ACS, Actividades de Construcción y Servicios, S.A.

Financial Statements for the year ended 31 December 2012 and Directors' Report, together with Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21).In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS, Actividades de Construcción y Servicios, S.A.:

1. We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet at 31 December 2012 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2012 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2012, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, it should be noted that, as required by Spanish corporate law, the Company's directors prepared separately the consolidated financial statements for the year ended 31 December 2012 of the Group of companies of which ACS, Actividades de Construcción y Servicios, S.A. is the parent, in accordance with International Financial Reporting Standards as adopted by the European Union. On this same date we issued our auditors' report on the aforementioned consolidated financial statements, in which we expressed an unqualified opinion. The Group's main consolidated aggregates are disclosed in Note 4.5.1 to the accompanying financial statements.

4. The accompanying directors' report for 2012 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2012. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Parada Pardo
22 March 2013

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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ACS, Actividades de Construcción y Servicios, S.A.

Financial statements and
Directors' Report
for the year ended
31 December 2012

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

BALANCE SHEET AT 31 DECEMBER 2012
(Thousands of Euros)

ASSETS	Note	31/12/2012	31/12/2011	EQUITY AND LIABILITIES	Note	31/12/2012	31/12/2011
NON-CURRENT ASSETS		**6,104,341**	**8,173,590**	**EQUITY**	11	**1,625,403**	**2,127,639**
Intangible assets	5	**631,858**	**631,860**	***SHAREHOLDERS' EQUITY***		**1,629,479**	**2,535,055**
Goodwill		631,855	631,855	**Share capital**		**157,332**	**157,332**
Computer software		3	5	**Share premium**		**897,294**	**897,294**
Property, plant and equipment	6	**8,086**	**9,461**	**Reserves**		**1,268,267**	**1,166,308**
Land and buildings		395	395	Legal and statutory		35,287	35,287
Plant and other items of property, plant and equipment		7,691	9,066	Other reserves		1,232,980	1,131,021
Investment property	7	**1,201**	**1,252**	**Treasury shares and equity interests**		**(73,843)**	**(169,653)**
Non-current investments in Group companies and associates	9.3 and 17.2	**4,480,474**	**5,382,200**	**Profit (loss) for the year**		**(619,571)**	**766,972**
Equity instruments		1,870,758	2,163,402	**Interim dividend**	3	**-**	**(283,198)**
Loans to companies		2,609,716	3,218,798	***ADJUSTMENTS FOR CHANGES IN VALUE***		**(4,076)**	**(407,416)**
Non-current financial assets	9.1	**643,489**	**1,818,937**				
Equity instruments		57,704	1,812,755	**NON-CURRENT LIABILITIES**		**3,484,903**	**3,144,406**
Non-current assets relating to financial derivatives	10	230,254	5,160	**Non-current provisions**	12.1	**45,138**	**45,161**
Other financial assets		355,531	1,022	**Non-current liabilities**	13.1	**1,936,754**	**2,648,276**
Deferred tax assets	14.5	**339,233**	**329,880**	Bank borrowings		1,462,697	2,517,242
				Non-current liabilities relating to financial derivatives	10	474,057	131,034
				Non-current payables to Group companies and associates	17.2	**1,333,277**	**233,677**
				Deferred tax liabilities	14.6	**169,734**	**217,292**
CURRENT ASSETS		**2,159,388**	**2,846,387**	**CURRENT LIABILITIES**		**3,153,423**	**5,747,932**
Inventories		**1**	**1**	**Current provisions**		**15,832**	**9,479**
Trade and other receivables		**150,742**	**166,595**	**Current liabilities**	13.2	**643,850**	**2,727,689**
Trade receivables for sales and services		1,192	2,224	Bank borrowings		628,961	2,428,132
Sundry accounts receivable		136,344	122,677	Other financial liabilities		14,889	299,557
Employee receivables		180	190	**Current payables to subsidiaries and associates**	17.2	**2,483,218**	**3,002,318**
Current tax assets	14.1	12,647	40,997	**Trade and other payables**		**10,523**	**8,446**
Other accounts receivable from public authorities	14.1	379	507	Payable to suppliers		35	140
Current investments in Group companies and associates	17.2	**1,760,869**	**1,301,859**	Sundry accounts payable		3,687	1,934
Current financial assets	9.2	**244,185**	**1,374,927**	Remuneration payable		5,863	5,498
Prepayments and accrued income		**2,408**	**2,292**	Current tax liabilities	14.1	11	11
Cash and cash equivalents		**1,183**	**713**	Other accounts payable to public authorities	14.1	927	863
TOTAL ASSETS		**8,263,729**	**11,019,977**	**TOTAL EQUITY AND LIABILITIES**		**8,263,729**	**11,019,977**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2012.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

(Thousands of Euros)

	Note	31/12/2012	31/12/2011
CONTINUING OPERATIONS			
Revenue	16.1	**2,212,316**	**1,130,027**
Capitalised expenses of in-house work on assets		**-**	**636**
Procurements		**(692)**	**(2,062)**
Cost of raw materials and other consumables used		-	(283)
Contract work carried out by other companies		(692)	(1,779)
Other operating income		**8,535**	**8,074**
Staff costs		**(30,675)**	**(30,979)**
Wages, salaries and similar costs		(26,547)	(26,630)
Employee benefit costs	16.2	(4,128)	(4,349)
Other operating expenses		**(35,409)**	**(27,992)**
Outside services		(25,294)	(24,382)
Taxes other than income tax		(3,490)	(2,506)
Losses on, impairment of and change in provisions for trade receivables		(6,625)	(1,104)
Depreciation and amortisation charge	5, 6 and 7	**(1,437)**	**(1,416)**
Overprovisions		**-**	**30,355**
Other profits or loss	16.4	**-**	**(17,313)**
OPERATING INCOME		**2,152,638**	**1,089,330**
Finance income	16.3	**11,128**	**39,374**
From marketable securities and other financial instruments		11,128	39,374
Finance costs	16.3	**(303,211)**	**(292,686)**
On debts to subsidiaries and associates		(85,424)	(56,230)
On debts to third parties		(217,787)	(236,456)
Changes in fair value of financial instruments	9.1 and 10.2	**(174,087)**	**(149,190)**
Exchange differences	15	**-**	**(1)**
Impairment and gains or losses on the disposal of financial instruments	9.3 and 16.5	**(2,646,381)**	**(42,886)**
Impairment and losses		(2,523,855)	108,201
Gains or losses on disposals and others		(122,526)	(151,087)
FINANCIAL LOSS		**(3,112,551)**	**(445,389)**
PROFIT/(LOSS) BEFORE TAX		**(959,913)**	**643,941**
Income tax	14.4	340,342	123,031
PROFIT/(LOSS) FOR THE YEAR		**(619,571)**	**766,972**

The accompanying Notes 1 to 21 are an integral part of the 2012 income statement.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2012

		31/12/2012	31/12/2011
A)	**Profit (Loss) per income statement**	**(619,571)**	**766,972**
B)	**Income and expenses recognised directly in equity**	**(183,596)**	**(238,463)**
I.-	Measurement of financial instruments	(253,423)	(340,075)
II.-	Arising from cash flow hedges	(8,857)	(586)
III.-	Tax effect	78,684	102,198
C)	**Transfers to profit or loss**	**586,936**	**49,669**
I.-	Measurement of financial instruments	832,266	72,919
II.-	Arising from cash flow hedges	6,213	(1,963)
III.-	Tax effect	(251,543)	(21,287)
Total recognised income and expense (A + B + C)		**(216,231)**	**578,178**

B) Statement of changes in total equity for the year ended 31 December 2012

	Shareholders' Equity						Adjustments for changes in value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year	Interim dividend		
Beginning balance at 01/01/2011	**157,332**	**897,294**	**1,061,754**	**(683,491)**	**710,595**	**(283,198)**	**(218,622)**	**1,641,664**
I. Total recognised income and expenses	**-**	**-**	**-**	**-**	**766,972**	**-**	**(188,794)**	**578,178**
II. Transactions with shareholders or owners	**-**	**-**	**30,312**	**513,838**	**(645,062)**	**-**	**-**	**(100,912)**
1. Distribution of dividends	-	-	31,204	-	(645,062)	283,198	-	(330,660)
2. Treasury share and equity interest transactions (net)	-	-	(892)	513,838	-	-	-	512,946
3. Interim dividend	-	-	-	-	-	(283,198)	**-**	(283,198)
III. Other changes in equity	**-**	**-**	**74,242**	**-**	**(65,533)**	**-**	**-**	**8,709**
1. Equity instrument based payments	-	-	8,709	-	-	-	-	8,709
2. Other changes	-	-	65,533	-	(65,533)	-	-	-
Balance at 31/12/2011	**157,332**	**897,294**	**1,166,308**	**(169,653)**	**766,972**	**(283,198)**	**(407,416)**	**2,127,639**
I. Total recognised income and expenses	**-**	**-**	**-**	**-**	**(619,571)**	**-**	**403,340**	**(216,231)**
II. Transactions with shareholders or owners	**-**	**-**	**(457,024)**	**95,810**	**(216,697)**	**283,198**	**-**	**(294,713)**
1. Capital increases/(reductions)	3,666	-	(3,666)	-	-	-	-	-
2. Distribution of dividends	-	-	(277,460)	-	(216,697)	283,198	-	(210,959)
3. Treasury share and equity interest transactions (net)	(3,666)	-	(175,898)	95,810	-	-	-	(83,754)
III. Other changes in equity	**-**	**-**	**558,983**	**-**	**(550,275)**	**-**	**-**	**8,708**
1. Equity instrument based payments	-	-	8,708	-	-	-	-	8,708
2. Other changes	-	-	550,275	-	(550,275)	-	-	-
Balance at 31/12/2012	**157,332**	**897,294**	**1,268,267**	**(73,843)**	**(619,571)**	**-**	**(4,076)**	**1,625,403**

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2012.

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

(Thousands of Euros)

		31/12/2012	31/12/2011
A)	**Cash flows from operating activities (1+2+3+4)**	**905,317**	**1,224,918**
1.	**Profit/(Loss) before tax**	**(959,913)**	**643,941**
2.	**Adjustments to profit (loss)**	**910,381**	**(704,868)**
(+)	Depreciation and amortisation charge	1,437	1,416
(+/-)	Other adjustments to profit (loss) (net) (Note 2.7)	908,944	(706,284)
3.	**Changes in working capital**	**107,869**	**307,056**
4.	**Other cash flows from operating activities**	**846,980**	**978,789**
(-)	Interest payable	(253,594)	(288,247)
(+)	Dividends received	782,311	1,100,311
(+)	Interest received	305,277	166,725
(+/-)	Income tax recovered (paid)	12,986	-
B)	**Cash flows from investment activities (1+2)**	**507,846**	**668,564**
1.	**Investment payables:**	**(105,647)**	**(827,943)**
(-)	Group companies, associates and business units	(91,458)	(717,091)
(-)	Property, plant and equipment, intangible assets and property investments	(9)	(598)
(-)	Other financial assets	(14,180)	-
(-)	Other assets	-	(110,254)
2.	**Divestment:**	**613,493**	**1,496,507**
(+)	Group companies, associates and business units	254,027	711,668
(+)	Other financial assets	358,445	784,839
(+)	Other assets	1,021	-
C)	**Cash flows from financing activities (1+2+3)**	**(1,412,693)**	**(1,919,604)**
1.	**Proceeds and payments relating to equity instruments**	**(83,754)**	**336,389**
(-)	Acquisition	(155,880)	(274,542)
(+)	Disposal	72,126	610,931
2.	**Proceeds and payments relating to financial liability instruments**	**(834,782)**	**(1,642,135)**
(+)	Issue	621,114	817,970
(-)	Refund and repayment	(1,455,896)	(2,460,105)
3.	**Dividends paid and remuneration relating to other equity instruments**	**(494,157)**	**(613,858)**
D)	**Net increase (decrease) in cash and cash equivalents (A+B+C)**	**470**	**(26,122)**
E)	**Cash and cash equivalents at beginning of year**	**713**	**26,835**
F)	**Cash and cash equivalents at end of year (D+E)**	**1,183**	**713**

CASH AND CASH EQUIVALENTS AT YEAR END

(+)	Cash and banks	1,183	713
(+)	Other financial assets	-	-
Total cash and cash equivalents at end of year		**1,183**	**713**

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2012.

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, Madrid.

In accordance with Article 4 of its Bylaws, the Company's object comprises:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation of motorways, highways, roads and, in general, any type of public or private ways and any other type of works, and any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.

2. Promoting, constructing, restoring and selling housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either alone or through third parties. Carrying out conservation and maintenance of works, facilities and services, whether urban or industrial.

3. The management and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track installations for railways, metros and light rail, railway, light rail and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering - either directly remotely - for industries and buildings as well as those suited to the above listed, facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerisation and rationalisation of all kinds of energy consumption.

4. The management and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil defence, defence and traffic, voice and data transmission and use, measurements and signals, as well as transmission, broadcast, repetition and reception of all manner of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.

5. The management and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy product, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.

6. The management and execution of all manner of works, assemblies, facilities and maintenance of hydroelectric works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.

7. The management and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid gases for all kinds of uses.

8. The management and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.

9. The management and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval

fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.

10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. Managing the business of production, sale and use of electric energy, as well as other energy sources, and carrying out studies related thereto, and managing the business of production, prospecting, sale and use of all kinds of primary solid, liquid or gaseous energy resources, specifically including hydrocarbons and gas, whether natural, liquid or in another state, in their different forms and classes. Energy planning and rationalisation of the use of energy and cogeneration thereof. Research, development and operation of all aspects of communication and computing systems.

11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and supports of metal or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or product related to all types of energy.

12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossings for railways and barricades, and the production and commercialisation of antiseptic products and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.

13. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.

14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.

15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-similar, industrial and sanitary waste; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilisation, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.

17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.

18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.

19. The provision of integral healthcare and social welfare services, through qualified personnel (doctors, psychologists, pedagogues, nursing university diploma holders, social workers, physiotherapists and therapists) and the performance of the following tasks: home help and assistance; home and socio-health tele-assistance; full or partial operation or management of residences, protected flats, day centres, therapeutic communities and other refuge and rehabilitation centres; health transportation and the accompaniment of the aforementioned groups; home hospitalisation and medical assistance of nurses in the home; supply of oxygen therapy, control of gases, electro-medicine, and related activities.

20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/ or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. Collection and tallying of cash, and the making, collection and charging of bills and receipts. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Opening, closing and custody of keys. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centres. Fire fighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.

22. Integral management or operation of public or private educational or teaching centres, as well as surveillance, service, education and control of student bodies or other educational collectives.

23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and instalment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavouring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.

25. Provision of ground services to passengers and aircraft. Integral merchandise logistics services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish markets and wholesale and retail markets. Reception, docking, mooring and service connections to boats.

26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.

27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.

28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.

29. Manage and administer representative securities of the shareholders' equity of non-resident entities in Spanish territory, through the appropriate organisation of personal and material means suited to this end.

30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.

31. Occupational training and recycling of people who provide the services described in the preceding points.

The activities included in the company object may be carried out by the Company either totally or partially on an indirect basis through shares in other companies.

Grupo Dragados, S.A. was merged into ACS, Actividades de Construcción y Servicios, S.A. in 2003, effective from 1 May 2003, for accounting purposes. This merger by absorption was subject to the tax neutrality system set forth in Chapter VIII of Title VIII of Law 43/1995, of 27 December, and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The consolidated financial statements of the ACS Group for 2012 will be prepared by the directors at their Board of Directors' meeting held on 21 March 2013. The consolidated financial statements for 2011 were approved by the Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 31 May 2012, and deposited at the Madrid Mercantile Register.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 details the consolidated effect of the ACS Group's consolidated financial statements prepared under these international standards in 2012 and 2011.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

The regulatory financial reporting framework applicable to the Company consists of:

a) The Spanish Commercial Code and all other Spanish corporate law
b) The Spanish National Chart of Accounts and its industry adaptations
c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and secondary legislation.
d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were prepared from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, the results of its operations and the changes in equity and cash flows for the related year. These financial statements, which were prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The resolutions adopted in relation to the approval of these financial statements were challenged by one shareholder who holds 104 shares (0.000033% of the share capital of the Company). The directors of ACS, Actividades de Construcción y Servicios, S.A. consider that the financial statements for 2011 were correctly prepared and ratified by the auditor, and that the challenge is not likely to be upheld.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting policies were applied. Additionally, the directors prepared these financial statements taking into account all the mandatory accounting policies and measurement bases with a material effect on these financial statements. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (Note 4.1 and 4.5.1)
- The calculation of goodwill impairment (Note 5)
- The market value of certain financial instruments (Note 4.5.1)
- The calculation of provisions (Note 4.10)
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other commitments to employees (Note 4.13)
- The useful life of the tangible assets - property, plant and equipment and intangible assets (Notes 4.1 and 4.2)

Although these estimates were made on the basis of the best information available at 2012 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Going-concern principle of accounting

The Company has a working capital deficiency as a consequence mainly of the maintenance under "Current Liabilities" of a balance of EUR 2,483,218 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. Whether or not this balance is payable at short term will depend on the decisions taken by the Company at the date of its maturity, since this loan can be renewed for periods of more than 12 months.

