at the company capable of identifying key posts and groups of talent (high potential, key people and successors), thus helping to define specific career and development plans.



REMUNERATION AND BENEFITS

Over the course of the year, a new map of posts has been defined that clarifies and simplifies the organisational structure, responsibilities and required profiles. Committed to a model based on functional groups and organisational units that prepares the organisation for possible developments.

The International Mobility department has also been created, the purpose of which is to channel all secondments to different countries through a shared secondment policy, where aspects of migration, employment and taxation are regulated, in addition to the conditions applicable to employees.

Furthermore, it is worth mentioning that Elecnor, S.A. and its domestic subsidiaries have a "Flexible Remuneration Plan", to which permanent office staff may adhere. As part of this plan, benefits such as health, meal allowances, transport vouchers, training, IT and nursery services are offered. (GRI 401-2)

There is also a study aid programme available to which all staff at Elecnor and its Spanish subsidiaries who have children aged between 4 and 16. In 2018, 1,797 people benefitted from the scheme.



TRAINING

The Group has maintained a steady focus on training over the years. These are the main indicators in Spain:

Hours of training by professional categories (GRI 404-1)

Professional category	2018
Executives and technical	41,647
Administrative and office personnel	16,979
Site managers	17,199
Operators	157,580
Total Spain	233,406
Hours training/employee in Spain	26.4

Under the slogan "People First", training initiatives have been organised for new recruits, offering an overall vision of the company and its corporate culture, values and essence. The fact that the company's Senior Management participates in this initiative demonstrates the importance Elecnor attaches to people, the basis for achievement of objectives throughout the company.

Furthermore, a new training programme "Finance for the non-financial minded" as part of a serious game has also been designed and imparted.

CONNECTING EVERYBODY

In 2018 work continued to promote and increase communication campaigns to maintain the sense of pride of belonging to the Group and encouraging commitment and motivation.

These were the main campaigns organised over the course of the year:

CELEBRATION OF ELECINOR'S 60TH BIRTHDAY

As part of events to celebrate the company's 60th anniversary, a gaming campaign was rolled out with the claim "**Elecnor has your name**". As part of this customised online game for all Group employees, participants had to find an Elecnor worldwide project that had been baptised in their name.

The winners will travel to Chile in 2019, where they will visit a number of tourist attractions in addition to projects by Elecnor and its Foundation.

WORLD DAY FOR SAFETY AND HEALTH AT WORK

As part of the Group's Commitment to Prevention, and as is becoming commonplace, in the main initiative related to health and safety in the workplace, an internal communication campaign was launched under the slogan "**I set an example**". This easy-to-understand, educational message makes everybody aware of their responsibility in preventing occupational risks: leading by example - if you do something, others will do.

This year, Elecnor's Blue Blazers were handed out for the first time. Through this initiative, the Group seeks to acknowledge and recognise the efforts of a group of professionals who stand out on account of their commitment to improving, complying with and ensuring compliance with the highest safety standards in the workplace. This distinction makes them a model and example for everybody at Elecnor to follow.

The blue blazers will form part of a group that will meet on a periodic basis to propose improvements in terms of prevention.

WORLD QUALITY DAY

Under the slogan "**Quality is not subjective**", a campaign was run to enhance the strategic importance of quality management at Elecnor.

WORLD ENVIRONMENT DAY

To commemorate World Environment Day, awareness raising actions were held that reflect Elecnor's commitment to protecting and respecting the environment.





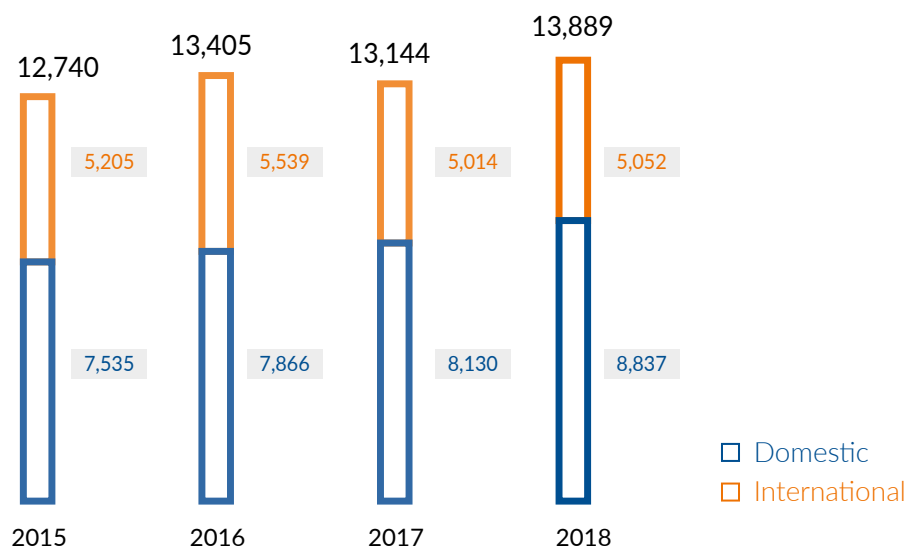
THE PROFILE OF OUR PROFESSIONAL STAFF (GRI 102-8, GRI 405-1)

At year-end 2018, the workforce at the Elecnor Group came to 13,889 employees, up by 5.67% on the previous year (13,144 employees). This increase can be attributed mainly to the domestic market, which grew by 707 people.

The Elecnor Group has a professional, international, multicultural and diverse profile with a presence on five continents. In its efforts to offer quality employment, the Group has increased the percentage of permanent contracts, up to 60% at the end of 2018 compared to 55% in 2017.

Since 2015, the workforce has changed as follows.

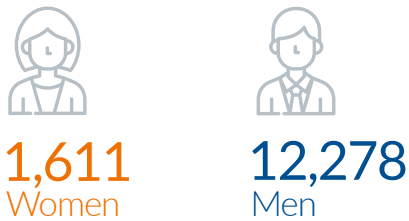
Development of the workforce



The main workforce details at year-end 2018 are as follows.

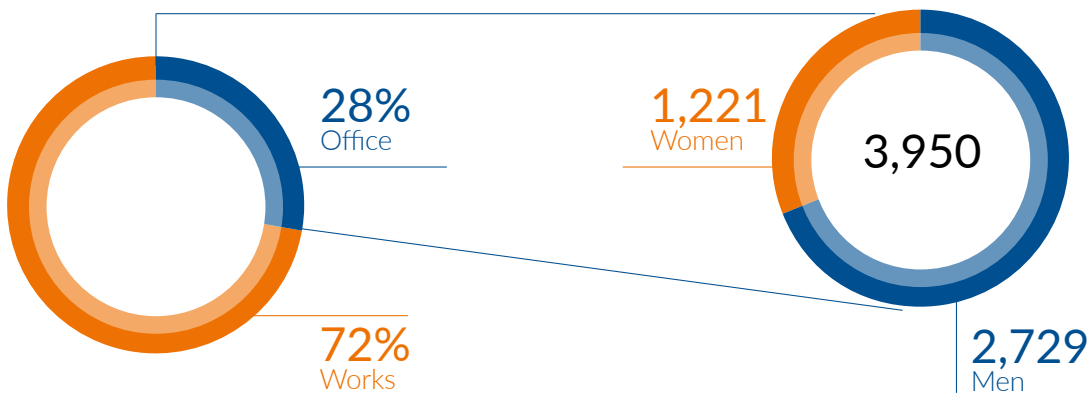
In 2018, the workforce at the Elecnor Group is made up of Office and Works staff, accounting for 28% and 72%, respectively. In terms of distribution by gender, 31% of the Office workforce are women and 69% are men. However, in the Works division, as has historically been the case in the sector, the workforce is predominantly male, with women accounting for 4% of this group.

Total workforce by gender

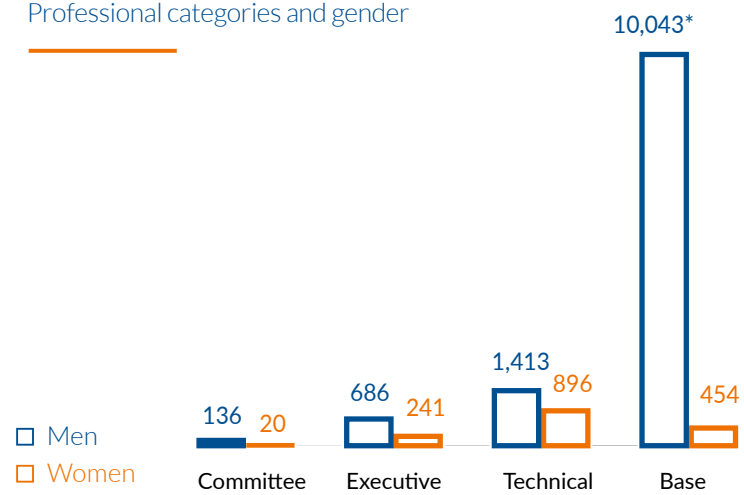


Breakdown of the workforce

Office staff by gender

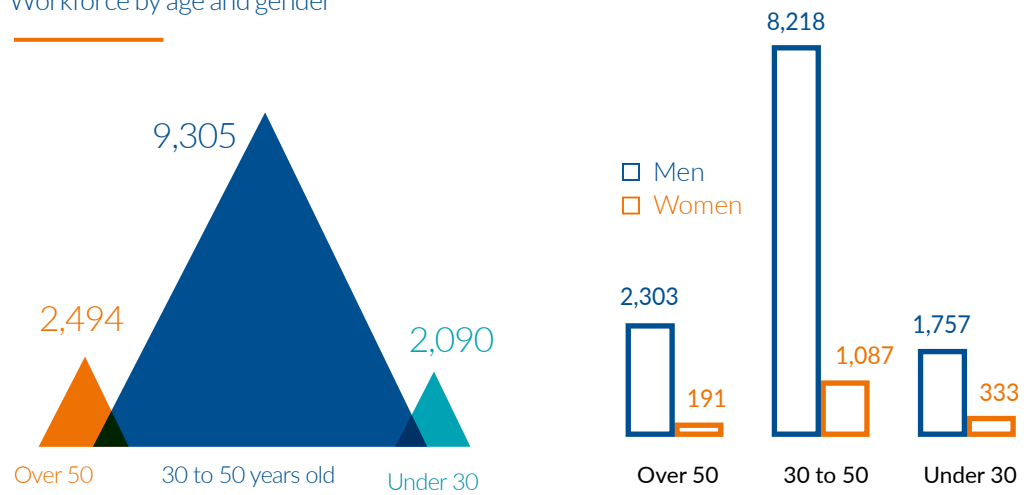


Professional categories and gender



* The professional category "Base" is primarily made up of men, as it corresponds to Works staff.

Workforce by age and gender



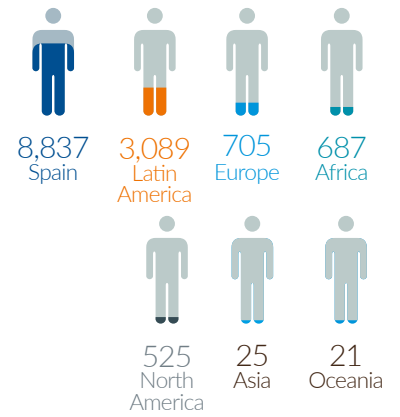
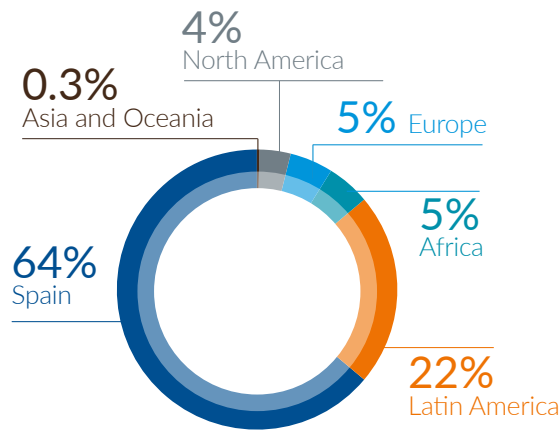
Workforce by country

2018

Spain	8,837
Europe	705
United Kingdom	265
Italy	287
Norway	1
Portugal	138
Romania	14
North America	525
Canada	6
United States	519
Latin America	3,089
Argentina	80
Bolivia	1
Brazil	1,970
Chile	336
Ecuador	16
Honduras	47
Mexico	66
Panama	45
Paraguay	1
Peru	8
Dominican Republic	221
Uruguay	237
Venezuela	61
Asia	25
Jordan	22
Oman	3
Africa	687
Angola	629
Algeria	1
Cameroon	26
Ghana	15
Mauritania	16
Oceania	21
Australia	21
Total	13,889



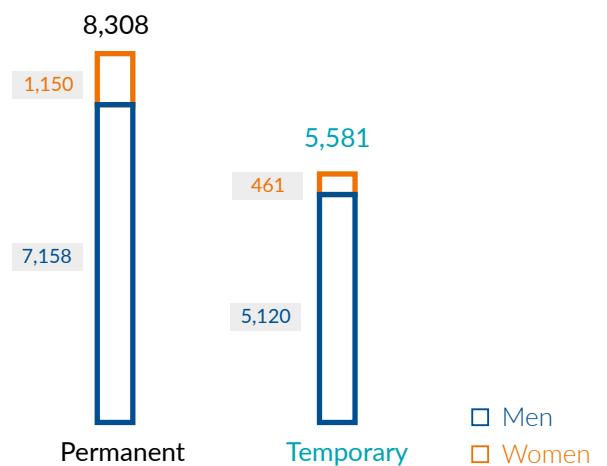
Workforce by geographic area



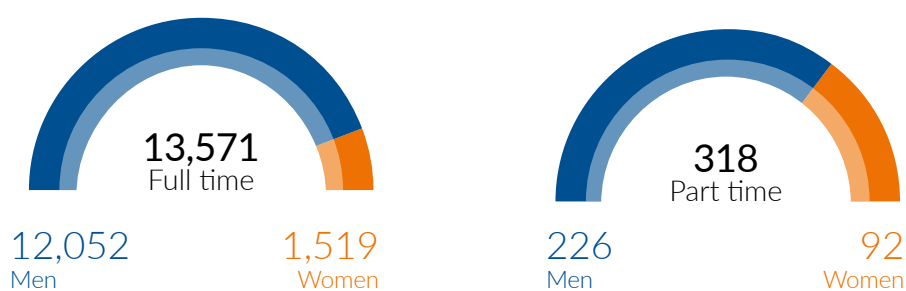
Contract type and age pyramid

	2018
Permanent	8,308
Over 50	1,758
30 to 50	5,577
Under 30	973
Temporary	5,581
Over 50	736
30 to 50	3,728
Under 30	1,117
Total	13,889

Contract type and gender



Employment type and gender



Elecnor Group workforce by contract type and professional category

	2018
Permanent	8,308
Management	156
Executive	830
Technical	1,493
Base	5,829
Temporary	5,581
Management	0
Executive	97
Technical	816
Base	4,668
Total	13,889

Elecnor Group workforce by employment type and professional category

	2018
Full time	13,571
Management	156
Executive	917
Technical	2,250
Base	10,248
Part time	318
Management	0
Executive	10
Technical	59
Base	249
Total	13,889

Elec nor Group workforce by type of employment and age

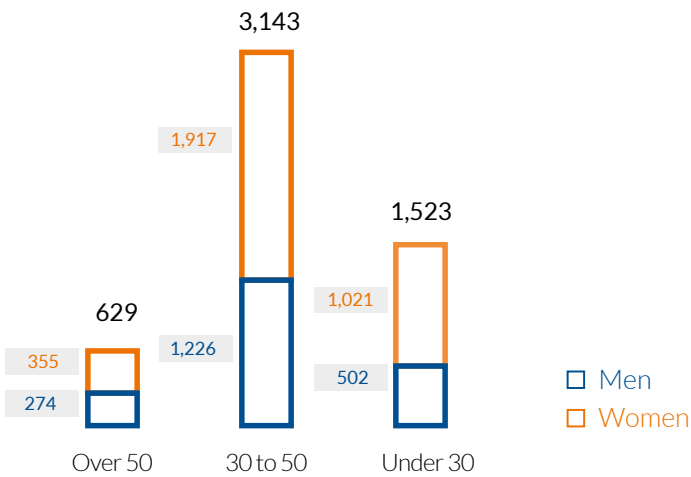
	2018
Full time	13,571
Over 50	2,310
30 to 50	9,229
Under 30	2,032
Part time	318
Over 50	184
30 to 50	76
Under 30	58
Total	13,889



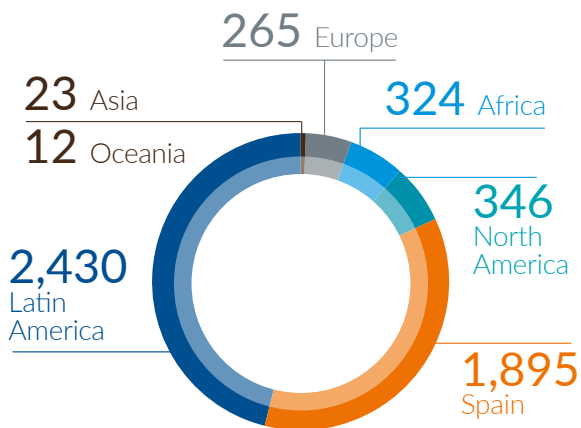
Given the type of activities performed by the Group, turnover is included in the calculation of contract terminations over the course of the year. To assist with project development, 5,295 new recruits were hired in 2018.

