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

Financial Statements for the year ended 31 December 2013 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.*

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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## 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 2013 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 2013 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2013, 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 2013 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 2013 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 2013. 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

Ignacio Alcaraz Elorrieta
27 March 2014

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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

Financial statements and
Directors' Report
for the year ended
31 December 2013

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

**BALANCE SHEET AT 31 DECEMBER 2013**

**(Thousands of Euros)**

| ASSETS | Note | 31/12/2013 | 31/12/2012 ( * ) | EQUITY AND LIABILITIES | Note | 31/12/2013 | 31/12/2012 ( * ) |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **5,752,186** | **6,101,440** | **EQUITY** | 11 | **2,447,039** | **1.626.790** |
| **Intangible assets** | 5 | **631,857** | **631,858** | ***SHAREHOLDERS' EQUITY*** | | **2,414,989** | **1.630.866** |
| Goodwill | | 631,855 | 631,855 | **Share capital** | | **157,332** | **157.332** |
| Computer software | | 2 | 3 | **Share premium** | | **897,294** | **897.294** |
| **Property, plant and equipment** | 6 | **6,979** | **8,086** | **Reserves** | | **784,610** | **1.268.979** |
| Land and buildings | | 395 | 395 | Legal and statutory | | 35,287 | 35.287 |
| Plant and other items of property, plant and equipment | | 6,584 | 7,691 | Other reserves | | 749,323 | 1.233.692 |
| **Investment property** | 7 | **1,149** | **1,201** | **Treasury shares and equity interests** | | **(64,958)** | **(73.843)** |
| **Non-current investments in Group companies and associates** | 9.3 y 17.2 | **3,819,002** | **4,480,474** | **Previous years' earnings** | | **(619,571)** | **-** |
| Equity instruments | | 2,723,384 | 1,870,758 | **Profit (loss) for the year** | | **1,260,282** | **(618.896)** |
| Loans to companies | | 1,095,618 | 2,609,716 | ***ADJUSTMENTS FOR CHANGES IN VALUE*** | | **32,050** | **(4.076)** |
| **Non-current financial assets** | 9.1 | **1,020,779** | **639,712** | | | | |
| Equity instruments | | 587,249 | 57,704 | **NON-CURRENT LIABILITIES** | | **2,817,652** | **3.480.615** |
| Non-current assets relating to financial derivatives | 10 | 18,004 | 226,477 | **Non-current provisions** | 12.1 | **48,429** | **45.138** |
| Other financial assets | 10 | 415,526 | 355,531 | **Non-current liabilities** | 13.1 | **1,897,048** | **1.930.995** |
| **Deferred tax assets** | 14.5 | **272,420** | **340,109** | Bank borrowings | | 1,540,648 | 1.462.697 |
| | | | | Non-current liabilities relating to financial derivatives | 10 | 356,400 | 468.298 |
| | | | | **Non-current payables to Group companies and associates** | 17.2 | **700,467** | **1.333.277** |
| | | | | **Deferred tax liabilities** | 14.6 | **171,708** | **171.205** |
| **CURRENT ASSETS** | | **1,797,812** | **2,159,388** | **CURRENT LIABILITIES** | | **2,285,307** | **3.153.423** |
| **Inventories** | | **1** | **1** | **Current provisions** | | **16,734** | **15.832** |
| **Trade and other receivables** | | **75,426** | **150,742** | **Current liabilities** | 13.2 | **677,516** | **643.850** |
| Trade receivables for sales and services | | 567 | 1,192 | Debentures and bonds | | 304,563 | - |
| Sundry accounts receivable | | 37,854 | 136,344 | Bank borrowings | | 204,029 | 628.961 |
| Employee receivables | | 174 | 180 | Derivative financial instruments | 10 | 20,203 | - |
| Current tax assets | 14.1 | 36,831 | 12,647 | Other financial liabilities | | 148,721 | 14.889 |
| Other accounts receivable from public authorities | 14.1 | - | 379 | **Current payables to subsidiaries and associates** | 17.2 | **1,581,557** | **2.483.218** |
| **Current investments in Group companies and associates** | 17.2 | **636,507** | **1,760,869** | **Trade and other payables** | | **9,500** | **10.523** |
| **Current financial assets** | 9.2 | **1,082,169** | **244,185** | Payable to suppliers | | 75 | 35 |
| **Prepayments and accrued income** | | **1,928** | **2,408** | Sundry accounts payable | | 1,774 | 3.687 |
| **Cash and cash equivalents** | | **1,781** | **1,183** | Remuneration payable | | 5,882 | 5.863 |
| | | | | Current tax liabilities | 14.1 | 11 | 11 |
| | | | | Other accounts payable to public authorities | 14.1 | 1,758 | 927 |
| **TOTAL ASSETS** | | **7,549,998** | **8,260,828** | **TOTAL EQUITY AND LIABILITIES** | | **7,549,998** | **8,260,828** |

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2013.

( * ) Date restated.

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

**INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**
(Thousands of Euros)

| | Note | 31/12/2013 | 31/12/2012 ( * ) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 16.1 | **686,424** | **2,212,316** |
| **Procurements** | | **(1,007)** | **(692)** |
| Cost of raw materials and other consumables used | | (2) | - |
| Contract work carried out by other companies | | (1,005) | (692) |
| **Other operating income** | | **10,728** | **8,535** |
| **Staff costs** | | **(26,755)** | **(30,675)** |
| Wages, salaries and similar costs | | (22,787) | (26,547) |
| Employee benefit costs | 16.2 | (3,968) | (4,128) |
| **Other operating expenses** | | **(19,607)** | **(35,409)** |
| Outside services | | (17,431) | (25,294) |
| Taxes other than income tax | | (931) | (3,490) |
| Losses on, impairment of and change in provisions for trade receivables | | (1,245) | (6,625) |
| **Depreciation and amortisation charge** | 5, 6, 7 | **(1,170)** | **(1,437)** |
| **Other profits or loss** | 16.4 | **(6,712)** | **-** |
| **OPERATING INCOME** | | **641,901** | **2,152,638** |
| **Finance income** | 16.3 | **14,236** | **11,128** |
| From marketable securities and other financial instruments | | 14,236 | 11,128 |
| **Finance costs** | 16.3 | **(248,857)** | **(303,211)** |
| On debts to subsidiaries and associates | | (70,951) | (85,424) |
| On debts to third parties | | (177,906) | (217,787) |
| **Changes in fair value of financial instruments** | 9.1, 10.2 and 16.6 | **396,684** | **(173,122)** |
| **Exchange differences** | 15 | **(1)** | **-** |
| **Impairment and gains or losses on the disposal of financial instruments** | 9.3, 16.5 | **548,552** | **(2,646,381)** |
| Impairment and losses | | 532,425 | (2,523,855) |
| Gains or losses on disposals and others | | 16,127 | (122,526) |
| **FINANCIAL LOSS** | | **710,614** | **(3,111,586)** |
| **PROFIT/(LOSS) BEFORE TAX** | | **1,352,515** | **(958,948)** |
| Income tax | 14.4 | (92,233) | 340,052 |
| **PROFIT/(LOSS) FOR THE YEAR** | | **1,260,282** | **(618,896)** |

The accompanying Notes 1 to 21 are an integral part of the 2013 income statement.
( * ) Date restated.

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

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

### A) Statement of recognised income and expenses for the year ended 31 December 2013

| | | 31/12/2013 | 31/12/2012 ( * ) |
|---|---|---|---|
| **A)** | **Profit (Loss) per income statement** | **1,260,282** | **(618,896)** |
| **B)** | **Income and expenses recognised directly in equity** | **33,599** | **(183,596)** |
| I.- | Measurement of financial instruments | 49,256 | (253,423) |
| II.- | Arising from cash flow hedges | (1,257) | (8,857) |
| III.- | Tax effect | (14,400) | 78,684 |
| **C)** | **Transfers to profit or loss** | **2,527** | **586,936** |
| I.- | Measurement of financial instruments | - | 832,266 |
| II.- | Arising from cash flow hedges | 3,610 | 6,213 |
| III.- | Tax effect | (1,083) | (251,543) |
| **Total recognised income and expense (A + B + C)** | | **1,296,408** | **(215,556)** |

### B) Statement of changes in total equity for the year ended 31 December 2013

| | 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 01/01/2012** | **157,332** | **897,294** | **1,166,308** | **(169,653)** | **766,972** | **(283,198)** | **(407,416)** | **2,127,639** |
| Changes in accounting policies (Note 2.5) ( * ) | - | - | 712 | - | 675 | - | - | **1,387** |
| **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** | **1,268,979** | **(73,843)** | **(618,896)** | - | **(4,076)** | **1,626,790** |
| **I. Total recognised income and expenses** | - | - | - | - | **1,260,282** | - | **36,126** | **1,296,408** |
| **II. Transactions with shareholders or owners** | - | - | **(490,436)** | **8,885** | - | - | - | **(481,551)** |
| 1. Capital increases/(reductions) | 3,927 | - | (3,927) | - | - | - | - | - |
| 2. 2012 acquisition of bonus issue right | - | - | (192,709) | - | - | - | - | (192,709) |
| 3. 2013 bonus issue rights | - | - | (140,970) | - | - | - | - | (140,970) |
| 4. Treasury share and equity interest transactions (net) | (3,927) | - | (152,830) | 8,885 | - | - | - | (147,872) |
| **III. Other changes in equity** | - | - | **(613,504)** | - | **618,896** | - | - | **5,392** |
| 1. Equity instrument based payments | - | - | 5,392 | - | - | - | - | 5,392 |
| 2. Other changes | - | - | (618,896) | - | 618,896 | - | - | - |
| **Balance at 31/12/2013** | **157,332** | **897,294** | **165,039** | **(64,958)** | **1,260,282** | - | **32,050** | **2,447,039** |

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2013.
( * ) Date restated.

