

letter from the chairman



JOSÉ MANUEL ENTRECANALES
CHAIRMAN & CEO OF ACCIONA

Dear Friends,

Fiscal Year 2009 was marked by the severe impact of the global financial and economic downturn, giving rise to a highly complex situation without precedent in the last decades. Despite this difficult context, ACCIONA achieved some solid results in this fiscal year and is ready to meet the challenges that lie ahead armed with a consolidated business model and great potential for growth.

In the last five years, ACCIONA has doubled its operating income and its infrastructure portfolio, has increased fivefold installed wind power capacity - becoming the third largest renewable energy operator in the world - and has created more than

10,000 direct jobs. We trust that, in spite of the current economic difficulties, the obvious need to overcome the significant social, economic and global environmental imbalances will continue to validate our business model in the years ahead.

Our Company's business model is none other than that of advancing the progress of the communities in which we operate towards balanced and sustainable development. ACCIONA delivers products and services that help to overcome some of the most significant challenges facing the most prosperous and advanced economies and developing ones alike, namely: infrastructure

creation, installation of alternative energy sources and the guarantee of the availability of and access to water.

As with our lines of business, our management practices are consistent with such a strategic approach. In 2009, the Environmental Efficiency Plan led to a 12% reduction in our CO₂ emissions compared to 2008, and our products and services avoided net atmospheric emission of 7.6 million metric tons of CO₂, 36% more than in the previous fiscal year.

This unbending commitment has been acknowledged for the third year in a row by

'We have strengthened our business model, positioning ourselves as the third largest renewable energies operator in the world'

the Dow Jones Sustainability Index through its designation of ACCIONA as Sector Leader in terms of sustainability.

With regard to our key performance indicators, consolidated earnings came to more than 6.5 billion euros, and gross operating profit was just over 1.04 billion, 2% less than in 2008.

In 2009, faced with growing instability in the financial system, together with rising prices and limited access to credit, we reached an agreement with Enel and Endesa pursuant to which we exercised our put option early. We sold for 11,188 million euros, simultaneously acquiring a portfolio of renewable assets that


complements our Energy division and valued at 2,844 million euros, reducing our net debt position of 17,897 million euros as at end-2008 to 7,265 million euros as at the close of 2009. The transaction also allowed us to enhance our business model, and we now rank as the world's third largest renewable energy operator.

Regarding the contribution of the main Group divisions, ACCIONA Energy, in spite of the steep decline in energy prices, essentially resulting from decreased demand and the temporary collapse in combustible fossil fuel prices, was the largest contributor to the Group's operating income. The division's

EBITDA came to 629 million euros, 60% of the Group total, a 7% increase over the previous fiscal year. In 2009, installed capacity increased by 2,566 MW, of which 488 MW was developed organically and 2,078 MW was acquired from Endesa, bringing the total installed capacity as at the close of the fiscal year to 7,437 MW, 53% greater than 2008.

ACCIONA Infrastructure's project pipeline stood at 7,021 million euros, equal to two years of activity, resulting from the international diversification strategy, which represents 26% of the entire portfolio, principally in Poland, Canada, Brazil and Chile.>>

'Our business model and its competitive advantages depend upon our capacity to innovate and anticipate the challenges which will arise'



>> In the last fiscal year, ACCIONA Agua made earnings of 438 million euros, a 19% rise on 2008, and its project pipeline (portfolio) was in excess of 4,300 million euros, up 21% on the previous year's figure.

In 2009, ACCIONA made investments totalling 4,221 million euros, 2,844 million resulting from the acquisition of renewable assets from Endesa and 1,377 million being organic investments by ACCIONA, 78% of which was earmarked for the Energy division. Net financial debt stood at 7,265 million euros, of which 5,500 is accounted for by the Energy division. The Group ended the fiscal year with a solid financial and liquidity

structure, exemplified by a cash flow position exceeding 1,300 million euros.

Last March, we presented the 2010-2013 Strategic Plan with several ambitious but realistic goals, and always with financial caution. In spite of the difficult operating environment, ACCIONA is not relinquishing growth and, notwithstanding considerable investment effort, we hope to continue reducing our leverage and substantially increase earnings. Furthermore, during this period, we aim to step up the Company's globalization process, continuing with the implementation of all our activities in our strategic countries.

Our objectives, however, are not restricted to the financial aspects of ACCIONA's activity. Where the environment is concerned, the Plan contemplates doubling the amount of net emissions avoided. This goal would entail contributing more than 11% to the national emissions reduction target, and 3% to the European Union target for that same year. In the field of social responsibility, we shall integrate the criteria and sustainability goals relating to flexible compensation of the Group's management, and we aim to increase the integration of disabled personnel to as much as 3% of the overall workforce by 2013.

Our Company's model, and the competitive advantages thereof, depend upon our ability to innovate and stay well ahead of environmental challenges. Accordingly, in 2009, we set aside a total of 92 million euros for R&D and Innovation (30% more than in 2008), the equivalent of 9% of EBITDA for the fiscal year. This investment has resulted in 109 projects and in 52 patent applications. Thanks to this effort, ACCIONA is the leader in innovation intensity (investment in R&D and Innovation over EBITDA) among European electric power and infrastructure companies according to the "R&D Industrial Investment Scoreboard 2009"

report published by the European Union.

Within the framework of our prudent financial policy, we propose to the General Shareholders Meeting the distribution of a dividend of 3.01 euros/share, 65% of the ordinary net earnings per share, equivalent to a dividend yield of 3.3% over the closing price for the year and an increase of 3% on the dividend distributed last year.

Ladies and Gentlemen Shareholders, in the current environment of extreme complexity, I want more than ever to assure you of my confidence in our

Company's model and corporate strategy. We are positioned, globally, to meet the key challenges and social demands of today and tomorrow; this leaves us ideally placed to emerge from the current downturn strengthened and to profit from opportunities for growth.

With your continued support and the unbending commitment of our professionals, management team and the Board of Directors, ACCIONA will continue along the path of profitable growth and value creation, unswerving in its efforts to contribute to a balanced development model that will benefit future generations. ■