(GRI 401-1)

New recruits by gender and age



New recruits by geographic area



In 2018,
5,295 people
were recruited

Work force turnover by age range, gender and region (GRI 401-1)

Location	Departures	Average employment	% Turnover 2018
Spain	1,805	8,617	20.95%
Men			
Over 50	357	1,695	21.06%
30 to 50	1,009	5,254	19.20%
Under 30	256	611	41.89%
Women			
Over 50	18	145	12.42%
30 to 50	131	762	17.18%
Under 30	34	149	22.82%
Europe	148	653	22.66%
Men			
Over 50	29	131	22.14%
30 to 50	80	332	24.10%
Under 30	26	115	22.61%
Women			
Over 50	2	8	25.00%
30 to 50	7	45	15.56%
Under 30	4	22	18.18%
North America	325	640	50.78%
Men			
Over 50	69	143	48.25%
30 to 50	174	317	54.89%
Under 30	53	103	51.46%
Women			
Over 50	3	15	20.00%
30 to 50	16	49	32.65%
Under 30	10	13	76.92%
Latin America	1,670	2,735	61.06%
Men			
Over 50	222	330	67.27%
30 to 50	918	1,565	58.66%
Under 30	386	536	72.01%
Women			
Over 50	19	29	65.52%
30 to 50	78	187	41.71%
Under 30	47	88	53.41%

Location	Departures	Average employment	% Turnover 2018
Asia	10	19	52.63%
Men			
Over 50		1	0.00%
30 to 50	4	7	57.14%
Under 30	6	11	54.55%
Africa	731	890	82.13%
Men			
Over 50	23	27	85.19%
30 to 50	419	522	80.27%
Under 30	265	250	106.00%
Women			
Over 50	1	4	25.00%
30 to 50	10	59	16.95%
Under 30	13	28	46.43%
Oceania	13	27	48.15%
Men			
Over 50	2	5	40.00%
30 to 50	5	13	38.46%
Under 30	1	3	33.33%
Women			
Over 50	2	2	100.00%
30 to 50	2	2	100.00%
Under 30	1	2	50.00%
Total Group	4,702	13,581	34.62%



Dismissals by gender and age*

	Men	Women
Over 50	50	5
30 to 50	163	29
Under 30	38	1

* The data corresponds to Spain



Dismissals by professional categories and gender*

	Men	Women
Management	5	0
Executive	13	1
Technical	41	17
Base	192	17

* The data corresponds to Spain

WORK-LIFE BALANCE

Although currently there is no formal policy for facilitating disengagement from work, the company seeks to implement practices that promote work-life balance in posts where this is possible. These include: avoiding holding meetings at the end of the working day, flexible hours, equality training, intensive working days during summer or, as applicable, shorter working days to care for children. These measures are reflected in the different applicable rules.

EQUALITY AND DIVERSITY (GRI 103-1, GRI 103-2, GRI 103-3)

The Group has an equality plan that reflects its commitment to equal opportunities between men and women and non-discrimination in its principles of conduct.

Elec nor is committed to equal opportunities, as reflected in its code of conduct: "in both selection processes and professional career development, Elec nor applies criteria of non-discrimination and equal opportunities. Specifically, factors such as race, colour, nationality, social background, age, gender, civil status, sexual orientation, ideology, religion and family relationships are excluded from professional assessment processes. Merit, effort, performance, training, experience and future potential are the only factors used as differentiating factors between individuals. The promotion of equal treatment has a special section on the gender balance, as reflected in the procedures applicable to recruitment, professional promotion, training and general working conditions".

At year-end 2018, the Group has a total of 13,889 employees, 28% of which corresponded to Office staff and 72% to Works staff. Women accounted for 31% of Office staff and men for 69%. In the Works division, women accounted for 4% of staff and men for 96%. As has historically been the case in the sector, there is a

greater presence of men in the Group's workforce; it is significant that Works staff is predominantly male. In turn, there is a greater balance between men and women in Office staff.

The commitment reflected in the Equality Plan is structured around different pillars with the actions planned for each of them defined accordingly: training, remuneration, communication, selection, work-life balance, improvements in social protection and protection from harassment.

Furthermore, the Group has a Compliance Policy and internal controls to ensure non-discrimination.

Thus, over the course of the year, work was performed in collaboration with the Ministry of Health and Social Affairs on the project to obtain the "Equality in the Company" certificate as part of the following actions:

- Gathering together all the company's documents on equality.
- Making progress with management's commitment to achieving real and effective equality.
- Meetings with members of trade unions with experience in equality.
- Renewal of the Equality Plan.
- Equality study at the company concerning salaries and functions/professional groups.
- Study of the work-life balance at the company.
- Study of possible equality/work-life balance measures to be introduced at the company.
- Creation of communication guidelines.
- Creation of selection guidelines.
- Creation of a protocol to combat sexual harassment.

Two meetings were held by the Equality Plan Monitoring Committee in 2018.

An email address, igualdad@elecnor.com, has been set up for employees to send their suggestions, seek solutions to disputes, etc.

In terms of disabilities, Elecnor España S.A. has a total of 43 employees with some form of disability, equating to 0.54% of the workforce. Pursuant to the General Law on the Rights of People with a Disability and their Social Inclusion (LGD), Elecnor resorted to alternative measures by procuring different services worth EUR 2.5 million.

DIVERSITY ON CORPORATE GOVERNANCE BODIES

On 22 November 2017, the Board of Directors approved the "Policy for selecting Directors and diversity for the Board of Directors", accessible on the corporate website, which includes all measures adopted in relation to director selection, gender diversity policies, age, experience, etc.

Furthermore, the company has set the target of female Directors accounting for at least 30% of Board members by the year 2020, as reflected in the Code of Good Governance recommendation. In fact, in 2018, the Company appointed a second Independent female Director. It is worth noting that the Appointments and Remuneration Committee regularly analyses the status of the Policy for selecting Directors and diversity for the Board of Directors in order to make process with improving this aspect. (GRI 405-1)

Women holding managerial positions

	2018
% Women holding managerial positions	12.82%
% Women on the Board of Directors	13.33%

REMUNERATION POLICY

As part of the Integrated Human Resources Management System at Ecnor, remuneration seeks to ensure fair compensation, that is rewarding and recognises merits.

In 2018, internal fairness and external competitiveness studies were performed in the form of salary surveys.

AVERAGE REMUNERATION BY GENDER, AGE AND PROFESSIONAL CATEGORIES (GRI 405-2)

Details of the workforce in Spain are as follows.

Age	Committee		Executive		Technical		Base	
	Men	Women	Men	Women	Men	Women	Men	Women
>50	128,453	96,348	57,416	55,444	34,380	29,554	22,045	20,318
Between 30 and 50	88,987	86,142	46,668	44,856	31,828	27,061	20,502	20,255
<30	-	-	41,436	26,872	25,418	24,210	18,534	19,016

Excluded from the remuneration analysis are 183 employees who have partially pre-retired and/or sales representatives with partial remuneration plans

SALARY GAP

Elecnor's salary policy remunerates men and women who perform the same roles with the same responsibilities equally.

The following table shows the salary gap that reflects the difference in salary between men and women for each professional category in Spain:

	Ratio
Management	15.06%
Executive	5.77%
Technical	15.20%
Base	3.23%

The difference in salary shown here is in line with the industry norm; it is mainly attributable to the historic gender imbalance in the sector, meaning that the average service time of men is longer than that of women, which, in turn, is reflected in a higher presence of men in positions of greater responsibility at the company. In addition, the difference in the Technical category can be attributed to the higher presence of women in administrative business support roles and of men in project execution.

SOCIAL DIALOGUE (GRI 103-1, GRI 103-2, GRI 103-3, GRI 102-41, GRI 407-1)

In Spain, 100% of employees are covered by collective bargaining agreements. In the other countries where the Group is present, comparable legislation only exists in Argentina, Brazil, the United States, Uruguay, Jordan and Italy, under which all employees are covered.

Furthermore, Elecnor's Human Resource Departments ensure compliance and the application of legislation throughout the Group.

In addition, working locations with a workforce of between 10 and 49 workers have Staff Delegates, with Workers' Committees responsible for representing employees at locations with more than 50 employees. Both Staff Delegates and Committee members are appointed through trade union elections, in which both trade unions and independent groups participate. Currently, the majority trade union is CCOO, although there are also other trade unions (UGT, ELA, LAB, CGT, ESK, CSIF and independent groups).

Labour relations at the Group are managed based on the provincial collective bargaining agreements applicable to the sector. In certain circumstances, specific agreements are entered into with specific groups. The most noteworthy signed in 2018 include the general features agreement entered into with workers' representatives in Cayés (Asturias), in addition to the agreements signed with the Southern Business Unit for regular features concerning travel time.



Excellence in safety

(GRI 103-1, GRI 103-2, GRI 103-3)

Elecnor's commitment to occupational health and safety is reflected in its constant efforts to achieve excellence in prevention. The aim of the Group is to become an international point of reference in security management to achieve its goal of zero accidents and zero tolerance for non-adherence to preventive measures.

Occupational health and safety forms part of the Integrated Management System along with Environment, Quality, Energy Management and R&D&i factors.

The Group continuously promotes safe conduct among employees. In this connection, a wide range of initiatives are in place to eliminate or minimise risk situations that may be faced by those responsible for performing projects. These include:

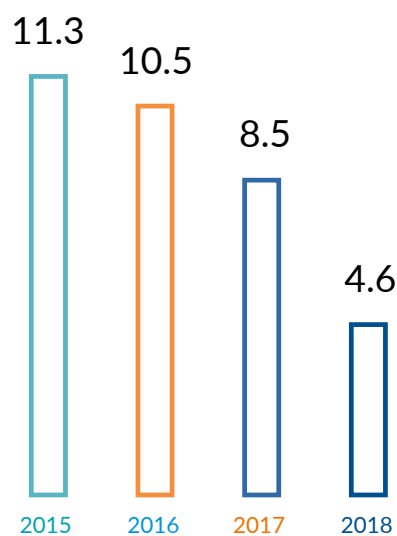
- Controlling the conditions in which work is performed, through safety inspections and internal work audits.
- Health and safety training and information for all workers.
- Supervisory and awareness raising meetings.
- Awareness raising and behavioural change campaigns.

These and other activities set out in the System were reinforced during the year, through the implementation of different measures as part of the "Digital Transformation" and "Excellence in Safety" projects.

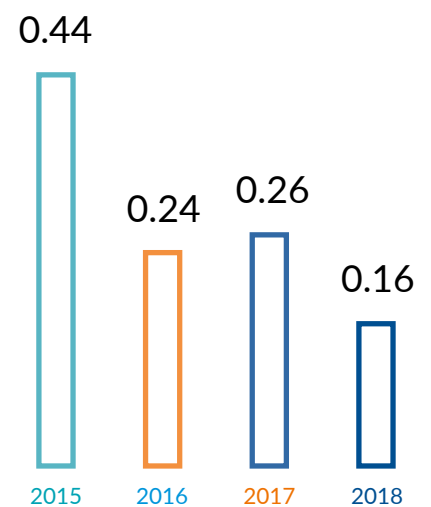
It must be noted that formal health and safety committees cover more than 90% of the employees. These committees are set up at each work location in Spain or work location/works sites in many foreign countries. These committees are responsible for reaching agreements concerning protection equipment, working procedures, etc. (GRI 403-1)



(GRI 403-2)

Injury Frequency Index*

* Injury Frequency Index = (number of accidents resulting in leave, excluding in itinere/hour worked) x 10⁶

Serious Injury Index*

** Serious Injury Index = (number of days lost/hours worked) x 10³

Indicators broken down by gender

As works staff are predominantly male, accident rates involving women are insignificant.

	Men	Women
Injury frequency Index	5.3	0.0
Serious injury index	0.2	0.0
Professional illness index*	0.2	0.0

* Professional illness index = (number of professional illnesses/hours worked) x 10⁶

In 2018, the Group's Injury Frequency Index was 4.6, compared to 8.5 in 2017. In turn, the Serious Injury Index was 0.16, down from 0.46 in 2017. In terms of professional illness, 6 cases (all men) were recorded, 4 of which were musculoskeletal disorders and 2 were cases of malaria in employees on secondment in Africa.

This year, the Injury Frequency Index in Spain was 5.8 compared to 12.1 in 2017 (the lowest in the company's history) and the Serious Injury Index was 0.23 compared to 0.41 in 2017, with no fatal accidents. Accidents in Spain dropped from 192 to 99.

Abroad, the Injury Frequency Index in Spain was 2.8 compared to 4.5 in 2017, while the Serious Injury Index was 0.05 compared to 0.52 in 2017, with no fatal accidents over the course of the year.

Elsewhere, the number of hours of absenteeism in Spain came to 646,257 hours, which translates to an absenteeism rate of 3.8% (including all absences/actual hours worked).

OCCUPATIONAL HEALTH

Concerning health supervision, in general, Elecnor employees do not perform activities that are exposed to high rates or risks of professional illnesses. For activities in which there is a possibility that employees may develop a professional illness (work at nuclear plants, involving asbestos, phytosanitary treatment, etc.), the necessary preventive measures are adopted and the healthcare division controls physiological parameters that make it possible to detect problems in the performance of tasks that may harm the health and safety of employees, with no significant cases recorded. (GRI 403-3)

Elecnor employees performing activities in areas that are exposed to endemic local illnesses (malaria, dengue fever, yellow fever, typhoid, AIDS, etc) are combated through vaccinations, where available, or preventive measures or prophylaxis, promoted by the corresponding information campaigns.

Furthermore, initiatives are performed including campaigns relating to the fight against AIDS and sexually transmitted diseases in different countries, actions and campaigns relating to health habits (cardiopulmonary, musculoskeletal disorders, a healthy, balanced diet, etc.) or back schools. On a pilot basis, a physiotherapy programme was performed in Madrid and Logroño to prevent the appearance of musculoskeletal injuries.



Action in 2018

- A total of **1,008 internal works audits** were performed as a control measure by the Department of Internal Works Audits, whose independent nature allows for an in-depth analysis of the safety of works.



- Furthermore, more than **51,800 safety inspections** throughout the Group, leading to more than 50,134 corrective measures.
- In addition, **17 internal and external audits** were performed at Atersa, Audeca, Ehisa, Enerfin and Jomar Seguridad in line with **OHSAS 18001** requirements, with satisfactory results. Furthermore, mandatory external audits were conducted for all companies covered by the Joint Prevent Service, which also returned satisfactory results.
- Aware of the importance of training in this area, all scheduled activities were organised. Activities were carried out in Spain involving 20,933 people, most of whom took part in more than one training event. The total number of **hours spent on occupational health and safety training** in Spain came to **120,484 hours**, which represents an increase of 22% on 2017, not including aspects of technological and management training that also have an important impact on prevention but that are not included in this total (electrical qualifications/authorisations, machinery operators, etc).
- To promote awareness of prevention, as has become common on the World Day for Safety and Health at Work, a **communication campaign was launched under the slogan "I'm an example"**.

This easy-to-understand, educational message makes everybody aware of their responsibility in preventing occupational risks: leading by example - if you do something, others will do.

Furthermore, work is ongoing on two major fronts to move towards zero accidents:

- **Excellence in Safety Project** the objective of which is to continuously assess the status of safety matters and implement better tools to reduce accident rates. This project includes a chapter dedicated specially to minimising traffic risks, which represent one of the main causes of serious, fatal accidents at the Group.