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

### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

| | | 31/12/2013 | 31/12/2012 ( * ) |
|---|---|---|---|
| **A)** | **Cash flows from operating activities (1+2+3+4)** | **1,815,494** | **905,317** |
| **1.** | **Profit/(Loss) before tax** | **1,352,515** | **(958,948)** |
| **2.** | **Adjustments to profit (loss)** | **(1,371,310)** | **909,416** |
| (+) | Depreciation and amortisation charge | 1,170 | 1,437 |
| (+/-) | Other adjustments to profit (loss) (net) (Note 2.7) | (1,372,480) | 907,979 |
| **3.** | **Changes in working capital** | **83,474** | **107,869** |
| **4.** | **Other cash flows from operating activities** | **1,750,815** | **846,980** |
| (-) | Interest payable | (225,958) | (253,594) |
| (+) | Dividends received | 1,772,026 | 782,311 |
| (+) | Interest received | 193,764 | 305,277 |
| (+/-) | Income tax recovered (paid) | 10,983 | 12,986 |
| **B)** | **Cash flows from investment activities (1+2)** | **380,396** | **507,846** |
| **1.** | **Investment payables:** | **(29,866)** | **(105,647)** |
| (-) | Group companies, associates and business units | (25,569) | (91,458) |
| (-) | Property, plant and equipment, intangible assets and property investments | (10) | (9) |
| (-) | Other financial assets | (4,287) | (14,180) |
| (-) | Other assets | **410,262** | **613,493** |
| **2.** | **Divestment:** | 403,341 | 254,027 |
| (+) | Group companies, associates and business units | 6,921 | 358,445 |
| (+) | Other financial assets | - | 1,021 |
| **C)** | **Cash flows from financing activities (1+2+3)** | **(2,195,292)** | **(1,412,693)** |
| **1.** | **Proceeds and payments relating to equity instruments** | **(143,785)** | **(83,754)** |
| (-) | Acquisition | (302,193) | (155,880) |
| (+) | Disposal | 158,408 | 72,126 |
| **2.** | **Proceeds and payments relating to financial liability instruments** | **(1,858,798)** | **(834,782)** |
| (+) | Issue | 1,225,342 | 621,114 |
| (-) | Refund and repayment | (3,084,140) | (1,455,896) |
| **3.** | **Dividends paid and remuneration relating to other equity instruments** | **(192,709)** | **(494,157)** |
| **D)** | **Net increase (decrease) in cash and cash equivalents (A+B+C)** | **598** | **470** |
| **E)** | **Cash and cash equivalents at beginning of year** | **1,183** | **713** |
| **F)** | **Cash and cash equivalents at end of year (D+E)** | **1,781** | **1,183** |

**CASH AND CASH EQUIVALENTS AT YEAR END**

| | | | |
|---|---|---|---|
| (+) | Cash and banks | 1,781 | 1,183 |
| (+) | Other financial assets | - | - |
| **Total cash and cash equivalents at end of year** | | **1,781** | **1,183** |

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows at 31 December 2013.
( * ) Date restated.

**1.- <u>Company activities</u>**

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 corporate purpose 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, freeways, 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. The promotion, construction, restoration and sale of housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either alone or through third parties. The conservation and maintenance of works, facilities and services, whether urban or industrial.

3. The direction 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, computerization and rationalisation of all kinds of energy consumption.

4. The direction 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 propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.

5. The direction 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 direction 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 direction 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 direction 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 direction 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. The production, sale and use of electricity and of other energy sources and the performance of studies relating thereto, and the production, exploration, sale and use of all manner of solid, liquid or gaseous primary energy resources, including specifically all forms and kinds of hydrocarbons and natural, liquefied or any other type of gas. Energy planning and rationalisation of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.

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, crossties 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 health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated 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 logistic freight 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 exchanges 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. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organisation of the appropriate material and human resources in this connection.

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 corporate purpose may be performed fully or partially indirectly by the Company through shares in other companies.

Grupo Dragados, S.A. was merged by absorption with ACS, Actividades de Construcción y Servicios, S.A. in 2003, effective for accounting purposes from 1 May 2003. This merger by absorption was subject to the tax neutrality system set forth in Chapter VIII of Title VIII of Corporation Tax 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 2013 will be prepared by the directors at the Board of Directors Meeting held on 26 March 2014. The consolidated financial statements for 2012 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 10 May 2013, and were filed at the Mercantile Registry of Madrid.

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 includes the consolidated information related to the main assets and liabilities of the ACS Group's 2013 and 2012 financial statements prepared under the aforementioned international standards.

## 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 the following:

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 its supplementary rules.
d) All other applicable Spanish accounting legislation.

### 2.2 Fair presentation

The accompanying financial statements, which were obtained 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, results, changes in equity and cash flows for 2013. These financial statements, which were formally 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.

### 2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles 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 (see Note 4.1 and 4.5.1).
- The calculation of impairment of goodwill (see Note 5).
- The market value of certain financial instruments and derivatives (see Note 4.5.1).
- The calculation of provisions (see Note 4.9).
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other obligations to employees (see Note 4.12)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2013 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 working capital deficiency amounting to EUR 487,495 thousand (see Note 9.4.2) due mainly to the recognition of a balance payable of EUR 1,581,557 thousand to subsidiaries of ACS, Actividades de Construcción y Servicios, S.A. included within the ACS Group under "Current liabilities". Whether or not this balance is payable will depend on the decisions taken by the Company at the date of its maturity, since it may be renewed for periods of more than 12 months.

Based on the foregoing, and also taking into consideration the capacity of the Group companies to generate cash, with the consequent distribution of dividends to the Company, the directors believe that it will be able to adequately finance its transactions in 2014.

### 2.5 Comparative information

*Comparative information*

As required by Spanish corporate and commercial law, in addition to the figures for 2013 for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures for 2012 are presented.

*Changes in accounting policies*

In 2013 there were no additional material changes to accounting policies with respect to the policies applied in 2012, with the exception of the resolution dated 18 September 2013 of the Spanish Accounting and Audit Institute which clarifies the definition of fair value for certain financial assets and liabilities, expressly indicating that credit risk and the counterparty risk must reflect the value of measurement of the financial derivatives.

Consequently, the companies which were not considering credit risk in the measurement of the fair value of the derivative financial instruments must recognise the impact of its inclusion in the first year in which the aforementioned change is applicable, retroactively, together with any other change in the fair value of the derivatives, i.e., as if it were an accounting policy change. The Company evaluated the credit risk with regard to its derivative financial instruments (see Note 10).

At 31 December 2012, the effect represented an impact on the value of the derivatives at said date of EUR 1,387 thousand, of which EUR 712 thousand were recognised under "Reserves" in equity and EUR 675 thousand in results for the year.

| **Heading** | **Thousands of Euros** | | |
|---|---|---|---|
| | **Date restated 31/12/2012** | **Effect of 04/06/2013 ICAC Consultation** | **31/12/2012** |
| **Non-current assets** | | | |
| Non-current investments | 639,712 | (3,777) | 643,489 |
| Deferred tax assets | 340,109 | 876 | 339,233 |
| **Equity** | | | |
| Reserves | 1,268,979 | 712 | 1,268,267 |
| Profit (loss) for the year | (618,896) | 675 | (619,571) |
| **Non-current liabilities** | | | |
| Non-current payables: Others financial liabilities | 468,298 | (5,759) | 474,057 |
| Deferred tax liabilities | 171,205 | 1,471 | 169,734 |

| **Heading** | **Thousands of Euros** | | |
|---|---|---|---|
| | **Date restated 31/12/2012** | **Effect of 04/06/2013 ICAC Consultation** | **31/12/2012** |
| Changes in fair value of financial instruments | (173,122) | 965 | (174,087) |
| **PROFIT/(LOSS) BEFORE TAX** | **(958,948)** | **965** | **(959,913)** |
| Income tax | 340,052 | (290) | 340,342 |
| **PROFIT/(LOSS) FOR THE YEAR** | **(618,896)** | **675** | **(619,571)** |

With the exception of that stated in the previous paragraph, in 2013 there were no significant changes in accounting policies in comparison with those applied in 2012. As a result of the foregoing, the information for 2012 does not coincide with that prepared by the Board of Directors in the 2012 financial statements.

