

4.3. Strategic vision

Sacyr group's operating environment provides us with new challenges and opportunities as we continue along the path we embarked upon in 2015, when the entire Company's strategy was established.

Since Sacyr was set up in 1986, we have had good times and some more complicated moments. We have always overcome them, thanks to our people and our values.

We are a team

Thousands of people who have talent, rigour and the passion for doing a good job. We are driven by collaboration, trust in the Group, loyalty

Strategic vision

Based on: diversification, risk control and organic growth.



FOCUS

- Specialisation in priority business areas
- International growth with local presence in a select group of regions/countries



SCALE

- Sustainable position against large-sized competitors
- Growing internationalisation



SUSTAINABILITY

- Eliminate corporate debt
- Diversify sources of finance



ENGINEERING AND INFRASTRUCTURES

International leader in large projects

- International growth focusing on Latin America, North American and the Middle East
- Combination of organic growth, alliances and inorganic growth in North America (agreement with Manhattan Construction Group)



CONCESSIONS

Driver of growth and stability

- Greenfield investments focusing on Latin America and North America
- Rotation of mature assets



INDUSTRIAL

Positioning in energy

- Strong development in the sector focusing in oil & gas, renewable energies and water, and in Latin America, North America and the Middle East
- Reinforcement of capacities by a combination of organic growth, alliances and inorganic growth
- Joint venture with Fluor Fluor (Sacyr Fluor)



SERVICES

Quality & Technology

- Infrastructure maintenance: increase capacities/ specialisation and attain scale
- Environment and Facilities: organic development in Spain and explore internationalisation in line with the other divisions of the Group
- Water: development with international focus in Latin America, North America and the Middle East

2018 results (Million Euros)

Turnover	1,713	793	527	1,075
EBITDA	168	272	36	95
EBITDA/ Turnover	9.8%	63%	6.9%	8.8%

Larger concession profile

77% of the Group's EBITDA comes from concessional businesses with low demand risk

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (Thousand Euros)	2018	2017	% Chg 18/17
Net revenue	3,795,717	3,092,606	22.7%
Other income	322,391	176,877	82.3%
Total operating income	4,118,108	3,269,483	26.0%
External and operating expenses	-3,574,819	-2,846,891	25.6%
EBITDA*	543,289	422,592	28.6%
Depreciation and amortisation	-138,030	-137,097	0.7%
Provisions and other non-recurring expenses	-40,376	-28,669	40.8%
EBIT	364,883	256,826	42.1%
Financial result	-247,260	-174,253	41.9%
Gains/losses on exchange differences	48,206	-71,236	n.a.
Share of profit from equity-method companies	200,979	259,114	-22.4%
Provisions for financial investments	-57,600	86,210	-166.8%
Change in value of financial instruments at fair value through profit or loss	-11,140	-144,754	-92.3%
Gain/(loss) on disposal of non-current assets	-12,544	-362	n.a.
Profit before tax	285,525	211,545	35.0%
Income tax	-77,098	-42,967	79.4%
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	208,427	168,578	23.6%
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	0	
CONSOLIDATED PROFIT FOR THE YEAR	208,427	168,578	23.6%
Attributable to non-controlling interests	-58,030	-37,934	53.0%
NET ATTRIBUTABLE PROFIT	150,398	130,644	15.1%
Gross margin	14.3%	13.7%	

BALANCE

CONSOLIDATED BALANCE SHEET (Thousand Euros)	DEC. 2018	DEC. 2017	Chg. 18/17
Non-current assets	8,895,503	8,098,032	797,471
Intangible assets	25,901	17,188	8,713
Concession projects	1,353,656	1,370,054	-16,398
Property, plant and equipment	441,230	387,600	53,631
Financial assets	3,335,804	3,059,941	275,863
Receivables from concessions	3,552,834	2,854,735	698,099
Other non-current assets	19,444	241,714	-222,271
Goodwill	166,633	166,801	-167
Current assets	4,954,307	5,478,224	-523,916
Non-current assets held for sale	362,172	454,992	-92,820
Inventories	209,331	199,937	9,394
Receivables from concessions	293,238	260,278	32,961
Receivables	1,974,908	2,333,664	-358,756
Financial assets	124,446	113,361	11,085
Cash	1,990,212	2,115,992	-125,780
TOTAL ASSETS/LIABILITIES	13,849,810	13,576,256	273,554
Equity	1,507,190	2,004,421	-497,228
Shareholders' equity	1,145,833	1,652,140	-506,305
Non-controlling interests	361,358	352,281	9,077
Non-current liabilities	7,915,873	7,253,241	662,619
Financial debt	5,061,232	4,729,167	332,065
Financial instruments at fair value	105,917	192,800	-86,883
Provisions	313,917	294,882	19,035
Other non-current liabilities	817,365	547,141	270,212
Other hedged debt	1,617,442	1,489,252	128,190
Current liabilities	4,426,746	4,318,594	108,163
Liabilities associated with assets classified as held for sale	170,236	176,965	-6,729
Financial debt	1,097,331	921,205	176,127
Financial instruments at fair value	18,953	27,127	-8,174
Trade payables	2,431,138	2,460,967	29,818
Operating provisions	157,225	122,726	34,499
Other current liabilities	551,863	609,604	-57,741