This project includes a line of action specific to subcontracting. In 2018, work continued to oversee subcontractors, holding information and coordination meetings with them.

- **Digital Transformation project**, aimed at Prevention, which seeks to improve day-to-day responsibilities by eliminating bureaucratic tasks which add no value, and that generate added value, allowing Safety Officers and line managers to spend this time on visiting sites, training, etc.



Serras Faro-Farelo
wind farms (Galicia).
Enerfin

Social value



Generation of value and fiscal transparency

Elecnor Group's contribution to economic, social and environmental development is a result of the activities it performs in regions in which it is present. Sustained growth and its long-term commitment allows the Group to stably distribute value to its main stakeholders.

The activities of the Elecnor Foundation also generate economic value for society, as set out in the "Social commitment" chapter of this Integrated Report.

At the same time, as described above, Elecnor is a key player in the development and progress of society, with a direct impact on the achievement of a number of the United Nations' Sustainable Development Goals (SDGs).

Generation and distribution of economic value (GRI 201-1)

In thousands of euros

	2017	2018
Economic value generated	2,486,226	2,444,397
Economic value distributed	2,363,731	2,284,381
Personnel expenses	620,054	609,556
Operating costs	1,529,860	1,498,645
Other capital suppliers	157,880	123,015
Payments to governments	55,637	52,865
Investment in the community	300	300

Source. These figures are taken from the 2018 Consolidated Financial Statements, with the exception of dividend payments and corporate income tax, which are taken from the Cash Flow Statement in the Financial Statements.

CREATING VALUE LOCALLY

Elecnor generates value through job creation in markets in which it is present.

Workforce	2017	2018	Change
Domestic	8,130	8,837	8.7%
International	5,014	5,052	0.8%
TOTAL	13,144	13,889	5.7%

At year-end 2018, the Group's workforce had increased by 745 employees (5.7%) compared to year-end the previous year, standing at 13,889 employees. It is worth noting that 94% of the Group's 13,889 employees were local.

Location	Employees	% Local Employment
Africa	687	89%
Americas	3,614	97%
Asia	25	84%
Spain	8,837	95%
Europe	705	81%
Oceania	21	86%
Total	13,889	94%

In addition, Elecnor creates wealth and employment in its areas of influence by engaging local suppliers. (GRI 204-1)

Committed to
employment
and local
suppliers

Location	Procurement	% Local procurement
Spain	531,054,357	99%
Europe		
Italy	16,208,853	100%
Portugal	46,716,531	100%
Norway	7,343,345	95%
France	335,807	100%
North America		
Mexico	3,201,179	100%
Panama	9,521,459	98%
El Salvador	32,266	50%
Latin America		
Dominican Republic	23,056,305	100%
Chile	1,103,987	0%
Guatemala	53	100%
Uruguay	183,020	0%
Brazil	123,041	0%
Argentina	3,297	0%
Bolivia	506,967	100%
Asia		
Jordan	19,320,723	99%
Oman	2,353	79%
Oceania		
Australia		

Location	Procurement	% Local procurement
Africa		
Algeria	3,751,936	76%
Angola	7,611,780	28%
Congo	2,571,780	45%
Ghana	3,417,494	19%
Guinea	2,953,506	3%
Cameroon	5,152,074	74%
Senegal	15,204	100%
Liberia	3,885,342	0%
Morocco	361,406	100%
Mauritania	3,821,733	100%
Total	692,255,797	

* The data are for Elecnor, S.A.

SHAREHOLDER RETURN

The Elecnor Group has proved able to create value for its shareholders steadily in recent years.

Elecnor's shares are listed on the Continuous Market (SIBE), the index on which the shares of the most representative Spanish companies with the highest trading volumes are traded.

Stock market indicators	2017	2018
Closing share price (EUR)	13.29	13.20
Trading volume (million shares)	9.5	4.3
Cash trading volume (EUR million)	109	53.9
No. of shares (million)	87	87
Market cap (EUR million)	1,156.2	1,148.4
PER	16.2	15.5
Dividend yield	3.1%	2.6%

Elecnor's shares ended the year at EUR 13.20, down 0.68% compared with the end of 2017 and outperforming the Ibex-35, which fell by 14.97%.

The proposed appropriation of 2018 earnings by the Board of Directors to the General Shareholders' Meeting involves distributing a dividend of EUR 0.252173 per share. Payment of this dividend, if approved at the General Shareholders' Meeting, would produce a total dividend against 2018 earnings of EUR 0.307293 per share, a year-on-year increase of 7.1%.



GENERATION OF VALUE THROUGH SDGS

Elecnor Group's infrastructure, energy, water and environment projects, in addition to other initiatives performed by the Elecnor Foundation and other Group companies, have a direct impact on specific global goals proposed under the Sustainable Development Goals (SDGs). These include climate change, reducing the energy gap, access to basic necessities or high-quality, inclusive education and training.



Énergie Solaire
pour l'éducation
project
(Cameroon).
Elecnor
Foundation

SUSTAINABLE DEVELOPMENT GOALS

SDG

ELECNOR GROUP PROJECTS AND INITIATIVES



- **Atersa**
Rural electrification project
- **Celeo**
Power transmission projects
Social projects (Chile and Brazil)
- **Enerfín**
Social projects (Canada and Brazil)



- **Elecnor Group**
Excellence in Safety project
Awareness raising coinciding with World Day for Safety and Health at Work
Campaigns on healthy habits



- **Elecnor Group**
Collaboration with universities and vocational training centres
Talent Project
Training programmes
- **Elecnor Foundation**
Project in Ebolowa (Cameroon)
Specialist course in low and medium-voltage electrical installations
- **Celeo**
Initiatives with students from rural schools in Chile
- **Enerfín**
School trips to the L'Erable wind farm (Canada)
- **Atersa**
Local training in Africa for project maintenance



- **Elecnor Group**
Specialist water infrastructure services (for example, water treatment concessions)
- **Atersa**
Water pumping projects in developing countries
- **Audeca**
Wastewater treatment projects
- **Elecnor Foundation**
H₂OME project (Angola)



- **Elecnor Foundation**
"Luces para Aprender project" (Uruguay)
Project in Ebolowa (Cameroon)
- **Celeo**
Power transmission projects
- **Enerfin**
Wind Farms
- **Atersa**
Solar PV plants
- **Elecnor Group**
Renewable energy projects: solar, wind, biomass, hydroelectric power
Initiatives and projects to improve energy efficiency



- **Elecnor Foundation**
Specialist course in low and medium-voltage electrical installations
Collaboration with universities and vocational training centres
Project in Ebolowa (Cameroon)
- **Elecnor Group**
Creation and promotion of local employment
Recruiting local suppliers
Signatories of the Global Compact



- **Elecnor Group**
Initiatives with startups
BIND 4.0. programme
Innova call
Innovation projects
Digital Transformation Plan



- **Elecnor Group**
Projects on smart cities and efficient management of public lighting. Activities as an Energy Service Company (ESC)
- **Audeca**
Municipal waste collection projects



- **Elecnor Group**
Renewable energy projects: solar, wind, biomass, hydroelectric power
Group's climate change strategy
Calculating and verifying the carbon footprint
Plan to reduce emissions
Campaign on World Environment Day



- **Celeo**
Implementation of compensatory measures
Bird identification workshop
Birdwatching club
- **Enerfin**
Bird monitoring plans at wind farms
- **Audeca**
Projects to preserve natural spaces

CONTRIBUTION AND FISCAL TRANSPARENCY

In addition to creating value for society by paying taxes, Elecnor's transparency policy induces it to report on its tax contribution in countries in which it operates, as shown below.

Net profit per country

In thousands of euros

Country	Net profit
Germany	-82.1
Angola	19,713.8
Algeria	-1,329.7
Argentina	1,564.0
Australia	600.7
Bolivia	936.9
Brazil	38,323.5
Cameroon	6.7
Canada	-733.3
Chile	11,130.3
Colombia	-1,274.2
Ecuador	-851.8
El Salvador	-40.6
United Arab Emirates	-459.5
Spain	1,367.8
USA	10,145.7
France	242.5
Ghana	-890.7
Great Britain	-1,258.7
Guatemala	-6.7
Haiti	352.0
Honduras	277.3
Italy	-1,073.4
Jordan	2,226.3
Kuwait	48.6
Liberia	109.1
Morocco	-121.9
Mauritania	-187.5
Mexico	-6,971.0
Norway	130.5
Oman	-296.9



Country	Net profit
Panama	36.1
Paraguay	1.0
Peru	608.1
Portugal	-273.9
Dominican Republic	-74.2
Senegal	-54.3
South Africa	-453.3
Uruguay	416.0
Venezuela	2,459.2
Total	74,262.3

Note. For this distribution by country, the same criteria employed to prepare the Consolidated Financial Statements have been used, in addition to distributing the unifying adjustments and eliminations from results as required for the presentation of the Consolidated Financial Statements.



Income tax

The estimated payment of Companies Tax in the countries in which the Group performs its activities, and which is detailed in the table below, corresponds, substantially, to the definitive payment of taxes accrued in 2017, in addition to the interim payment of taxes accrued in 2018, pending the definitive settlement of these taxes in 2019.

In thousands of euros

Country	Amount
Germany	0.0
Angola	136.8
Algeria	1,736.1
Argentina	-25.3
Australia	4,477.9
Bolivia	258.6
Brazil	18,067.4
Cameroon	19.7
Canada	148.6
Chile	-219.3
Colombia	4.6
Ecuador	667.1
El Salvador	0.0



Hunterston
North substation
in Scotland
(United
Kingdom). IQA

In thousands of euros

Country	Amount
Spain	16,861.9
United States	48.1
France	-0.8
Ghana	0.9
Great Britain	-290.6
Guatemala	0.0
Honduras	125.5
Italy	0.0
Jordan	1,271.8
Kuwait	63.5
Morocco	8.6
Mauritania	186.8
Mexico	5,406.0
Norway	0.0
Oman	212.1
Panama	341.1
Paraguay	0.0
Peru	1,462.9
Portugal	389.7
Dominican Republic	1,247.0
Senegal	0.8
Uruguay	213.5
Venezuela	41.5
Total	52,862.5

Public subsidies received (GRI 201-4)

The following table provides details of public subsidies received by Elecnor Group in 2018.

In thousands of euros

Country	Subsidy
Spain	1,944.0
Canada	116.5
Great Britain	387.6
Portugal	926.6
Romania	1.9
Total	3,376.6

Achieving operational excellence

Elecnor has an Integrated Management System (IMS) to monitor the Environment, Quality, Occupational Health and Safety, Energy Management and R&D&i. The goal of the IMS is the continuous improvement of organisation, excellence and constant progress with procedures and resources.

The Management System is structured around the following criteria, based on which commitments and specific lines of action are defined for each area: strict compliance with the applicable legislation in force and other requirements that Elecnor assumes in the market it operates in; specific knowledge of the nature and scope of environmental impacts; customer requirements; risks for workers in Elecnor's activities and products; and improving competitiveness through R&D&i, making it possible to add value and stand out from the competition. (GRI 103-1, GRI 103-2, GRI 103-3)

The Integrated Management System Policy is available on the corporate website www.elecnor.com.

In 2018, external audits were carried out, maintaining and extending our ISO 9001:2015 and 14001:2015 multisite certification. This is a single certificate for all the Elecnor Infrastructures organisations which covers all scopes of the various activities and work centres.

Quality management focusing on the customer

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

- Managing customer satisfaction, based on an understanding of their expectations and achieving their complete satisfaction.
- The consolidation of continuous improvement in all the organisation's processes.
- Involving the entire workforce in the challenge of quality, improving the integration of know-how into the quality system and optimising management of production processes.



Landscaping and gardening at the Convention Centre in León

2018 milestones

- Performance of customer satisfaction surveys, with a **score of 8.17 out of 10**.
- Redesign of the methodology for **calculating non-quality costs** in order to improve production processes and minimise undesired effects.
- **Successful external audit** of the Group's subdepartments, departments and subsidiaries.
- Implementation of a new **methodology for managing risks** and opportunities in the different processes.
- Implementation of the **new procurement management platform**.
- **ISO 9001 and ISO 14001** certification of Elecnor do Brasil and Elecdor.
- Start of the implementation of the **Integrated Quality and Environment Management System** at Elecnor Chile.
- Performance of the corresponding **internal audits and development of system monitoring committees** at each of the Group's organisations.



453
surveys
conducted



8.17
out of 10
average
overall
score

FIRSTLY, CUSTOMER SATISFACTION

One of the main aims of all the companies that comprise the Elecnor Group is to constantly strive to improve customer satisfaction. To this end, customer surveys are conducted to gauge customer perception and anticipate their expectations.

In 2018, the use of the computer tool to send all surveys to customer in digital format has been consolidated and, thus, obtain overall and accurate data.

The average score in 2018 was 8.17 out of 10. As was the case last year, training and the technical capabilities of staff (8.55), the level of communication and attention offered (8.47) and compliance with safety requirements (8.46) achieved the best scores.

The highest scoring businesses were gas (8.81), solar PV (8.80) and telecommunications and systems (8.59).

ACTIVE LISTENING

As part of the Integrated Management System, Elecnor has a system for detecting non-compliance and opportunities for improvement, managing customer and supplier complaints, implementing solutions, analysing their causes and defining effective corrective and preventive actions.

In 2018, 75 customer complaints were filed, of which 49% corresponded to technical management, 19% to labour and 13% to material and equipment. All complaints were managed correctly and closed before the end of the year.

OUR SUPPLIERS, OUR ALLIES

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 102-9)

Guaranteeing the highest possible levels of quality for customers calls for constant surveillance and control of the supply chain. Elecnor therefore gives priority to suppliers of materials and services which, in due consideration of their effects on the security and/or continuity of the service, may have a significant impact on the ultimate quality furnished to the customer by the Group.

Elecnor Group's suppliers can be divided into suppliers of materials and services. Elecnor currently has more than 3,500 authorised suppliers.

The Group has Procedures and Policies, listed below, that define how the supply chain is managed:

- **Approval process.** Suppliers of materials and services classed as important are asked to submit Quality, Environment, Energy Management, Occupational Health and Safety, Compliance R&D&i documents and other ethical, employment, social and environmental documents that the supplier is able to provide. In 2018, Elecnor has approved 231 suppliers in line with the established criteria.
- **Procurement procedure.** Defines the general procurement procedures, including quality, environmental and compliance requirements.
- **Procedure for assessing suppliers of materials/services.** Describes the system for managing suppliers of important materials/services.
- **Procedure for drawing up contracts with subcontractors.** Defines the subcontracting procedures, including quality, environmental, energy management and compliance requirements.



- **Code of Ethics.** Among the requirements set out, the supplier is required to demonstrate conduct commitments that are comparable to those set out in Elecnor's Code of Conduct. This condition is particularly important in countries considered as being high risk by international organisations qualified to do so. Elecnor employees will ensure respect for its image, reputation and values by subcontractors and collaborating companies.

The new procurement management platform includes activities ranging from supplier approval to billing. This tool improves the approval process, as it entails the constant assessment of suppliers and the acquisition of relevant information during the negotiation period.

Furthermore, work is ongoing to improve the quality and environmental control measures used by Elecnor's critical suppliers.

In terms of supplier supervision, this year Elecnor reassessed a total of 32 suppliers. This reassessment ensures that suppliers comply with the quality requirements established in the Integrated Management System. To date, no assessments have been performed concerning social and/or environmental criteria. Nor has the commercial relationship with any supplier been suspended as a result of irregularities detected in this area. (GRI 308-1, GRI 414-1)



Environmental management

(GRI 103-1, GRI 103-2, GRI 103-3)

The Group's positive impacts on the environment are significant, given that it is involved in many activities that help protect the environment, generate renewable energy, treat and recycle water and achieve efficiency in the consumption of energy resources.

Elecnor has a steadfast commitment to protecting and respecting the environment and efficient consumption of energy resources in all of its activities.

The environmental control mechanisms currently implemented at the company are based on ISO 14001:2015 and ISO 50001:2011 certified Environmental Management and Energy Management Systems

The Environmental Management System defines a system for identifying, evaluating and recording the environmental aspects arising from Elecnor's activity with the aim of determining which are significant.

Thus, the Group's environmental objectives in 2018 to mitigate the environmental impacts that its activities generate target the reduction of fuel consumption at works in Spain, decreasing energy consumption at offices, decreasing hazardous waste, improving environmental implementation at works through inspections of the environment, quality and prevention system or environmental training.