Taking into account the foregoing, and also considering the cash generation capacity of the Group companies, with the related distribution of dividends to the Company, the directors consider that the Company can adequately finance these transactions in 2013.

Additionally, the Company is envisaging other measures to reinforce its liquidity, including the sale of treasury shares and trading on the capital markets (see Note 20).

2.5 Comparative information

Comparative information

As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2012 figures for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for 2011.

Changes in accounting policies

In 2012 there were no significant changes in accounting policies as compared to the policies applied in 2011.

2.6 Correction of accounting errors

No material errors were detected in the preparation of the accompanying financial statements which gave rise to the restatement of the amounts included in the 2011 financial statements.

2.7 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and cash-flow statement are grouped together to aid their understanding although, to the extent that it is significant, the information has been included separately in the related notes to the financial statements.

As a result of the novation of the equity swap on 277,971,800 shares of Iberdrola, S.A. carried out in December 2012, which ACS Actividades de Construcción y Servicios, S.A. may choose to pay in shares or in cash, the reduction of the financial liability amounting to EUR 1,432 million was not considered to be a cash outflow in the accompanying statement of cash flows.

In the statement of cash flows, the detail of items included under “Other Adjustments to (Net) Profit/(Loss)” is as follows:

	Thousands of Euros	
	2012	**2011**
Dividend income	(1,936,013)	(943,378)
Interest expense	303,211	292,686
Interest income	(287,431)	(226,023)
Impairment and gains (losses) on the disposal of financial instruments	2,646,381	42,886
Other	182,796	127,545
Total	**908,944**	**(706,284)**

3.- Distribution of profit/allocation of loss

The proposal for 2012 that will be submitted for the approval of the Shareholders' Meeting is that losses for the year are offset with a charge to future profit.

In addition to the foregoing, the Board of Directors resolved to propose to the Shareholders' Meeting, at the same time as its announcement, an alternative remuneration system which enables them to receive shares released of ACS, Actividades de Construcción y Servicios, S.A. or cash through the free sale of the related assignment rights. This option would be instrumented through an increase in released capital, which would be subject to approval by the shareholders at the Annual General Meeting. If approved, the increase in released capital could be carried out by the Board or Directors, or by delegation, by the Executive Committee on two occasions, in order to take into account not only the remuneration traditionally paid in July but also the possible interim dividend for the year. Upon each capital increase, each shareholder of ACS, Actividades de Construcción y Servicios, S.A. would receive a free allotment right for each share of ACS, Actividades de Construcción y Servicios, S.A. The free allotment rights would be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive new released shares of ACS, Actividades de Construcción y Servicios, S.A. or sell their free allotment rights on the market or sell them to the Company at a specific price calculated using an established formula.

The detail of the dividends paid by the Parent in 2012 and 2011, which in both cases related to the dividends approved out of 2011 and 2010 profit, respectively, is as follows:

	2012			2011		
	% of Nominal	**Euros per Share**	**Thousands of Euros**	**% of Nominal**	**Euros per Share**	**Thousands of Euros**
Ordinary shares	180.00	0.900	283,198	410.00	2.050	645,062
Total dividends paid	**180.00**	**0.900**	**283,198**	**410.00**	**2.050**	**645,062**

Dividends were paid against profits of the Parent.

As a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 31 May 2012, on 28 June 2012, the Company resolved to carry out the first capital increase, establishing the maximum reference value at EUR 362 million with a charge to reserves of the Company in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. However, as a result of the simultaneous capital reduction through the retirement of treasury shares for a nominal amount equal to the effective nominal amount of the capital increase, the current amount of share capital remained unchanged.

Lastly, following the decision-making period granted by the shareholders, on 26 July 2012, the free assignment rights were assigned (equal to what was traditionally the dividends in cash) for an amount of EUR 216,697,100.68 which was paid on 31 July 2012, as a result of the fact that the acquisition price of each assignment right was EUR 1,068 by virtue of the purchase agreement assumed.

The number of final shares subject to the capital increase was 7,332,095 for a nominal amount of EUR 3,666,047.50, which is equal to the number of treasury shares retired for the same nominal amount.

Lastly, in accordance with art. 273.4 of the Consolidated Text of the Spanish Corporations Law, the Company will allocate to the unrestricted goodwill reserve the amount of EUR 41,208 thousand with a charge to unrestricted reserves.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2012, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and, where appropriate, any impairment losses. These assets are amortised over their useful life.

a) Goodwill

Goodwill is recognised on the asset side of the balance sheet, where it has arisen as a result of an acquisition for valuable consideration in relation to a business combination. The goodwill is assigned to each of the cash generating units for which gains are expected to arise from the business combinations and are not amortised. Instead, these cash generating units are subjected at least annually to an impairment test in accordance with the methodology indicated below (see Note 5), and, if appropriate, the related valuation adjustment is recorded.

The valuation adjustments for impairment loss recognised under goodwill may not be reversed in subsequent years.

Specifically, the Company recognises the goodwill arising from the merger by absorption of the company Grupo Dragados, S.A. under this heading, as described in Note 1.

b) Computer software

The Company recognises under “Computer Software” the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years.

Impairment of intangible assets and tangible assets - property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The procedure implemented by the Company's management for the performance of this test is based on the recoverable values calculated for each cash-generating unit. Annually, for each cash-generating unit, estimates of future profit and loss and investments are obtained.

Other variables influencing the calculation of recoverable value are as follows:

- Type of discount to be applied, which is understood to be the average weighted capital cost, and the main changes affecting its calculation are the cost of the liabilities and specific risks relating to the assets.

- Growth rate of the cash flows used to extrapolate the cash flow projections beyond the period covered by the budgets or estimates.

Projections are prepared on the basis of past experience and the best available estimates, taking into account the information from abroad.

In the event that an impairment loss is to be recognised for a cash generating unit to which all or part of the goodwill was to be assigned, the carrying amount of the goodwill relating to this unit is first lowered. If the impairment loss exceeds this amount, then, in proportion to its carrying value, the carrying amount of the other assets of the cash generating unit are lowered up to the limit of the higher of the following: fair value less costs to sell, their value in use and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income.

4.2 <u>Property, plant and equipment</u>

Tangible assets - property, plant and equipment are initially recognised at acquisition or production cost, and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognised as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's property, plant and equipment were identified, and since the Company's Directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Tangible assets - property, plant and equipment upkeep and maintenance expenses are recognised in profit and loss for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Plant and machinery	3 - 18
Buildings and other structures	33 - 50
Transport equipment	5 - 10
Computer hardware	1 - 5
Other items of property, plant and equipment	3 - 25

This heading also includes the property, plant and equipment relating to the concession for the construction and subsequent operation of the Palacio Municipal de Deportes from the City Council of Huelva. This asset is fully depreciated.

4.3 <u>Investment property</u>

The heading “Investment Property” in the balance sheet includes the values of land, buildings and other structures maintained either for the purpose of being leased or for obtaining gains on their sale as the result of future increases in their market price.

These assets are measured in accordance with the criteria indicated in Note 4.2, in relation to property, plant and equipment.

4.4 <u>Leases</u>

<u>Finance lease</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2012 or 31 December 2011.

<u>Operating lease</u>

When the Company acts as the lessor:

Lease income and expenses from operating leases are paid or recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is recognised in the balance sheet according to its nature, increased by the directly allocable contract costs, which are recognised as an expense over the term of the contract, applying the same criteria used for the recognition of income form leases.

When the Company acts as the lessee:

Expenses arising from operating leases are recognised in income on an accrual basis.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term insofar as the benefits of the leased asset are provided or received.

4.5 <u>Financial instruments</u>

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified into the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company’s business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Held-to-maturity investments: debt securities with fixed maturity and determinable cash flows, traded in an active market, that the Company has the intention and financial capacity to hold to maturity.

c) Investments in subsidiaries, jointly controlled entities and associates: subsidiaries are deemed to be those related to the Company as a result of a relationship of control, and associates are companies over which the Company exercises significant influence. Additionally, jointly controlled entities companies include companies which, under an agreement entered into, are jointly controlled by one or more shareholders.

d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Since 1 January 2010, in the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010, the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Investments in subsidiaries, jointly controlled entities and associates are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect of applying consolidation criteria. The main aggregates in the ACS Group’s consolidated financial statements for 2012 and 2011 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2012	**2011**
Total assets	**41,563,376**	**47,987,610**
Equity	**5,711,508**	**6,191,264**
- Of the Parent	2,656,518	3,319,082
- Of minority interests	3,054,990	2,872,182
Income	**38,396,178**	**28,471,883**
Profit (loss) for the year	**(1,404,750)**	**1,108,371**
- of the Parent	(1,926,438)	961,940
- Of minority interests	521,688	146,431

Lastly, available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

In particular, with respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments, the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership, as in the case of firm sales, transfers of trade receivables in factoring transactions in which no credit or interest risk is retained, sales of financial assets in relation to which repurchase agreements have been entered into at fair value or securitisations of financial assets in which the assignor does not retain subordinating financing or grant any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received where the Company retains substantially all the risks and rewards of ownership of the transferred asset, as in the case of draft discounting facilities, recourse factoring, the sale of financial assets in relation to which a repurchase agreement is entered into at a fixed price or at the sale price plus interest, and the securitisation of financial assets in which the assignor retains subordinated financing or other types of guarantees covering substantially all of the projected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Financial instruments arising from liabilities are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. Basically, these risks relate to changes in interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses hedges of the following types, which are accounted for as described below:

- Fair value hedges: In this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.

- Cash flow hedges: In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to an envisaged transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the envisaged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Assessment

The fair value of the various derivative financial instruments is calculated using normal financial market techniques, i.e., discounting the expected cash flows in the contract in view of its characteristics, such as the notional amount and the collection and payment schedule, based on spot and forward market conditions at the reporting date.

The interest rate hedges are measured using the zero-coupon rate curve, calculated on the base of deposits and rates quoted on the market at year-end, obtaining therefrom the discount factors, and completing the measurement with the “Black-Scholes” methodology in the case of “Caps” and “Floors”.

The equity swaps are carried at the value resulting from the difference between the quoted price at year-end and the initially agreed unitary payment price (strike), multiplied by the number of contracts included in the swap.

The derivatives whose underlying is listed on an organised market and which are not hedging derivatives are usually measured using the “Black-Scholes” methodology, applying market parameters such as implicit volatility or estimated dividends.

For those derivatives whose underlying is quoted on an organised market, but in which the derivative forms part of the financing or where its trading substitutes the underlying, the measurement is based on the calculation of the intrinsic value at the calculation date.

4.6 <u>Inventories</u>

Inventories are measured at the lower of acquisition cost, production cost or net realisable value. Trade discounts, rebates and other similar items and the interest included in the nominal value of the receivables are deducted in determining the acquisition cost.

Production cost comprises direct materials and, where applicable, direct labour costs and general manufacturing overheads.

Net realisable value is the estimated selling price less the estimated costs to complete their manufacture and the costs to be incurred in marketing, selling and distribution.

The Company measures the value of its inventories using the average weighted cost method.

When the net realisable value of inventories is lower than the acquisition cost (or production cost), the Company makes the appropriate adjustments, recognising them as an expense in the income statement.

4.7 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "Foreign Currency Transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

4.8 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards not used for tax purposes. These amounts are measured by applying the temporary difference or tax deduction relating to the tax rate at which it is expected to recover or settle them.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that does not affect neither accounting profit (loss) nor taxable profit (tax loss) and is not a business combination, and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are assessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

Since 1 January 1999, the Company has filed consolidated tax returns and is the head of the Tax Group 30/99.

4.9. Income and expenses

Revenues and expenses are generally recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company neither continues to manage the goods nor retains effective control over them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income. In the case of dividends, pursuant to the query published in

Gazette n. 79 of the Spanish Accounting and Audit Institute (ICAC), dividends are to be recognised under “Revenues” in the accompanying income statement.

4.10. Provisions and contingencies

When preparing the financial statements of the Company, their respective directors made a distinction between:

a) Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the Company, which is considered to be likely to occur but uncertain as to its amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes to the financial statements, to the extent that they are not considered to be remote.

Provisions are measured at the present value of best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provision for third-party liability

The Company has recorded provisions for contingencies and expenses relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. This provision is recorded when the liability or obligation arises.

4.11 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Accordingly, the termination benefits that are reasonably quantified are recognised as an expense in the year in which the decision to terminate is adopted. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.12 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company’s operations whose main purpose it is to minimise the environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities did not have a significant environmental impact in 2012 or 2011.

4.13 Pension obligations

Pension fund

The Company is required to make monthly payments to a group of employees who meet specific conditions to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 12.1.1.

4.14 Share-based payment

The Company recognises the services received as an expense when delivered, on the basis of their nature and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date on which the plan is granted, and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are made to Directors carrying out executive functions and to the Senior Executives of the ACS Group.

4.15. Joint ventures

The Company accounts for its investments in Spanish UTEs (unincorporated Joint ventures) by recognising in its balance sheet the proportion corresponding thereto, based on its ownership percentage, of the assets and liabilities jointly controlled and incurred, respectively. Likewise, it recognises the proportion corresponding thereto of the income generated and of the expenses incurred by the joint venture in the income statement. Also, in the statement of changes in equity and in the statement of cash flows, it includes the balances of the corresponding proportion of the joint venture items.

At 31 December 2012 and 2011, the only UTE owned by the Company was UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.16 Related party transactions

The Company performs all its transactions with related parties on an arm’s length basis. Also, the transfer prices are adequately supported and, therefore, the Company’s directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

5.- Intangible assets

The changes in this balance sheet heading in 2012 and 2011 were as follows (in thousands of euros):

	Balance at 01/01/2011	Additions / Charges for the Year	Retirements	Balance 31/12/2011	Additions / Charges for the Year	Balance at 31/12/2012
Cost:						
Goodwill	631,855	-	-	**631,855**	-	**631,855**
Computer software	3,233	5	(9)	**3,229**	-	**3,229**
Total cost	**635,088**	**5**	**(9)**	**635,084**	**-**	**635,084**
Accumulated amortisation:						
Computer software	(3,232)	(1)	9	**(3,224)**	(2)	**(3,226)**
Total accumulated amortisation	**(3,232)**	**(1)**	**9**	**(3,224)**	**(2)**	**(3,226)**
Total net cost	**631,856**	**4**	**-**	**631,860**	**(2)**	**631,858**

At the end of 2012, the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,223 thousand (EUR 3,223 thousand in 2011).

At the end of 2012 and 2011, the Company had no material firm commitments for the purchase of intangible assets.

Goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of “Goodwill” in 2012 and 2011, the detail of which is as follows (in thousands of euros):

	Ending balance
Gross goodwill	824,156
Accumulated amortisation	(192,301)
Total Goodwill	**631,855**

The goodwill arose from the merger with Grupo Dragados, S.A. regarding the excess paid value on the value of the net assets on the acquisition date, and is allocated to the construction, environmental and industrial services cash generating units. The ACS Group assessed the recoverability thereof in 2012 and 2011.

In order to assess the impairment test of the Dragados Group, the test was measured using the discounted cash flow method, with internal projections of the Group for each of the cash-generating units for the 2013-2017 period, except for the concession business of Iridium, for which the carrying amount was conservatively considered.

The discount rate used in each business unit is the weighted average cost of capital (WACC), which was calculated by taking into consideration the cost of the weighted average shareholders' equity based on the sales by country of each business unit. In order to calculate the cost of each country's own funds, the country's risk-free rate was used, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit and the market risk premium according to Damodaran. The cost of the debt is the consolidated actual effective cost of the debt of each business unit and the tax rate used is the weighted average, by country, of the activity of the business units. The discount rate used for Dragados was therefore 8.4%, of which 6.5% was for Environment and 6.7% for Industrial Services.

The perpetual growth rate (g) used is the weighted average based on the sales, by country, of each business unit. The perpetual growth rate of each country relates to the increase of the CPI in 2017 for each of the countries, according to the IMF report of October 2012, and ranges from 1.6% to 2.3% depending on each business.

The combined result of the valuation using discounted cash flows of the operating businesses significantly exceeds the carrying value of the goodwill of the Dragados Group. This value was also compared to the valuations of the ACS Group analysts and its value on the market, there being no signs of impairment in any of the cases analysed.