Expansion stands at Las Palmas Stadium

At Sacyr, creativity and innovation grow with every project we undertake

Number of projects under development

40

Number of employees who have participated in projects

189

Number of projects in progress

226

Investment in R&D&I

+8

Million of euros

Percentage of Net Profit invested in innovation

5.3%

Number of projects launched

12

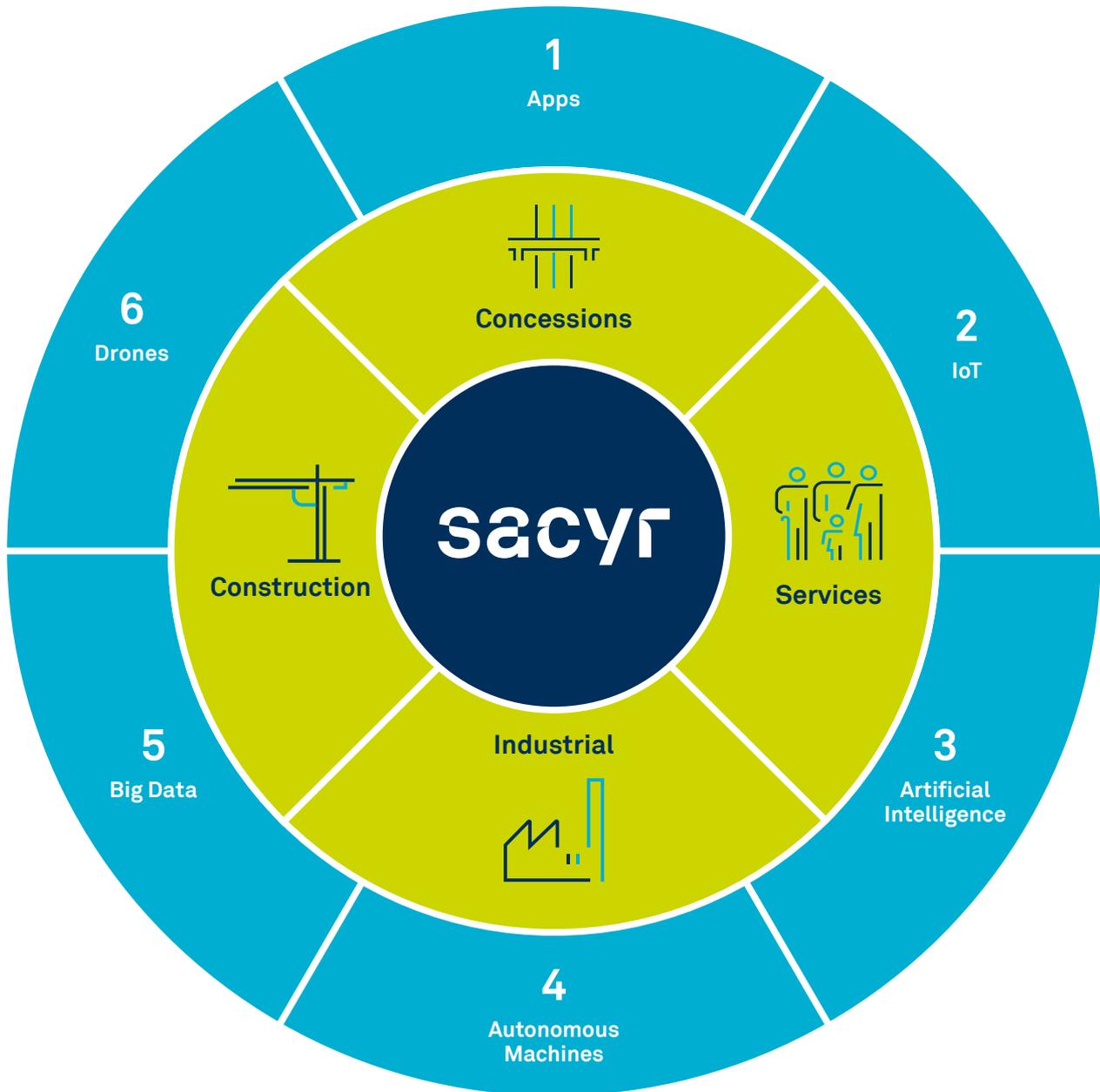
Number of employees in R&D&I

25

Group companies certified under UNE 166002:2014

14

Priority technologies for the Sacyr group



We innovate to improve people's quality of life

Sacyr group innovation strategy

At Sacyr, we have developed a business model that allows us to strategically set ourselves apart in terms of our success and to create competitive advantages and that serves as the foundation for sustainable growth over time. Strategy that boosts innovation as a cross-cutting element throughout the entire company and becomes the driving force of our performance, a tool for creating value and a differentiating factor with companies in our industry at a global level.

Research, development and innovation activities are carried out at the various Group companies and the Innovation Department coordinates and serves as the backbone of and point of reference for driving progress and ongoing improvements in this field.

In this context, a large number of Group companies have their own Innovation Department responsible for implementing specific projects. These projects are always coordinated and supervised by the Group's Innovation Department. The innovation strategy and cross-cutting innovation activities are handled by the Innovation Team Committee.

At Sacyr our innovation-focused strategy differentiates us from other market players and enables us to work more efficiently and create added value for our customers. This strategy is reflected in a transversal model that covers the entire company and which is becoming the main instrument of value creation and the driver behind our performance. The aim of this model is to turn Sacyr into a pioneer company in the

majority of the markets where it is present. This model is based on four principles:

- A clear business focus that allows us to prioritise those innovation projects that most contribute to improving the infrastructure users' experience and to reducing funding costs, which will have a positive impact on Sacyr's income statement in the short, medium and long term.
- An active governance of innovation, where the various Innovation Departments and Committees are responsible for establishing innovation and R&D guidelines, coordinating initiatives between the different business areas and structuring initiatives that incentivise innovation.