In addition, Elecnor has joined the CDP (Carbon Disclosure Project), obtaining a B score in the international sustainability ranking. This is the highest level for climate change management and provides international recognition of Elecnor's strategy for fighting climate change. This score is above average for the electricity sector and for the European region.

The year also saw the consolidation and certification of our Energy Management System under the ISO 50001:2011 standard, enhancing the Group's commitment to sustainability.

THE FIGHT AGAINST CLIMATE CHANGE (GRI 103-1, GRI 103-2, GRI 103-3)

The growing expectation of more serious climate changes, with increasing temperatures, lower rainfall and more frequent and intense climate events, have placed climate change at the top of the political, social and corporate agenda.

Climate change is a challenge that Elecnor has been working on in recent years, in particular calculating the carbon footprint in line with internationally recognised standards and by implementing actions to reduce GHG emissions in its sphere of activity. Furthermore, Elecnor has undertaken a strategic diagnosis of its adaptation to climate change based on the recommendations set out by the Intergovernmental Panel on Climate Change in order to identify opportunities and opportunities accordingly.



This starting point has served as a basis for developing Elecnor's 2030 **Climate Change Strategy**. Through two main objectives and three strategic lines of action, this Strategy creates a framework in which all the Group's activities to reduce greenhouse gas emissions will be placed, adapting to the impacts of climate change and harnessing the associated opportunities.

The Group's Climate Change Strategy pursues two main objectives:

- **Mitigation:** reduction of GHG emissions by 25% prior to 2030 (compared to 2014). The expectation is that each year, emissions should be reduced by 1.6%.
- **Adaptation:** ensuring the resistance of Elecnor's Concessions Business in the face of climate change and positioning itself as an industry leader thanks to the opportunities provided by climate change.

These objectives are achieved through a series of activities encompassing three strategic lines of action (people, assets and knowledge), that contemplate 22 activities to mitigate and adapt to climate change. These actions include aspects such as promoting training and awareness raising policies that facilitate saving and reducing energy consumption, paper and water by the workforce; the commitment to technology that makes it possible to reduce unnecessary travel associated with our activities; gradually replacing energy consuming equipment and company vehicles with greener alternatives; or improving renewable energy facilities, to name but a few.

The Climate Change Strategy will be renewed once a year and every five years, it will be subject to an exhaustive review.

At present, the measures to adapt to climate change being developed by the Group seek to include climate change in the organisation's plans (emergencies, evacuation, outlook, etc.), in addition to awareness raising and research activities concerning the reality of climate change, promoted by the Elecnor Foundation.

It is worth noting that the Group plays a key role in the achievement of a low-carbon society through the development of renewable energy, developing wind power, solar PV, solar thermal, and hydropower and biomass projects. Generating electricity from renewable sources avoids greenhouse gas emissions, the main driver of climate change. (GRI 201-2, GRI 302-5)

In 2018, renewable power generation at Celeo's photovoltaic plants in Spain and Enerfin's wind farms have amounted to savings of 495,500 tCO₂ equivalent.



COMMITTED TO REDUCING CO₂ EMISSIONS

In 2018, Elecnor renewed its "AENOR Medio Ambiente CO₂ Verificado" carbon footprint certificate under the ISO 14064-1 standard. Furthermore, it has obtained the carbon footprint calculation and reduction stamp awarded by the Ministry for Ecological Transition (MITECO).

Elecnor has a tool for calculating its carbon footprint which allows each Group company to report the activity data required for the calculation and to obtain details of the greenhouse gas emissions associated with its activity. Thus, each organisation reports its electricity and fuel consumption and use of refrigerants, broken down by office, warehouse, site and plant.

Elecnor's carbon footprint in 2018 was 62,322.2 tonnes of CO₂e, down 6.47% on the previous year (66,632* tonnes of CO₂e). These emissions include Scope 1 and 2, the former accounting for 73% of the total, i.e., emissions associated with fuel consumption. The organisation is working to include Scope 3 in its future carbon footprint. (GRI 305-1, GRI 305-2)

Carbon footprint data for 2017 have been updated from 63,827 to 66,632 tonnes of CO₂e, given the change in methodology as part of the procedure for calculating fuel consumption by Elecnor do Brasil.

Scope	Emissions (t CO ₂ e)
Scope 1	
Stationary and mobile combustion*	45,357.24
Scope 2	
Electricity consumption	16,964.96
Total	62,322.20

* Fugitive emissions have been calculated, but not reported, as they are only reported every three years as they account for less than 1% of the total carbon footprint.

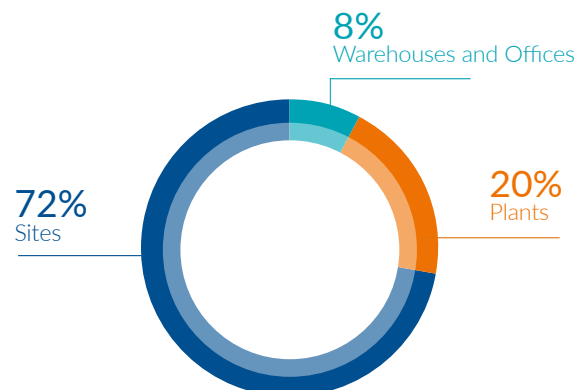
When analysing emissions by the type of facility where they were generated, the contribution of building projects is worth particular note, accounting for 71.82% of the total.

Elecnor's emissions have remained stable, with its ratio of emissions generated by hour worked the same as in 2017 (2.3 kgCO₂e/hour). (GRI 305-4)

Emissions by scope

tCO_{2e}

Emissions by type of installation

tCO_{2e}

MANAGEMENT OF CONSUMPTION

In general, consumption was up in 2018 with respect to the previous year due to an increase in the Group's activity.

Elecnor's energy consumption dropped by 9% year-on-year.

Below are the different forms of energy consumption, with diesel accounting for 56% of the total.

Energy consumption (TJ) (GRI 302-1)

	2017	2018	Change
Natural gas	56.54	27.88	-51%
Diesel	134.42	54.13	-60%
Petrol	22.79	37.02	62%
Diesel	447.37	417.97	-7%
Biodiesel	11.52	64.48	460%
Electricity	145.08	148.52	2%
Other fuels	5.10	1.96	-62%
Total	822.80	751.96	-9%

Consumption of other resources (GRI 303-1, GRI 303-3)

In 2018, 1.7 hm³ of water was consumed, 3% up year-on-year.

The Group also offers specialist water infrastructure services. Currently, it has three water treatment concessions located in Aragon: SADAR, SADEP and SAPIR, which encompass a total of 39 operating stations treating 7.4 hm³ of water during 2018.

Furthermore, the main raw materials used by Elecnor are as follows: steel, cables, insulators, switchboards, cells, pumps and piping. At present, the company has policies in place to recycle and reuse some of these materials, including cables and steel.

ENERGY EFFICIENCY INITIATIVES (GRI 302-4)

Over the course of 2018, different energy saving and efficiency measures have been rolled out, including:

- Acquisition of sustainable and efficient vehicles, machinery, and tools. Both when purchasing and leasing vehicles, we perform a preliminary study on their energy and environmental impact to select the option that is most respectful of the environment.
- Promotion of telephone conferences to prevent travel. 33 Chromeboxes have been installed at international offices to facilitate telephone conferences.
- Efficient driving courses for heavy goods vehicle and van drivers.
- Replacement of air conditioning units.
- Change of fleet, incorporating new electric vehicles into the organisation.
- The incorporation of telematic control systems in new vehicles to improve use of the technology and driving behaviour. Via this programme a report is obtained that determines the energy category of every driver.
- Awareness raising plans at works and offices.
- Replacement of LED lighting.
- Specific modifications to water treatment plants to reduce energy consumption by installing more energy-efficient machinery.

Energy management is also on the Group's areas of activity. In fact, Elecnor is a certified Energy Services Company, which means it is qualified to work on various energy efficiency improvement projects in buildings and facilities. The main projects are described in the section dedicated to the Infrastructure Business.

WASTE MANAGEMENT

In 2018, Elecnor sent 15,945.460 tonnes of waste to recycling stations, avoiding the emission of 11,922 tonnes of CO₂e into the atmosphere.

The Environmental Management System includes a Waste Management Procedure, which defines the system for managing waste generated in order to ensure the adequate protection of human health and the environment, in addition to compliance with the applicable legislation.

The different waste management awareness raising campaigns have achieved great results

The waste is managed at Elecnor in accordance with current regulations by authorised handlers, striving to find the best available recycling techniques wherever possible.

(GRI 306-2)

Waste (kg)	2017	2018
Non-hazardous waste	39,218,605	27,817,757
Hazardous waste	220,360	623,073

Over the course of 2018, different initiatives were organised to decrease waste and promote recycling and reuse. Worth particular note is the campaign run by General Quality and Environmental Services on reduction, reuse and recycling initiatives.

Other examples, were the "Celeo Recicla" campaign and "We think about a better world", organised by Enerfin. The latter reduced plastic consumption by 30% by replacing disposable plastic cups with plastic bottles.

Through Audeca, we have also participated in campaigns to raise awareness of waste in different towns and cities.



Managing biodiversity and protecting the environment

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 304-1, GRI 304-2, GRI 304-3)

In general, the activities carried out by Elecnor do not have significant impacts on biodiversity, with the exception of projects in protected areas where animal and plant species may be affected. In such instances, legal requirements are complied with,

In addition, whenever the project's environmental assessment requires one, an environmental monitoring plan is drawn up including regular controls of impacts and the mitigation measures taken. Corrective measures and initiatives are also in place to mitigate the impact of the project such as reforestation, biological recovery periods, relocation of nests, etc.

The Group mainly works on the preservation of protected spaces and environmental conservation through Audeca, which is responsible for environmental activities. Some activities are performed inside protected natural spaces, which seek to improve these spaces.

In terms of the Group's activities and business, the main impacts of the core activities performed by Celeo Redes in Brazil and Chile (operation of power transmission lines) are the suppression or loss of plant life. Impacts are managed through an environmental impact assessment that defines the mitigation, repair and offsetting measures. An example of this can be seen in Chile, where to mitigate the impact on native species as part of the 2x220 kV Nueva Diego de Almagro Cumbres line, a reptile and mammal rescue and relocalisation plan was rolled out.

Concerning the Group's wind power projects, bird monitoring plans are in place, in addition to a range of different controls to conserve the ecosystem of the affected area depending on the environmental characteristics of each wind farm and the requirements of each province, reporting the data required for these controls accordingly.

In Cadiz, for example, Aerogeneradores del Sur, S.A., the owner of the La Herrería and Pasada de Tejada wind farms managed by Enerfin, performs constant environmental correction actions, including: preventive shutdown of wind turbines in risk situations for birds, constant monitoring of birds, enhanced monitoring

2018 milestones

- Conservation of the grey partridge and foster traditional livestock activity in the **Sanabria Lake Nature Reserve**.
- Restoration activities in the **Trefacio and Villarino rivers in Cuenca**.
- Maintenance of the **Sanabria lake** and the **Villafafila lagoons**.
- Conservation activities in the **Sierra de Guadarrama National Park**.





Villaverde
WWTP in Íscar
employing
macrophyte
(Segovia)

programmes at times of mass bird migration and constant annual control of the presence of carrion in the vicinity of wind farms.

The overriding objective of these measures is to minimise the deaths of birds in wind farms and to understand the impact of such deaths on local populations.

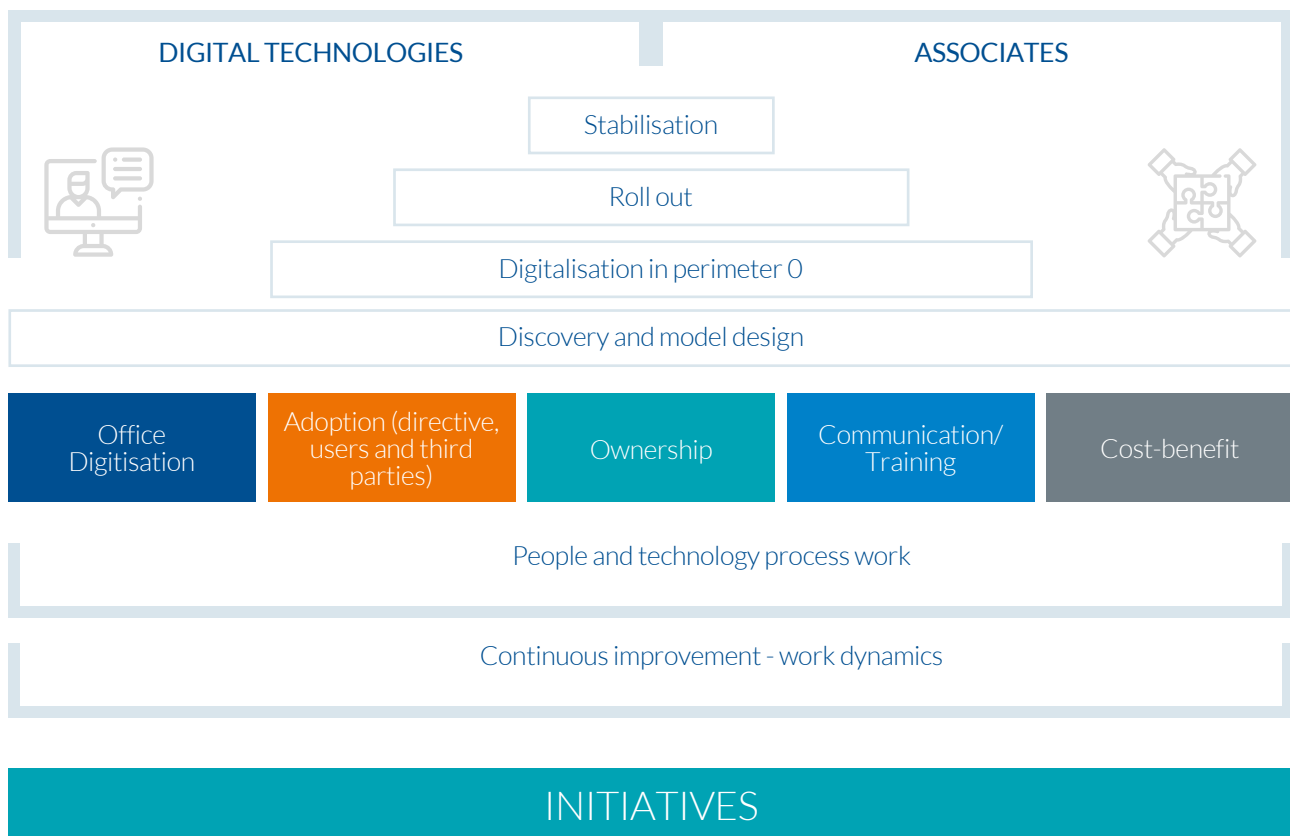
Technology and innovation

THE DIGITAL TRANSFORMATION CHALLENGE

Elecnor is immersed in a strategic digital transformation project in order to secure cultural change, better processes, operating efficiency and competitiveness. This project is structured around the internationalisation of an innovative management model, with the organic capacity to create value sustainably over time using technology and people as the catalyst for change.

The Digital Transformation is having an impact on boosting service quality, operational efficiency, compliance and management of information at the company.

The Digitalisation Office, which reports to the Finance Department, is responsible for ensuring compliance with the objectives established and gauge progress through a Digitalisation Index.



2018 milestones



71%
Digitisation



47
initiatives
in place



+5,000
users



+300
participants



600
work
sessions

- Digitalisation Index of 71% compared to 62.5% in 2017.
- Progress with cross-business process digitalisation.
- Proposal of significant initiatives in terms of compliance, security and cyber risk.
- Creation of synergies, reduction of technological risk and promoting intra-entrepreneurship within the organisation.
- 10 working groups and 47 initiatives in place.
- Increase in levels of participation: +300 participants, +5,000 users, +7,000 third parties, 600 work sessions, +100 training sessions and 20 committee meetings held.

INNOVATION MANAGEMENT

For Elecnor, innovation helps drive progress and guarantees our future. Investment in R&D&i represents on the strategic goals of the Group, as improving competitiveness through R&D&i adds value and enables the Company to stand out from the competition.

Technological areas of interest are chiefly related to energy, the environment, water, infrastructure, facilities and special projects.

Innovation forms part of the Group's Integrated Management System. At present, Elecnor, S.A. and Audeca are UNE 166002:2014 certified.