6.- Tangible assets - Property, plant and equipment

The changes in 2012 and 2011 in “Property, Plant and Equipment” in the balance sheet and the most significant information affecting this heading were as follows (in thousands of euros):

	Balance at 01/01/2012	**Additions / Charges for the Year**	**Balance at 31/12/2012**
Cost			
Land	**395**	-	**395**
Tools	**376**	-	**376**
Transport equipment	**434**	-	**434**
Other	**25,858**	10	**25,868**
Total cost	**27,063**	**10**	**27,073**
Accumulated depreciation			
Tools	**(352)**	(7)	**(359)**
Transport equipment	**(266)**	(41)	**(307)**
Other	**(16,984)**	(1,337)	**(18,321)**
Total accumulated depreciation	**(17,602)**	**(1,385)**	**(18,987)**
Total net cost	**9,461**	**(1,375)**	**8,086**

	Balance at 01/01/2011	Additions / Charges for the Year	Disposals or reductions	Balance at 31/12/2011
Cost				
Land	**395**	-	-	**395**
Plant	**1,371**	-	(1,371)	**-**
Machinery	**296**	-	(296)	**-**
Tools	**441**	-	(65)	**376**
Transport equipment	**412**	163	(141)	**434**
Other	**25,486**	785	(413)	**25,858**
Total cost	**28,401**	**948**	**(2,286)**	**27,063**
Accumulated depreciation				
Plant	**(1,317)**	(1)	1,318	**-**
Machinery	**(161)**	(3)	164	**-**
Tools	**(408)**	(7)	63	**(352)**
Transport equipment	**(369)**	(36)	139	**(266)**
Other	**(15,915)**	(1,317)	248	**(16,984)**
Total accumulated depreciation	**(18,170)**	**(1,364)**	**1,932**	**(17,602)**
Total net cost	**10,231**	**(416)**	**(354)**	**9,461**

In 2012, the Company did not acquire any items of property, plant and equipment from its subsidiaries. In 2011, the Company acquired items of property, plant and equipment from subsidiaries amounting to EUR 636 thousand, relating to improvements in the registered office. In 2011, the Company disposed of assets mainly relating to UTE Dramar, the balance of disposals being equal to the net carrying amount of these assets, which was not recognised in profit or loss.

In 2012 and 2011, the Company did not capitalise any finance costs under “Property, Plant and Equipment”.

At 2012 and 2011 year-end, the Company did not own any items of property, plant and equipment abroad. Likewise, at 31 December 2012 and 2011, it did not have any firm commitments to acquire any items of property, plant and equipment.

At the end of 2012, the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 11,968 thousand (EUR 10,763 thousand in 2011).

The Company takes out insurance policies to cover the possible risks to which its tangible assets - property, plant and equipment are subject. At the end of 2012 and 2011 the tangible assets - property, plant and equipment were fully insured against these risks.

7.- Investment property

The investment included under this heading in the balance sheet relates to fully occupied offices rented to subsidiaries.

In 2012, the income arising from rent on investment property owned by the Company amounted to EUR 131 thousand (EUR 128 thousand in 2011), and all relating operating costs were charged to the lessee.

At the end of 2012 and 2011, there were no restrictions on new property investments, the income arising from such investments or the gains on their possible disposal.

8.- Leases

Operating leases

The Company, as operating lessor, has a lease with a subsidiary, per the lease agreement in force and without taking future changes in rent into account, amounting to EUR 131 thousand (EUR 128 thousand in 2011) This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (Note 7).

No contingent rent was paid in 2012 and 2011.

In its capacity as lessee, the most significant operating lease agreements in force for the Company at 2012 and 2011 year-end, relate to the lease of offices which matured in 2012. The annual amount of the minimum quotas without considering reviews in line with the CPI nor everyday expenses or associated taxes amounted to EUR 8,105 thousand (EUR 7,827 thousand in 2011). Of this amount, EUR 5,687 thousand was charged to various ACS subsidiaries in 2012 in relation to subleases (EUR 5,503 thousand in 2011).

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of “Non-Current Financial Assets” at the end of 2012 and 2011 is as follows (in thousands of euros):

Types / Categories	Non-Current Financial Instruments					
	Equity instruments		Deposits, Derivatives and Other		Total	
	2012	2011	2012	2011	2012	2011
Deposits and receivables	-	-	355,531	1,022	**355,531**	**1,022**
Available-for-sale financial assets						
- Measured at fair value	51,605	1,809,957	-	-	**51,605**	**1,809,957**
- Measured at cost	6,099	2,798	-	-	**6,099**	**2,798**
Derivatives	-	-	230,254	5,160	**230,254**	**5,160**
Total	**57,704**	**1,812,755**	**585,785**	**6,182**	**643,489**	**1,818,937**

The most significant addition to equity instruments relates to Iberdrola, which is measured at fair value.

At 31 December 2012, ACS, Actividades de Construcción y Servicios, S.A. held 12,301,570 shares representing 0.200% of the share capital of Iberdrola, S.A. at that date (369,082,621 shares representing 6.274% of the share capital of Iberdrola at 31 December 2011). The average cost amounted to EUR 4.195 per share (EUR 6.40 per share, prior to taking into account the valuation adjustments at 31 December 2011).

The ownership interest in Iberdrola is recognised at its market price at the end of each year (EUR 4.195 per share in 2012 and EUR 4.839 per share in 2011) amounting to EUR 51,605 thousand (EUR 1,785,991 thousand at 31 December 2011). At 31 December 2011, a negative valuation adjustment of EUR 404,466 thousand, net of the related tax effect, was recognised under "Equity - Valuation adjustments".

The most relevant transactions performed by the Company in 2012 with regard to Iberdrola are as follows:

- In 2012, the Company signed several amendments to the equity swap agreement entered into with Natixis, which entailed changing the repayment of the underlying value from EUR 1,000 million to EUR 1,432 million on 277,971,800 Iberdrola, S.A. shares, the elimination of the margin calls, the arrangement of a fixed guarantee of EUR 355,531 thousand (recognised under "Other Financial Assets" in the accompanying balance sheet), establishing the maturity date as 31 March 2015 and amending the method of terminating the agreement.
- On 18 April 2012, ACS Actividades de Construcción y Servicios, S.A. carried out an accelerated bookbuilding process through UBS and Société Génerale among professional and qualified investors both in Spain and abroad, of a package of 220,518,120 Iberdrola, S.A. direct and indirect shares through its investee Corporate Funding, S.L., representing 3.69% of its share capital. The placement price resulting from the process was EUR 3.62 per share. As a result of this transaction, the Company incurred a loss before tax, along with other expenses related thereto, amounting to EUR 55,569 thousand recognised under "Changes in the fair value of instruments" in the accompanying income statement.
- Through its investee Residencial Monte Carmelo, S.A., on 13 July 2012 ACS, Actividades de Construcción y Servicios, S.A. entered into with Société Générale, a financial transaction through a prepaid forward which enabled it to repay the syndicated loan that the subsidiary had entered into with a syndicate of credit institutions in which Banco Bilbao Vizcaya Argentaria, S.A. acted as agent. This agreement was amended on 21 December 2012 and the prepaid forward was cancelled subsequent to 2012 year-end (see Note 10.2).

Following these transactions, at 31 December 2012, ACS, Actividades de Construcción y Servicios, S.A. directly held the aforementioned 0.200% ownership interest in Iberdrola and the following derivative financial instruments, which were measured at market value through profit or loss at 2012 year-end:

- A group of financial derivatives on 298,643,256 Iberdrola, S.A. shares that limit the ACS Group's exposure to fluctuations in the market of the aforementioned company's shares (see Note 10.2).

- An equity swap signed with Natixis on 277,971,800 Iberdrola, S.A. shares (see Note 10.2), in which ACS, Actividades de Construcción y Servicios, S.A. continues holding the usufruct rights on these shares.

Additionally, other ACS Group companies have an additional ownership interest of 1.02% in Iberdrola, S.A., together with financial derivatives on 298,643,256 shares of this company which limit their exposure to market fluctuations.

In 2011 the ACS Group restructured its ownership interest in Iberdrola. In this context, in 2011, the Company acquired 13,287,487 shares in Villa Áurea, S.L. amounting to EUR 85,093 thousand and sold to Corporate Funding, S.L. EUR 90,000,000 shares amounting to EUR 576,360 thousand and to Residencial Monte Carmelo, S.A. 43,939,627 shares amounting to EUR 208,494 thousand. The losses on these sales carried out at stock market price amounted to EUR 72,934 thousand, and were recognised under “Changes in the fair value of financial instruments” in the accompanying income statement.

On 12 June 2011, the Company entered into a securities loan agreement with Corporate Funding, S.L. in relation to 19,984,578 shares of Iberdrola, S.A. maturing on 30 June 2014. Given that the risks and rewards inherent to the ownership of the shares continued to belong to ACS, Actividades de Construcción y Servicios, S.A., the Company did not derecognise its investment in Iberdrola, S.A. at 31 December 2011.

With regard to impairment on the ownership interest in Iberdrola, it should be noted that, as in previous years, ACS, Actividades de Construcción y Servicios, S.A. has internally tested its 0.200% ownership interest for impairment based on the discounting of future dividends and other information available on its investee, which also allowed it to conclude that there was impairment since the recoverable value of the investment was below the average cost. A loss to the market price at the end of the year amounting to EUR 23,850 thousand was therefore recognised under "Impairment and gains or losses on disposals of financial instruments" in the accompanying income statement (see Note 16.5). In 2011, ACS, Actividades de Construcción y Servicios, S.A. concluded that its investment in Iberdrola was not impaired.

The "Impairment and gains or losses on disposals of financial instruments" heading in the accompanying income statement in 2012 (see Note 16.5) includes the losses previously indicated in relation with the impairment of the 0.200% investment and the additional losses for the equity swap transaction, as well as the provisions recognised on the investment and financing granted by the Company to the vehicle companies in relation to the investment in Iberdrola amounting to EUR 2,496,674 thousand.

Likewise, the market value of the derivative financial instruments held at year end in relation to Iberdrola S.A.'s shares represented a profit of EUR 115,254 thousand, which was recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

The dividends received in 2012 from Iberdrola, S.A. amounted to EUR 59,997 thousand (EUR 124,073 thousand in 2011).

The detail, by maturity, of the balance of “Other Financial Assets” at 31 December 2012 and 2011 is as follows (in thousands of euros):

	2012				
	2014	**2015**	**2016**	**2017 and thereafter**	**Total**
Other financial assets	-	355,531	-	-	355,531
Total	**-**	**355,531**	**-**	**-**	**355,531**

	2011				
	2013	2014	2015	2016 and thereafter	Total
Other financial assets	1,022	-	-	-	**1,022**
Total	**1,022**	**-**	**-**	**-**	**1,022**

The difference between their face value and fair value are not material.

9.2 Current financial assets

The balance of "Current Financial Assets" at the end of 2012 and 2011 is as follows (in thousands of euros):

Categories / Types	Current Financial Liabilities			
	Loans, Derivatives and Other		Total	
	2012	2011	2012	2011
Current financial assets	240,396	1,374,927	240,396	1,374,927
Derivatives	3,789	-	3,789	-
Total	**244,185**	**1,374,927**	**244,185**	**1,374,927**

The reduction between years arose due to the cancellation of the deposits arranged by the Company to maintain the hedge ratios in relation with the equity swaps on Iberdrola shares which were cancelled in June 2012 amounting to EUR 1,000 million. These deposits were obtained by means of current financing provided by credit institutions and subsidiaries. The remaining balance relates to short-term deposits at various credit institutions which are paid in line with Euribor, of which EUR 186,139 thousand have certain restrictions as to their use.

Impairment:

In 2012 and 2011 the Company did not recognise any reduction for impairment in its current financial assets.

9.3 Non-current investments in Subsidiaries, Jointly Controlled Entities and Associates

Equity instruments:

The most significant information relating to Subsidiaries, Jointly Controlled Entities and Associates at the end of 2012 is as follows:

Company Name	Registered Office	% of Ownership		Thousands of euros								
		Direct	Indirect	Share Capital	Profit		Other Equity	Total Equity	Dividends	Carrying amount		
					from Operations	Net			Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	195,928	116,511	253,449	570,779	133,879	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	7,226	388	71,865	91,365	-	-	-	-
Hochtief, A.G.	Essen – Germany	1.09%	48.81%	197,120	595,060	158,109	2,285,133	2,640,362	-	39,392	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	245	1,225	160,285	237,507	-	87,845	-	
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	71,542	453,527	402,687	(128,886)	345,343	359,141	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,655	3,427	3,200	16,015	24,870	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00%	12,020	3,939	(2,486)	282,149	291,683	-	1	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	36,258	92,905	56,097	535,251	61,349	476,880	-	-
OTHER												
Villa Áurea, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	111,400	(82)	435	10,734	122,569	28,964	130,356	(7,788)	(7,788)
Áurea Fontana, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	(2)	735	9,888	208,888	9,913	172,110	-	-
PR Pisa, S.A.U. (Marketable security investments)	Avda. Pío XII; 102 – Madrid	100.00%	-	5,270	(19)	34,805	602,053	642,128	1,215,392	15,271	-	-
ACS, Telefonía Móvil, S. L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	-	(193)	(61,221)	(58,300)	-	90,895	-	(90,895)
Roperfeli, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	100.00%	-	607	(19)	(2,552)	5,180	3,235	-	60,063	(2,552)	(56,828)
Residencial Monte Carmelo, S.A. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(1,121,681)	(1,270,567)	(489,390)	(1,759,476)	-	481	-	(481)
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	(104)	(67,302)	(112,872)	(178,371)	-	3,165	-	-
Villanova, S.A. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	-	5	978	1,133	-	1,238	-	(1,036)
Corporate Funding, S. L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(66)	(478,726)	39,407	(439,313)	-	6	(6)	(6)
Corporate Statement, S.L. (Construction)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(18)	(23,898)	(8,542)	(32,434)	-	6	-	-
Major Assets, S. L. (Construction)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(17)	(37,488)	(9,809)	(47,291)	-	6	-	-
Equity Share, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	20,917	(15,053)	(1)	(15,048)	-	6	(6)	(6)
Admirabilia, S.L. (Marketable security investments)	Avda. Pío XII, 102 - Madrid	100.00%	-	59,103	28,521	(139,888)	479,009	398,224	67,377	383,193	-	-
Funding Statement, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.98%	0.02%	6	(1)	(1)	-	5	-	6	(1)	(1)
ACS Actividades Finance, B.V. (Marketable security investments)	Amsterdam. Holland.	100.00%	-	18	(12)	(12)	-	6	-	18	-	-
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) Spain	16.53%	33.47%	51,435	-	-	(16,948)	34,487	-	8,504	-	-
Total									**1,876,015**	**2,027,798**	**(10,353)**	**(157,040)**

The most significant information relating to Subsidiaries, Jointly Controlled Entities and Associates at the end of 2011 is as follows:

Name	Registered Office	% of Ownership		Thousands of Euros								
					Profit				Dividends	Carrying amount		
		Direct	Indirect	Share capital	from Operations	Net	Other Equity	Total Equity	Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	181,120	171,299	222,723	594,841	180,736	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	7,991	1,338	70,527	90,977	-	-	-	-
Hochtief, A.G.	Essen –Germany	6.37%	42.80%	197,120	626,477	(160,287)	2,561,555	2,598,388	24,413	318,456	-	-
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(745)	83,014	77,271	236,282	-	87,845	-	
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	71,542	338,231	334,644	(104,388)	301,798	335,533	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,655	3,676	3,646	2,512	11,813	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00%	12,020	4,350	12,033	32,937	56,990	-	1	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	43,018	40,365	77,082	503,696	56,000	476,880	-	
OTHER												
Villa Áurea, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	100.00%	-	111,400	(13,107)	(3,781)	43,479	151,098	222,800	130,356	-	-
Áurea Fontana, S.L. (Investment in equity)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	(6)	5,975	13,826	218,066	-	172,110	-	-
PR Pisa, S.A.U. (Investment property)	Avda. Pío XII, 102 – Madrid	100.00%	-	5,270	(137)	60,045	1,757,400	1,822,715	-	15,271	-	-
ACS, Telefonía Móvil, S. L. (Telecommunications)	Avda. Pío XII, 102 – Madrid	100.00%	-	3,114	(0)	(1,997)	(59,224)	(58,107)	-	90,895	-	(90,895)
Roperfeli, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.50%	0.50%	6	12,963	(54,220)	1	(54,213)	(177)	63	(63)	(63)
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(248)	(8,785)	(1,161,413)	(1,169,717)	-	481	-	(481)
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	41,961	(14,358)	(103,916)	(116,471)	-	3,165	-	-
Villanova, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	-	9	969	1,128	-	1,238	-	(1,035)
Corporate Funding, S. L. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	94,099	39,610	(203,912)	(164,296)	-	6	-	-
Corporate Statement, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(14)	(8,542)	-	(8,536)	-	6	-	-
Major Assets, S. L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(6)	(9,809)	-	(9,803)	-	6	-	-
Equity Share, S.L. (Marketable security investments)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(1)	(1)	-	5	-	6	-	-
ACS, Colombia, S.A. (Concessions)	Santa Fé de Bogotá – Colombia	92.00%	8.00%	837	(44)	(551)	(278)	8	-	968	(29)	(968)
ASSOCIATES												
Admirabilia, S.L. (Concessions)	Avda. Pío XII, 102 – Madrid	99.00%	-	59,700	103,675	74,909	473,914	608,523	-	383,193	-	-
Trebol International, B.V. (Concessions)	Boulevard 285 Tower B 1118BH. Luchthaven.	1.00%	-	22,595	141,839	77,692	891,383	991,670	-	9,038	-	-
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) Spain	16.53%	33.47%	51,435	-	-	(15,109)	36,326	-	8,504	-	-
Total									**819,305**	**2,256,844**	**(92)**	**(93,442)**

The changes in the equity instruments of Subsidiaries and Associates in 2012 were as follows:

Item	Thousands of Euros											
	Beginning balance			Cost			Allowance			Ending balance		
	Cost	Allowance	Net Balance	Additions	Transfers	Disposals	Charge for the year	Transfers	Reversals	Cost	Allowance	Net Balance
Group	1,856,109	(93,442)	1,762,667	151,458	383,193	(371,466)	(10,353)	(54,213)	968	2,019,294	(157,040)	1,862,254
Associates	400,735	-	400,735	-	(386,175)	(6,056)	-	-	-	8,504	-	8,504
Total	**2,256,844**	**(93,442)**	**2,163,402**	**151,458**	**(2,982)**	**(377,522)**	**(10,353)**	**(54,213)**	**968**	**2,027,798**	**(157,040)**	**1,870,758**

The changes in the equity instruments of Subsidiaries and Associates in 2011 were as follows:

Item	Thousands of Euros										
	Beginning balance			Cost			Allowance		Ending balance		
	Cost	Allowance	Net Balance	Additions	Transfers	Disposals	Charge for the year	Reversals	Cost	Allowance	Net Balance
Group	1,537,612	(93,351)	1,444,261	74,005	1,107,248	(862,756)	(91)	-	1,856,109	(93,442)	1,762,667
Associates	688,341	-	688,341	819,642	(1,107,248)	-	-	-	400,735	-	400,735
Total	**2,225,953**	**(93,351)**	**2,132,602**	**893,647**	**-**	**(862,756)**	**(91)**	**-**	**2,256,844**	**(93,442)**	**2,163,402**

The most significant changes in 2012 and 2011 were as follows:

- **Hochtief, A.G.**

  As a consequence of the ACS Group's majority shareholding and the appointment of four members of Hochtief's Board of Directors as significant-shareholder appointed directors, ACS, Actividades de Construcción y Servicios, S.A. considered that the conditions arose to consider the investment in Hochtief A.G to be a subsidiary instead of an associate in 2011.