- An innovation culture that promotes an open innovation model, based on cooperation between external agents, such as entrepreneurs, scientists, universities and business partners; and the intrapreneurs that form part of Sacyr success. The success of this cultural change is the responsibility of a multidisciplinary team of innovation, talent management and communication
- A solid process of enhancing innovation, by obtaining project certificates from public authorities and by seeking out more advanced patents for our R&D&I developments.

Research, development and innovation activities are carried out at the various Group companies, and the Innovation and R&D&I Certifications Departments coordinate and serve as the backbone of and point of reference for driving progress and ongoing improvements in this field.

In addition, the various companies that comprise the Group have their own Innovation Departments responsible for implementing specific projects, which are coordinated and supported by the Group's Innovation Department. As a result, an Innovation Team Committee has been named, which is responsible for supervising innovation activities.

Developments in R&D&I activity at Sacyr

Sacyr is carrying out an ambitious development of its R&D&I activity. Since 2004, external and official recognition has been obtained in the form of financing, grants or certification of its content as an R&D&I activity, in a total of 226 projects through different public tenders.

Investment in R&D&I in 2018 once again exceeded 8 million euros in the Group. Excellence in research is the result of the capacity and knowledge of Sacyr's professionals and the company's permanent commitment to developing new technologies and processes.

One of the pillars of Sacyr group's innovation strategy is the identification of the challenges of innovation faced by each of the companies, and which to a large extent depends on the type of business sector they compete in. These businesses are not only defined by infrastructure type (roads, railways, ports, water treatment plants, industrial facilities, hospitals, etc.) but also by the level of involvement in their implementation and management cycle (design, financing, construction, integrated management, maintenance, etc.).

To identify these innovation challenges, the following two basic principles are established:

- Provide better service to end-users of the infrastructures, whether it be through safer roads; more efficient water or waste treatment plants,

which are better integrated into the ecosystem; better equipped hospitals, etc.