The initiatives performed throughout 2018 focused on continuous improvement of corporate tools and on boosting the innovation component of projects carried out. These courses of action aim to make improvements to the Elecnor's current services, products and processes, and explore new business models.

2018 milestones

- Launch of the 2018 edition for financing internal INNOVA projects. Six proposals were submitted, of which four were approved.
- Organisation of a technical workshop on Industry 4.0., attended by 32 people from the Group.
- Update of strategic R&D&i lines in order to increase the number of innovative projects structured around constructive improvements and plant management.

Throughout 2018, the different companies at the Group were immersed in the execution of around 50 R&D&i projects. Elecnor has also struck partnerships with universities and technology institutes, among which Cartagena Polytechnic University, CEBAS-CSIC, the University of Valladolid and the University of the Basque Country (UPV/EHU) are worth special mention.

Featured projects

ARGOS

The ARGOS project proposes the development of a UAV system prototype that facilitates the automated perimeter vigilance of certain critical premises at day and night, providing security staff with the alarms that are triggered when a change in the premises being watched is detected. These premises include different types of facilities, including refineries, nuclear power stations, power stations, critical infrastructures, solar power plants, ports, dams and industrial estates.

APPIDE

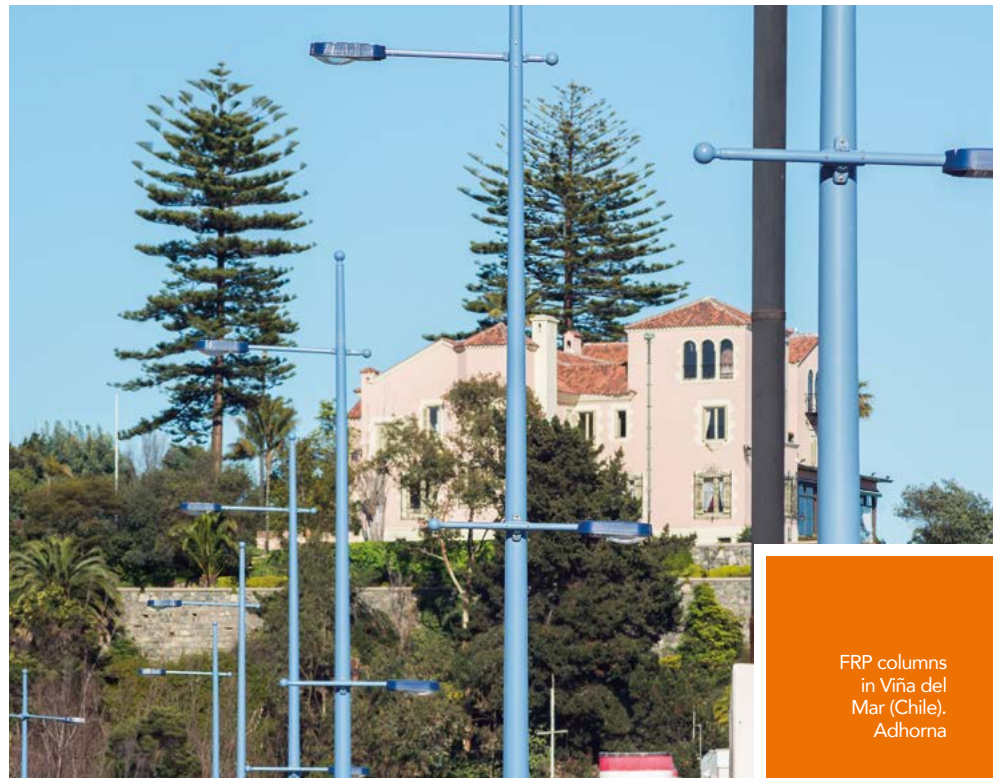
The general objective of this project consists of optimising thermographic inspection operations performed at photovoltaic plants by automating the process for analysing images captured by optical sensors, both in the visible and infrared spectrums.

Elecnor collaborates with an external company dedicated to performing thermographic inspections using drones.

Protection of chains for polymeric insulators

This project will improve the existing protection to be used on chains for tie top polymeric insulators, enhancing the safety of work.

The aim of this project is to improve the design of protections currently used, technological differentiation, improving production times and decreasing risks by preventing access to live parts by members of the team.



BOOSTING INNOVATION THROUGH START-UPS

Collaborations with start-ups allow Elecnor to diversify, generate new lines of business, access innovative solutions that can be converted into greater added value for customers and improve internal processes.

In 2018, Elecnor participated in the BIND 4.0 programme; this is a start-up accelerator programme in the sphere of Industry 4.0 run by the SPRI (Basque Business Development Agency), which provides support and services for participants by fostering their development and growth through mentoring, training and access to potential technology partners.

Furthermore, Elecnor was present at the main national events for start-ups, such as Startup Olé, SOuth Summit and B-Ventures. These initiatives led to the formation of collaborations with start-ups in the field of cyber security.

In addition, Elecnor Deimos, the Group's technological subsidiary, has become a shareholder in Orbex Space, a start-up developing an innovative launch vehicle to place small satellites into orbit named Prime. It is expected to be launched from the UK's Vertical Launch spaceport in Sutherland, Scotland.

This collaboration will allow Elecnor Deimos to offer its customers a fully European, end-to-end development, assembly, launch and operation service for their observation satellites. Orbex, in turn, benefits from the experience and capacity of Elecnor Deimos in critical launch, guidance, navigation and control systems.

Commitment to society

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 203-1, GRI 203-2)

The Elecnor Group's activity has a direct and indirect economic impact on employment, local development, progress and social welfare, in all the regions it operates in.

Furthermore, given its activities in fields like infrastructure, energy and the environment, Elecnor is considered a key player in the development and progress of society, collaborating in reducing the energy gap and the transition towards a lower carbon economy or guaranteeing access to and the availability of energy and water, among other aspects. All of the above, in line with the Sustainable Development Goals (SDGs) in the United Nations' 2030 agenda.

Elecnor Foundation. Building a better world

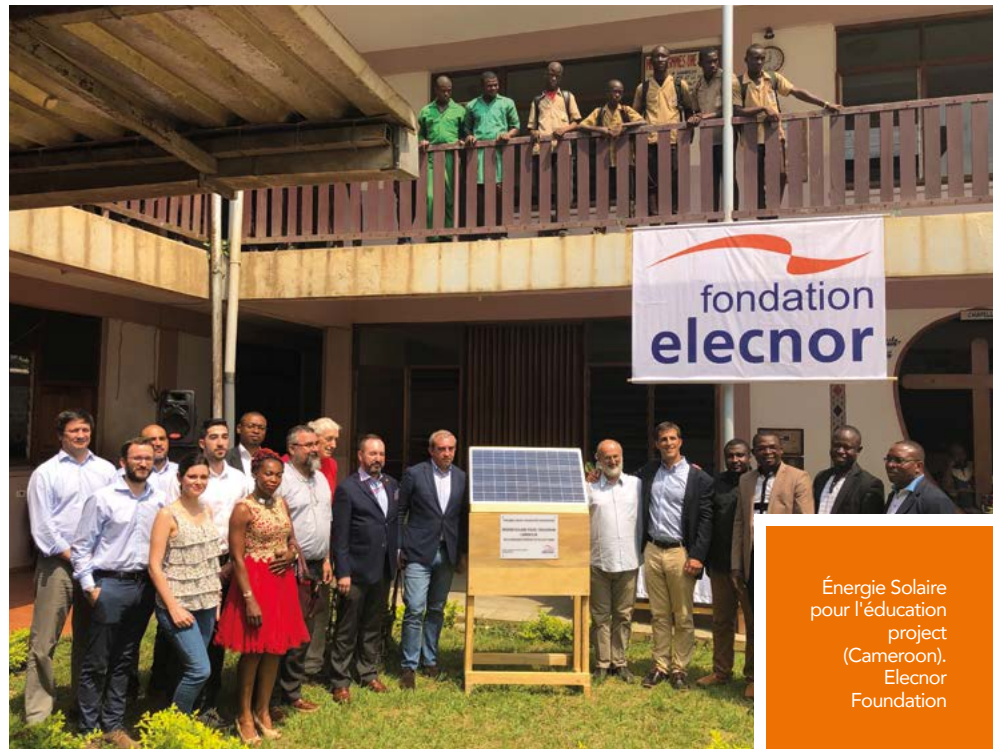


The Group's social actions are mainly driven through the Elecnor Foundation, which in 2018 celebrated its tenth birthday, maintaining the commitment to valuing the human side of engineering.

The Foundation's work is closely linked to Elecnor's own activities. The Foundation therefore focuses its efforts on the countries where Elecnor is active, and its projects are always related to the business lines where Elecnor is a recognised operator. In this connection, activities and projects are performed in two main areas:

- Development of social infrastructure in the areas Elecnor understands best (infrastructure, energy and water) benefiting those with the greatest need and the environment.
- Promoting research and training to aid the development and careers of our young professionals.

In 2018, the Foundation had a presence in Spain, Honduras, the Dominican Republic, Ghana, Chile, Uruguay, Angola, Nicaragua, and Cameroon. Over these ten years, Elecnor has contributed funds of EUR 4.9 million (EUR 300,000 in 2018) to its Foundation. Furthermore, the Foundation has also managed to mobilise



10
YEARS | 2008-2018

EUR 4.2 million. In other words, throughout this period, the Elecnr Foundation has led projects worth EUR 9.1 million.

Action in 2018

SOCIAL INFRASTRUCTURE PROJECTS

Through its social infrastructure projects, the Elecnr Group has become part of the solution for some of the problems facing society. Particularly, and as described in the following projects, Elecnr collaborates in guaranteeing the affordable, secure and sustainable access to energy, and to promoting learning opportunities and promoting inclusive, fair and quality education.

START OF PROJECT IN EBOLOWA, CAMEROON

The Elecnr Foundation will contribute to the social and labour integration of disadvantaged youths, opening up the possibility of developing renewable energies in this part of Cameroon.

This collaboration project with the Salesians of Don Bosco aims to consolidate all the social and educational activities of this institution in the city of Ebolowa, providing high-quality, stable power to on-going projects.

The electricity provided by a photovoltaic system will secure the activities carried out at the technical institute, the boarding school, the youth centre and the free supply of water to residents.

The collaboration of Elecnor also represents an important transfer of skills for the trainers in the technical institute (ITDB). This training of the teaching staff allows the integration in the programme electricity studies of concepts of photovoltaic energy, which opens the possibility of both developing these energies in the region and employing the most qualified students.

CONTINUATION OF THE LIGHTS FOR LEARNING PROJECT IN URUGUAY

The Elecnor Foundation, the Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE) and the Organization of Ibero-American States (OEI) signed an agreement to go one step further in the installation of solar PV systems in rural parts of Uruguay.

Signing this addendum will make it possible to relocate renewable energy equipment that had previously been installed at rural schools when they have no power and connectivity. Of the 85 schools that originally benefitted from this project, 35 have now been connected to the national grid.

The solar panels at educational institutions to which electrical power lines have been connected will be used, in an initial stage, to provide power to the homes of school children attending the rural schools that participated in the Luces para Aprender project, in the regions of Cerro Largo and Salto.

The second and third pillars of the project involve supporting community undertakings and creating educational spaces, respectively.

Recognition for the Luces para Aprender project

Within the framework of the ninth International Seminar on Research into Rural Education held in Uruguay, an award was presented to the Luces para Aprender project in recognition of its support for the education of children in the rural environment.





CORPORATE VOLUNTEER SCHEME

In 2018, a new edition of the H₂OME project was launched in Gove, Angola. This project is now up and running and has the capacity for purifying water for the 10,000 residents per day in Huambo province. Three Elecnor volunteers travelled to Angola to offer the talent, knowledge and time to those most in need.

TRAINING AND RESEARCH PROJECTS

Through these initiatives, we foster training and research in different areas of engineering, alliances and agreements with universities and educational centres to encourage the development of knowledge and its practical application.

SPECIALIST COURSE IN LOW AND MEDIUM-VOLTAGE ELECTRICAL INSTALLATIONS

For six years, we have trained future professionals in collaboration with the Colegio Salesianos Deusto. This year saw the end of the fifth edition and the start of the sixth, with 16 participants.

The students had the opportunity to acquire knowledge and get safe work experience in confined spaces or dangerous atmospheres, manoeuvres in medium voltage facilities and work on low voltage electrical grids, in addition to the knowledge required for effectively and safely working at heights.

AWARDS AND GRANTS PROGRAMME WITH THE SCHOOL OF INDUSTRIAL ENGINEERING AT VALENCIA POLYTECHNIC UNIVERSITY

In 2018, Elecnor celebrated 30 years sponsoring UPV students. Five students received grants for their end of Master's projects in the 2017-2018 academic year. Furthermore, the Foundation presented the First Prize, for EUR 1,500, for the best project presented.



More community initiatives

(GRI 102-12)

Seeking solutions with the various social actors is an effective way of generating value for society. Programmes targeting the social, environmental and economic development of the surrounding area are particularly important.

Elecnor's social action is reflected in the initiatives performed in communities where the Group is present; worth particular note are those performed by its concessionaire, Celeo, and wind power subsidiary, Enerfín, in countries like Chile, Brazil, Colombia, Mexico and Canada.

These communities participate by collaborating with administrations, organisations and institutions and by sponsoring cultural, social, sporting and environmental activities.

Action in 2018

CANADA

The end of 2018 marked five years since the L'Erable wind farm came into operation; over the course of these years, and as part of the agreements signed with towns and cities where the project is located, more than CAD 100,000 have been contributed to almost 30 local associations and initiatives.

In particular, in 2018 worth special mention were the guided visits to the wind farm, organised in cooperation with the local tourism office, attended by more than 400 tourists and 140 schools; furthermore, a variety of activities and initiatives were held in Saint Ferdinand and Ste Sophie d'Halifax, including annual fetes, family day, summer sports camps and contributions to the construction of a centre for the elderly suffering from a loss of independence.

BRAZIL

Ventos do Sul, Enerfín's operational subsidiary in Brazil, contributed to social projects approved by the Brazilian government and under the Tax Incentives Law, to foster culture, sport and social investment. These are a number of the initiatives it has participated in.





Visits to the
Osório wind
farm complex
(Brazil). Enerfin



Birdwatching
club, Escuela
Corel (Chile).
Celeo

- Concerts by the Symphonic Orchestra of Porto Alegre in several towns in Rio Grande do Sul.
- Museum night to encourage culture with the inauguration of museums in Porto Alegre.
- Support for the Iberê Camargo Foundation, which runs the Iberê Camargo museum, an iconic building which houses a range of artistic exhibitions throughout the year and that is a significant tourist attraction.
- Social project to support impoverished older people.
- "Everyone building-Aldeias Infantis SOS Brasil". A social project in support of the rights of children and teenagers, through the construction of a sports facility for 46 children in care and also for the neighbouring community of Sarandi.
- Project to expand oncology treatment services and purchase equipment for the public hospital at the University of Caxias do Sul.
- Organisation of Rodeio Internacional de Osório, a tourist event attended by more than 10,000 people and that seeks to promote art, culture and tourism. It features a wide range of attractions, including culture, music, gaucho tradition, horse riding, etc.

CHILE

Over the course of the year, Celeo participated in different social and environmental initiatives:

- Solar power workshop in Diego de Almagro, designed to introduce students to the world of energy, recycling and innovation.
- Bird identification workshop. Project organised by Escuela HUILQUIÓ to bring birdlife to the pupils of rural schools with a talk on the subject and a birdlife guide produced by Celeo Redes.
- Birdwatching club. Project organised by Escuela de Corel that seeks to create clubs with students from rural schools.
- Construction project for the Torre-sirena Compañía de Bomberos, contributing to 50% of the construction of the structure.
- Volunteering project consisting of the construction of a viewpoint. Elecnor is involved in improving the facilities of the rural school in Corel.

Integration and respect for the environment

(GRI 103-1, GRI 103-2, GRI 103-3)

In 2018, Elecnor continued to carry out projects in some countries in areas close to indigenous communities. In this context, dialogue, respect and sound impact management are essential to maintain social legitimacy and ensure successful outcomes for projects.

In terms of indigenous communities, a wide variety of initiatives by Enerfín, the Group's wind power subsidiary, are worth special mention: (GRI 411-1, GRI 413-1, GRI 413-2)

CANADA

As part of activities to promote projects in the province of Saskatchewan, introduction meetings were held with both autochthonous nations and the tribal councils that represent them. These meetings made it possible to explore the interest of the different communities in investing in the projects under way in the province. This initial contact served as a basis for consolidating productive and fruitful relationships, governed by the principles of transparency, mutual respect and loyalty.