  In 2012, the Company acquired 2,457,816 shares in Hochtief amounting to EUR 91,434 thousand at an average price of EUR 37.20 per share.

  In 2012, the Company sold 6,524,532 shares for EUR 249,584 thousand, at a loss before taxes amounting to EUR 120,914 thousand, which was recognised under “Gains or losses on disposal and others” in the accompanying income statement.

  In 2011, the Company sold 7,700,000 shares to Major Assets, S.L. amounting to EUR 451,464 thousand at their market value at a loss before taxes of EUR 93,036 thousand, and 4,526,763 shares to Corporate Statement, S.L. for a total of EUR 260,399 thousand, which generated a loss before taxes of EUR 58,051 thousand, which was recognised under “Gains or losses on disposal and others” in the accompanying income statement.

  At 31 December 2012, ACS, Actividades de Construcción y Servicios, S.A., had a direct ownership interest of 1.09% of the share capital (6.37% in 2011) of Hochtief A.G. with a carrying value of EUR 39,392 thousand (EUR 318,456 thousand in 2011). These percentages include the shares provided to subsidiaries, which, since the Company substantially retains the risks and rewards associated with the investment, were not derecognised from the balance sheet.

  In relationship to the ownership interest in Hochtief, A.G., a company traded through the Frankfurt stock exchange, since the market price stood at EUR 39.75 in the last quarter and EUR 43.93 at the end of the year ended 31 December 2012, amounts which were lower than the acquisition cost, the Company considered it to be possible for signs of impairment to exist and performed the corresponding test.

In order to perform this test, the Company appraised Hochtief through the sum of the parts of its main business units Hochtief Asia Pacific (Leighton), Hochtief Americas and the remainder of Hochtief through discounted cash flows of each of the units based on Hochtief's business plan, whose projections continue until December 2015. For 2016-2017, estimates were made in line with the projections of previous years. The WACC discount rate was used of 8.5% for Leighton, 7.6% for Hochtief Americas and 7.1% for the remainder of Hochtief. The perpetual growth rates are 2.4% for Leighton, 2.1% for Hochtief Americas and 2.1% for the remainder of Hochtief.

In addition, this value was compared with a measurement of the discounted cash flows method based on projections of Hochtief's analysts, discounting the free cash flows at weighted average capital cost (WACC) of 8.1% and a perpetual growth rate of 2.3%, weighting the data of each of the business units. Given this calculation, the need did not arise to record a provision for impairment of the investment in Hochtief, A.G., placing its fair value above the cost of the ownership interest. In the opinion of the Company, there are no reasonable changes to the main hypothesis which could cause a problem of impairment with respect to the investment in Hochtief, A.G.

- **Admirabilia, S.L. (Abertis Infraestructuras, S.A.)**

  In 2012, the Company sold its full holding in Abertis Infraestructuras, S.A. which it owned through Admirabilia, S.L. and terminated the shareholders' agreement it had with CVC Capital Partners. Accordingly, it went from being considered an associate to being considered a subsidiary amounting to EUR 383,193 thousand. In 2011 there was no change in this ownership interest.

- **Other subsidiaries**

  Lastly, the Company capitalised part of the loan it had granted to Roperfeli amounting to EUR 60,000 thousand and, consequently, it transferred the associated provision amounting to EUR 54,213 thousand in the previous year. It also provisioned, for the same reason, the investment in Villa Aurea amounting to EUR 7,788 thousand. In 2011, it provisioned the carrying amount of its investment in Residencial Monte Carmelo, S.A.

Of the ownership interests in Subsidiaries, Associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per share			
	Average Fourth Quarter of 2012	2012 Year-End	Average Fourth Quarter of 2011	2011 Year-End
Iberdrola, S.A.	3.913	4.195	4.966	4.839
Hochtief, A.G.	39.75	43.93	46.130	44.695

At 31 December 2012, the Company pledged the shares of Cariátide, S.A. (company which holds shares in Hochtief, A.G.), to guarantee the financing obtained for its acquisition.

At 31 December 2012 and 2011, the Company had no firm purchase or sale commitments.

Non-current loans to subsidiaries:

The detail of loans to subsidiaries at 31 December 2012 and 2011 is as follows:

Company	Thousands of Euros	
	2012	2011
Cariátide, S.A.	1,042,741	15,390
Residencial Monte Carmelo, S.A.	739,944	1,850,414
Corporate Statement, S.L.	267,737	258,227
Major Assets, S.L.	264,432	286,855
Corporate Funding, S.L.	193,384	744,692
ACS, Telefonía Móvil, S.L.	63,478	63,220
Equity Share, S.L.	38,000	-
Total	**2,609,716**	**3,218,798**

The loan granted to Cariátide, S.A. relates in the amount of EUR 1,022,157 thousand to the contribution made to this company as a participating loan for the financing of the shares of Hochtief, A.G. held by it. This loan earns interest at both a fixed and floating rate, on the basis of the company's net profit, and interest is capitalised annually. The loan matures on 31 August 2015. Additionally, on 24 July 2012, the Company was granted a subordinated loan amounting to EUR 20,584 thousand, maturing on 31 August 2015 which bears interest at a fixed annual rate capitalised at its maturity.

The amount granted to Residencial Monte Carmelo, S.A. related to the contribution made to this company to partially finance the purchase of shares of Iberdrola, S.A. At 31 December 2012, the subordinated participating loan to Residencial Monte Carmelo, S.A. amounted to EUR 2,325,365 thousand, granted on 28 December 2011 and maturing on 30 December 2014, with a fixed interest and a floating interest rate with interest capitalisable annually. Additionally, on 30 December 2014, the Company granted a subordinated loan amounting to EUR 174,056 thousand, maturing on 30 December 2014 which bears interest at a fixed annual rate capitalised at its maturity. The Company provisioned EUR 1,759,477 thousand (EUR 341,259 thousand in 2011) for the balance of the loan to Residencial Monte Carmelo, S.A. as a result of the transactions on the investment in Iberdrola S.A. of this company (Note 9.1). This provisioned amount in 2012 and 2011 is recognised under “Impairment and Losses” in the accompanying income statement.

In 2012, the Company granted Corporate Statement, S.L. a participating loan amounting to EUR 43,917 thousand which bears interest at both fixed and floating rates capitalised annually and which matures on 30 July 2014, in addition to another loan amounting to EUR 223,820 thousand bearing interest at a fixed rate capitalised annually, which matures on 30 July 2014.

In 2012, the Company granted Major Assets, S.L. two loans, a participating loan amounting to EUR 58,895 thousand which bears interest at both fixed and floating rates, capitalised annually, and which matures on 30 June 2014, and another loan amounting to EUR 205,537 thousand bearing interest at a fixed rate capitalised annually, which matures on 30 June 2014.

All these amounts made in relation to the contribution of funds earmarked for the acquisition of shares of Hochtief were analysed based on the fair value of its investment in Hochtief, A.G., concluding the no problem of impairment exists with respect thereto.

The amount granted to Corporate Funding, S.L. related to the contribution made to this company to finance its holding in Iberdrola, S.A. through three loans, two participating loans totalling EUR 458,693 thousand, with a fixed interest rate and a floating interest rate, capitalisation of interest and maturing on 30 June 2014, and the other in the form of a credit of EUR 174,003 thousand with a fixed interest rate, capitalisation of interest and maturing on 30 June 2014. At 31 December 2012, the Company had provisioned EUR 439,312 thousand as a consequence of the transactions on the investment in Iberdrola, S.A. of this company (see Note 9.1) This provisioned amount in 2012 and 2011 is recognised under “Impairment and Losses” in the accompanying income statement.

In 2012, the Company granted Equity Share, S.L. a participating loan of EUR 38,000 thousand to finance its holding in Iberdrola, S.A., with a fixed and a floating interest rate, with annual capitalisation of interest and maturing on 7 February 2014.

The amount loaned to ACS Telefonía Móvil, S.L. relates to the following:

- A credit line maturing in September 2013, with an interest rate tied to Euribor, whose balance at 31 December 2012 was EUR 116,493 thousand (EUR 115,087 thousand at 31 December 2011), whose interest is added to the principal. Due to its maturity it is recognised as current (see Note 17.2).

- Several participating loans maturing between 2015 and 2024, bearing floating market interest rates, the detail of which is as follows:

Grant Date	Thousands of Euros	Maturity Date
June 2001	13,972	June 2021
December 2001	9,980	December 2021
January 2002	9,980	January 2022
April 2002	5,988	April 2022
February 2004	2,595	February 2024
March 2009	20,963	March 2015
Total	**63,478**	

All of these loans were granted to contribute funds to its investee company Xfera Móviles, S.A. The Company analysed the recoverability of these balances based on the fair value of its investee Xfera Móviles, S.A. and concluded that there was no impairment. In relation to the indirect ownership interest in Xfera Móviles, S.A., part of which was sold in 2006 to the Telia Sonera Group, there is an unrecognised contingent price and, in certain cases, options to purchase and sell the ownership interest of ACS, the conditions of which are not likely to be met.

9.4 <u>Disclosures on the nature and level of risk of financial instruments</u>

9.4.1 Qualitative disclosures

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

a) Credit risk:

Generally, the Company holds its financial asset derivatives, other financial assets and current financial investment in credit institutions with a high credit rating.

b) Liquidity risk:

The current financial market environment is marked by a liquidity crisis caused by the general downturn of credit. The ACS Group has a policy for the proactive management of liquidity risk through the comprehensive monitoring of cash and anticipation of the expiration of financial operations. The Group also manages liquidity risk through the efficient management of investments and working capital and the arrangement of lines of long-term financing.

For the purpose of ensuring liquidity and enabling it to meet the payment obligations arising from its business activities, the Company has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 13.

c) Market risk (includes interest rate, foreign currency and price risks):

Both the Company’s cash and cash equivalents and its financial liabilities are exposed to interest rate risk, which could have an adverse effect on its financial results and cash flows. Consequently, the Company’s policy is to the greatest extent possible to have the majority of its non-current financial liabilities bear interest at fixed rates.

In view of the nature of the Company's activities, it is not exposed to foreign currency risk. In relation to price risks, in 2012, the exposure to Abertis disappeared due to the sale and exposure to Iberdrola was reduced due to the aforementioned partial divestment. Additionally, the Group has a price risk in relation to the shares of Hochtief (with financing which established certain margin calls) and that of ACS itself due to its treasury shares and to those derivatives related with the share option plans.

9.4.2 Quantitative disclosures

a) *Interest rate risk:*

At 31 December 2012, the Company had a syndicated loan with a nominal value of EUR 1,430,300 thousand (EUR 1,594,450 thousand at 31 December 2011), whose entity agent was Bankia. This loan has a single maturity date on 22 July 2015, following its renovation in 2012. The Company entered into a derivative contract (interest rate swap) to cover the interest rate risk. 74.0% of the Company's non-current bank borrowings are hedged.

This cash flow hedge is detailed in Note 10.

b) *Liquidity risk:*

In relation to liquidity risk, and despite the current market situation due to the liquidity crisis and the general restriction on credit, in 2012 the ACS Group, as indicated above, refinanced the corporate syndicated loan, the Urbaser syndicated loan and most of the financing of its investment in Iberdrola, as described in Note 9.1. At 31 December 2012, the liquidity risk related with Iberdrola relates exclusively to the derivatives indicated in the aforementioned Note, which are payable at long term. At 31 December 2012, the Company and the ACS Group were complying with the ratios required in their loan agreements.

The Company has negative working capital amounting to EUR 994,035 thousand, in relation to which the loan amount is not payable by the Company to Subsidiaries and Associate companies in the short-term. The other bank borrowings relate mainly to current credit facilities which the Company expects to be renewed at their maturity.

The Company's directors prepared these financial statements on the basis of the going-concern principle, given that they do not have any doubts regarding the capacity of the Company and the Group to refinance or restructure its financial debt, and to generate funds from its operations, through divestment in non-strategic assets and trading on the capital markets, enabling its activities to be adequately financed in 2013.

10.- Derivative financial instruments

10.1 Hedging instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, and specifically an interest rate swap for cash flows related with the syndicated loan (see Note 13).

						Fair Value (Thousands of Euros)	
	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	2012	2011
Interest rate swap	Interest rate hedge	Floating to fixed	1,500,000	22-07-2012	-	-	3,180
Interest rate swap	Interest rate hedge	Floating to fixed	643,000	22-07-2015	-	474	-
Interest rate swap	Interest rate hedge	Floating to fixed	415,000	25-07-2014	-	20,536	-

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 <u>Derivative Instruments not qualified as hedges</u>

The liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions. Noteworthy of mention within assets relating to financial instruments is the measurement at fair value of the call spread contracted in relation to the refinancing on Iberdrola, S.A. shares carried out in July 2012 (see Note 9.1) on an underlying amount of 298,643,256 Iberdrola shares. The market value at 2012 year-end gave rise to the recognition of an asset amounting to EUR 230,254 thousand. This effect, net of its cost, was recognised as income under "Changes in fair value of financial instruments" in the accompanying financial statements.

With regard to liabilities related to financial instruments, the most significant at 31 December 2012 relates to the fair value of the equity swap on Iberdrola, S.A. shares (see Note 9.1). The fair value thereof at 31 December 2012 amounted to EUR 266,327 thousand. In addition, other liabilities relate to the derivative included in the outsourcing to a financial institution of the 2010 share option plan amounting to EUR 95,092 thousand (EUR 80,249 thousand at 31 December 2011). The financial institution acquired these shares on the market for delivery to management who are beneficiaries of this Plan in accordance with the conditions included therein, at the exercise price of the option.

In the agreement with the bank, it does not assume any risk relating to the drop in the market price of the share over the exercise price. The exercise price of the option for the 2010 plan is EUR 34.155 per share. Therefore this risk in the drop of the share’s market price over the option price is assumed by ACS, Actividades de Construcción y Servicios, S.A. and was not hedged by any other financial institution. This put option in favour of the financial institution, is recognised at fair value at the end of the reporting period, and therefore the Group recognises a liability in profit or loss with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since, in this case, management would exercise its call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at this date.

Additionally, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their directors (i.e. due to voluntary resignation in the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS in cash (never in shares). Consequently, at the end of the Plan, the Company does not ever receive shares derived from the same, and therefore it is not considered treasury stock.

At 31 December 2012, ACS, Actividades de Construcción y Servicios, S.A. held other derivatives that did not qualify for hedge accounting on ACS shares, which included the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 93,513 thousand (EUR 47,605 thousand at 31 December 2011), thereby giving rise to a loss of EUR 45,909 thousand recognised under "Changes in fair value of financial instruments".