- Introduce efficiency improvements throughout the infrastructures implementation and management cycle (design, financing, construction) so that the total cost is more competitive for our corporate customers, large enterprises and the public sector.

Innovation challenges

Some of the specific innovation challenges in our business lines are shown below:

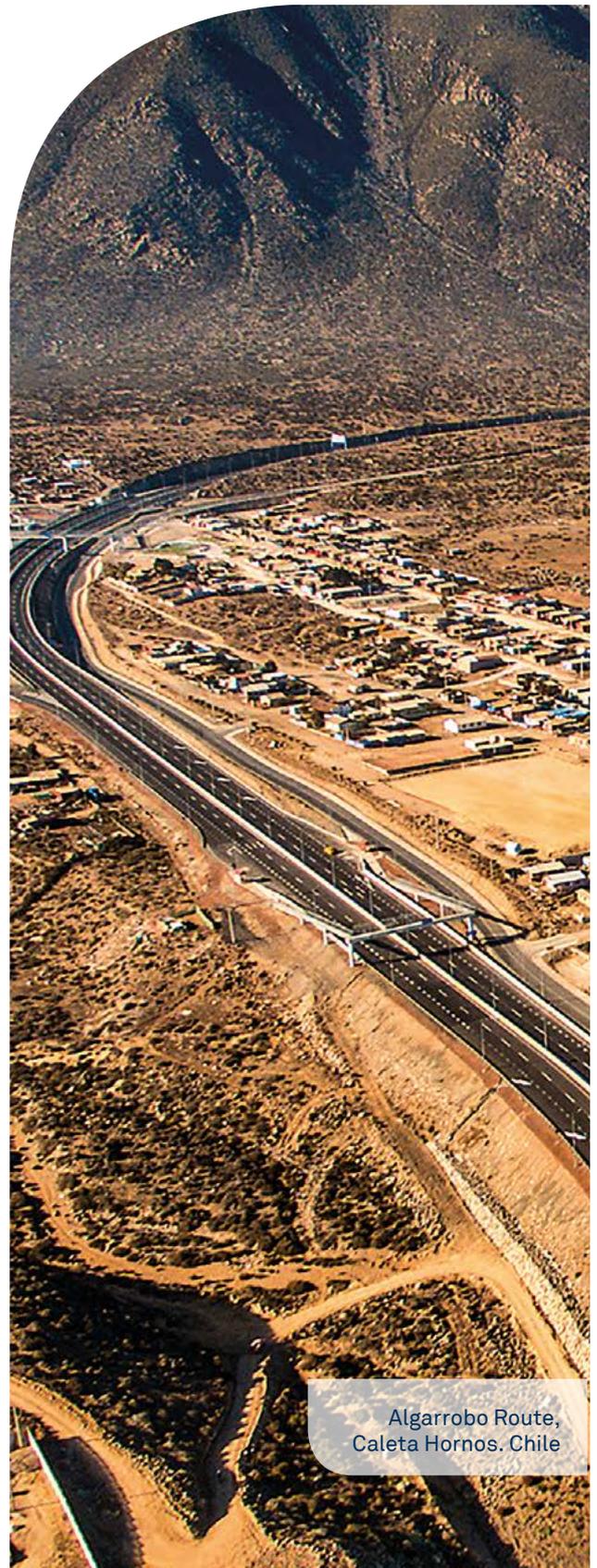
1. Use of mobile applications to connect with the general population, customers, suppliers, work teams, etc.
2. Development of the Internet of Things to gather information on the use and status of the infrastructures.
3. Application of artificial intelligence and big data to analyse the information from mobile apps and sensors, to enable optimal decision-making in infrastructure management.
4. Roll out of autonomous machines drones and robotics to streamline operating processes and avoid jobs that are dangerous for humans
5. Use 3D printing and modelling, along with augmented/virtual reality, to assist with the interaction between the physical and digital worlds

Certification of the R&D&I Management System

Sacyr's R&D&I Management system is certified by AENOR UNE 166002:2014. This tool helps us to efficiently organise and systematise all our R&D&I activities and enables us to:

- Fostering R&D&I activities
- Providing guidelines for organising and managing R&D&I effectively
- Improving growth, income and profits from innovations
- Bringing new ideas and values to the organization
- Gaining value proactively through a better understanding of future market needs and possibilities.
- Harnessing the creativity and collective intelligence of the organization
- Obtaining value from collaboration with other partners for R&D&I activities
- Stimulating employee involvement and encouraging teamwork and collaboration
- Helping identify and reduce risks
- Analyzing the internal and external technological situation
- Defining basic objectives of R&D&I activities
- Selecting and managing an appropriate project portfolio
- Ensuring that no activities are lost that could generate own technologies and patents.
- Promoting R&D&I as a differential factor of competitiveness and corporate reputation

In summary, the implementation of the R&D&I Management System at Sacyr contributes to continuous improvement, the global vision of the organisation, the deployment of the Group's R&D&I strategies and objectives, as well as the involvement of people and the management of change.