MEXICO

As part of the activities of promoted projects in Yucatán, social impact assessments were carried out in the towns of Panabá and Sucilá, which belong to the Mayan indigenous region.

COLOMBIA

An indigenous consultation process was held with the Wayuu communities affected by the El Ahumado and Musichi projects, located in the Guajira peninsula. These processes defined social measures for compensating and improving the living standards of the different communities, including the delivery of courses on activities associated with construction, labour supply in the construction stage, acquisition of sheep or the construction of recreational, cultural and educational spaces and the supply facilities required in the region.

In turn, within the environmental framework of its projects in Chile, Celeo, Elecnor's concessionaire, must consult with the National Indigenous Corporation, although no projects carried out in 2018 affected or were located in the area of influence of any indigenous community.

In Brazil, Celeo continued with negotiations to approve the Basic Indigenous Environmental Plan, which defines the mitigation actions to be taken in the indigenous communities affected by the Caiuá Transmissora de Energia EPC firms. The competent authority approved the plan in the second half of 2018, meaning the next step will be to submit the document to the communities before activities commence.

Communication with stakeholders

(GRI 102-40, GRI 102-43)

Elecnor maintains an open, ongoing dialogue with its main stakeholders via various communication channels, in a bid to identify them and respond to their needs and expectations. The main communication channels are as follows:

Stakeholder	Communication channels
Shareholders and investors	<ul style="list-style-type: none"> General Shareholders' Meetings Consolidated financial statements Integrated Report Elecnor Foundation Report Group website Shareholder service channel Shareholder forum Meetings with investors
Customers	<ul style="list-style-type: none"> Corporate catalogue Regular visits Regular communications Consolidated financial statements Industry fairs Corporate websites Satisfaction surveys Integrated Report Elecnor Foundation Report Social networks
Employees	<ul style="list-style-type: none"> Regular meetings Working groups Integrated Report Communication campaigns Training courses and events Corporate websites Intranet Newsletter Ethics channel

Stakeholder	Communication channels
Public Administrations and regulatory bodies	Group website Official communications Consolidated financial statements Integrated Report Elecnor Foundation Report Social networks
Suppliers and partners	Meetings and working groups Conventions, fairs and congresses Audits Integrated Report Group website Social networks
Local communities	Corporate websites Project specific websites Elecnor Foundation report Sponsorship Social projects Integrated Report Social networks
The media	Press releases Informative events Group website Consolidated financial statements Integrated Report Elecnor Foundation Report Social networks
Technology centres and universities	Cooperation agreements Forums Integrated Report Elecnor Foundation Report Elecnor Foundation website



Installations on
Long Beach
Rainbow bridge
in New York
(USA). Elecnor
Belco



One milestone in 2018 was the celebration of Elecnor's 60th birthday. To commemorate the occasion, a corporate identity and image was created to include all the company's communication tools. Furthermore, a commemorative book was prepared encompassing the Group's 60 year history that reflects the significant milestones during this period, both in Spain and abroad. This book touches on its sustained growth and international expansion, in addition to the culture of values and the solid business philosophy built throughout its history.

In 2018, also worth special mention was the strengthening of Elecnor's position in the media with a view to increasing its reputation as a reference company in Spain and abroad in the infrastructure, renewable energy and new technology sectors.

Major relevant actions

- Boosting communication on Twitter and LinkedIn profiles.
- Project to overhaul the Group's websites.

New Elecnor, Hidroambiente, Enerfín and Elecnor Belco websites featuring a design that allows users to browse more easily and simply, adapting to new digital trends to enhance the Group's online profile and usability on mobile devices.

- New corporate advertising.

The new approach to advertising creativity seeks to consolidate the Elecnor brand by promoting its inherent attributes, such as internationalisation and the diversification of activities and, for the first time, reflect on how projects improve people's lives.

Participation in Associations

(GRI 102-13)

The Elecnor Group plays an active role in leading associations in the sectors and countries where it is present. Those considered most important are features in the following table:

Spain

AAEF, Asociación Andaluza de Empresas Forestales
 ACEX, Asociación de Empresas de Conservación y Explotación de Infraestructura
 AEDYR, Asociación de Desalación y Reutilización del Agua
 AEE, Asociación Empresarial Eólica
 AEEFOR, Asociación Extremeña de Empresas Forestales y de Medioambiente
 AET, Asociación Eólica de Tarifa
 APECYL, Asociación de Promotores de Energía Eólica de Castilla y León
 APPI-Almussafes, Asociación de Propietarios del Parque Industrial de Almussafes
 ASAGUA, Asociación Española de Empresas de Tecnologías del Agua
 ASEJA, Asociación Española de Empresas de Jardinería
 ASERPMA, Asociación de Empresas Restauradoras del Paisaje y Medio Ambiente
 ATC, Asociación Técnica de Carreteras and Asociación Mundial de Carreteras.
 Comité de Energía del Círculo de Empresarios.
 EGA, Asociación Eólica de Galicia
 enerTIC Platform
 ESF, Energía sin Fronteras
 FEMEVAL, Federación Metalúrgica Valenciana
 ITE, Instituto Tecnológico de la Energía
 PTA, Plataforma Tecnológica del Agua
 SERFOGA, Asociación de Empresas de Servicios Forestales de Galicia
 UNEF, Unión Española Fotovoltaica

Brazil

ABEEOLICA, Asociación Brasileña de Energía Eólica
 ABIDIB, Associação Brasileira da Infraestrutura e Indústrias de Base
 ABSOLAR, Associação Brasileira de Energia Solar Fotovoltaica
 Official Spanish Chamber of Commerce in Brazil
 CIGRE, Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica
 COGEN - Associação da Indústria de Cogeração de Energia

Canada

AQPER, Association Québécoise de Producteurs d'Énergie Renouvelable
 Canada-Spain Chamber of Commerce
 Chambre de Commerce et D'industrie Bois-Francis and Érable
 CANWEA, Canadian Wind Energy Association
 Technocentre Éolien du Quebec

Mexico

APER, Agrupación Peninsular de Energías Renovables

AMDEE, Asociación Mexicana de Energía Eólica

Energy Committee, Spanish Chamber of Commerce in Mexico

United States

AWEA, American Wind Energy Association

Chile

ACERA, Asociación Chilena de Energías Renovables

CAMACOES, Cámara Oficial Española de Comercio en Chile

CIGRE, Comité Internacional de Grandes Redes Eléctricas

Eléctricas A.G, Asociación Gremial de Empresas Eléctricas



Solar PV plant
in Yunchará
(Bolivia)

Events, workshops and forums

Smart City Expo World Congress, Barcelona

Elecnor presented solutions and products to provide smart services to cities to make them more sustainable and integrating, improving the quality of life and enhancing the effectiveness of the available resources.

Technical Committee CTN207 Transport and electric power distribution

Adhora participated, in collaboration with the main Spanish electricity firms and Telefónica, in the development of a rule to standardise fibreglass reinforced plastic (FRP) posts to adapt them insofar as possible to the companies needs.

This committee lead to the creation of the rule "UNE 0059-2017 Fibreglass reinforce plastic (FRP) posts for overhead electricity lines and telephone lines"

Forum of Technological Trends, Energy Efficiency and Sustainability in Industry 4.0, Bilbao

This Forum was organised by the EnerTic Plataform. Elecnor participated as a speaker at the session entitled "Digital transformation for a more competitive industry: Strategic Vision", discussing its vision and experience.

8th World Water Forum, Brazil

The World Water Forum is the main global water and sanitation event, organised by the World Water Council (WWC). It aims to promote knowledge, create a political commitment and promote actions on critical topics in the field of water to facilitate efficient conservation, protection, development, planning, management and use in all its dimensions, in a way that is environmentally sustainable to the benefit of life on Earth.

Elecnor participated at the Forum as part of the Spanish delegation, made up by representatives of the Public Administration (MAPAMA, MAEC, ICEX) and the private sector. The delegation had a stand where, in addition to other activities, high-level bilateral meetings were held with other countries.

International Safety Trade Show, Sicur, Madrid

To present a series of occupational health and safety best practices in an educational format, the 2018 edition played host to the DEMO PRL programme, featuring live action scenarios in different working environments. Elecnor delivered two practical cases as an associate of ADEMI (Association of Engineering, Assembly, Maintenance and Industrial Services Companies).

Encuentro Iberoamericano Empresarial, Madrid

Elecnor was the company invited to the event organised by Expansión and the collaboration of the embassy of the Dominican Republic and the IE Business School. Chief Executive Officer of Elecnor, Rafael Martín de Bustamante, addressed the company's 30 years of experience in the Dominican Republic.

New space, Vigo

Elecnor Deimos formed part of the first aerospace industry event held in Spain by the University of Vigo, the Centre for Aerospace Innovation of Galicia (Cinae) and the spin-off, Alén Space.

The so-called "new space" is characterised by the entry of privately-funded new players in the space industry committed to space technology to implement new commercial services.

Awards

- **5th Edition of the Internationalisation and Development Awards, Compañía Española de Financiación del Desarrollo (COFIDES)**

Elecnor was recognised under the "Big business foreign project" category for its significant international experience in emerging markets, its commitment to corporate excellence, its history as a COFIDES customer and the implementation of flagship projects that combine innovation with social and environmental development.

- **The Luces para Aprender project received an award in recognition of its support for rural education at the 10th International Seminar on Research into Rural Education held in Uruguay.**
- **Award for the Contracting Company with the Best Preventive Culture Rate by the Nuclear Power Plant in Almaraz, Cáceres, at its Occupational Health and Safety Workshops.**
- **50 best CEOs in Spain according to Forbes magazine.**

For the second consecutive year, Elecnor's Chief Executive Officer, Rafael Martín de Bustamante, is ranked in Forbes magazine's list of Spain's top 50 CEOs.



Construction and facilities at Colegio Arcosur (Zaragoza)

Responsible management



Corporate governance

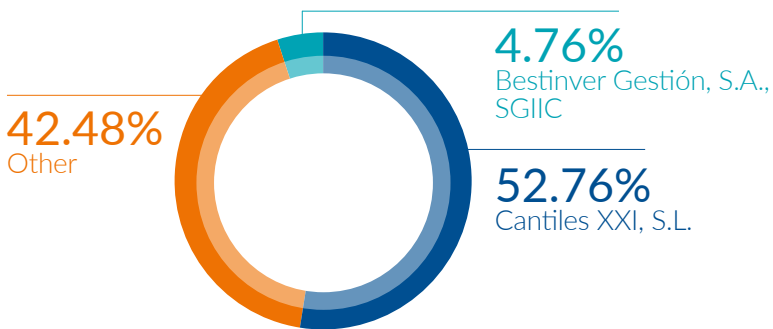
Elecnor satisfies the requirements set out in the Capital Companies Law and the Code of Corporate Governance for Listed Companies issued by the National Securities Commission*.

Shareholder structure

The majority of the capital of Elecnor, S.A. is held by a group of shareholders comprising ten family groups, acting as the decision making and controlling unit of the company through the company Cantiles XXI, S.L. (GRI 102-5)

"Other" includes all shareholders holding less than 5% of the share capital together with Elecnor, S.A. treasury shares, which stood at 2.68% in 2018.

Shareholder structure



* This information is available in the Corporate Governance section under the Investors heading on the website, www.elecnor.com

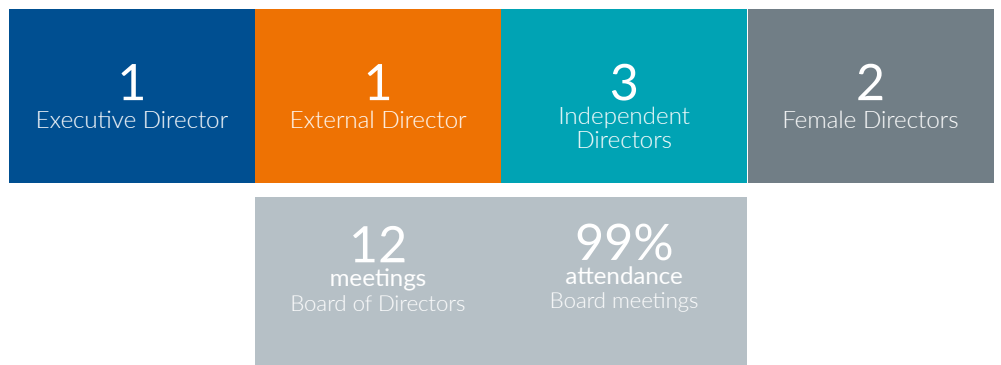


Governance bodies (GRI 102-18)

The corporate governance bodies of the parent are the General Shareholders' Meeting and the Board of Directors. The Executive Committee, the Audit Committee and the Appointments and Remuneration Committee report to the Board of Directors.

The Annual General Shareholders' Meeting was held on 1 June 2018, with attendance of 81.99%.

Board of Directors



On 18 April 2018, the Board of Directors unanimously approved the amendment of Article 8 of the Board of Directors Regulations on "Quantitative composition" in order to increase the maximum number of members sitting on the Board of Directors to 15.

Director's name	Board of Directors						Committees		
	Post on the Board	Category				Last date appointment	Committee Executive	Committee of Audits	Appointments and Remuneration Committee
		Executive	Proprietary	External	Independent				
Jaime Real de Asúa Arteche	Chairman		✓			6/1/18	✓ ⁽¹⁾		✓
Fernando León Domecq	Deputy Chairman		✓			6/1/18	✓		✓
Ignacio Prado Rey-Baltar*	Deputy Chairman		✓			6/1/18		✓	
Joaquín Gómez de Olea y Mendaro	Secretary		✓			5/18/16			
Cristóbal González de Aguilar Alonso-Urquijo	Deputy Secretary		✓			5/20/15	✓		
Fernando Azaola Arteche	Board member			✓		6/1/18	✓		
Miguel Cervera Earle	Board member		✓			6/1/18			
Isabel Dutilh Carvajal	Board member				✓	5/20/15		✓ ⁽¹⁾	✓
Irene Hernández Álvarez*	Board member				✓	6/1/18		✓	
Juan Landecho Sarabia	Board member		✓			6/1/18			
Rafael Martín de Bustamante Vega	Member and Director Delegate	✓				5/16/17	✓		
Miguel Morenés Giles	Board member		✓			6/1/18	✓	✓	
Gabriel de Oraa y Moyúa	Board member		✓			6/1/18			
Rafael Prado Aranguren	Board member		✓			6/1/18			
Emilio Ybarra Aznar	Board member				✓	5/20/15		✓	✓ ⁽¹⁾

* New appointments in 2018

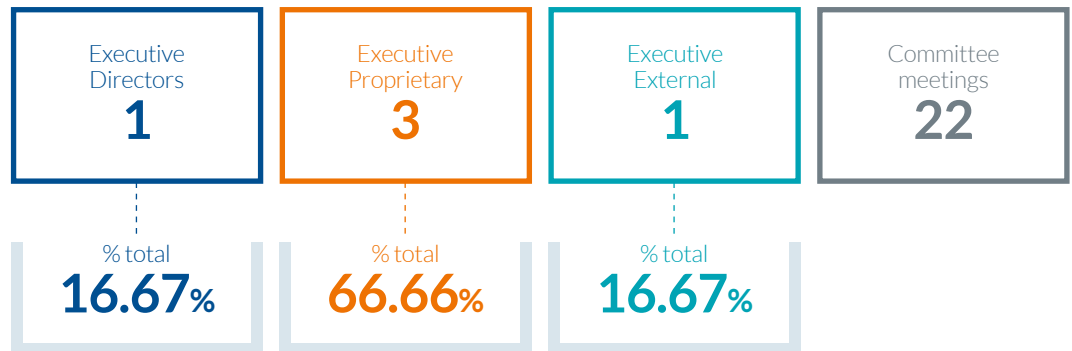
(1) Chairman of the Committee

Juan Prado Rey-Baltar ceased to be a member of the Board in 2018 after his term in office came to an end.

BOARD COMMITTEES

Executive Committee

The primary purpose of the Executive Committee is to analyse the progress of the company and its businesses ahead of the monthly Board meeting, in accordance with the strategic policies established by the Board of Directors, reporting the content of its meetings to the plenary meeting, all in accordance with the rules of this Committee.