At the end of December 2010, the Company purchased a firm ownership interest of 1.9% in the shares of Iberdrola, S.A. which granted it all the voting and dividend rights associated thereto. To finance this acquisition, ACS, Actividades de Construcción y Servicios, S.A. structured the transaction through the signing of a prepaid forward share with a financial institution, which matures at 27 June 2012, can only be settled in cash and can be partially or fully settled at any time. The related derivative is secured by the Iberdrola shares as the underlying assets. The measurement at fair value of this instrument gave rise to a loss for 2012 of EUR 42,660 thousand recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

11.- Equity

At 31 December 2012 and 2011, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

The shares of ACS, Actividades de Construcción y Servicios, S.A. are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and traded through the Spanish computerised trading system.

At 31 December 2012, the shareholders with an ownership interest of over 10% in the Company’s share capital were Corporación Financiera Alba, S.A. with an ownership interest of 18.305% and Inversiones Vesán, S.A. with an ownership interest of 12.521%.

The General Shareholders' Meeting held on 25 May 2009 authorised the Company's Board of Directors to increase share capital by up to 50% at the date of this resolution on one or several occasions, and at the date, in the amount and under the conditions freely agreed in each case, within five years following 25 May 2009, and without having previously submitted a proposal to the General Shareholders' Meeting. Accordingly, the Board of Directors may set the terms and conditions under which capital is increased as well as the features of the shares, investors and markets at which the increases are aimed and the issue procedure, freely offer the unsubscribed shares in the preferential subscription period; and in the event of incomplete subscription, cancel the capital increase or increase capital solely by the amount of the subscribed shares.

The capital increase or increases may be carried out through the issue of new shares, either ordinary, without voting rights, preference or recoverable. The new shares shall be payable by means of monetary contributions equal to the par value of the shares and any share premium which may be agreed.

The Board of Directors was expressly empowered to exclude preferential subscription rights in full or in part in relation to all or some of the issues agreed under the scope of this authorisation, where it is in the interest of the company and as long as the par value of the shares to be issued plus any share premium agreed is equal to the fair value of the Company's shares based on a report to be drawn up at the Board's request, by an independent auditor other than the Company's auditor, which is appointed for this purpose by the Spanish Mercantile Registry on any occasion in which the power to exclude preferential subscription rights is exercised.

Additionally, the Company's Board of Directors is authorised to request the listing or delisting of any shares issued, in Spanish or foreign organised secondary markets.

Similarly, at the General Shareholders' Meeting held on 25 May 2009, the shareholders resolved to delegate to the Board of Directors the power to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company’s newly issued shares or outstanding shares, under the following terms: Securities may be issued on one or more occasions within five years following the resolution date. The total amount of the issue or issues of securities, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of eighty per cent of the equity of ACS Actividades de Construcción y Servicios, SA. according to the latest approved balance sheet.

The Ordinary General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 31 May 2012 resolved, among other matters, to perform a capital increase and a capital reduction. In this regard, the Company resolved to increase share capital to a maximum of EUR 646 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 362 million, and the second increase may not exceed EUR 284 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the two months following the date of the General Shareholders' Meeting for 2011 and, in the case of the second increase, within the first quarter of 2013, thereby coinciding with the dates on which the ACS Group has traditionally distributed the final dividend and the interim dividend.

Specifically, and by virtue of this delegation, on 28 June 2012 the Company resolved to carry out the first capital increase for a maximum amount of EUR 362 million. This capital increase is aimed at establishing an alternative remuneration system, as in many Ibex companies, that would allow shareholders to receive released shares from ACS or cash through the sale of the related free assignment rights which are traded on the stock market, or that may be sold to ACS at a certain price based on a formula approved by the Board.

In relation to the foregoing, the Company increased its share capital by EUR 3,666,047.50 relating to 7,332,095 ordinary shares of EUR 0.5 par value each.

With regard to the capital reduction, the resolution adopted by the Board consists of reducing share capital through the retirement of the Company's treasury shares for a nominal amount equal to the nominal amount for which the aforementioned capital increase indicated in the preceding paragraphs was effectively carried out. The Board of Directors is granted the power to execute these resolutions, on one or two occasions, simultaneously with each of the share capital increases.

In addition to the aforementioned authorisation to reduce capital referred to in the preceding paragraph, at the General Shareholders' Meeting held on 31 May 2012, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or retirement, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

With regard to this point, and simultaneously with the aforementioned capital increase, share capital was reduced by EUR 3,666,047.50 relating to 7,332,095 ordinary shares of EUR 0.5 par value each through the retirement of the Parent's treasury shares (see Note 11.5).

11.1 Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Corporations Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2012 and 2011 the balance of this reserve had reached the legally required minimum.

11.2 Goodwill reserve

In accordance with Article 273.4 of the Consolidated Text of the Spanish Corporations Law, since goodwill is recognised on the asset side of the balance sheet, as part of the distribution of profit for each year, an amount equal to at least five per cent of the goodwill recorded must be allocated to a restricted reserve. In the event that no or insufficient profit is earned, unrestricted reserves are to be used for this purpose (Note 3). At 31 December 2012, the balance of this heading amounted to EUR 164,831 thousand (EUR 123,623 thousand at 31 December 2011).

11.3 Reserve for retired shares

As a result of the retirement of shares of the Parent in 2012, under art. 335.c of the Consolidated Text of the Spanish Corporations Law, ACS, Actividades de Construcción y Servicios, S.A. set up a "Reserve for retired shares", a restricted reserve amounting to EUR 3,666 thousand, which is equivalent to the nominal amount of the reduced share capital.

11.4 Limitations on the distribution of dividends

In Note 3 the proposed distribution of profit is indicated, and includes the allocation made to a restricted reserve in relation to goodwill and retired shares.

11.5 Treasury shares

The changes in “Treasury Shares” in 2012 and 2011 were as follows:

	2012		2011	
	Number of shares	**Thousands of Euros**	**Number of shares**	**Thousands of Euros**
At beginning of the year	**6,375,880**	**169,653**	**19,542,383**	**683,491**
Purchases	9,393,512	155,880	9,685,326	274,541
Sales	(4,013,784)	(81,295)	(22,851,829)	(788,379)
2011 bonus paid	(287,700)	(7,655)	-	-
Retirement	(7,332,095)	(162,740)	-	-
At end of the year	**4,135,813**	**73,843**	**6,375,880**	**169,653**

On 7 July 2012, 7,332,095 treasure shares were retired with a carrying amount of EUR 162,740 thousand in accordance with the resolutions adopted by the General Shareholders' Meeting held on 31 May 2012.

In 2011, sales included the Hochtief takeover bid exchange ratio as well as the sale of its subsidiary, PR Pisa, S.A.U.

At the end of 2012 and 2011, these shares represented 1.31% and 2.03% of the share capital, respectively.

As indicated in Note 20, on 23 January 2013, Actividades de Construcción y Servicios, S.A. definitively sold three entities with a total of 20,200,000 direct and indirect shares from its treasury shares.

12.- Provisions and contingencies

12.1 Non-current provisions

The detail of non-current provisions in the balance sheet at the end of 2012, and of the main changes therein during the year is as follows (in thousands of euros):

Non-current provisions	2012			
	Balance at 01/01/2012	Charge for the year	Reversals and amounts used	Balance at 31/12/2012
Liabilities and taxes	**45,161**	-	(23)	**45,138**
Total non-current provisions	**45,161**	**-**	**(23)**	**45,138**

Non-current provisions	2011			
	Balance at 01/01/2011	Charge for the year	Reversals and amounts used	Balance at 31/12/2011
Liabilities and taxes	**59,715**	15,824	(30,378)	**45,161**
Total non-current provisions	**59,715**	**15,824**	**(30,378)**	**45,161**

The Company has recorded provisions for contingencies and expenses relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

Also in 2011, the Company reassessed the risks associated with the current provisions as well as the time frame in which outflows of cash may arise in relation thereto, and accordingly, provisions were made amounting to approximately EUR 15,824 thousand in 2011, which are included under "Other Results" in the accompanying income statement. EUR 30,378 thousand were reversed and included under “Overprovisions” in the 2011 income statement, since the probability of the related risk was remote.

In addition to that indicated in the preceding paragraph, and in accordance with the opinion of the external lawyers responsible for the legal aspects of this matter, the Company considers that there is no material economic risk relating to the lawsuit filed by Boliden-Apirsa in 2004. In relation to this case, the Supreme Court finally dismissed the lawsuit filed by Boliden-Apirsa in accordance with its judgement handed down on 11 January 2012.

12.1.1 Obligations to employees

Defined benefit pension obligations

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Retired employees	193,162	193,627
Serving employees	19,643	27,026

These defined benefit pension obligations are externalised through group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the commitments was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2012	2011
Technical interest rate (*)	4.90%	4.85%
Mortality tables	PERM/F – 2000	PERM/F – 2000
Annual rate of increase of maximum social security pension	2%	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

(*) The technical interest rate ranged from 5.93% to 3.02% since the externalisation of the plan.

The aforementioned amounts relating to pension commitments recognised under “Staff Costs” in the income statement for 2012, gave rise to an expense of EUR 107 thousand in 2012 (EUR 87 thousand in 2011). The contributions made by the Company to the insurance policy in relation to defined contribution plans amounted to EUR 2,784 thousand (EUR 3,001 thousand in 2011),which are also recognised under “Staff Costs” in the income statement.

At 31 December 2012 and 2011, there were no outstanding accrued contributions.

12.1.2 Equity instrument based payments

As described in the measurement bases (Note 4.14) in relation to equity instrument based payments to employees, the company recognises the services received as an expense, based on their nature, and an increase in equity upon settling the equity instrument based payment plan.

Share option plans

Additionally, at its meeting held on 27 May 2010, the Executive Committee agreed to set up a share option plan, in keeping with the resolution adopted by the shareholders at the General Shareholders' Meeting held on 25 May 2009, and at the request of the Remunerations Committee. The features of this Plan are as follows:

- Number of shares:	6,203,454 shares.
- Beneficiaries:	57 managers: 1 manager with 936,430 shares, 4 managers with between 752,320 and 351,160 shares; 8 managers with 92,940 shares; 16 managers with 69,708 shares and 28 managers with 46,472 shares.
- Acquisition price:	EUR 34,155 per share.

The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after 1 May 2010, inclusive. However, in the case an employee is terminated without just cause or if it is the beneficiary's own will, the options may be exercised six months following the event in question in the cases of death, retirement, early retirement or permanent disability, and after 30 days in all other cases. Tax withholdings and the taxes to be paid as a result of exercising the share options will be borne exclusively by the beneficiaries. The method for exercising the option is settled through equity instruments. No options relating to this plan were exercised in 2012 or 2011.

The commitments arising from this plan are hedged through a credit institution. In relation to the aforementioned plan, the share options are always to be exercised by means of equity instruments and never in cash. However, since the Group has hedged the commitments arising from these plans with a financial institution, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2012 and 31 December 2011. In 2012 EUR 8,708 thousand (EUR 8,709 thousand in 2011) were charged to income for these plans as staff costs in relation to remuneration via equity instruments, and with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Company considered the financial cost of the shares on the date on which the plan was granted based upon futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period as well as the “put” value granted to the credit institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

The share options relating to the 2005 Plan (extension of 2004 Plan), have an exercise price of EUR 24.10 per share. All 3,918,525 share options of the 2005 Plan were exercise in 2011 with an average weighted market price for the beneficiaries of EUR 34.06 per share. The 2005 Plan was executed in full in 2012.

The quoted price of ACS shares at 31 December 2012, was EUR 19.040 (EUR 22.900 at 31 December 2011).

12.2 Contingencies

Environment

In view of the Company's business activities (Note 1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements.

CO_2 Emissions

Given the activities carried on by the Company, there are no matters relating to CO2 emissions affecting the Company.

13.- Financial liabilities (non-current and current)

13.1 Non-current financial liabilities

The balance of "Non-Current Financial Assets" at the end of 2012 and 2011 was as follows (in thousands of euros):

Types / Categories	Non-Current Financial Instruments					
	Bank Borrowings and Finance Leases		Derivatives and Other		Total	
	2012	2011	2012	2011	2012	2011
Accounts payable	1,462,697	2,517,242	-	-	**1,462,697**	**2,517,242**
Derivatives (Notes 10.1 and 10.2)	-	-	474,057	131,034	**474,057**	**131,034**
Total	**1,462,697**	**2,517,242**	**474,057**	**131,034**	**1,936,754**	**2,648,276**

The detail, by maturity, of "Current and Non-Current Payables" is as follows (in thousands of euros):

	2012					
	2013	2014	2015	2016	2017 and Subsequent Years	Total
Bank borrowings	628,961	29,991	1,422,706	10,000	-	**2,091,658**

	2011					
	2012	2013	2014	2015	2016 and Subsequent Years	Total
Bank borrowings	2,428,132	25,000	29,823	2,452,419	10,000	**4,945,374**

In 2012 the main changes took place as a result of the transactions carried out in relation to the Company's ownership interest in Iberdrola, S.A., and more specifically in relation to the equity swap.

On 14 June 2011, the Company extended the maturity of its equity swap over shares of Iberdrola, S.A. to March 2015, which had a balance of EUR 2,432,419 thousand at 31 December 2011. In 2012, the Company retired EUR 1,000 million through the offset with the amounts contributed to guarantee compliance with hedging ratios. This loan was secured by shares amounting to 4.73% of the underlying value of Iberdrola, S.A. and bears interest at a rate tied to Euribor. With regard to this financing, on 27 July 2012 ACS, Actividades de Construcción y Servicios, S.A. signed a new amendment in order to eliminate the margin calls and, in this regard, a fixed guarantee was determined until maturity amounting to EUR 355,531 thousand which is recognised under "Long-term financial investments - Other financial assets" in the accompanying balance sheet. On 24 December 2012, an additional novation agreement was signed, whereby the contract could be settled both in cash and in share options on ACS shares. In view of this amendment, the ACS Group recognised the aforementioned equity swap as a financial derivative at 2012 year-end (see Notes 9.1 and 10.2).

Other bank borrowings most notably include the agreement for refinancing the syndicated loan maturing in July 2015 entered into by ACS, Actividades de Construcción y Servicios, S.A. on 9 February 2012 with a syndicate of banks, made up of 32 Spanish and international entities. At 31 December 2012, the amount contracted totalled EUR 1,430,300 thousand and was classified as non-current. The loan bears interest at a rate tied to Euribor and is guaranteed by other ACS Group companies. Compliance with certain ratios is required based on the EBITDA and net debt of the consolidated group, and these ratios were being met at year-end. At 31 December 2011, this loan amounting to EUR 1,589,911 thousand was recognised under the heading "Current Liabilities" in the accompanying balance sheet.

13.2 Current financial liabilities

The balance of “Non-Current Financial Assets” at the end of 2012 and 2011 is as follows (in thousands of euros):

Types / Categories	Current Financial Instruments					
	Bank Borrowings		Other		Total	
	2012	2011	2012	2011	2012	2011
Accounts payable	628,961	2,428,132	14,889	299,557	643,850	2,727,689
Total	**628,961**	**2,428,132**	**14,889**	**299,557**	**643,850**	**2,727,689**

The year-on-year decrease was mainly due to the reclassification to non-current of the Company's syndicated loan explained in Note 13.1.

At 31 December 2012, the Company had credit facilities with limits totalling EUR 597,900 thousand (EUR 603,840 thousand in 2011), of which EUR 507,567 thousand had been drawn down at 31 December 2012 (EUR 378,652 thousand in 2011).

The balance of “Other” at 31 December 2011 includes the interim dividend payable amounting to EUR 283,198 thousand, paid on 7 February 2012.

14.- Tax matters

14.1 Current tax receivables and payables

The detail of the current tax receivables and payables is as follows (in thousands of euros):

Tax receivables

	31/12/2012	31/12/2011
Corporation tax receivable	12,647	40,997
Other accounts receivable	379	507
Total	**13,026**	**41,504**

The tax receivables in the last two years include consolidated Corporation Tax refundable of the Tax Group 30/99, both due to the estimate of the amount refundable for the year ended, and that generated in the previous year and not yet received.

Tax payables

	31/12/2012	31/12/2011
Tax withheld	861	723
Social security taxes payable	54	55
Tax liabilities	11	11
Other taxes payable	12	85
Total	**938**	**874**

14.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit (loss) for the year per books to the taxable profit (loss) for corporation tax purposes is as follows:

	2012		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continuing and discontinued operations			**(959,913)**
Permanent differences:			
Non-deductible provisions	1,884,730	-	1,884,730
Non-deductible expenses	12,998	-	12,998
Other differences	-	(124)	(124)
Timing differences:			
Arising in the year:			
Merger goodwill		(3,262)	(3,262)
Externalised pension commitments	2,453		2,453
Unhedged derivative financial instruments	156,584		156,584
Non-deductible finance costs per tax consolidation	133,396		133,396
Other differences	5,924		5,924
Arising in prior years:			
Externalised pension commitments		(9,257)	(9,257)
Use of provisions and others		(315)	(315)
Taxable profit (loss) before other tax consolidation adjustments			**1,223,214**

The permanent differences for non-deductible provisions include mainly the charges and uses of provisions for the Company's investment in subsidiaries included within the Tax Group.