### 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 2012 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.

In the statement of cash flows, the detail of items included under "Other adjustments to profit (net)" are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **2013** | **2012** |
| Dividend income | (507,184) | (1,936,013) |
| Interest expense | 248,857 | 303,211 |
| Interest income | (181,020) | (287,431) |
| Changes in the fair value of financial instruments | (396,684) | 173,122 |
| Impairment and gains (losses) on the disposal of financial instruments | (548,552) | 2,646,381 |
| Other | 12,103 | 8,709 |
| **Total** | **(1,372,480)** | **907,979** |

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

### 3.- Distribution of profit

As in previous years, at the date of the call notice of the Annual General Meeting, the Board of Directors agreed to propose an alternative remuneration system allowing shareholders to receive bonus shares of the Company, or cash through the sale of the corresponding bonus issue rights. This option would be instrumented through an increase in paid-in capital, which will be subject to approval by the shareholders at the Annual General Meeting. In the event that it is approved, the increase in paid-in capital may be executed by the Board of Directors up to two times, in July and at the start of the following year, coinciding with the times when dividends are customarily paid. During each capital increase, each shareholder of the Company receives a bonus issue right for each share. The free allotment rights will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Depending on the alternative chosen, shareholders would be able to either receive additional paid-in shares of the Company or sell their bonus issue rights on the market or sell them to the company at a specific price calculated using the established formula.

The distribution of the profit for 2013 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

- Offset of accumulated losses: EUR 619,571 thousand.
- To voluntary reserves: EUR 599,503 thousand.
- To the reserve available from goodwill: EUR 41,208 thousand.

In 2013, as a result of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, on 20 June 2013 the Company resolved to carry out the first capital increase, establishing the maximum reference value at EUR 362 million with a charge to unrestricted reserves of the Company, allowing the shareholders to choose whether they wish to be compensated in cash or in the Company's shares. The essential elements of the first capital increase were established as follows

- The number of new shares issued in the first increase was 7,853,637.
- The number of bonus issue rights necessary to receive a new share was 18.
- The nominal amount of the first increase amounted to EUR 3,926,818.50.
- The acquisition price of each bonus issue right pursuant to the purchase commitment undertaken by ACS was EUR 1.112.
- The total gross amount paid for the purchase of the bonus issue rights by the Company amounted to EUR 192,708,608.96 which was paid on 23 July.

Subsequently, through a resolution adopted by the Company's Board of Directors at 29 August 2013, using the powers granted to it by the shareholders at the Annual General Meeting held on 10 May 2013, the share capital was reduced with a charge to unrestricted reserves through the retirement of 7,853,637 treasury shares which is the same number by which the share capital had been increased pursuant to the increase in paid-in capital mentioned in the previous paragraph.

In addition, at its meeting held on 12 December 2013, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out the second capital increase, establishing the maximum reference value at EUR 142 million with a charge to reserves of the Company, allowing the shareholders to choose whether they wish to be compensated in cash or in the Company's shares. Thus, on 13 February 2014 (see Note 20) the essential aspects of the second increase were established which are summarised as follows:

- The number of new shares to be issued in the second increase was 2,562,846.
- The nominal amount amounted to EUR 1,281,423.
- The acquisition price of each bonus issue right pursuant to the purchase commitment undertaken by ACS was EUR 0.446.
- The total gross amount payable for the purchase of the bonus issue rights by the Company amounted to EUR 69,472,569.48 which was paid on 18 February 2014.

However, the ACS Group, in accordance with the instructions of the ESMA by way of the European Enforcers Coordination Sessions (EECS), recognised under "Other current liabilities" in the accompanying balance sheet at 31 December 2013, the maximum amount of the potential liability at the aforementioned date as 100% of the fair value of the dividend approved, amounting to EUR 140,970 thousand, although the final amount was EUR 69,473 thousand (see Note 13.2).

Subsequently, through a resolution adopted by the Company's Board of Directors at 27 February 2014, using the powers granted to it by the shareholders at the Annual General Meeting held on 10 May 2013, the share capital was reduced with a charge to unrestricted reserves through the retirement of 2,562,846 treasury shares which is the same number by which the share capital had been increased pursuant to the increase in paid-in capital mentioned in the previous paragraph.

The detail of the dividends paid by the Company in 2012, which related to the dividends approved out of 2011 profit, is as follows:

| | 2012 | | |
|---|---|---|---|
| | **% of Nominal** | **Euros per Share** | **Thousands of Euros** |
| Ordinary shares | 180.00 | 0.900 | 283,198 |
| **Total dividends paid** | **180.00** | **0.900** | **283,198** |

As a result of the resolution adopted by the shareholders at the Annual General 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 unrestricted reserves of the Company, allowing the shareholders to choose whether they wish to be compensated in cash or in the Company's shares. However, as a result of the simultaneous share capital reduction through the retirement of treasury shares for a nominal amount equal to the effective nominal amount of the share capital increase, the current amount of share capital remained unchanged.

Thus, on 26 July 2012, the Company set the purchase price for each bonus issue right at EUR 1.068, gross, and, therefore, the gross amount paid by the Company for the purchase of the bonus issue rights amounted to a total of EUR 216,697,100.68 which was paid on 31 July 2012.

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 repaid for the same nominal amount.

At 31 December 2012, as a result of the losses incurred by the Parent and in accordance with Article 277 of the Consolidated Text of the Spanish Companies Law, no interim dividends were paid. The proposed allocation of loss for 2012 approved by the shareholders at the Annual General Meeting was to offset the loss for the year with a charge to future earnings and that, in accordance with article 273.4 of the Consolidated Text of the Spanish Companies Law, the Company would allocate EUR 41,208 thousand to the restricted reserve for goodwill 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 2013, 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 any recognised impairment losses. These assets are amortised over their useful life.

a) Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. The aforementioned cash-generating units must be tested for impairment at least once a year in accordance with the methodology indicated below (see note 5), recognising, if applicable, the required valuation adjustment.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises the goodwill arising from the merger by absorption of 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 consolidated income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over 4 years.

***Impairment of intangible assets and tangible assets and 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. Recoverable amount is the higher of fair value less costs to sell and value in use. Company management performs impairment tests based on the recoverable amounts calculated for each cash-generating unit. Estimates of future results and investments are obtained each year for each cash-generating unit.

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the specific risks associated with the assets.

- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts.

The projections are prepared on the basis of past experience and of the best estimates available, taking into account the information obtained from external sources.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; 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 for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income.

**4.2 Property, plant and equipment**

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.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement 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 |

**4.3 Investment property**

"Investment Property" in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

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

**4.4 Leases**

Finance lease obligations

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 2013 or 31 December 2012.

Operating leases

*If the Company acts as lessor:*

Lease income and expenses from operating leases are charged to income in the year in which they are incurred.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

*If the Company acts as 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 in accordance with the time pattern in which the benefits of the leased asset are provided or received.

## 4.5 Financial Instruments

### *4.5.1 Financial assets*

*Classification*

The financial assets held by the Company are classified in 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 payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

c) Equity investments in Group companies, associates and jointly controlled entities: Group companies 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. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

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.

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 Group companies and associates and interests in jointly controlled entities 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 that would arise from applying consolidation bases. The main aggregates in the ACS Group's consolidated financial statements for 2013 and 2012 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 | |
|---|---|---|
| | **2013** | **2012 ( * )** |
| **Total assets** | **39,771,157** | **41,563,376** |
| **Equity** | **5,488,908** | **5,711,508** |
| - Of the Parent | 3,267,913 | 2,656,518 |
| - Of minority interests | 2,220,995 | 3,054,990 |
| **Income** | **38,372,521** | **38,396,178** |
| **Profit (loss) for the year** | **1,246,925** | **(1,407,630)** |
| - Of the Parent | 701,541 | (1,927,933) |
| - Of minority interests | 545,384 | 520,303 |

( * ) Date restated.

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.

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 it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards incidental to ownership of the financial asset have been transferred, such as in the case of the outright sale of assets, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sale of financial assets under an agreement to repurchase them at their fair value or the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises and maintains a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting, with-recourse factoring, sales of financial assets under an agreement to repurchase them at a fixed price or at the selling price plus interest and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected 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.

Liability derivative financial instruments 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 is a contract that evidences 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, transactions and future cash flows are exposed. Basically, these risks relate to changes 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 a forecast 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 initial 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 forecast 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 techniques widely used in financial markets, by discounting the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year.

Interest rate hedges are measured by using the zero-coupon rate curve, determined by employing the Black-Scholes methodology in the case of caps and floors for the deposits and rates that are traded at any given time, to obtain the discount factors.

Equity swaps are measured as the result of the difference between the quoted price at year end and the strike price initially agreed upon, multiplied by the number of contracts reflected in the swap.

Derivatives whose underlying asset is quoted on an organised market and are not qualified as hedges, are measured using the Black-Scholes methodology and applying market parameters such as implicit volatility and estimated dividends.

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

In accordance with the ICAC consultation dated 4 June 2013, in addition to the measurement indicated in the previous paragraphs, the Company measures the credit or default risk which reduces the value of the derivative, whereby the lesser value of the asset or liability derivative instrument is recognised as a change in income or in equity based on the hedge type.

### 4.6. <u>Foreign currency transactions</u>

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.

### 4.7. <u>Income Tax</u>

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. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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 is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), 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 of the temporary difference and it is probable that the temporary difference 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 recognised deferred tax assets 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 reassessed 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.

**4.8. Income and expenses**

Revenue and expenses are 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 retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the consultation published in Gazette no. 79 of the ICAC, dividends and finance income are to be recognised under "Revenue" in the accompanying income statement.