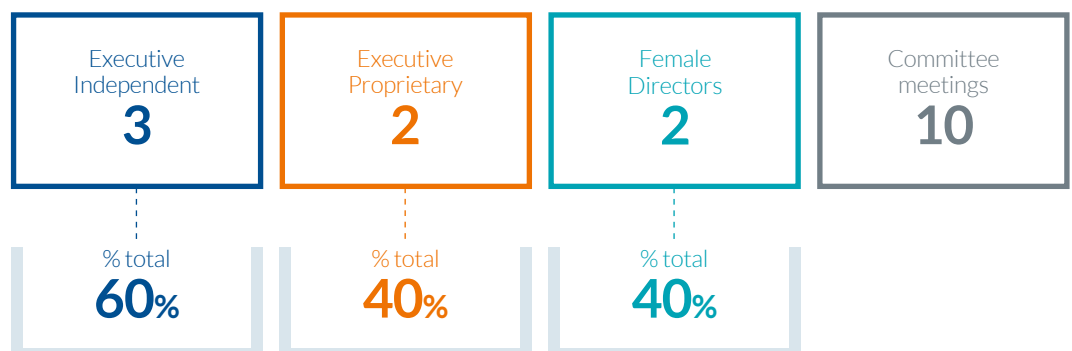


Audit Committee

The Audit Committee assists the Board with supervision of accounting, tax and financial information, internal and external audit services, internal control and risk management.

Action in 2018

- Review of annual, six-monthly and quarterly economic information published on the markets and information on year-end targets and forecasts.
- Monitoring of the main risks with a potential impact on the income statement and other relevant issues in connection with the financial statements, and Internal Audit activities.
- Relations with the Group's external auditors, supervision of their independence and approval of fees.
- Supervision of the Compliance System and the activities of the Compliance Committee.
- Monitoring of the Group's Digital Transformation Project.
- Information for the General Shareholders' Meeting.
- Analysis of the balance sheet, including derivative control system and assessment, the measurement of goodwill and intangible assets and impairment test.

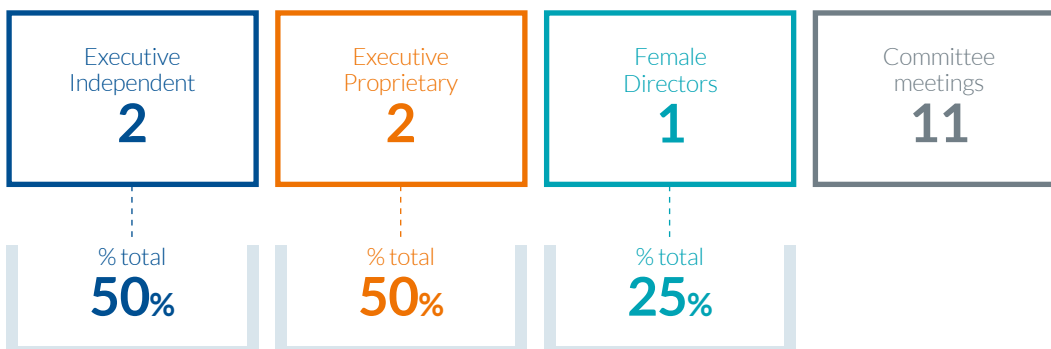


Appointments and Remunerations Committee

The Appointments and Remuneration Committee assesses the skills, knowledge and experience required for directorships. It proposes and reviews the policy for remuneration of Directors and Management.

Action in 2018

- Examination of Directors' qualifications.
- Review of models for assessment of the Board, the Chairman and the Committees.
- It has continued with the analysis of the composition of the Board, work on which began in mid-2017, with the assistance of Spencer Stuart as a world-renowned external consultant.
- Review of the Directors' questionnaire concerning conflicts of interest.
- Preliminary analysis of Board requirements for the appointment and re-election of Directors proposed to the Board.
- Implementation of the New Policy for Remuneration of Directors, which was approved at the 2017 General Shareholders' Meeting, applicable to the 2017, 2018 and 2019 financial years, in addition to establishing the remuneration received by each Director. Furthermore, it has proposed the annual fixed and variable remuneration for the Executive Director.
- Proposal of the remuneration policy for Management and application of same, including a proposal of variable remuneration linked to the targets set.
- Review of the succession plan for the Chairman, Chief Executive Officer and Management.
- Work continued to adapt the Group's corporate structure.
- The Equality Plan and the Assignments and International Mobility plan has been examined concerning the situation of the Group's expatriate staff.
- Work has continued on the plan resulting from the self-assessments of the Board and its Committees and the plan to make progress in compliance with recommendation 36 of the Code of Good Governance. Consulting firm Russell Reynolds has been contracted to analyse and review the surveys and adapt them for 2018.
- Information on all activities for the Board of Directors, providing all Directors with the minutes of their meetings.
- Information for the General Shareholders' Meeting.



A key factor on
the Board of
Directors is the
transparency of
all its activities



SELECTION OF DIRECTORS AND DIVERSITY OF THE BOARD OF DIRECTORS

The Board of Directors of Elecnor recognises that transparency in all its actions, including the process for selecting directors, is key to its Corporate Governance strategy.

To this end, on 22 November 2017, the Board of Directors approve the "Policy for selecting Directors and diversity for the Board of Directors", which can be consulted on the company's website and that includes all the measures adopted in relation to the selection of directors, diversity policies in terms of gender, age, experience, etc. This policy took effect following the appointment of a second Independent female director in 2018.

It asserts that the Board of Directors and the Appointments and Remuneration Committee shall be responsible for the selection processes for Board members.

The procedures for selection shall be formulated so as foster diversity of experience, knowledge, skills and gender; and so that, in general, they do not suffer from implicit biases that may entail any discrimination.

Particular attention will be paid to ensure that the selection procedures do not entail any form of discrimination for the selection of female Directors, in keeping with Corporate Governance goals.

When the Appointments and Remuneration Committee or the Board of Directors is seeking a professional profile, it will first take into consideration the company's interests. However, if there are two professional profiles which are similar, the profile of the gender with lesser representation will be selected.

A recommendation has been established for the number of female Directors to account for at least 30% of Board members by the year 2020.

Finally, in compliance with legal obligations, Elecnor, S.A.'s Board of Directors drew up the Annual Corporate Governance Report for the year ended 31 December 2018. This document is available on the CNMV website and Elecnor's website.

REMUNERATION POLICY

At the behest of the Appointments and Remuneration Committee, the Elecnor Board approved the Remuneration Policy for the years 2017, 2018 and 2019 on 15 March 2017. This Policy is available for consultation on the corporate website.

The Remuneration Policy asserts that remuneration will cease to be necessarily the same for all Directors in their capacity as such, and distribution will be agreed by the Company's Board pursuant to Article 12 of Company Bylaws, in which regard the following will be taken into account:

- Membership of various Board Committees or exercise of functions in this regard.
- Membership of other Boards of companies forming part of the Elecnor Group.
- Attendance of Board meetings.
- The dedication of Directors to their functions and the responsibilities they undertake.
- Functions and trajectories on the Board of Directors.

The objective is for remuneration received by Directors to reflect the dedication and responsibility undertaken by each, consideration must be given to membership of Committees of the Board of Directors or of other Boards of companies forming part of the Elecnor Group, and to protection of the short-term and long-term interests of shareholders.

In this respect, the Policy is governed by the following essential principles:

- **Moderation:** remuneration must be reasonable and in line with the trends and benchmarks of similar companies, in proportion to the situation of the Company and the economic situation at any given time.
- **Suitability:** the Policy is geared towards attracting, motivating and retaining Directors. It rewards Directors' quality, dedication, responsibility and business knowledge, in addition to their professional trajectory and commitment to the Company.
- **Profitability and sustainability:** the remuneration of any Directors carrying out executive functions will incentivise their performance and reward the creation of value in the long run.
- **Transparency:** the Policy will be established, stipulated and applied in due compliance with transparency. Specifically, the Company will make the Policy and the Report available to shareholders at the General Meeting, and it will also be set out in the report on the financial statements and in the Company's Annual Corporate Governance Report.
- **Protection of the interests of shareholders:** this Policy seeks to protect the short-term and long-term interests of shareholders.



This Policy also determines the system of fixed and variable remuneration for any Directors carrying out executive functions, and the main terms and conditions of their contracts (term, severance pay, adherence to the Corporate Governance system, exclusivity or confidentiality).

Remuneration accrued by the Board of Directors in 2018 came to EUR 4,937 thousand*. This remuneration includes amounts generated by their position as management staff. Average Director remuneration came to EUR 202,150.

The average remuneration broken down by gender is as follows:

Average male Director remuneration: EUR 202,777.

Average female Director remuneration**: EUR 194,000.

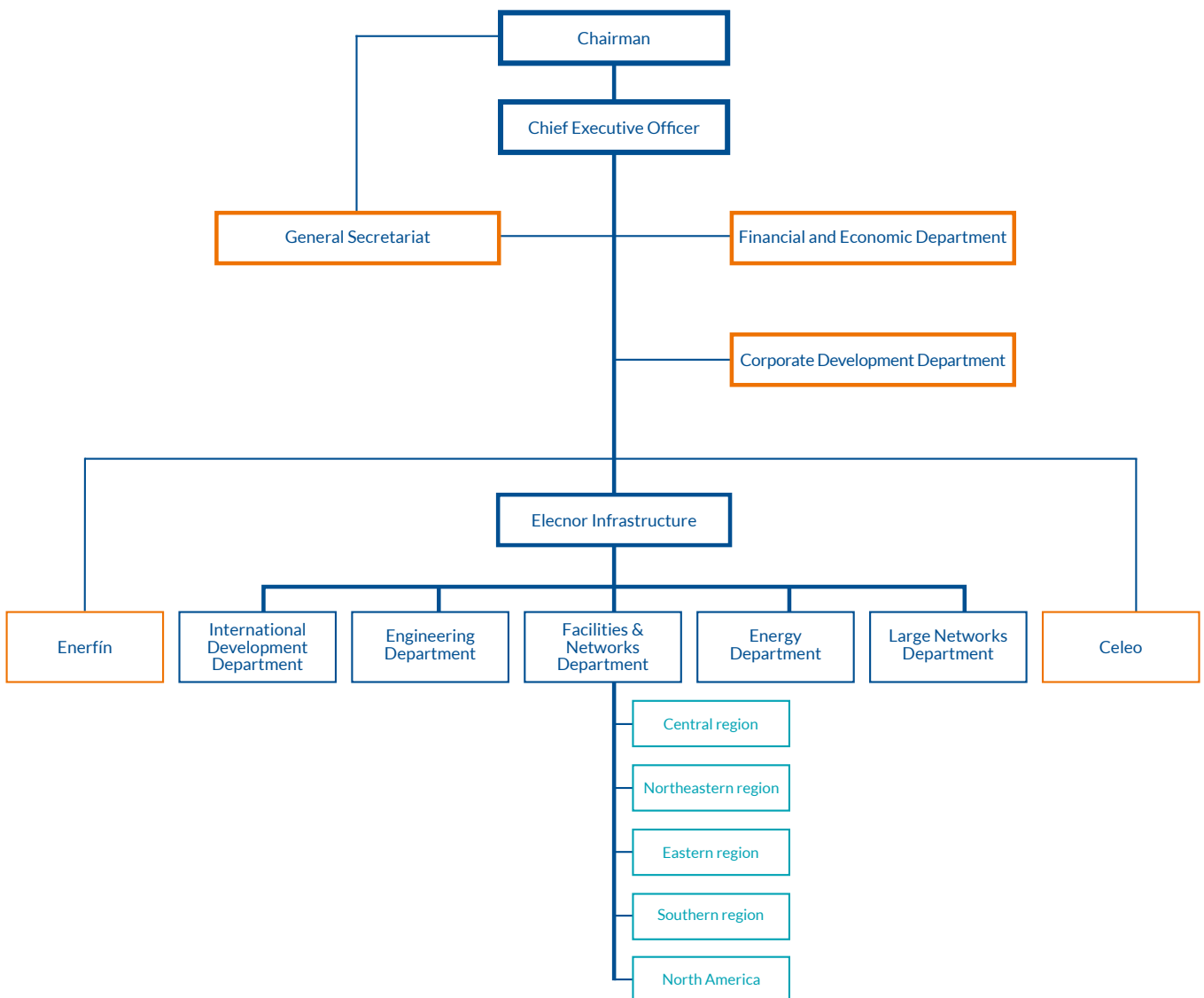
* This amount includes the remuneration of the Chief Executive Officer for his executive functions. The remuneration of the Directors is broken down in the company's Annual Director Remuneration Report.

** One of the two female Directors did not receive payment for the full year.



Organisational structure

At 31 December 2018



Ethical management and regulatory compliance

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 205-1, GRI 205-2, GRI 206-1, GRI 102-9, GRI 102-16, GRI 412-1)

At the heart of the Elecnor Group's approach to Ethical Management are the principles of reliability, commitment and efforts, customer orientation, solvency and innovation; these principles support all the tools that seek to ensure not only compliance with the legislation in force, but to guarantee a corporate, reliable corporate style in its dealings with our stakeholders: shareholders, employees, customers, suppliers, competitors and representatives of society.

The Elecnor Group permanently endeavours to ensure that all its actions meet the very highest ethical standards. The maximum exponent of this undertaking is the Group's Code of Ethics.

Elecnor has a zero-tolerance attitude toward unethical conduct and poor integrity and expects its employees and related parties to behave in line with the principles of this Code, the rules on which it is based and implementing policies and procedures.

Through this Code, and the Compliance Policy, the Elecnor Group and each of its employees assume the commitment to carrying out its activities pursuant to prevailing legislation in the countries and regions where it operates, and to complying with and upholding human rights and labour rights, acting with diligence, professionalism, integrity, quality, respect for the environment and health and safety requirements and social responsibility.

The Elecnor Group's Compliance system reflects these principles and values and its ongoing commitment to improving its management practices and procedures with the aim of strengthening its Corporate Governance.

The scope of the System extends to all countries in which Elecnor and its subsidiary and investee companies act, with due adaptations according to the legislative or socio-economic singularities that exist in these countries. The main elements of the System are as follows:



codigoetico@elecnor.com

PO box n° 26-48080

CODE OF ETHICS

All employees are obliged to report any irregular practices of which they may be aware or witness via a specific channel established for communicating such circumstances:

COMPLIANCE POLICY

This is a partial implementation of the Code of Ethics and the main exponent of the Compliance System.

It sets out the behaviour expected of Elecnor employees and of the natural or legal persons with whom they regularly associate to ensure full compliance with the prevailing law.

COMPLIANCE MANAGEMENT SYSTEM MANUAL

An internal document regulating the functioning of the Compliance System, setting out its design and structure.

It identifies and establishes responsibilities, goals and courses of action in relation to prevention, response, monitoring and reporting in connection with Compliance.

COMPLIANCE COMMITTEE

Collegiate body reporting organically and functionally to the Audit Committee. It is tasked with the update, supervision, surveillance, training and control of the Compliance System and, in a word, with ensuring it functions properly.

CRIMES AND RISK AND CONTROLS BEHAVIOUR CATALOGUE

Structured list of risk behaviour patterns that may entail the perpetration of an offence and/or a breach of the procedures, protocols or controls established for proper prevention and management.

It serves as a basis for a continuous review and update of the Compliance System.

ANNUAL COMPLIANCE REPORT

An annual report prepared by the Compliance Committee on the situation of the System, action taken etc.



Elec nor has a confidential whistleblowing channel allowing all employees to report, in good faith and without fear of reprisal, any irregular behaviour they may notice in relation to the matters envisaged in this Code, the rules or principles on which it is based, implementing policies and procedures, and applicable law.

The employees of the organisation may also make queries or propose improvements to internal control systems in the organisation. The Code of Ethics' channel of communication is the tool designed to this end.