In addition, the Company envisaged making other adjustments to the consolidated taxable profit/tax loss, which are attributable to the Company, for the elimination of internal results generated in 2012 and the inclusion of other results eliminated in previous years, for a positive net amount of EUR 213,706 thousand, to which a negative adjustment for the elimination of interim dividends for the year will be added, which will determine a negative attributable base, whose effect on the quota will be offset in the consolidated return with the positive quotas of other Group companies and, accordingly, its differential amount, net of the amounts already received in instalment payments is included in the Group's sundry accounts receivable, since no deferred tax assets exist with respect to the tax base.

	2011		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continuing and discontinued operations			**643,941**
Permanent differences:			
Non-deductible provisions	64,943	(190,988)	(126,045)
Non-deductible expenses	12,826	-	12,826
Other differences	-	(25,035)	(25,035)
Timing differences:			
Arising in the year:			
Merger goodwill	-	(16,309)	(16,309)
Externalised pension commitments	3,539	-	3,539
Other differences	77,087	-	77,087
Arising in prior years:			
Externalised pension commitments	-	(6,820)	(6,820)
Use of provisions and others	-	(3,634)	(3,634)
Taxable profit (tax loss)			**559,550**

14.3 Tax recognised in equity

The detail of tax recognised directly in equity is as follows:

	2012		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments		(794)	(794)
Measurement of available-for-sale financial assets	173,653		173,653
Total deferred tax recognised directly in equity			**172,859**

	2011		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	-	(1,075)	(1,075)
Measurement of available-for-sale financial assets	-	(79,837)	(79,837)
Total deferred tax recognised directly in equity			**(80,912)**

14.4 Reconciliation of accounting profit (loss) to the corporation tax expense

The reconciliation of accounting profit (loss) from continuing and discontinued operations to the corporation tax expense is as follows (in thousands of euros):

	2012	2011
Accounting profit (loss) before tax from continuing operations	(959,913)	643,941
Gross tax payable (30%)	(287,974)	193,182
Impact of permanent differences	569,281	(41,476)
Double taxation tax credits:		
From dividends of the Tax Group	(562,805)	(238,468)
From other dividends and gains	(72,968)	(37,222)
Other tax credits	(1,466)	(1,406)
Adjustment to previous years' taxation	15,590	2,359
Total income tax expense recognised in profit or loss from continued and discontinued operations	**(340,342)**	**(123,031)**

The breakdown of the current income tax expense is as follows (in thousands of euros):

	2012	2011
Continuing operations		
Current income tax	(140,377)	(36,037)
Deferred tax	(199,965)	(86,994)
Total income tax expense	**(340,342)**	**(123,031)**

There were no discontinued operations in 2012 or 2011.

14.5 Deferred tax assets recognised

The detail of the balance of this account at the end of 2012 and 2011 is as follows (in thousands of euros):

	2012	2011
Temporary differences (prepaid taxes):		
Pension obligations	33,690	36,160
Measurement of interest rate hedging financial instruments	954	1,264
Measurement of available-for-sale financial assets	-	173,343
Non-deductible finance charges	40,019	-
Unhedged derivative financial instruments	85,223	22,255
Losses eliminated in tax consolidation	73,605	67,206
Other	18,951	17,431
Unused tax credits	86,791	12,221
Total deferred tax assets	**339,233**	**329,880**

The deferred tax assets indicated above were recognised in the balance sheet because the Company’s directors considered that, based on their best estimate of the Company’s future earnings, it is foreseeable that these assets will be recovered.

All deferred tax assets of a significant amount were recognised.

14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2012 and 2011 is as follows (in thousands of euros):

	31/12/2012	31/12/2011
Gains eliminated in the tax consolidation process	150,098	198,042
Merger goodwill and other	19,636	19,250
Total deferred tax liabilities	**169,734**	**217,292**

14.7 Tax incentives

The Company is subject to the commitment to maintain investments in relation to the tax credits of which it availed itself in 2008, 2009 and 2010 for the reinvestment of gains, as indicated in the "Tax Matters" section of the notes to the financial statements of the corresponding years.

In particular, in 2008 the Company availed itself of the reinvestment tax credit in relation to part of the gain obtained in the sale of shares of Unión Fenosa, S.A. The reinvestment was undertaken, among other acquisitions, through the purchase of shares of Iberdrola, S.A. in 2010, whereby a reinvestment tax credit amounting to EUR 14,654 thousand was accredited in that year. In 2012, the three-year period for the maintenance of the reinvestment required under the tax regulations was partially breached; such regulations, however, establish that the transfer of the asset reinvested will not give rise to the loss of the credit if the amount of the transfer is newly reinvested. In this connection, the Tax Group, specifically the company Parque Santa Catalina, S.L. performed investments in 2012 amounting to EUR 64,291 thousand in wind farms, which enabled a credit of EUR 3,596 thousand to be maintained, considering that the remaining reinvestment required to conserve the total credit will be undertaken within the periods established by the regulations.

14.8 Years open for review and inspection procedures

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired.

Value Added Tax for 2008-2010 is currently open for review in relation to the VAT Group 194/08, and the conclusions thereon had not yet be documented at the date of preparation of these financial statements.

Consequently, the years from 2006 to 2011 are currently open for review for Corporation Tax, 2008 to 2012 for Value Added Tax, and 2009 to 2012 for the remaining taxes. The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to the transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

15.- Foreign currency

The most significant foreign currency transactions carried out in 2012 amounted to USD 24 thousand. In 2011, they amounted to USD 61 thousand, AUD 70 thousand and GBP 38 thousand.

In 2012, there were no significant exchange gains (exchange losses of EUR 1 thousand in 2011).

16.- Income and expenses

16.1 Revenue

The detail of revenue is as follows (in thousands of euros):

	2012	2011
Dividends of subsidiaries and associates (Note 9.3)	1,876,016	819,305
Dividends from non-current financial assets (Note 9.1)	59,997	124,073
Finance income of subsidiaries and associates	276,303	186,649
Total	**2,212,316**	**1,130,027**

The balance of "Provision of Services" includes the costs borne by the Company which are subsequently re-billed to subsidiaries as rent and pension plans.

16.2 Employee benefit costs

The balance of " Employee Benefit Costs in 2012 and 2011 is as follows (in thousands of euros):

	2012	2011
Employee benefit costs		
Employer social security taxes	559	549
Contributions to pension plans (Note 12.1)	2,891	3,088
Other employee benefit costs	678	712
Total	**4,128**	**4,349**

16.3 Finance income and finance costs

The detail of the finance income and finance costs calculated by applying the effective interest method is as follows (in thousands of euros):

	2012		2011	
	Finance income	**Finance costs**	**Finance income**	**Finance costs**
Application of the effective interest method	11,128	303,211	39,374	292,686

16.4 Other profits

The amounts recognised in 2011 under the heading “Other Profit and Loss” in the income statement relate mainly to charges for the year to the provision for contingencies and expenses (Note 12.1). In 2010 no amount was included under this heading.

16.5 Impairment and gains or losses on disposals of financial instruments

The "Impairment and gains or losses on disposals of financial instruments" heading in the accompanying income statement for 2012 includes the losses in relation with the impairment of the 0.200% investment and the additional losses for the equity swap transaction, as well as the provisions recognised on the investment and financing granted by the Company to the vehicle companies in relation to the investment in Iberdrola amounting to EUR 2,498,674 thousand (see Note 9.1).

17.- Transactions and balances with related parties

17.1 Related party transactions

The detail of related party transactions performed in 2012 is as follows (in thousands of euros):

Income (-), Expense (+)	2012		
	Subsidiaries	**Associates**	**Entities with joint control or significant influence over the Company**
Asset purchases	-	-	-
Services received	680	-	-
Operating lease agreements	2,206	-	-
Interest received	85,424	-	-
Interest paid	(276,303)	-	-
Accrued interest not yet collected	65,063	-	-
Accrued interest not yet paid	(3,227)	-	-
Dividends	(1,876,016)	-	-
Cost apportionment agreement	(6,192)	(3)	-

The detail of related party transactions performed in 2011 was as follows (in thousands of euros):

Income (-), Expense (+)	2011		
	Subsidiaries	**Associates**	**Entities with joint control or significant influence over the Company**
Asset purchases	636	-	-
Services received	1,142	-	-
Operating lease agreements	2,144	-	-
Interest received	56,230	-	6
Interest paid	(186,649)	-	-
Accrued interest not yet collected	82,909	-	-
Accrued interest not yet paid	(3,095)	-	-
Dividends	(819,305)	-	-
Cost apportionment agreement	(1,329)	(4)	-

17.2 Related party balances

The detail of the balances with related parties in the balance sheet at 31 December 2012 is as follows (in thousands of euros):

	2012	
	Subsidiaries	**Associates**
Non-current financial assets	**4,471,970**	**8,504**
Equity instruments (Note 9.3)	1,862,254	8,504
Loans to companies (Note 9.3)	2,609,716	-
Sundry accounts receivable	**126,992**	**596**
Current financial assets	**1,760,869**	**-**
Loans to companies	346,346	-
Other financial assets	1,414,523	-
Non-current liabilities	**1,333,277**	**-**
Current liabilities	**2,483,218**	**-**

The detail of the balances with related parties in the balance sheet at 31 December 2011 was as follows (in thousands of euros):

	2011	
	Subsidiaries	**Associates**
Non-current financial assets	**4,981,465**	**400,735**
Equity instruments (Note 9.3)	1,762,667	400,735
Loans to companies (Note 9.3)	3,218,798	-
Sundry accounts receivable	**97,266**	**7,599**
Current investments	**1,301,859**	**-**
Loans to companies	1,050,627	-
Other financial assets	251,232	-
Non-current liabilities	**233,677**	**-**
Current liabilities	**3,002,318**	**-**

Additionally, the Company recognised an interim dividend payable at the end of 2011 amounting to EUR 283,198 thousand (see Note 13).

The detail, at 31 December 2012 and 2011, of “Current Loans to Subsidiaries” is as follows:

	Thousands of Euros	
	2012	**2011**
ACS Telefonía Móvil, S.L.	116,694	115,206
ACS Servicios y Concesiones, S.L.	103,643	107,036
Equity Share, S.L.	76,551	-
Cariátide, S.A.	23,410	719,157
Corporate Funding, S.L.	18,932	28,902
Roperfeli, S.L.	-	118,602
Others of lesser amounts	22,164	15,937
Provisions	(15,048)	(54,213)
Total	**346,346**	**1,050,627**

In relation to the loans that financed the investments of Cariátide, S.A., Major Assets, S.L. and Corporate Statement, S.L., at Hochtief, A.G., the financing agreements entered into stipulate, amongst other things, that coverage ratios must be met or otherwise the pledges on the shares of Hochtief, A.G. could be executed. In the event that the coverage ratios were not maintained, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2012, the Company contributed funds to meet these ratios amounting to EUR 90,957 thousand (EUR 92,157 thousand in 2011).

The provision at 31 December 2012 related to all the financing granted to Equity Share. At 31 December 2011, the Company provisioned the loan granted to Roperfeli amounting to EUR 54,213 thousand. These effects are included in "Impairment and losses" in the accompanying income statement (see Note 9.3).

The detail of "Non-Current Loans to Subsidiaries" at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	**2011**
Novovilla, S.L.	233,075	232,550
Villanova, S.A.	1,131	1,127
PR Pisa, S.A.U.	1,099,071	-
Total	**1,333,277**	**233,677**

These loans are tied to Euribor and mature at long term.

The detail of "Non-Current Loans to Subsidiaries" at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	**2011**
ACS Servicios, Comunicaciones y Energía, S.L.	812,508	545,173
Dragados, S.A.	800,437	679,527
Admirabilia, S.A.	386,072	-
Aurea Fontana, S.L.	218,814	218,201
Villa Aurea, S.L.	151,530	149,624
Roperfeli, S.L.	54,220	42,213
PR Pisa, S.A.U.	14,870	1,283,602
Residencial Monte Carmelo, S.A.	5,578	37,912
Others of lesser amounts	39,189	46,066
Total	**2,483,218**	**3,002,318**

The balance payable to Dragados, S.A. relates to a credit agreement which matures annually and is automatically renewable, except in the case of express prior notice of termination by the parties thereto, and it bears interest at a rate tied to Euribor.

The amount payable to ACS Servicios, Comunicaciones y Energía, S.L. relates to a credit facility initially maturing at 31 July 2013, which is tacitly renewable annually and amounted to EUR 811,110 thousand at 31 December 2012. It bears interest at a rate tied to Euribor.

The transactions between Subsidiaries and Associates are performed on an arm's-length basis as in the case of transactions with independent parties.

17.3 Remuneration of the Board of Directors and Senior Executives

The breakdown of the remuneration received in 2012 and 2011 by the members of the Board of Directors and Senior Executives of the Company is as follows (in thousands of euros):

	2012	
	Wages (fixed and variable)	**By-law-stipulated directors' emoluments**
Board of Directors	7,299	2,239
Senior executives	2,871	-

	2011	
	Wages (fixed and variable)	**By-law-stipulated directors' emoluments**
Board of Directors	6,957	2,389
Senior executives	3,068	-

Other amounts payable to the members of the Board of Directors and Senior Executives of ACS, Actividades de Construcción y Servicios, S.A. relate to the following:

	2012			
	Pension Plans	**Insurance premiums**	**Share options**	**Other**
Board of Directors	1,811	16	1,808	-
Senior executives	766	2	491	-

	2011			
	Pension Plans	**Insurance premiums**	**Share options**	**Other**
Board of Directors	1,955	16	1,808	-
Senior executives	710	3	491	-

At 2012 and 2011 year-end, no advances or loans had been granted to the members of the Board of Directors nor to the Company's Senior Executives. Nor had any termination benefits been received by the members of the Board of Directors or the Company's Senior Executives.

The balances included under “Share Options” relate to the portion charged to the income statement as a result of the share options granted to Board Members with executive functions. This amount relates to the proportion of the value of the plan at the date on which it was granted.

17.4 Detail of directors’ equity interests in companies engaging in similar business activities and performance by directors, as independent professionals or as employees, of similar activities

Pursuant to Article 229 of the Consolidated Text of the Spanish Corporations Law, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. in which the members of the Board of Directors own equity interests at 2012 year-end, and the functions, if any, that they discharge thereat:

Owner	Investee Company	Activity	Ownership Interest	Functions
Joan David Grimá Terré	Cory Environmental Management Limited	Environment	0.000%	Director
Pedro López Jiménez	GTCEISU Construcción, S.A. (Terratest Group).	Special Foundations	45.00%	Chairman (through Fapindus, S.L.)
Santos Martinez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Técnicas Reunidas, S.A.	Construction of Industrial Facilities	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Enagas, S.A.	Energy	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Julio Sacristán Fidalgo	Abertis Infraestructuras, S.A.	Concessions	0.00%	None
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Director acting severally
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
Juan March de la Lastra	Indra Sistemas, S.A.	Information technologies and defence systems	0.009%	Director
Antonio García Ferrer	Ferrovial, S.A.	Construction and Services	0.000%	None

Also pursuant to the aforementioned law, following is a detail of the activities performed by the directors, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. for 2012.

Name	Activity performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Finance	Employee	Banca March, S.A.	First Deputy Chairman
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Director
Javier Echenique Landiribar	Finance	Employee	Banco Sabadell	Deputy Chairman
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Director
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Director
Juan March de la Lastra	Holding	Employee	Corporación Financiera Alba, S.A.	Director
Juan March de la Lastra	Information Technologies	Employee	Indra Sistemas, S.A.	Director
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Deputy Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Industrial REA, S.A.	Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Director
Antonio García Ferrer	Industrial Services	Employee	ACS, Servicios, Comunicaciones y Energía, S.L.	Director
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Agustín Batuecas Torrego	Transport interchange	Employee	Avenida de América Transport Interchange	Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Continental Raíl, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Transport Interchange Príncipe Pío, S.A.	Individual representing Iridium Concesiones de Infraestructuras, S.A., Chairman
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Iridium Concesiones de Infraestructuras, S.A., Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Director
Pedro José López Jiménez	Construction and Services	Employee	Hochtief, A.G.	Director
Pedro José López Jiménez	Paper	Employee	Ence, S.A.	Director
Pedro José López Jiménez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Deputy Chairman

Name	Activity performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Acting chairman and Deputy Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Acting chairman and Deputy Chairman
Pedro José López Jiménez	Special Foundations	Employee	GTCEISU Construction, S.A.	Chairman (through Fapindus, S.L.)
Santos Martínez-Conde Gutiérrez-Barquín	Finance	Employee	Banca March, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Holding	Employee	Alba Participaciones, S.A.	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Steel	Employee	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Holding	Employee	Corporación Financiera Alba, S.A.	Board Member - CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Director Secretary
Miguel Roca Junyent	Textile	Employee	La Seda de Barcelona, S.A.	Chairman of the AGM
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Director Secretary
Miguel Roca Junyent	Energy	Employee	Endesa	Independent External Board Members
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Director
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Secretary and Director
José Luis del Valle Pérez	Industrial Services	Employee	ACS, Servicios, Comunicaciones y Energía, S.L.	Secretary and Director
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Secretary and Director
José Luis del Valle Pérez	Engineering and Assembly work	Employee	Cobra Gestión de Infraestructuras, S.L.	Secretary and Director
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A.	Chairman
José Luis del Valle Pérez	Investments	Employee	Del Valle Inversiones, S.A.	Director acting severally

Name	Activity performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
José Luis del Valle Pérez	Construction and Services	Employee	Hochtief, A.G.	Member of the Supervisory Board
Joan David Grimá Terré	Environment	Employee	Cory Environmental Management Limited	Director
Florentino Pérez Rodríguez	Holding	Independent Professional	Inversiones Vesán, S.A.	Director
Julio Sacristán Fidalgo	Holding	Employee	Inversiones Vesán, S.A.	Director
Sabina Fluxá Thienemann	Tourism	Employee	Iberostar Hoteles y Apartamentos, S.L.	Director

In 2012 and 2011 the Company performed commercial transactions with companies in which certain of its Board Members perform management functions. All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

The members of the Company's Board of Directors have had no conflicts of interest over the year.