**4.9. 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 arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

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 Company's control.

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 the 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 charges 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. A provision is made when the liability or obligation arises.

### 4.10 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.

### 4.11 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise 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 2013 or 2012.

### 4.12 Pension obligations

**Provisions for pensions**

The Company is required, under specific conditions, to make monthly payments to a group of employees 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.

### 4.13 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 of the plan concession 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.

### 4.14 Joint ventures

The Company accounts for its interests in Unincorporated Joint Ventures (*Uniones Temporales de Empresas* - UTEs) by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities. Also, it recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the proportionate part corresponding to the Company of the related items of the joint venture are included in the statement of changes in equity and the statement of cash flows.

At 31 December 2013 and 2012, the only unincorporated joint venture owned by the Company is 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.

**4.15 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.

**4.16 Cash flow statement**

The following terms are used in the cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

## 5.- Intangible assets

The changes in "Intangible assets" in the balance sheet in 2013 and 2012 were as follows (in thousands of euros):

| | Balance at 01/01/2012 | Additions / Charges for the Year | Balance at 31/12/2012 | Additions / Charges for the Year | Balance at 31/12/2013 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Goodwill | 631,855 | - | 631,855 | - | 631,855 |
| Computer software | 3,229 | - | 3,229 | - | 3,229 |
| **Total cost** | **635,084** | **-** | **635,084** | **-** | **635,084** |
| **Accumulated amortisation:** | | | | | |
| Computer software | (3,224) | (2) | (3,226) | (1) | (3,227) |
| **Total accumulated amortisation** | **(3,224)** | **(2)** | **(3,226)** | **(1)** | **(3,227)** |
| **Total net cost** | **631,860** | **(2)** | **631,858** | **(1)** | **631,857** |

At the end of 2013 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 2012).

At the end of 2013 and 2012, the Company had no material firm commitments for the purchase of software.

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

There was no change in the balance of "Goodwill" in 2013 and 2012, the detail of which is as follows (in thousands of euros):

| | Ending balance |
|---|---|
| Gross goodwill | 0 |
| Accumulated amortisation | 0 |
| **Total Goodwill** | **0** |

The goodwill arose from the merger with Grupo Dragados, S.A. regarding the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction (Dragados), Environment (ACS Servicios y Concesiones and Urbaser) and Industrial Services cash-generating units.

The ACS Group assessed the recoverability thereof in 2013 and 2012.

In order to measure the various business generating units, in the case of Dragados Construction, Industrial Services, Urbaser and Clece the valuation is carried out using the discounted cash flow method. ACS Servicios y Concesiones is measured using an EV/EBITDA multiple and Concessions is measured conservatively as one time its carrying amount at September 2013. The concessions business (Iridium) has no goodwill assigned to it.

The discount rate used in each business unit is its weighted average capital cost. In order to calculate the discount rate of each business unit the yield of 10-year Spanish government bonds at 30 September 2013 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 gross debt is the consolidated actual effective cost of the debt of each business unit at September 2013 and the tax rate used is the theoretical tax rate for Spain. The perpetual growth rate (*g*) used is the CPI increase in 2018 for Spain according to the IMF report issued in October 2013.

The key assumptions used to measure the most significant cash-generating units were as follows:

Dragados Construcción:

- Sales: compound annual growth rate in the 2012 (last year closed)-2018 period of 0.8%.
- EBITDA Margins: average margin from 2013 to 2018 of 7.2% and final margin of 7%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.9% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated in line with 2012 year-end.
- Perpetual growth rate of 1.2%.
- Cash flow discount rate of 8.65%.

Industrial Services:

- Sales: compound annual growth rate in the 2012 (last year closed)-2018 period of 1.0%.
- EBITDA Margins: average margin from 2013 to 2018 of 12.6% and final margin of 11.5%.
- Amortisations/Operating investments: convergence at a ratio to sales up to 1.7% in the last year forecast.
- Working capital: maintain the days of the working capital for the period, calculated based on the estimate envisaged at 2013 year-end.
- Perpetual growth rate of 1.2%.
- Cash flow discount rate of 7.34%.

After testing the impairment of each of the cash-generating units to which the goodwill arising from the merger with Dragados Group in 2003 is assigned, it has been determined, with the aforementioned assumptions, that under no circumstances is the estimated recoverable amount of the cash-generating unit less than its carrying amount, as there is no evidence of its impairment.

Similarly, a sensitivity analysis was carried out for all divisions by considering different scenarios for the two key parameters in determining the value through discount cash flows, which are the perpetual growth rate (*g*) and the discount rate used (weighted average cost of capital) of each of the cash-generating units. No reasonable scenario gave rise for the need to recognise an impairment loss. By way of example, the impairment tests on the main cash-generating units, such as Dragados Construction and Industrial Services, withstand increases in the discount rates of 750 and 900 basis points, respectively, without any impairment being recognised.

Based on the foregoing, no indications of impairment were identified in 2013 or 2012.

**6.- Property, plant and equipment**

The changes in 2013 and 2012 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 01/01/2013 | Additions / Charges for the Year | Disposals or reductions | Balance at 31/12/2013 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land | 395 | - | - | 395 |
| Tools | 376 | - | - | 376 |
| Transport equipment | 434 | - | - | 434 |
| Other | 25,868 | 9 | (6,978) | 18,899 |
| **Total cost** | **27,073** | **9** | **(6,978)** | **20,104** |
| **Accumulated depreciation** | | | | |
| Tools | (359) | (7) | - | (366) |
| Transport equipment | (307) | (30) | - | (337) |
| Other | (18,321) | (1,079) | 6,978 | (12,422) |
| **Total accumulated depreciation** | **(18,987)** | **(1,116)** | **6,978** | **(13,125)** |
| **Total net cost** | **8,086** | **(1,107)** | **-** | **6,979** |

| | 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** |

In 2013 and 2012 the Company acquired the following items of property, plant and equipment from Group companies:

In 2013 the Company derecognised the fully-amortised assets related to the concession for the construction and subsequent operation of the Huelva Palacio Municipal de Deportes amounting to EUR 6,978 thousand, which did not give rise to any gain or loss.

In 2013 and 2012 the Company did not capitalise any finance costs under “Property, Plant and Equipment”.

At 2013 and 2012 year end, the Company did not hold any property, plant or equipment outside Spain. Also, there were no significant property, plant and equipment firm purchase commitments at 31 December 2013 and 2012.

At the end of 2013 the Company had fully depreciated items of property, plant and equipment (none relating to construction) still in use, amounting to EUR 7,365 thousand (EUR 11,968 thousand in 2012).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2013 and 2012 year-end these risks were adequately covered.

## 7.- Investment property

The investment included under "Investment property" in the accompanying balance sheet relates to fully occupied offices rented to Group companies.

In 2013 the rental income from investment property owned by the Company amounted to EUR 134 thousand (EUR 131 thousand in 2012), and operating expenses of all kinds relating thereto were charged to the lessee.

The amortisation recognised in 2013 amounted to EUR 53 thousand (EUR 50 thousand in 2012).

At the end of 2013 and 2012, there were no restrictions on carrying out new property investments, on the collection of income therefrom or in connection with the proceeds to be obtained from a possible disposal.

## 8.- Leases

### Operating leases

The Company, as lessor, has a lease with a Group company, per the lease agreement in force and without taking into account future changes in rent, amounting to EUR 134 thousand (EUR 131 thousand in 2012). This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (see Note 7).

No contingent rent was paid in 2013 and 2012.

The most significant operating leases held by the Company as lessee at the end of 2013 and 2012 related to the office rent. The annual minimum lease payments, without taking into account increases due to CPI reviews or common expenses or related taxes amounts to EUR 2,488 thousand (EUR 8,105 thousand in 2012). Of this amount, EUR 23 thousand was charged to various Group companies in relation to subleases in 2013 (EUR 5,687 thousand in 2012). The change between years relates to the maturity of one of the lease agreements in 2012, the cost of which was charged to other ACS Group companies.

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

### 9.1 Non-current financial assets

The balance of “Non-current financial assets” at the end of 2013 and 2012 is as follows (in thousands of euros):

| Types / Categories | Non-Current Financial Instruments | | | | | |
|---|---|---|---|---|---|---|
| | Equity instruments | | Deposits, derivatives and others | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Deposits and receivables | - | - | 415,526 | 355,531 | **415,526** | **355,531** |
| Available-for-sale financial assets | | | | | | |
| - Measured at fair value | 580,766 | 51,605 | - | - | **580,766** | **51,605** |
| - Measured at cost | 6,483 | 6,099 | - | - | **6,483** | **6,099** |
| Derivatives | - | - | 18,004 | 226,477 | **18,004** | **226,477** |
| **Total** | **587,249** | **57,704** | **433,530** | **582,008** | **1,020,779** | **639,712** |

The most significant equity instrument relates to the ownership interest in Iberdrola, which is measured at fair value.

At 31 December 2013, ACS, Actividades de Construcción y Servicios, S.A. held 125,300,000 shares representing 2.01% of the share capital of Iberdrola, S.A. at that date (12,301,570 shares representing 0.20% of the share capital of Iberdrola at 31

December 2012). The average cost, before valuation adjustments, amounts to EUR 4.242 per share (EUR 4.195 per share at 31 December 2012).