Algarrobo Route,
Caleta Hornos. Chile



Sacyr iChallenges

A Sacyr Open Innovation Program

Sacyr iChallenges is our open innovation and co-creation programme focused on solving, in collaboration with agents of the innovative ecosystem, business challenges posed by the company.

In the last edition of Sacyr iChallenges, we analysed around 80 motions for challenges resolutions in which startups, entrepreneurs and different agents of the innovative ecosystem posed solutions to the challenges posed by Sacyr. On this occasion, the challenges we wanted to collaborate on were related to the application of virtual and augmented reality in water treatment plants, predictive maintenance of roads, the use of new hardware and software to promote recycling and the introduction of artificial intelligence into the planning of large construction works.



Presentation of virtual and augmented reality project



Sacyr Innovation Awards

After eight years of these awards, the objective of the Sacyr Foundation continues to be to encourage and promote the development of high potential start-ups oriented towards the infrastructures and services sectors, and to provide them with all the support necessary during their process of maturing and entering the market.

The Sacyr Innovation Awards represent our company's commitment to innovation and the incorporation of new technologies into its activities. For Sacyr, innovation offers countless opportunities and new business models that are key to driving and leading technological change.

The selection criteria of the Sacyr Awards recognise the degree of technical innovation of the projects presented, their applicability to Sacyr's various business areas and their reach in the international market.

The winning projects receive the sum of 50,000 euros in the form of a convertible loan.

Sacyr also contributes to the project's business development, providing commercial, legal and financial advice, and giving the entrepreneurs access to a wide network of global partners.

The 8th edition of the Awards in Spain, delivered in December 2018, was participated by more than 80 proposals of high quality and future potential. The winning startup was Tyris AI, which won the other two finalists of the awards, Limmat Group and Talent Swarm. The Tyris AI project proposes an innovative system of predictive analysis using machine learning and big data technologies for the creation of detection models to predict the long-term deterioration of pavement on roads.

Similarly, as was done since the first edition of the awards, we recognized the talent and innovative spirit of its employees through the ideas presented in the collective intelligence platform, Ingenium. On this occasion, the campaign "Sacyr Circular" sought new ideas on how to achieve, within Sacyr, more profitable and sustainable businesses through the use of natural resources and, thus, to improve the environment and the quality of life of citizens.

The campaign had a remarkable success of participation with 171 ideas presented, among which the initiative "Textile Recycling applied to the biological mechanical treatment plant of La Rioja" was the winner.

More information on the previous years' Innovation Awards and new calls for projects can be found on Sacyr's website: www.sacyr.com

Natural Innovators

Once again this year we have recognized the talent, effort and commitment of our employees. The Natural Innovators Awards represent that commitment to innovation and a way of doing things differently that allows our activities to improve and drive business growth.

This recognition is given to those people who, through their work and innovative spirit, contribute to making Sacyr a better and more sustainable company. These people symbolize the company's vision, mission and values. These values include teamwork, commitment, excellence, dedication to excellence and innovative talent.





Sacyr Innovation Awards in Chile

Sacyr held its first Innovation Awards in Chile, with the winners being HEAT+L and Plasticpav projects, in the National and Regional categories, respectively.

This first year of the Awards had over 40 candidates linked to energy efficiency, sustainable construction and technological development. From these, five were selected to go forward to the final stage by a

Technical Committee, where a jury made up of major personalities from the world of innovation chose the winners in the two categories.

Representatives of both the Chilean government and Sacyr were present at the award ceremony, along with the members of the media and well-known figures from the academic and business worlds. The presence on behalf of the government of the Under-Secretary for the Economy, Natalia Piergentili, and the Secretary of State for Innovation and Technology at the Ministry of Public Works, Nayib Tala, was of particular note.