18.- Discontinued operations

At 31 December 2012 and 2011, there were no balances, revenue or expenses relating to discontinued operations.

19.- Other disclosures

19.1 Employee receivables

The average number of employees in 2012 and 2011, broken down by category, is as follows:

Category	2012		
	Men	**Women**	**TOTAL**
University graduates	27	6	**33**
Further education college graduates	3	1	**4**
Non-graduate line personnel	-	12	**12**
Other staff	4	-	**4**
Total	**34**	**19**	**53**

Category	2011		
	Men	**Women**	**TOTAL**
University graduates	25	6	**31**
Further education college graduates	3	1	**4**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	**35**	**20**	**55**

Also, the distribution by gender at the end of 2012 and 2011, broken down by category, is as follows:

Category	2012		
	Men	Women	TOTAL
University graduates	25	6	**31**
Further education college graduates	3	1	**4**
Non-graduate line personnel	-	12	**12**
Other staff	4	-	**4**
Total	**32**	**19**	**51**

Category	2011		
	Men	Women	TOTAL
University graduates	26	6	**32**
Further education college graduates	3	1	**4**
Non-graduate line personnel	-	12	**12**
Other staff	7	-	**7**
Total	**36**	**19**	**55**

19.2 Fees paid to auditors

In 2012 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same Group or related to the auditors amounted to EUR 205 thousand (EUR 205 thousand in 2011). No fees were billed for tax counselling services in 2012 or 2011. The additional fees billed by Deloitte, S.L. for audit-related services in 2012 amounted to EUR 522 thousand (EUR 522 thousand in 2011). The fees billed by Deloitte for other services amounted to EUR 214 thousand in 2012 (EUR 147 thousand in 2011).

19.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as guarantor to Subsidiaries and Associates, mainly in certain concession projects, to be presented to Government bodies and private customers in order to secure the correct performance of their projects. The guarantees granted at 31 December 2012 amounted to EUR 391,468 thousand (EUR 385,220 thousand at 31 December 2011).

Company management considers that any unforeseen liabilities which might arise from the guarantees provided would not be material. In this connection, in relation to one of the concession companies in which the Company holds an indirect ownership interest, the minority interests have a potential option to sell. However, the Group and its legal advisers do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements. In these cases, the directors of the Company consider that the possible effect on the financial statements would not be material.

19.4 Disclosures on the deferral of payments to suppliers. Additional Provision Three. "Duty of Disclosure" of Spanish Law 15/2010, of 5 July

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July for these first financial statements prepared since the entry into force of the Law, neither at 31 December 2012 nor at 31 December 2011, were there any balances payable to suppliers that were past due by more than the maximum payment period.

This balance relates to suppliers that because of their nature are trade creditors for the supply of goods and services, and therefore, it includes the figures relating to "Payable to Suppliers" and “Payable to Suppliers - Subsidiaries and Associates" under current liabilities in the balance sheet.

The maximum payment period applicable to the Company under Law 3/2004, of 29 December, on combating late payment in commercial transactions is 75 days.

The following table provides information relating to the deferral of payments to suppliers, in accordance with the Spanish Accounting and Audit Institute resolution of 29 September 2010 implementing the duty of disclosure regulations provided in Law 15/2010 of 5 July:

	Thousands of Euros	**%**
Within the legal maximum period	88,733	98.60%
Remainder	1,256	1.40%
Total	**89,989**	**100.00%**
Weighted average days outstanding	37.45 days	

AWPE is understood to be the “Average weighted period by which the payment deadline was exceeded", the ratio between the payments made to all suppliers in the year within a period exceeding the legal payment term and the number of days by which this deadline was exceeded, over the total amount of payments made in the year subsequent to the legal deadline.

20.- Events after the balance sheet date

On 23 January 2013, ACS, Actividades de Construcción y Servicios, S.A. definitively sold a total of 20,200,000 direct and indirect treasury shares to three entities at a price which was the weighted average of the quoted price until 2pm on the same day less 3%, which gave rise to a unit price of EUR 17.83 and a total amount of EUR 360,166,000 (see Note 11.5).

In addition, the Company entered into a derivative contract for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year.

On 21 March 2013, using the authorisation granted by the General Shareholders' Meeting held on 25 May 2009, and executing the agreement of its Board of Directors of 8 November 2012, the Company executed a programme “*Euro Commercial Paper* (ECP)” for a maximum amount of EUR 500 million, which was subscribed to the Irish Stock Exchange. Through this program, ACS may issue promissory notes maturing between 1 and 364 days, thereby making it possible to diversify the financing channels in the capital market.

21.- Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

2012 Directors' Report of ACS, Actividades de Construcción y Servicios, S.A.

21 March 2013

1.- Company's business performance in 2012

In 2012, the Group reported sound profit from operations, as a result of the activity of its industrial and operating companies, which continue to show a solid performance in terms of sales and profitability.

Following is a summary of the consolidated financial aggregates, prepared in accordance with IFRS-EU:

Key operating and financial aggregates			
Millions of Euros	**2011**	**2012**	**Var.**
Sales	**28,472**	**38,396**	**+34.9%**
Order book	**66,152**	**65,626**	**-0.8%**
Months	22	21	
Gross profit from operations (EBITDA)	**2,318**	**3,088**	**+33.3%**
Margin	8.1%	8.0%	
Operating Profit (EBIT)	**1,333**	**1,579**	**+18.5%**
Margin	4.7%	4.1%	
Net Ordinary Profit*	**782**	**705**	**-9.9%**
Net Profit Attributable	**962**	**(1,926)**	**n.a.**
EPS	**€3.24**	**€-6.61**	**n.a.**
Funds Obtained from Operations	**1,287**	**1,299**	**+1.0%**
Funds Obtained excl. HOT & IBE**	467	902	+93.1%
Net investments	**2,902**	**(2,285)**	**n.a.**
Investments	4,755	2,496	-47.5%
Disposals	1,854	4,781	+157.9%
Net Borrowings	**9,334**	**4,952**	**-46.9%**
Hochtief AG	990	1,164	+17.6%
ACS exHOT	8,344	3,788	-54.6%

NOTE: Data presented in accordance with ACS Group management criterion. HOCHTIEF was fully consolidated since 1/06/11.

* Net Profit excluding extraordinary profit/loss.

** Does not include the funds generated from operations at HOCHTIEF AG and Iberdrola.

The main item of income of ACS Actividades de Construcción y Servicios S.A. relates to the dividends received from companies forming part of the consolidated group, a detail of which is as follows:

Dividends	**2011**	**%**	**2012**	**%**	**Var 11/12**
Construction	205.1	22%	133.9	7%	-34.7%
Environment	56.0	6%	61.3	3%	9.5%
Industrial Services	335.5	35%	359.1	19%	7.0%
Other	346.8	37%	1,381.6	71%	298.4%
Total	**943.4**		**1,936.0**		**105.2%**

Aside from receiving dividends from its industrial and operating companies, ACS, Actividades de Construcción y Servicios, S.A. also received dividends with a charge to reserves of certain of the Corporation's vehicle companies, in order to reorganise the equity structure thereof as a result of the transactions performed in 2012 in relation to the investment in Iberdrola.

2.- Treasury shares

At 31 December 2012, the ACS Group had 4,135,813 treasury shares, accounting for 1.314% of its share capital. The detail of the transactions performed in the year is as follows:

	2012		2011	
	Number of shares	**Thousands of euros**	**Number of shares**	**Thousands of euros**
At beginning of the year	**6,375,880**	**169,653**	**19,542,383**	**683,491**
Purchases	9,393,512	155,880	9,685,326	274,541
Sales	(4,013,784)	(81,295)	(22,851,829)	(788,379)
2011 bonus paid	(287,700)	(7,655)	-	-
Depreciation	(7,332,095)	(162,740)	-	-
At end of the year	**4,135,813**	**73,843**	**6,375,880**	**169,653**

On 7 July 2012, 7,332,095 treasure shares were retired with a carrying amount of EUR 162,740 thousand in accordance with the resolutions adopted by the General Shareholders' Meeting held on 31 May 2012.

In 2011 sales included the Hochtief takeover bid exchange ratio as well as the sale of its subsidiary, PR Pisa, S.A.U.

At the end of 2012 and 2011, these shares represented 1.31% and 2.03% of the share capital, respectively.

On 23 January 2013, ACS, Actividades de Construcción y Servicios, S.A. definitively sold to three entities a total of 20,200,000 direct and indirect shares of its treasury stock for a total amount of EUR 360,166,000 thousand. In addition, the Company entered into certain derivative contracts for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year.

3.- Risk management policy

3.1 Main risks and uncertainties faced by ACS, Actividades de Construcción y Servicios, S.A.

The ACS Group operates in sectors, countries and social, economic and legal environments which involve the assumption of different levels of risk caused by these determining factors.

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole.

For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, and to minimise the risk, prioritising their significance as necessary.

The ACS Group's 2012 Corporate Governance report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates affecting cash flows are mitigated by hedging the rates through the use of financial instruments which cushion their fluctuation. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

The risk of fluctuations in the rate of exchange is managed by acquiring debt instruments in the same effective currency as the assets that the Group finances abroad. In order to hedge net positions in currencies other than the Euro, the Group arranges different financial instruments to reduce the exposure to the risk of changes in exchange rates.

To manage the liquidity risk arising from temporary imbalances between funding requirements and the generation thereof, a balance is procured between the term and debt flexibility arranged through the use of staggered financing which caters for the Group's funding needs. This is linked to the management of capital by maintaining a financial-equity structure which is optimal for reducing costs, while safeguarding the capacity to continue operating with appropriate debt ratios.

Finally, credit risk caused by the non-payment of commercial loans is dealt with through the preventive assessment of the solvency rating of potential Group customers, both at the commencement of the relationship with these customers for each work or project and during the term of the contract, through the evaluation of the credit quality of the outstanding amounts and the revision of the estimated recoverable amounts in the case of those considered doubtful receivables.

A full breakdown of the mechanisms used to manage financial risks and of the financial instruments used to hedge these risks is included in the notes to both the Company's separate financial statements and the Group's consolidated financial statements for 2012.

4.- Human resources

In 2012, ACS Actividades de Construcción y Servicios S.A. employed 53 people. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The ACS Group had a total 161,865 employees at 31 December 2012.

5.- Technological innovation and environmental protection

ACS Actividades de Construcción y Servicios, S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy its customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect for the environment by implementing measures to prevent or minimise the environmental impact of the Group's infrastructure development and service activities.

5.1 Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of on-going improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc., in all its activities.

5.2 Environmental protection

As in the previous case, on an individual basis, the Company does not carry out any environmental activity, due to the nature of its business. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials deriving from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

The ACS Group, in response to its vocation maintained since its formation to protect the environment, works on various initiatives to continue promoting the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce its use of water and have a minimum impact on biodiversity. In 2012, it continued to use, for yet another year, its Environmental Management System which includes the detailed procedures of each Group company in the area of environmental protection.

6.- <u>Significant events subsequent to year-end</u>

On 23 January 2013, the ACS Group definitively sold a total of 20,200,000 direct and indirect treasury shares to three entities at a price which was the weighted average of the share price at 2:00 pm on the same day, less 3%, which gave rise to a unit price of EUR 17.83 and a total amount of EUR 360,166,000.

In addition, the Group entered into a derivative contract for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year.

On 21 March 2013, using the authorisation granted by the General Shareholders' Meeting held on 25 May 2009, and executing the agreement of its Board of Directors of 8 November 2012, the Company executed a programme "*Euro Commercial Paper* (ECP)" for a maximum amount of EUR 500 million, which was subscribed to the Irish Stock Exchange. Through this program, ACS may issue promissory notes maturing between 1 and 364 days, thereby making it possible to diversify the financing channels in the capital market.

7.- <u>Outlook for 2013</u>

The ACS Group expects to increase its revenue in 2013, improve its profitability ratios and reduce the net debt of its balance sheet to approximately EUR 3,000 million.

In order to achieve such objectives, the ACS Group will reinforce the global growth of its activities, in developed profitable markets, and in activities related with civil and industrial infrastructure.

It will implement measures to improve HOCHTIEF's profitability, including ACS's risk control system, focused mainly on four basic aspects: country selection, project size, collection security and performance of the work. The objective is to ensure that all the Group companies, in all their markets and activities, are profitable on a sustainable basis.

Lastly, the ACS Group will continue to reduce its net debt, selling non-strategic assets and generating cash as a consequence of its operating activities

8. <u>Annual Corporate Governance Report</u>

In accordance with commercial law, following is the Annual Corporate Governance Report, which forms an integral part of the 2012 Directors' Report.

SUPPLEMENTARY REPORT TO THE 2012 ANNUAL CORPORATE GOVERNANCE REPORT ADMITTED BY THE BOARD OF DIRECTORS OF ACS, ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A. PURSUANT TO THE PROVISIONS OF ARTICLE 61 BIS 4, H OF THE SECURITIES MARKET LAW.

Securities that are not admitted to trading on a regulated market in a Member State, indicating the different classes of shares, if any, and the rights and obligations conferred for each class of shares.

No securities have been issued by the Company which are traded on a market other than the EU market.

***Any restrictions on the transfer of securities and any restrictions on voting rights*.**

In accordance with Article 8 of the Company's bylaws, shares are represented by means of book entries under the conditions and requirements established by law. There are no statutory restrictions on the transferability of shares representing the company's share capital.

As a listed company, the acquisition of a percentage of ownership of 30% or more of the Company's share capital or voting rights requires that a takeover bid be launched, in the terms provided for in Article 60 of Securities Market Law 24/1988 and Royal Decree 1066/2007, of 27 June.

There are no specific restrictions on voting rights, although, in relation to attendance rights, Article 23 of the bylaws provides that *"The General Meeting comprises all those that hold at least one-hundred shares, either present or represented. The owners or holders of less than one hundred shares may pool their shares in order to reach such number and may be represented either by one of them or by another shareholder who alone possesses the number of shares required to form part of the General Meeting*".

Rules for amending the Company's bylaws.

The procedure for amending the bylaws is governed by Article 29 and generally, Articles 285 et seq. of the Consolidated Spanish Companies Law, approved by Legislative Royal Degree 1/2010, of 2 July, which require approval by the General Shareholders' Meeting, with the attendance quorums and, if applicable, majorities provided in Articles 194 and 201 of the aforementioned Law.

Such resolutions will be adopted by simple majority, except where under section 2 of the aforementioned Article 201 of the Consolidated Spanish Companies Law, such resolutions must be adopted by the vote in favour of two thirds of the share capital present or represented when the meeting is attended by shareholders representing less than fifty per cent of the subscribed share capital with voting rights. The simple majority required to adopt a resolution shall consist of the vote in favour of the shareholders owning one-half plus one of the shares with voting rights present or represented at the meeting.

***Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and the effects thereof*.**

There are no significant contracts giving rise to the aforementioned circumstance.

Agreements between the Company and its directors, management personnel or employees which provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.

As indicated in sections B.1.13 of the 2012 Annual Corporate Governance Report, 6 senior executives of the various ACS Group companies, including executive directors, have contracts providing for cases such as those envisaged in this connection, with termination benefits of up to five years' annual salary.

A description of the main characteristics of the internal control and risk management systems with regard to statutory financial reporting.

1. COMPANY'S CONTROL ENVIRONMENT

1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICFRS, (ii) its implementation, and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter, ICFRS) is part of the ACS Group's overall internal control system and is set up to provide reasonable assurance regarding the reliability of the financial information published. As stipulated in the Board Regulations of the ACS Group, the Board of Directors is responsible for this system and has delegated the supervisory function thereof to the Audit Committee in accordance with its regulations.

In accordance with Article 4 of its Regulations, the Board of Directors has the power, among other functions, to approve, "the financial information to be periodically made public by the Company given that it is listed on the stock exchange". In accordance with this article, the functions of the Board that cannot be delegated include *"preparing the individual and consolidated financial statements and directors' reports and submitting them for approval at the General Shareholders' Meeting" and approving "the risk management and control policy and the periodic monitoring of the internal reporting and control systems".*

General Corporate Management of the ACS Group is responsible for the Group's ICFRS. This entails defining, updating and monitoring the system to ensure that it operates correctly.