The ownership interest in Iberdrola is recognised at its market price at the end of each year (EUR 4.635 per share in 2013 and EUR 4.195 per share in 2012) amounting to EUR 580,766 thousand (EUR 51,605 thousand at 31 December 2012). At 31 December 2013, a positive valuation adjustment of EUR 34,479 thousand, net of the related tax effect, is recognised in equity under "Valuation adjustments".

The most relevant transactions carried out by the Company in 2013 with regard to Iberdrola are as follows:

- The Company has provided (since the Company retains substantially all the risks and rewards of ownership of the asset, they have not been derecognised from the balance sheet) Funding Statement, S.L., a company wholly owned by the ACS Group, 125,000,000 shares of Iberdrola, as security for the issue of the bonds which are exchangeable for Iberdrola shares carried out by ACS, Actividades Finance, B.V. (a Dutch subsidiary wholly owned by ACS, Actividades de Construcción y Servicios, S.A.) on 22 October 2013, for a nominal amount of EUR 721,100 thousand with the following characteristics:

  - A term of five years maturing on 22 October 2018, unless they are exchanged or redeemed early. The price for redeeming the bonds on maturity will be 100% of the nominal value, unless they are exchanged.
  - Annual nominal fixed interest of 2.625%, payable quarterly in arrears.
  - The exchange price is EUR 5.7688 per Iberdrola share, which represents a premium of 35% on the reference quoted price of the session in which the issue was launched. As of 12 November 2016, ACS will have the option of redeeming the bonds early if the value of the Iberdrola shares exceeds 130% of the exchange price applicable during at least 20 trading days in any period of 30 consecutive trading days.
  - The bond holders will have the option of redeeming the bonds in the third year or if there is any change of control of ACS.
  - The bonds are listed in the open market (Freiverkehr) on the Frankfurt Stock Exchange.

- As a result of the foregoing, ACS, Actividades de Construcción y Servicios, S.A. partially cancelled the equity swap agreement signed with Natixis for 113,619,098 Iberdrola shares, whereby 164,352,702 Iberdrola, S.A. shares are outstanding, with the resulting change in the fixed guarantee of EUR 247,670 thousand maturing on 31 March 2015. This partial cancellation led to the recognition of EUR 8,885 thousand in profit under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.6). Subsequent year end, this agreement was extended until 31 March 2018.

- Since mid-2012, Actividades de Construcción y Servicios, S.A. has had several financial derivative contracts with various financial institutions over Iberdrola (call spreads), which offered an exposure on an underlying asset of 298,643,256 Iberdrola shares. As a result of the increase in the quoted price of the aforementioned underlying asset, on 20 December 2013 the parties agreed to replace the previous structure with a new one (put spread), which has the same exposure profile and maturity periods, however the strike price and the price of the underlying 297,809,996 Iberdrola shares were slightly adjusted as a result of the changes in Iberdrola's dividend policy. This change enabled the Company to monetise the value of these derivatives for EUR 429.4 million (see Note 9.4.2), included in the balance sheet at year-end 2013. The market value at 2013 year end of the new instrument gave rise to the recognition of an asset amounting to EUR 31,330 thousand (see Note 10.2) under "Liabilities relating to financial derivatives" in the accompanying balance sheet.

Following these transactions, at 31 December 2013, ACS, Actividades de Construcción y Servicios, S.A. only held the aforementioned 2.01% ownership interest in Iberdrola and the following derivative financial instruments, which were measured at fair value through profit or loss at 2012 year-end:

- A group of financial derivatives on 297,809,996 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 entered into with Natixis on 164,352,702 Iberdrola, S.A. shares amounting to EUR 217,466 thousand recognised under "Non-current liabilities relating to financial derivatives", in which ACS, Actividades de Construcción y Servicios, S.A. continues to hold the usufruct rights over said shares.

In addition, other ACS Group companies have an additional 1.00% ownership interest in Iberdrola, S.A., as well as financial derivatives over 297,791,950 shares of the aforementioned company which limits its exposure to market fluctuations.

The most relevant transactions carried out by the Company in 2012 with regard to Iberdrola were as follows:

- In 2012 the Company also 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 Générale among professional and qualified investors both in Spain and abroad, of a package of direct and indirect shares through its investee, Corporate Funding, S.L., of 220,518,120 Iberdrola, S.A. shares, 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 fair value of financial instruments" in the accompanying income statement.

- In addition, on 13 July 2012, ACS, Actividades de Construcción y Servicios, S.A., through Residencial Monte Carmelo, S.A., a wholly-owned company, entered into a prepaid forward finance transaction with Société Générale, which allowed the company to cancel the syndicated loan of EUR 1,599,223 thousand which the subsidiary had entered into with a financial institutions syndicate, in which Banco Bilbao Vizcaya Argentaria, S.A. acted as the agent. This agreement was amended on 21 December 2012 and the prepaid forward was cancelled subsequent to 2012 year-end (see Note 10.2).

With regard to the impairment of the ownership interest in Iberdrola, given that at 31 December 2013 the quoted price was greater than the carrying amount, the Company did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility. In contrast, it should be noted that, as in previous years, in 2012 the ACS Group 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 no 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 financial instruments" in the accompanying income statement.

"Impairment and gains or losses on disposals of financial instruments" in the accompanying income statement for 2012 (see Note 16.5) included the aforementioned loss with regard to the impairment of the 0.200% ownership interest and additional losses as a result of the equity swap, as well as the provisions made for the investment and financing granted by the Company to the vehicles in relation to the ownership interest in Iberdrola amounting to EUR 2,496,674 thousand.

Likewise, in 2013, the market value of the derivative financial instruments held at year end in relation to the Iberdrola, S.A. shares represented earnings of EUR 252,084 thousand (EUR 115,254 thousand in 2012) which were recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

The dividends received in 2013 from Iberdrola, S.A. amounted to EUR 67,043 thousand (EUR 59,997 thousand in 2012) (see Note 16.1).

The breakdown, by maturity, of the balance of “Other Financial Assets” at 31 December 2013 and 2012 is as follows (in thousands of euros):

| | 2013 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 and thereafter | Total |
| Other financial assets | 315,526 | 100,000 | - | - | 415,526 |
| **Total** | **315,526** | **100,000** | **-** | **-** | **415,526** |

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

These assets comprise guarantees provided to the financial institutions as a result of the derivatives or financing granted by them (see Note 10.2).

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

### 9.2 Current financial assets

The detail of “Current financial assets” at the end of 2013 and 2012 is as follows (in thousands of euros):

| Types / Categories | Current Financial Liabilities | | | |
|---|---|---|---|---|
| | Loans, Derivatives and Other | | Total | |
| | 2013 | 2012 | 2013 | 2012 |
| Current financial assets | 1,082,169 | 240,396 | 1,082,169 | 240,396 |
| Derivatives | - | 3,789 | - | 3,789 |
| **Total** | **1,082,169** | **244,185** | **1,082,169** | **244,185** |

At 31 December 2013 "Current financial assets" includes the balances related to current deposits at various financial institutions amounting to EUR 1,061,031 thousand which accrue interest based on Euribor, of which EUR 269,851 thousand (EUR 186,139 thousand in 2012) are restricted in their use (see Note 10.2). Additionally, at 31 December 2013, this heading includes the dividend receivable from Iberdrola, S.A. amounting to EUR 20,746 thousand (EUR 41,377 thousand at 31 December 2012).

**Impairment losses:**

In 2013 and 2012 the Company did not recognise any reduction for impairment in its current financial instruments.

### 9.3 Non-current investments in Group companies, multigroup companies and associates

**Equity instruments**:

The most significant information relating to Group companies, multigroup companies and associates at the end of 2013 is as follows:

| Company Name | Registered Office | % of Ownership | | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Profit | | | | Dividends | Carrying amount | | |
| | | Direct | Indirect | Share Capital | from Operations | Net | Other Equity | Total Equity Received | 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 | 115,920 | 89,951 | 273,488 | 564,258 | 87,021 | 342,679 | - | - |
| Comunidades Gestionadas, S.A. (COGESA) | Orense, 34 - Madrid | - | 100.00% | 19,112 | 7,326 | 231 | 72,253 | 91,596 | - | - | - | - |
| Hochtief, A.G. | Essen - Germany | 1.54% | 48.81% | 197,120 | 859,111 | 171,196 | 1,897,299 | 2,265,615 | - | 60,597 | - | - |
| Novovilla, S.A. | Avda. Pío XII, 102 - Madrid | 100.00% | - | 75,997 | (147) | 953 | 160,408 | 237,358 | 1,103 | 87,845 | - | |
| **INDUSTRIAL SERVICES** | | | | | | | | | | | | |
| ACS, Servicios, Comunicaciones y Energía, S.L. | Cardenal Marcelo Spínola, 10 - Madrid | 100.00% | - | 75,159 | 305,550 | 308,260 | (32,416) | 351,003 | 338,502 | 215,677 | - | - |
| **ENVIRONMENT** | | | | | | | | | | | | |
| ACS, Servicios y Concesiones, S.L. | Avda. Camino de Santiago, 50 - Madrid | 100.00% | - | 386,249 | 57,278 | 35,357 | 136,539 | 558,145 | 12,463 | 476,880 | - | - |
| **OTHER** | | | | | | | | | | | | |
| ACS, Telefonía Móvil, S. L. (Telecommunications) | Avda. Pío XII, 102 - Madrid | 100.00% | - | 3,114 | (3) | (2,656) | (61,414) | (60,956) | - | 90,895 | - | (90,895) |
| Residencial Monte Carmelo, S.A.U. (Investment property) | Avda. Pío XII, 102 - Madrid | 99.99% | 0.01% | 1,000 | (114) | (129,040) | 1,623,506 | 1,495,466 | 1,052 | 3,226,743 | (1,665,138) | (1,731,277) |
| Cariátide, S.A. (Investment property) | Avda. Pío XII, 102 - Madrid | 99.99% | 0.01% | 1,803 | 24,391 | (36,568) | (179,882) | (214,647) | - | 3,165 | - | - |
| Major Assets, S. L. (Investment property) | Avda. Pío XII, 102 - Madrid | 99.98% | 0.02% | 12 | 13,929 | (13,899) | (47,297) | (61,184) | - | 32,452 | - | - |
| Equity Share, S.L. (Investment property) | Avda. Pío XII, 102 - Madrid | 99.99% | 0.01% | 6 | 17,975 | (30,010) | 16,735 | (13,269) | - | 6 | - | (6) |
| Funding Statement, S.A. Investment property) | Avda. Pío XII, 102 - Madrid | 100.00% | - | 60 | (2) | 4,645 | (1) | 4,704 | - | 60 | - | (1) |
| ACS, Actividades Finance, B.V. (Investment property) | Amsterdam, Holland. | 100.00% | - | 90 | (143) | (92) | (12) | (14) | - | 90 | (90) | (90) |
| Statement Structure, S. A. (Investment property) | Avda. Pío XII, 102 - Madrid | 100.00% | - | 60 | (2) | (1) | - | 59 | - | 60 | (1) | (1) |
| **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 | (174) | (470) | 2,000 | 52,965 | - | 8,504 | - | - |
| **Total** | | | | | | | | | **440,141** | **4,545,653** | **(1,665,229)** | **(1,822,269)** |

The most significant information relating to Group companies, multigroup companies and associates at the end of 2012 is as follows:

| Company 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 | 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 changes in the equity instruments of Group companies and associates in 2013 were as follows:

| Item | Thousands of Euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Beginning balance | | | Cost | | Provision | Ending balance | | |
| | Cost | Allowance | Net Balance | Additions | Disposals | Charge for the year | Cost | Allowance | Net Balance |
| Group | 2,019,294 | (157,040) | 1,862,254 | 2,906,125 | (388,270) | (1,665,229) | 4,537,149 | (1,822,269) | 2,714,880 |
| Associates | 8,504 | - | 8,504 | - | - | - | 8,504 | - | 8,504 |
| **Total** | **2,027,798** | **(157,040)** | **1,870,758** | **2,906,125** | **(388,270)** | **(1,665,229)** | **4,545,653** | **(1,822,269)** | **2,723,384** |

The changes in the equity instruments of Group companies 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 most significant changes in 2013 and 2012 were as follows:

- **Residencial Monte Carmelo, S.A.U.**

On 15 April 2013, the Company capitalised the loans it held with Residencial Monte Carmelo, S.A.U. together with the interest accrued up to that date for a total amount of EUR 2,367,222 thousand. Additionally, and prior to the merger with Corporate Funding, S.L.U., on 15 April 2013, the Company capitalised the amount of the loans it held with the aforementioned company, together with the interest accrued up to that date for a total amount of EUR 479,997 thousand.

On 1 July 2013, the merger by absorption of Residencial Monte Carmelo, S.A.U., the absorbing company, and Corporate Funding, S.L.U., Roperfeli, S.L.U., Villa Aurea, S.L.U., Aurea Fontana, S.L.U., PR Pisa, S.A.U. and Villanova, S.A.U., the absorbed companies, was formalised, whereby the absorbed companies were dissolved and extinguished, without liquidation, effective for accounting purposes from 1 January 2013. In accordance with the equity arising from the merger, the Company made the related provisions for the asset portfolio amounting to EUR 1,665,138 thousand at 31 December 2013, and reversed those for the loans granted the companies amounting to EUR 2,198,789 thousand (see Note 16.5).

- **Major Assets, S.L.**

On 22 April 2013, the merger by absorption between Major Assets, S.L., the absorbing company and Corporate Statement, S.L., the absorbed company, was formalised through the latter's dissolution and the transfer en bloc of its equity to Major Assets, S.L. effective for accounting purposes from 1 January 2013.

- **Admirabilia, S.L.**

On 17 December 2013, ACS, Actividades de Construcción y Servicios, S.A. sold 100% of Admirabilia, S.L. to Residencial Monte Carmelo, S.A.U., a company in which ACS, Actividades de Construcción y Servicios, S.A. holds a 99.99% ownership interest, for a sale price of EUR 67,395 thousand for a gain of EUR 15,550 thousand, recognised under “Impairment and gains or losses on the disposal of financial instruments” in the accompanying income statement. Prior to the aforementioned sale, Admirabilia, S.L. distributed a dividend to the Company with a charge to the share premium, amounting to EUR 331,348 thousand.

In 2012 the Company sold all of its ownership interest in Abertis Infraestructuras, S.A. which it held through Admirabilia, S.L. and resolved the shareholders agreement it held with CVC Capital Partners. For this reason, it went from being considered an associate in 2011 to a Group company in 2012 amounting to EUR 383,193 thousand.

- **Venelín**

The Company made a non-monetary contribution to ACS, Servicios, Comunicaciones y Energía S.L., a company wholly owned by the ACS Group, of its entire ownership interest in Venezolana de Limpiezas Industriales, C.A. in July 2013, in accordance with the market value of the aforementioned ownership interest, which did not give rise to any accounting gain.

- **Imesapi**

In May 2013 the Company sold all of its ownership interest in Imesapi, S.A. to Grupo Imesapi, S.A., a company wholly owned by the ACS Group.

- **Hochtief, A.G.**

In 2013 the Company bought 425,497 shares of Hochtief, A.G. for EUR 25,224 thousand at an average price of EUR 59.28 per share, and sold 79,662 shares for EUR 4,595 thousand for a profit before tax of EUR 576 thousand recognised under "Gains or losses on disposals and other" in the accompanying income statement.

In 2012 the Company bought 2,457,816 shares of Hochtief, A.G. for EUR 91,434 thousand at an average price of EUR 37.20 per share, and sold 6,524,532 shares for EUR 249,584 thousand for a loss before tax of EUR 120,914 thousand recognised under "Gains or losses on disposals and other" in the accompanying income statement.

At 31 December 2013, ACS, Actividades de Construcción y Servicios, S.A., had a direct ownership interest of 1.54% of the share capital (1.09% in 2012) of Hochtief A.G. with a carrying value of EUR 60,597 thousand (EUR 39,392 thousand in 2012). These percentages include the shares provided to Group companies, which, since the Company retains substantially all the risks and rewards of ownership of the asset, have not been derecognised from the balance sheet.

In relation to the Company's ownership interest in Hochtief, A.G., a company traded on the Frankfurt Stock Exchange, due to the performance of its market price, which stood at EUR 64.16 per share in the last quarter of 2013 and at EUR 62.06 per share at 31 December 2013, amounts which are more than 20% of the carrying amount of the Company's ownership interest which stands at EUR 51.11 per share, the Company does not believe there is a possibility of indications of impairment in the individual books referred to in these notes to the financial statements, although in the consolidated financial statements of the ACS Group goodwill arises associated with the ownership interest which the latter holds in Hochtief, A.G., and the ACS Group carried out an impairment test for the analysis of its recoverability.

In relation to the goodwill arising from the purchase of Hochtief, A.G. in 2011, in accordance with IAS 36.80, applicable to the consolidated financial statements of the ACS Group, the aforementioned goodwill has been assigned to the main cash-generating units which are Hochtief Asia Pacific and Hochtief America, mainly related to the value of the construction backlog and to customer relationships for the initial amounts of EUR 708 and EUR 813 million, respectively. The measurement used in the first two cases was the Multi-Period Exceed Earnings Method (MEEM), which measures based on the operation cash flows. Likewise, current and non-current provisions and associated deferred tax assets were included for EUR 1,565 million and EUR 664 million, respectively. The aforementioned provisions were mainly recognised to cover the risks which relate to the investments held by the Hochtief Group in its ownership interest in Habtoor Leighton Group, to certain projects which had given rise to the "profit warning" in Leighton, and in certain concessions, as well as the liabilities arising from the Hochtief Group's investment in various projects in the Asia Pacific division and the Europa/Latin America division. Likewise, the deferred tax liabilities related to the tax effect of the adjustments to the fair value of the PPA performed were recognised.

With regard to the good will arising from the purchase of Hochtief, EUR 1,147 million was assigned to the Cash-Generation Unit (CGU) Hochtief Asia Pacific and EUR 287 million was assigned to the Hochtief America CGU. In 2013 the ACS Group assessed the recoverability of this goodwill.