In 2018, worth particular mention was the fact that no reports of human rights breaches, corruption, bribery or money laundering were received. (GRI 205-3)

The four complaints received over the course of the year that were handled by the Compliance Committee mainly refer to aspects relating to the work environment. These reports had been addressed and resolved by year-end. (GRI 406-1)



Furthermore, since 2017, the Group has been a Signatory of the United Nations Global Compact, enhancing the alignment of its business strategy to the 10 principles and the Sustainable Development Goals (SDGs), mainly in relation to the defence of human rights. (GRI 102-12, GRI 412-2)

Action in 2018

- **ISO 37001 certification of the Anti-Bribery Management System.** This is an international standard that represents the most modern and stringent international standard on anti-bribery management systems and the adoption of compliance protocols in general. Thus, Elecnor became the first company in Spain to obtain this certification and one of the first national and international companies to do so, demonstrating the Group's commitment to constantly improving its management practices and procedures, positioning the organisation as a point of reference in this area.
- Progress has been made with obtaining **Certification of the Group's Compliance System meeting the requirements of UNE 19601 on "Criminal Compliance Management Systems"**, the national standard published in May 2017, inspired by the requirements of ISO 37001. This standard establishes the requirements for implementing, maintaining and continuously improving a criminal compliance management system in order to prevent crimes being committed and reducing criminal risk by promoting a culture of ethics and compliance. Certification was achieved at the start of 2019.
- With regard to **training**, different classroom sessions were imparted on Compliance, in addition to online training on this topic for a group of approximately 600 people. Thus, over the past two years, around 800 people at the Group have received specific Compliance training, including senior management, middle management and support, advice and control workers at Elecnor, S.A. and Group subsidiaries, both in Spain and abroad.
Furthermore, the Chairman of the Compliance Committee shared the main aspects of the Compliance System with new recruits in addition to the Group's main messages, principles and values.
- Update of the **clause specific to the Code of Ethics and Anti-Corruption in the General Procurement Conditions**, as part of which suppliers commit to acting in line with the highest ethical standards, set out in the Elecnor Group's Code of Ethics in their interactions with the Group.
- **Monitoring of the supplier approval process** for aspects relating to their commitment to the development and improvement of the corresponding compliance systems.
- **Review of the procedure covering the detection and assessment of opportunities to the negotiation and conclusion of contracts for individual projects** to improve their structure, systematisation, risk assessment and coordination between departments and review and monitor the process by the advisory and supervisory functions.

Action in 2018

- **Preparation of a Plan to Roll out the Compliance System**, with a view to continuing with the process to implement the Compliance Programme for the Group's various international subsidiaries and organisations: Elecnor do Brasil, Elecnor Chile, Enerfin do Brasil, Celeo Redes Chile and Celeo Redes Brasil, Angola, Italia and Elecnor Deimos.
- The **Board of Directors at Elecnor approved** that, at all meetings held by the Board of Directors, the Executive Committee, the Management Committee and other significant committees, **a specific item on the agenda is included for compliance aspects**. The inclusion of this agenda item has been put into practice this year.

In 2019, work will continue to make progress with the consolidation and development, launch and implementation of initiatives to promote the corporate principles and values and the compliance culture, both internally and externally; with the process of rolling out and consolidating the Compliance System at different Group subsidiaries and organisations; and on the full implementation and consolidation of improvements introduced in the different processes during 2018.



Water treatment
for the production
plant in Pajaritos,
Coatzacoalcos
(Mexico).
Hidroambiente

Risk management

(GRI 102-11)

Elecnor is exposed to a number of risk factors in connection with the sectors in which it works and also with the large number of countries in which it operates, either regularly or on one-off projects.

The Group continuously and preventively manages these risks, reducing the likelihood of them occurring and their potential impact to acceptable levels in terms of business volume, profitability and efficiency, reputation and sustainability, accordingly.

To this end, the Group has a structured and dynamic risk management system, the main principles of which are as follows:

- Continuous risk identification, assessment and prioritisation.
- Identification of management and control mechanisms and tools implemented in relation to the main risks and assessment of their effectiveness.
- Continuous improvement of risk management, by developing and implementing initiative and projects aimed at improving management tools and mechanisms.
- Continuous system supervision and monitoring.

To enhance the identification and management of the main risks, they have been grouped into five major categories:

Governance risks

Concerning the structure and form of the organisation.

Strategy, planning and environment risks

Those associated with the main strategic variables and decisions, the method used to enforce the strategy and changes in the environment that may significantly affect activities and fulfilment of the organisation's goals.

Worth particular note here are risks related with:

- Business model.
- Managing and attending to the changing needs of customers.
- Growth.
- Outsourcing strategy.
- Business concentration.
- Changes in the market, industry and competition.
- Laws and regulations.
- Political or social situation.

Operational risks

These include the way in which organisation performs its activities and manages its resources in line with the established processes and procedures.

These encompass the following risks:

- Those related to project management, from the bidding stage to completion and delivery to the customer.
- Supply chain.
- Assets.
- Sales management.
- Human Resources.
- Legal.
- Financial risks.

Reporting risks

These entail information management, both internally and externally.

These include:

- Acquisition and processing of information.
- Creation of reports and distribution of them to recipients, both within the framework of internal management and those required mandatorily (economic-financial information, relevant facts, tax returns and reports, etc.).

Compliance risks

Concerning the mechanisms established to ensure compliance with laws and regulations and the organisation's policies and procedures, in particular areas such as the promotion and consolidation of the compliance culture, management of these risks, communications and incident management.



Circular wrap around LED screen frame at Hall Europa de la Fira (Barcelona)

Appendices



Relevant issues

(GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46, GRI 102-47)

In 2018, the Elecnor Group performed an analysis of relevant issues to the company and its stakeholders in order to define relevant issues in terms of sustainability and prioritise the content included in this Integrated Report.

With this goal in mind, the first stage involved an external analysis to identify the most significant aspect for stakeholders. To this end, an analysis of news and regulations on the topic of sustainability was carried out (in particular Law 11/2018, of 28 December), in addition to a benchmarking exercise on the sustainability indexes of customers and companies in the sector, published in their Sustainability Reports or Integrated Reports.

Having identified the relevant issued, the second stage consisted of the key individuals at the organisation prioritising these matters. The list of prioritised relevant issues was subsequently validated by the Group's chief executive officer. This process led to the identification of the following relevant issues, broken down by level of criticality.

Relevant issues	Importance	Impact	
		Internal	External
1 Occupational health and safety of employees/contractors	High	•	•
2 Ethics and Compliance	High	•	•
3 Attraction, retention of talent and development of human capital	High	•	
4 Management of equality and diversity	High	•	
5 Work/life balance	High	•	•
6 Customers. Service quality	High	•	•
7 Development of renewable energy	High	•	
8 Business opportunities	High	•	
9 Risk management	High	•	
10 Cybersecurity	High	•	
11 Financial management	High	•	•
12 Digital transformation	High	•	
13 Communication/Transparency	High	•	•
14 Sustainable investment	High	•	
15 Good Governance	High	•	
16 Technology and innovation	High	•	•
17 Management of intangible assets	High	•	
18 Environmental management/Resource efficiency	Medium	•	•
19 Human rights (SDG)	Medium		•
20 Supply chain management	Medium	•	•
21 Stable regulatory framework	Medium	•	
22 Participation in sustainability indices	Medium	•	
23 Management of impact on local communities and dialogue	Medium		•
24 Biodiversity	Low		•
25 Inclusive businesses	Low	•	•
26 Strategies and impacts of climate change	Low	•	•
27 Energy transition	Low	•	•
28 Water footprint	Low	•	
29 Circular economy	Low	•	•
30 Inclusion of social and environmental criteria in public procurement	Low	•	

	High
	Medium
	Low

About this report

(GRI 102-45, GRI 102-50)

This is Elecnor's second Integrated Report, and provides a global interconnected view of the Group's economic, social, environmental and governance information. This report corresponds to 2018.

Information on sustainability in this Integrated Report was compiled in accordance with the requirements of the international Global Reporting Initiative (GRI) standard.

The information refers to the Elecnor Group's main activities and social, economic and environmental impacts in 2018, together with other aspects considered to be of interest to the company and its main stakeholders. Some sections of the report also include information from previous years for comparative purposes.

The scope of the information included in this Report extends to the entire Group, unless otherwise indicated such as, for example, when reporting only on companies located inside Spain. The economic information provided refers to all the companies in the Elecnor Group (Elecnor, S.A. and its subsidiaries). The social information includes the Elecnor Group and the Elecnor Foundation.

In terms of environmental data, the scope is limited to the countries in which the organisation has a permanent presence.

GRI Standards content index

(GRI 102-55)

For the Content Index Service, GRI Services has confirmed that the GRI contents index in the report is clear and that the references for each type of content included correspond to the sections of the report indicated.



General contents

GRI Standard	Contents	Pages	Omissions
GRI 101: Foundations 2016			
GRI 102: General Contents 2016			
Organisational profile			
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102-2	Activities, brands, products and services	22	
102-3	Location of the organisation's headquarters	199	
102-4	Number of countries where the organisation operates	20	
102-5	Nature of ownership and legal form	168	
102-6	Markets served	35	
102-7	Scale of the reporting organisation	28	
102-8	Information on workers	105	
102-9	Supply chain	138, 177	
102-10	Significant changes in the organisation and its supply chain	No significant changes significant	
102-11	Precautionary principle or approach	changes,	
102-12	Support for external Initiatives	182	
102-13	Membership of associations	156, 179	
		162	
Strategy			
102-14	Statement from the most senior decision-maker in the organisation		

GRI Standard	Contents	Pages	Omissions
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Governance			
102-18	Governance structure of the organisation	169	
Stakeholder engagement			
102-40	List of support groups	159	
102-41	Collective bargaining agreements	118	
102-42	Identification and selection of support groups	186	
102-43	Approach for involving support groups	159, 186	
102-44	Key topics and concerns mentioned	186	
Report preparation practices			
102-45	Entities included in the consolidated financial statements	188	
102-46	Definition of report content and the coverage of topics	186	
102-47	List of relevant issues	186	
102-48	Restatement of information	There were no	No significant
102-49	Changes in report preparation	changes	significant
		changes,	
102-50	Period addressed in the report	188	
102-51	Date of last report	2017	
102-52	Report preparation cycle	Annual	
102-53	Point of contact for questions about the report	199	
102-54	Statement concerning the preparation of the report in compliance with GRI standards	This report has been drawn up in compliance with the GRI Core Standard option	
102-55	GRI content index	189	
102-56	External verification	Note 1, 197	

Relevant issues

GRI Standard	Contents	Pages	Omissions
Economic performance			
GRI 103: Management approach 2016			
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103-2	Management approach and its components	24	
103-3	Assessment of the management approach	24	
GRI 201: Economic performance 2016			
201-1	Generation and distribution of direct economic value	126	
201-2	Financial consequences and other risks and opportunities presented by climate change	23, 48, 141	
201-4	Financial aid received from the government	135	
Indirect economic impacts			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	152	
103-2	Management approach and its components	152	
103-3	Assessment of the management approach	152	
GRI 203: Indirect economic impacts 2016			
203-1	Investment in infrastructures and supported services	152	
203-2	Significant indirect economic impacts	152	
Procurement practices			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	138	
103-2	Management approach and its components	138	
103-3	Assessment of the management approach	138	
GRI 204: Procurement practices 2016			
204-1	Proportion of spending on local suppliers	127	
Anti-corruption			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	177	
103-2	Management approach and its components	177	
103-3	Assessment of the management approach	177	

GRI Standard	Contents	Pages	Omissions
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks associated with corruption	177	
205-2	Communication and training on anti-corruption policies and procedures	177	
205-3	Confirmed incidents of corruption and action taken	177	
Unfair competition			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	177	
103-2	Management approach and its components	177	
103-3	Assessment of the management approach	177	
GRI 206: Unfair competition 2016			
206-1	Legal action relating to unfair competition and monopolistic practices and anti-trust practices	177	
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GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	136, 140	
103-2	Management approach and its components	136, 140	
103-3	Assessment of the management approach	136, 140	
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	143	
302-4	Reduction of energy consumption.	144	
302-5	Reduction of energy requirements of products and services	141	
Water			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	136, 140	
103-2	Management approach and its components	136, 140	
103-3	Assessment of the management approach	136, 140	
GRI 303: Water 2016			
303-1	Water withdrawal by source	143	
303-3	Recycled and reused water	143	

GRI Standard	Contents	Pages	Omissions
Biodiversity			
GRI 103: Management approach 2016			
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103-2	Management approach and its components	136, 140, 146	
103-3	Assessment of the management approach	136, 140, 146	
GRI 304: Biodiversity 2016			
304-1	Operations centres that are owned, leased or managed located within or next to protected areas or areas of high value to biodiversity outside protected areas	146	
304-2	Significant impacts of activities, products and services on biodiversity	146	
304-3	Habitats protected or restored		
Emissions			
GRI 103: Management approach			
103-1	Explanation of the relevant issue and its coverage	136, 140	
103-2	Management approach and its components	136, 140	
103-3	Assessment of the management approach	136, 140	
GRI 305: Emissions 2016			
305-1	Direct GHG emissions (scope 1)	142	
305-2	Indirect GHG emissions when generating energy (scope 2)	142	
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Effluents and spills			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	136, 140	
103-2	Management approach and its components	136, 140	
103-3	Assessment of the management approach	136, 140	
GRI 306: Effluents and spills 2016			
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GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	136, 140	

GRI Standard	Contents	Pages	Omissions
103-2	Management approach and its components	136, 140	
103-3	Assessment of the management approach	136, 140	
GRI 307: Environment committee 2016			
307-1	Breach of environmental regulations and legislation	Note 2, 197	
Supplier environmental assessment			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	138	
103-2	Management approach and its components	138	
103-3	Assessment of the management approach	138	
GRI 308: Supplier environmental assessment 2016			
308-1	New suppliers that have passed assessment and selection filters based on environmental criteria	139	
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GRI 103: Management approach 2016			
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103-2	Management approach and its components	99	
103-3	Assessment of the management approach	99	
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401-2	Benefits for full-time employees that are not offered to part-time or temporary employees	103	
Occupational health and safety			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	120	
103-2	Management approach and its components	120	
103-3	Assessment of the management approach	120	
GRI 403: Occupational health and safety 2016			
403-1	Representation of workers on formal health and safety committees	120	
403-2	Type and rate of accidents, professional illnesses, days lost, absenteeism and number of deaths by occupational accident or professional illness	121	

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GRI 103: Management approach 2016			
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103-2	Management approach and its components	99, 101	
103-3	Assessment of the management approach	99, 101	
GRI 404: Training and education 2016			
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404-2	Programmes to improve the skills of employees and programmes to support the transition	102	
404-3	Percentage of employees receiving regular performance and professional development assessments	102	
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103-2	Management approach and its components	115	
103-3	Assessment of the management approach	115	
GRI 405: Diversity and equal opportunities 2016			
405-1	Diversity on corporate governance bodies and among employees	105, 117	
405-2	Ratio of the basic salary and remuneration of women compared to men	117	
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GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	177	
103-2	Management approach and its components	177	
103-3	Assessment of the management approach	177	
GRI 406: Non-discrimination 2016			
406-1	Cases of discrimination and corrective action taken	179	
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GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	118	
103-2	Management approach and its components	118	
103-3	Assessment of the management approach	118	

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103-3	Assessment of the management approach	158	
GRI 411: Indigenous rights 2016			
411-1	Cases in which the rights of indigenous people have been breached	158	
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103-1	Explanation of the relevant issue and its coverage	177	
103-2	Management approach and its components	177	
103-3	Assessment of the management approach	177	
GRI 412: Assessment of human rights 2016			
412-1	Operations subject to impact assessments or reviews in terms of human rights	177	
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GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	158	
103-2	Management approach and its components	158	
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GRI 413: Local communities 2016			
413-1	Operations involving the local community, impact assessments and development programmes	158	
413-2	Operations with significant - real or potential - negative impacts on local communities	158	

GRI Standard	Contents	Pages	Omissions
Supplier social assessment			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	138	
103-2	Management approach and its components	138	
103-3	Assessment of the management approach	138	
GRI 414: Supplier social assessment 2016			
414-1	New suppliers that have passed selection filters based on social criteria	139	
Socioeconomic compliance			
GRI 103: Management approach 2016			
103-1	Explanation of the relevant issue and its coverage	177	
103-2	Management approach and its components	177	
103-3	Assessment of the management approach	177	
GRI 419: Socioeconomic compliance 2016			
419-1	Breach of laws and regulations on social and economic matters	Note 2, 197	

Note.

Note 1. The information in the Elecnor Group's 2018 Non-Financial Information Statement that forms a part of the Management Report, has been verified by an independent expert. A large part of this information is also included in this Integrated Report. [\(GRI 102-56\)](#)

Note 2. There are no noteworthy incidents or aspects. [\(GRI 419-1, GRI 307-1\)](#)



For any further information or queries ([GRI 102-3](#), [GRI 102-53](#))

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