The head of each business area is responsible for designing, reviewing and updating the system in accordance with its own needs and characteristics. General Corporate Management validates these designs and their operation to guarantee compliance with the objectives set to assure the reliability of the financial information reported.

In relation to the above, Article 23 of the Regulations of the Board of Directors establishes that the Audit Committee is responsible, inter alia, for the following functions:

- "*Monitor the effectiveness of the Company's internal control, internal audit, and if applicable, risk management systems, and discuss any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms".*

- *"Oversee the preparation and presentation of the regulated financial information".*

Accordingly, Hochtief, which has formed part of the ACS Group as an investee since June 2011, lists its shares on the German stock market and, in turn, has majority ownership interest in Leighton, which in turn lists its shares on the Australian stock market. Both companies have implemented their own risk management and internal control over financial reporting systems in accordance with applicable legislation. Additional information on these systems can be found in their 2012 annual reports and is available at www.hochtief.com and www.leighton.com.au.

1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process: departments and/or mechanisms in charge of (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) implementing procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

In accordance with the Regulations of the Board of Directors, the Appointments and Remuneration Committee under this Board is responsible, inter alia, for nominating senior executives, in particular those who are to be a member of the Group's Management Committee, and proposing the basic conditions of their contract.

Corporate General Management, in the case of ACS, Actividades de Construccion y Servicios, S.A., and the CEO or Chairman, in the case of the various business areas, are responsible for determining the organisational structure.
In 2012 the organisational chart of the various business areas was updated and sent to the interested parties.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The ACS Group has a General Code of Conduct which was approved by the Board of Directors on 15 March 2007, which was last updated by agreement of the Executive Committee of the

Board of Directors on 30 August 2011. This Code has been disseminated and is accessible to all employees via the Group's web page.

In this regard, paragraph 4.2.5 of the General Code of Conduct emphasises the principle of transparency. The Code stipulates that "specifically, it will ensure the reliability and completeness of the financial information which, in accordance with applicable law, is publicly supplied to the market. In particular, the accounting policies, control systems and monitoring mechanisms defined by the ACS Group in order to identify relevant information shall be identified, prepared and communicated in due time and form".

"Additionally, the Board of Directors and other governing bodies shall periodically ensure the effectiveness of the internal control system over financial information reported to the markets".

To ensure compliance with the General Code of Conduct, resolve incidents or concerns about its interpretation and take the measures required to ensure the best compliance, the above Code provides for the creation of a General Code of Conduct Monitoring Committee to be composed of three members appointed by the Board of Directors of the ACS Group following their nomination by the Appointments and Remuneration Committee.

This Monitoring Committee has been assigned the following functions:

- Promote the dissemination, knowledge of and compliance with the Code in each and every one of the Group companies.
- Establish the appropriate communication channels so that each employee may obtain or provide information regarding compliance of this Code, guaranteeing the confidentiality of the complaints processed at all times.
- Interpret the regulations stemming from the Code and supervise their implementation.
- Ensure the truthfulness and impartiality of any proceedings initiated, as well as the rights of the persons allegedly involved in possible breaches.
- Define the cases in which the scope of application of the Code should be extended to third parties which are to have commercial or business relationships with the ACS Group.
- Prepare information including the level of compliance with the Code and disclose the specific related indicators.
- Prepare an annual report on its actions and make the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

The Annual Report on Actions and Recommendations of the General Code of Conduct Monitoring Committee for 2012 will be submitted by the Audit Committee in March 2013.

- **Whistle-blowing channel, for reporting to the Audit and Control Committee any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

In accordance with the foregoing, the General Code of Conduct has established an Ethics Channel allowing any person to report irregularities observed in any of the ACS Group companies, or behaviour that fails to comply with the rules provided in the General Code of Conduct.

For this purpose, there are two channels of communication:

- E-mail: canaletico@grupoacs.com

- Postal address: Ethics Channel
  Grupo ACS
  Avenida de Pío XII, nº 102
  28036 Madrid, Spain

In any case, the General Code of Conduct ensures the confidentiality of all complaints received by the Monitoring Committee through these channels.

In 2012 ten files were processes as a result of complaints already closed during this year as well as one query which was answer during the year.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFRS, which address, at least, accounting rules, auditing, internal control and risk management.**

In regard to training and refresher courses, the ACS Group believes that continuous training for its employees and managers both at the corporate level and at the Group company level is important. Relevant and up-to-date training on regulations that affect financial reporting and internal control is considered to be necessary to ensure that the information reported to the markets is reliable and in accordance with the law in force.

Therefore within the Group's scope of consolidation, a group of approximately 900 employees working in the economic-financial area have received approximately 29,750 hours of training in finance, accounting, consolidation, auditing, internal control and risk management in 2012.

2. RISK ASSESSMENT IN FINANCIAL REPORTING

2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented.**
- **The process covers all financial reporting objectives, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if it is updated and how often.**

- **A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**
- **The process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.**
- **Which of the company's governing bodies monitors the process.**

The ACS Group has established a risk management system that supports a range of actions in order to comply with the objectives established by the Board of Directors. The Corporate Risk Map is updated annually and summarises the Group's situation in relation to its main risks, except for those with regard to Hochtief since it has its own risk control systems.

The Risk Map includes the identification, assessment, classification, valuation, management and monitoring of risks at both the Group level and that of the operating units. In light of the above, the risks identified are as follows:

- ✓ Corporate risks: which affect the Group as a whole and, in particular, the listed Company.
- ✓ Business risks: which specifically affect each of the business areas and change based on the unique characteristics of each business area.

These risks were basically measured qualitatively in order to establish both their importance and probability of occurrence, however an objective or quantitative risk indicator was established as much as possible.

Accordingly, the risks are classified as follows:

- Operational risks
- Non-operational risks

This system is explained in section D of the ACGR in the description of the general risk policy of the ACS Group.

In addition to financial risks (liquidity, exchange rate, interest rate, credit and equity), *non-operating risks* also includes those risks relating to the reliability of the financial information.

As part of ICFRS management, the ACS Group has a procedure that allows its scope to be identified and maintained by identifying all relevant subgroups and divisions, as well as the significant operating and support processes of each of the subgroups or divisions. This identification was carried out based on the materiality and risks factors that are inherent to each business.

The materiality criteria are established, on one hand, from the quantitative point of view in accordance with the most recent consolidated financial statements based on the various parameters, such as revenue, volume of assets or profit before tax and, on the other hand, from the qualitative point of view in accordance with various criteria, such as the complexity of the information systems, the risk of fraud or accounting based on estimates or bases that may have a subjective component. In practice, this means being able to determine which of the accounting headings of the financial statements are material, as well as other relevant financial information. In addition, the processes or business cycles in which this information is generated are identified.

This assessment is performed on an annual basis and based on which companies are included in or excluded from the Group's scope of consolidation. This scope is reviewed quarterly.

Corporate General Management of the ACS Group is responsible for updating the scope of the Internal Control over Financial Reporting System, and informing the various business areas and the auditor.

For each process or business cycle included within the scope, the Group has identified the risks that can specifically affect financial reporting taking into account all of the financial reporting objectives (existence and occurrence; integrity; valuation; rights and obligations; and presentation and disclosure), and taking into account the different risk categories contained in section D of the ACGR to the extent that they affect financial reporting.

The Board of Directors has the power to approve the risk management and control policy and the periodic monitoring of the information and control systems, while the Audit Committee has the power to oversee the risk management systems.

3. CONTROL ACTIVITIES

3.1. Procedures for reviewing and authorising the financial information and description of the ICFRS to be disclosed to the markets, indicating who is responsible in each case; and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Prior to their approval by the Board of Directors and to their publication, General Corporate Management must submit both the annual and half-yearly condensed financial statements as well as any other periodic public information supplied to the markets to the Audit Committee, taking into consideration the most relevant effects and those matters whose contents or components are based more on accounting opinions or assumptions for the purpose of calculating estimates and provisions.

Prior to the publication of the financial statements, those responsible for each line of business are required to review the information reported for the purposes of consolidation in their respective areas of responsibility.

This report with the description of the ICFRS is prepared by Corporate General Management based on the information supplied by all affected departments and business areas, and is submitted for review and approval by the Audit Committee.

All business areas which are relevant for the purpose of financial reporting have different controls to ensure the reliability of the financial information. These controls are documented for the significant business cycles based on the internal procedures used, as well as the reporting systems which are used as the basis for preparing the financial information of each business area.

The Group documents in a systematic and homogeneous manner the significant processes, risks and control activities implemented in the business areas. This documentation is based on the following:

- Identification of the companies and processes or business cycles that may significantly affect the financial information. Each significant process has a flow chart and a narrative description of key activities.
- Identification of the risks and controls established to mitigate the financial reporting risks and those responsible for this control, under a common methodology.

The processes considered within the scope include the operating business cycles and the accounting close, reporting and consolidation. The possible risks of fraud and the specific review of relevant judgements, estimates, evaluations and projections are taken into account in each of the business cycles.

3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Following a policy of decentralisation and independence of each of its lines of business, the ACS Group does centrally manage its information systems, but rather each of business areas manages these resources based on the particular features of each line of business. This is not an obstacle that prevents each of the business areas from defining their internal control policies, standards and procedures regarding information systems and security management. In this regard, the Information Systems Coordinator was created in 2012 to provide support to the ACS Group's General Corporate Management to implement the application of the information systems policies approved in each of the Group's divisions.

Access to the information systems is managed in accordance with tasks assigned to each job position, and each company defines its users' profiles for accessing, modifying, validating or consulting information following a criterion of segregation of duties. Management of access, changes in the applications and the flows of approval are defined in the procedures of each business area, as well as the responsibilities of those responsible for monitoring and control.

The control mechanisms for the recovery of information and information systems are defined in the corresponding continuity plans. Each of the business areas has storage and backup processes at different locations that provide for contingencies if necessary. Each Group company also establishes the required security measures against leakage or loss of physical and logical information depending on the level of confidentiality.

The main information systems have protection against viruses and trojans, and elements that are periodically updated to prevent intrusion in the information systems.

3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The ACS Group does not usually subcontract work to third parties that could materially affect the financial statements.

In any case, when the ACS Group outsources work to third parties it ensures the technical training, independence and skills of the subcontractor. In the case independent experts are used, the person responsible for contracting these experts must validate the conclusions reached from their work.

In the specific case of valuations made by independent experts, the criteria and results thereof are revised by Group management or by management of the business areas that are affected, requesting comparison valuations when necessary.

4. INFORMATION AND COMMUNICATION

4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations; and a manual of accounting policies regularly updated and communicated to all the company's operating units.

Corporate General Management, through the Corporate Administration Department, is responsible for defining and updating the accounting policies and responding to queries and doubts arising from the implementation of the applicable accounting regulations. This can be done in writing and replies to queries are made as quickly as possible depending on their complexity.

The Group has an accounting policies manual that is in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union. This manual is applicable to all companies included in the Group's scope of consolidation and to its joint ventures and associates.

In cases where the ACS Group does not have control but does have a significant influence, the required adjustments and reclassifications are made to the associate's financial statements in order to assure that the accounting criteria is uniform with that of the rest of the Group.

Group companies may have their own manual as long as it does not contradict that indicated in the Group's manual so as to be able to ensure the uniformity of the accounting policies of ACS.

4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning the ICFRS.

Reporting to Corporate General Management of the ACS Group is carried out in accordance with the following guidelines:

1) *Reporting frequency*

   Once the meeting schedule of the Executive Committee and the Board of Directors is set, the reporting dates and type of information to be reported are sent to the various heads of the divisions or Group companies on an annual basis.

2) *Type of reporting*

   The information to be reported varies and is detailed based on the reporting period (monthly / quarterly / half-yearly / annually).

3) *Format for reporting financial information*

   The information to be sent to the Administration Department (Corporate General Management) by the various business areas is reported using the Cognos Consolidator consolidation program (mainly for the balance sheet and income statement), and various Excel templates parameterized and automated for the aggregation and elaboration of various information, usually of an off-balance sheet and management nature.

   For the preparation of the consolidated financial statements, all business areas must report any changes in the scope of consolidation of their business area prior to the end of the month. As this information is sent from the 3rd to the 6th of each month, the reporting file includes the parameterisation of the consolidation system, which specifically includes the scope of consolidation affecting the entire ACS Group.

4) *Internal control reporting model*

   The ACS Group has defined a reporting system for the most significant controls included within the framework of the Internal Control over Financial Reporting System, in which each person responsible for its implementation and monitoring must send the Group's General Corporate Management a report detailing its operations during the period.

This reporting was carried out in 2012 and is expected to be implemented with the publication of the half-yearly financial statements of the ACS Group.

5. SUPERVISION OF THE OPERATION OF THE SYSTEM

5.1. The ICFRS monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including the ICFRS during the period and the procedure by which the area responsible for performing the assessment reports its results, if the entity has an action plan detailing possible corrective measures and whether their impact on the financial statements has been taken into consideration.

The ACS Group's Internal Audit Department is set up as an independent service, the function of which is to provide support to the Group's Board of Directors and senior management in the examination, evaluation and supervision of the internal control and risk management systems both of the Parent and the other companies forming part of the Group.

The ACS Group's Internal Audit Department carries out its functions through the Internal Corporate Audit department and the auditors of the Group's various business areas.

The Corporate Internal Audit Department is included in the organisational structure as a body hierarchically subordinated to the Corporate General Management and functionally subordinated to the Audit Committee of the Board of Directors. It has no hierarchal or functional link to the business areas. Therefore, the appointment/dismissal of the person responsible is at the suggestion of the Audit Committee.

In turn, the internal audit departments of the Parents of the Group's business areas hierarchically depend on the Chairman and/or CEO of these areas and functionally on the Corporate Internal Audit Department.

The functions assigned to the Internal Audit Department are as follows:

- Review the implementation of policies, procedures and standards established in the Group, as well as the operations and transactions performed.

- Identify faults or errors in the systems and procedures, indicating their causes, issuing suggestions for improvement in the internal controls established and monitoring recommendations adopted by the management of the various business areas.

- Review and assess the reliability of the internal control systems over economic and financial reporting.

- Report any anomalies or irregularities identified, recommending the best corrective actions and following up on the measures taken by the management of the different business areas.

The Corporate Internal Audit Department submits the Annual Audit Plan each year for approval by the Audit Committee. This Audit Plan is consolidated and prepared by the internal audit departments of the Group companies, except, as indicated in point 1.1, for Hochtief and Leighton, which have their own audit committees.

The Corporate Internal Audit Manager periodically submits to the Audit Committee a summary of the reports already drafted and the status of the internal audits of the various business areas in which they are acting.

The Corporate Internal Audit Department submitted the 2012 Activities Report and the 2013 Audit Plan to the Audit Committee in February 2013.

The audits carried out are as follows:

- Audits of specific projects
- Audits of branches or geographic areas within a company.
- Audits of processes or specific areas
- Audits of companies or groups of companies.

In 2012 the various internal audit departments of the business areas carried out the following work:

- 23 complete audits of Spanish and foreign subsidiaries, offices, unincorporated temporary joint ventures and contracts.
- 90 audit procedures on the various areas and processes
- Support in preparing internal procedures and documenting the internal control over financial reporting system in the Environment Area.

5.2. A discussion procedure whereby the auditor (pursuant to TAS), the Internal Audit Department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. Also report any action plan in place to correct or mitigate weaknesses observed.

In accordance with the Regulations of the Board of Directors, the Audit Committee has the following functions:

- *Monitor the effectiveness of the company's internal control, internal audit, and if applicable, risk management systems, and discuss any significant weaknesses in the* *internal control system identified during the performance of the audit with the auditors or audit firms.*

- *Establish the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards.*

As a result of this work, the internal audit departments of the Group companies issue a written report which summarises the work carried out, the situations identified, the action plan including, where applicable, the timetable and persons responsible for correcting the situations identified, and opportunities for improvement. These reports are sent to the head of the business area and to Corporate General Management.

As mentioned above, the Corporate Internal Audit Manager submits an Activities Report to the Audit Committee which contains a summary of the activities carried out and the reports drawn up during the year, as well as the main significant aspects and recommendations contained in the various reports.

The Audit Committee holds meetings with the external auditor on a regular basis and, in any case, whenever there is a review of the interim financial statements for the first and second half of the year prior to their approval, and prior to the meeting held by the Board of Directors to prepare the annual individual financial statements of the parent, and the consolidated statements of the ACS Group. Additionally, it holds formal meetings to plan the work of external auditors for the current year as well and to report the results that have been obtained in the preliminary review prior to the end of the financial year.

In 2012, the external auditor attended seven Audit Committee meetings.

6. Whether the ICFRS information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be included. Otherwise, explain the reasons for the absence of this review.

The information relating to the ICFRS issued to the markets for 2012 was reviewed by the external auditor. The review was carried out in accordance with the Action Guide Draft dated 28 October 2011 and its related auditors' report model that was published by the corporations representing the auditors.