For the purpose of testing the impairment of the goodwill of Hochtief assigned to the business carried out by Hochtief Asia Pacific, the ACS Group based its valuation on the internal projections made according to the Hochtief business plan for this line of business and the estimates for 2017 and 2018, discounting the free cash flows at a weighted average cost of capital (WACC) of 9.8%, and using a perpetual growth rate of 2.5%. The weighted average cost of capital (WACC) gives rise to a premium on the long-term interest rate return (Australian Ten-year Bond) published by Factset at 30 September 2013, of 600 basis points. Likewise, the perpetual growth rate used corresponds to the CPI estimated for Australia for 2018 published by the IMF in its World Economic Outlook in October 2013.

The in-house forecasts for the Asia Pacific business are based on historical data and on Hochtief's in-house forecasts until December 2016, and estimates in line with forecasts for previous years are used for the 2017-2018 period.

In addition, this value was compared with that obtained by discounting the average free cash flows based on the projections of the Leighton analysts, using the same WACC and the same perpetual growth rate, and it was concluded that there are no impairment losses in any of the scenarios analysed.

With regard to the sensitivity analysis of the impairment test of the goodwill assigned to Hochtief's Asia Pacific business, the most important aspect is that the goodwill test withstands a discount rate of, approximately, 11.1% which represents a range of 130 basis points. It would withstand an annual drop in cash flows of approximately 15% with respect to the flows forecast, as well as a reduction in the perpetual growth rate of approximately 175 basis points. Based on the foregoing, the Group's Management considers that the test is highly sensitive to changes in its key assumptions, but that said levels are within a reasonable degree of sensitivity which allows them to identify impairment losses on assets related to the CGU in 2013.

With regard to the Hochtief Americas CGU, the following basic assumptions were used:

Forecasts used for the division for 5 years, until 2016, according to the Hochtief Business Plan and estimates for the 2017-2018 period.
Perpetual growth rate of 2.1%, according to the IMF estimate with regard to the CPI for the US in 2018, based on the World Economic Outlook report published by the IMF in October 2013.
Cash flow discount rate of 8.8%.

In addition, this value was compared with the valuations of the analysts for this Hochtief line of business, and it was concluded that there were no impairment losses in the scenarios analysed.

However, in 2012, with regard to the ownership interest in Hochtief, A.G., due to the performance of its market price, which stood at EUR 39.75 in the last quarter and at EUR 43.93 at 31 December 2012, amounts lower than the acquisition cost, the Group believed there may have been signs of impairment and, thus, performed the corresponding test. In order to carry out this test, the Company performed an appraisal on Hochtief through the sum of the parts of its main business units, Hochtief Asia Pacific (Leighton), Hochtief America and other Hochtief business units by discounting the cash flows of each of the units, based on Hochtief's business plan, the projections of which reached until December 2015. Estimates in line with the projections of the previous years were used for 2016-2017. The weighted average cost of capital (WACC) of 8.5% was used for Leighton, 7.6% for

Hochtief America and 7.1% for other Hochtief units. The perpetual growth rate was 2.4% for Leighton, 2.1% for Hochtief Americas and 2.1% for other Hochtief units.

In addition, this value was compared with an appraisal performed using the discounted cash flow method based on the projections of the Hochtief analysts, discounting the free cash flows at a weighted average cost of capital (WACC) of 8.1% and a perpetual growth rate of 2.3% by weighting the data of each of the business units. As a result of this calculation, the tests did not disclose the need to recognise a provision for impairment losses on the investment in Hochtief, A.G., whereby its fair value was above the cost of the investment. In the Company's opinion, there were no reasonable changes to the main assumptions which could cause a problem in the impairment of the Hochtief, A.G. investment.

Of the interest in Group companies, 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 2013 | 2013 Year-End | Average Fourth Quarter of 2012 | 2012 Year-End |
| Iberdrola, S.A. | 4.560 | 4.635 | 3.913 | 4.195 |
| Hochtief, A.G. | 64.16 | 62.06 | 39.75 | 43.93 |

At 31 December 2013 and 2012, the Company had pledged the shares of Cariátide, S.A. (a company which holds shares in Hochtief, A.G.), as security for financing obtained for its acquisition.

At 31 December 2013 and 2012, the Company had no firm purchase or sale commitments.

**Non-current loans to Group companies:**

The detail of loans to Group companies at 31 December 2013 and 2012 is as follows:

| Company | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Cariátide, S.A. | 1,095,618 | 1,042,741 |
| Residencial Monte Carmelo, S.A. | - | 739,944 |
| Corporate Statement, S.L. | - | 267,737 |
| Major Assets, S.L. | - | 264,432 |
| Corporate Funding, S.L. | - | 193,384 |
| ACS, Telefonía Móvil, S.L. | - | 63,478 |
| Equity Share, S.L. | - | 38,000 |
| **Total** | **1,095,618** | **2,609,716** |

The only loan granted to Group companies at 31 December 2013 was to Cariátide, S.A. for EUR 1,073,976 thousand as a result of the contribution made to this company in the form of a participating loan for the financing of the Hochtief, A.G. shares in its power. The loan matures on 31 August 2015 and interest is capitalised annually and accrues at a fixed and a floating rate based on the Company's net profit. Additionally, on 24 July 2012, the Company granted a subordinated loan amounting to EUR 20,584 thousand, maturing on 31 August 2015, with interest accruing at a fixed annual rate and capitalised until its maturity.

The amount granted to Residencial Monte Carmelo, S.A.U. related to the contribution made to this company for the partial financing of the purchase of Iberdrola, S.A. shares. At 31 December 2012, the participating subordinated loan granted to Residencial Monte Carmelo, S.A.U. on 28 December 2011, maturing on 30 December 2014, with interest accruing at a fixed and a floating rate and capitalised annually, amounted to EUR 2,325,365 thousand. Additionally, the Company had granted a subordinated loan amounting to EUR 174,056 thousand and maturing on 30 December 2014, with interest accruing at a fixed annual rate and capitalised at its maturity. At 31 December 2012, the Company had recognised provisions amounting to EUR 1,759,477 thousand for the balance of the loan to Residencial Monte Carmelo, S.A.U. as a result of the transactions related to the aforementioned company's investment in Iberdrola, S.A. (see Note 9.1). In 2012 the provision was recognised under “Impairments and losses” in the accompanying income statement. This financing was cancelled on 18 April 2013 as a result of the capitalisation of the aforementioned financing. Consequently, the provision recognised for its recoverability was reversed (see Note 9.3) and a new provision was recognised for the recoverable amount of the financial asset.

In 2012 the Company had granted Major Assets, S.L. a participating loan amounting to EUR 58,895 thousand with interest accruing at both fixed and floating rates and capitalised annually, maturing on 30 June 2014, in addition to another loan amounting to EUR 205,537 thousand with interest accruing at a fixed rate and capitalised annually, maturing on 30 June 2014. In 2012 the Company had granted Corporate Statement, S.L. a participating loan amounting to EUR 43,917 thousand with interest accruing at fixed and floating rates and capitalised annually, maturing on 30 July 2014, in addition to another loan amounting to EUR 223,820 thousand with interest accruing at a fixed rate and capitalised annually, maturing on 30 July 2014. This loan was granted by Major Assets, S.L. as a result of the merger by absorption carried out in 2013 (see Note 9.3). At 31 December 2013, these loans were reclassified as current (see Note 17.2).

All of these amounts used to acquire the aforementioned Hochtief shares were analysed based on the fair value of the ownership interest in Hochtief, A.G., and it was concluded that there was no impairment problem related thereto.

The amount granted in 2012 to Corporate Funding, S.L. related to the contribution made to this company for financing the ownership interest it held in Iberdrola, S.A. through two participating loans for a total of EUR 458,693 thousand with interest accruing at a fixed and floating rate, capitalised and maturing on 30 June 2014 and a credit for EUR 174,003 thousand with interest accruing at a fixed rate, capitalised and maturing on 30 June 2014. At 31 December 2012, the Company had recognised provisions amounting to EUR 439,312 thousand as a result of the transactions related to the aforementioned company's investment in Iberdrola, S.A. (see Note 9.1). In 2012 the provision was recognised under “Impairments and losses” in the accompanying income statement. This financing was cancelled on 15 April 2013 as a result of the capitalisation of the aforementioned financing in Corporate Funding, S.L. Consequently, the provision recognised for its recoverability was reversed (see Note 9.3) and a new provision was recognised for the recoverable amount of the financial asset. Corporate Funding, S.L. was subsequently absorbed in July 2013 by Residencial Monte Carmelo, S.A.U. (see Note 9.3).

In 2012 the Company had granted a participating debt amounting to EUR 38,000 thousand, initially maturing at 7 February 2014, to Equity Share, S.L. for the financing of its ownership interest in Iberdrola, S.A., with interest accruing at a fixed and at a floating rate and capitalised annually. This debt was granted during 2012 to Novovilla, S.A. through the partial repayment of the loan which the latter had granted to the Company.

The amount loaned to ACS Telefonía Móvil, S.L. was granted in 2013 to Residencial Monte Carmelo, S.A.U. amounting to EUR 21,053 thousand and to Admirabilia, S.L. amounting to EUR 42,515 thousand through the partial repayment of the loans that the latter had granted to the Company.

At 31 December 2012, it related to 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 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 problem related thereto. 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 Information on the nature and level of risk of financial instruments

### *9.4.1 Qualitative information*

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 that affect the Company are as follows:

*a) Credit risk:*

In general, the Company holds its assets from financial derivatives, other financial assets and current financial assets at financial institutions with high credit ratings.

*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.

The Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, 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 its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. Therefore, Company policy is to ensure that, at any given time, to the extent possible its non-current bank borrowings are tied to fixed interest rates.

In view of the Company's activities, it is not exposed to foreign currency risks. With regard to the exposure to price fluctuations, in 2012 the exposure to Abertis disappeared as a result of the sale and the exposure to Iberdrola was reduced as a result of the partial divestment previously mentioned. Additionally, the Group is exposed to price risk in relation to the shares of Hochtief, A.G. (with financing which establishes certain "margin calls") and ACS itself, due to its treasury shares and to the derivatives related to the share option plans.

#### *9.4.2 Quantitative information*

a) *Interest rate risk*:

At 31 December 2013, the Company has a syndicated loan for a nominal amount of EUR 1,430,300 thousand (as in 2012), for which Bankia is the agent. This loan matures on 22 July 2015, after its renewal in 2012. The Company has entered a derivative contract (interest rate swap) to hedge interest rate risk. 77% of the Company's non-current bank borrowings are hedged.

This cash flow hedge is detailed in Note 10.

b) *Liquidity risk:*

With regard to liquidity risk, as mentioned previously, in 2013, the ACS Group, significantly increased non-bank financing including the issue of a bond exchangeable for Iberdrola shares amounting to EUR 721,100 thousand as well as a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 500 million which was registered in the Irish Stock Exchange. On 31 December 2013, the liquidity risk related to Iberdrola referred exclusively to the derivatives indicated in the aforementioned Note, of which it is worth noting the monetisation of the call spread amounting to EUR 429.4 (see Note 9.1) of which, EUR 294 million are recognised under "Current and non-current financial assets" At 31 December 2013, the Company and the ACS Group comply with the rations required in their financing agreements. This programme was renewed for EUR 750 million in March 2014 (see Note 20).

The Company has a working capital deficiency amounting to EUR 487,495 thousand, which includes payables to Group companies and associates which do not require payment at short-term. The other bank borrowings relate mainly to current credit facilities which the Company expects will be renewed at their maturity.

The Company's directors have prepared these financial statements based on the going-concern principle, since they do not have any doubts with regard to the Company's and its Group's ability to refinance or restructure their financial debt, as well as to generate resources for their operations, through the disposal of non-strategic assets and recourse to the capital markets, enabling them to adequately finance their transactions in 2014.

## 10.- Derivative financial instruments

### 10.1 Hedging financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, consisting of an interest rate swap for the cash flows related to 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) | 2013 | 2012 |
| Interest rate swap | Interest rate hedge | Floating to fixed | 768,000 | 22/07/2015 | - | (2,100) | (474) |
| Interest rate swap | Interest rate hedge | Floating to fixed | 415,000 | 25/07/2014 | - | (5,948) | (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 Derivative Instruments which are not hedges

The assets and liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions. At 31 December 2012, noteworthy within assets relating to financial instruments is the measurement at fair value of the call spread amounting to EUR 230,254 thousand 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 and which was cancelled in 2013. In its place a put spread was contracted on 297,809,996 Iberdrola shares. The market value at 2013 year-end gave rise to the recognition of a liability amounting to EUR 31,330 thousand. The effect of the market value in 2013 of these derivatives was recognised as income under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.6).

With regard to liabilities related to financial instruments the most significant at 31 December 2013 and 2012 relates to the fair value of the equity swap on Iberdrola, S.A. shares. The fair value thereof at 31 December 2013 amounted to EUR 217,466 thousand (EUR 266,327 thousand at 31 December 2012). 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 57,458 thousand (EUR 95,092 thousand at 31 December 2012). 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. The change in fair value of this instrument is included under "Changes in fair value of financial instruments" (see Note 16.6).

In the contract with the financial institution, the latter does not assume any risk relating to the drop in the market price of the share below the exercise price. The exercise price of the option for the 2010 Plan is EUR 34.155 per share. Therefore, this risk relating to the drop in the market price below the option price is assumed by ACS, Actividades de Construcción y Servicios, S.A., and was not subject to any hedging with another 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 from 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 never receives shares arising therefrom and, thus, they are not considered treasury shares.

At 31 December 2013 and 2012, the ACS Group held other derivatives that did not qualify for hedge accounting, which included the measurement at fair value of the financial instruments that are settled by differences and whose negative market value amounted to EUR 55,879 thousand (EUR 93,513 thousand at 31 December 2012), thereby giving rise to a profit of EUR 37,206 thousand (loss of EUR 45,909 thousand in 2012) recognised under "Changes in fair value of financial instruments" (see Note 16.6).

At 31 December 2013, the amounts provided as security corresponding to the derivatives contracted by the Company mentioned previously, amount to EUR 415,526 thousand, recognised under "Other non-current financial assets" and EUR 269,851 thousand recognised under "Current financial assets" in the accompanying balance sheet. These amounts are remunerated at market rates.

In accordance with that indicated in Note 11.5, in January 2013 the ACS Group sold three entities for a total of 20,200,000 treasury shares, by entering into certain derivative contracts for an equal number of ACS shares that can only be settled in cash in a two-year period that may be extend an additional year, and that were settled early in 2013. The main characteristics of the aforementioned derivative contracts were as follows:

- Two agreements were signed on 23 January 2013, one for 7,703,351 shares and the other for 12,496,649 shares.
- ACS sells a cash-settled European put option on ACS shares as an underlying asset at a strike price of EUR 17.83 per share, which may be exercised on 23 January 2015 and extended for another year. If the quoted price is below the strike price on maturity, ACS must settle the difference in cash. If the period is extended for another year, the strike price is EUR 18.72 per share.
- ACS purchased a cash-settled European call option at a strike price of EUR 18.38 per share, which may be exercised on this same date, and extended for an additional year with a strike price of EUR 19.30 per share, if applicable. If the quoted price is above the strike price at maturity, ACS collects in cash 50% of the difference for the first 25% of the revaluation, 45% of the difference for the second 25% of the revaluation, and 40% of the difference for a revaluation greater than 50%.
- The put and call options are settled by differences, where there is no possibility of the shares being returned to ACS and, therefore, the shares are freely available to the entity with which the derivative is signed.
- The right to receive the dividends corresponds to their legal owners (the buyers) and they do not have to be repaid in any way.
- ACS must deposit cash equal to 20% of the notional amount as cash collateral which will become 25% in the event the quoted price is equal to or less than 90% of the strike price. If the quoted price is greater than 110% of the strike price, ACS must deposit 15%.
- There is no adjustment for the dividends of the underlying shares.

Although the sales agreements and derivative contracts were entered into on the same day and for the same underlying asset, the counterparty is different, since the shares that were sold to the market through three different financial institutions and the derivatives are arranged with Tyrus. In accordance with the Spanish National Chart of Accounts, the economic basis of the transaction providing immediate liquidity to the Group must be analysed, and, in the case at hand, the economic basis consisted of an actual sale of treasury shares and the arrangement of dividends which allows part of the possible increase in the value of the shares to be recovered, whereby ACS runs the risk of a drop in the quoted price. When the derivatives are settled exclusively by differences, the treasury shares will not return to ACS under any circumstances. In other words, control over the financial assets resides with the acquirers. Consequently, in the Company's opinion, they should be treated separately from the previous contracts.

In 2013 the Company settled the transaction with a profit of EUR 58,442 thousand included under "Changes in fair value of financial instruments" (see Note 16.6). Only a limited risk was maintained at year end for 14.1 million shares at 50% of the drop in the quoted price between EUR 23.90 and EUR 17.83 per share, and for 3.4 million shares at 50% of the drop between EUR 23.90 and EUR 18.38 per share.

The Company has recognised both its own credit risk and that of the counterparty based on each derivative, whereby the impact on the income statement was a gain of EUR 3,178 thousand for all derivative instruments measured at fair value through profit or loss, in accordance with the ICAC consultation of 4 June 2013.

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 2013 and 2012, 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 2013, the shareholders with an ownership interest of over 10% in the share capital of the Company were Corporación Financiera Alba, S.A. with an ownership interest of 16.30% and Inversiones Vesan, S.A. with 12.52%.

The shareholders at the Annual General 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 shareholders at the Annual General 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 share capital increase or increases may be carried out by issuing new shares, either ordinary, without voting rights, preference or redeemable shares. 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 Annual General 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 shares in circulation, 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, 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. Based on the aforementioned authorisation, in 2013 ACS, Actividades de Construcción y Servicios, S.A. formally executed a Euro Commercial Paper programme for a maximum amount of EUR 500 million, the balance of which amounted to EUR 310,194 thousand at 31 December 2013 (see Note 13.2). Likewise, based on the aforementioned delegation of powers, the Board of Directors took into consideration and provided guarantees in relation to the issue of bonds exchangeable for Iberdrola shares carried out by ACS, Actividades Finance B.V. amounting to EUR 721,100 thousand (see Note 9).

The shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013 resolved, among other matters, to a share capital increase and reduction.

In this regard, the Company resolved in increase share capital to a maximum of EUR 504 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 142 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 Annual General Meeting held in 2013 and, in the case of the second increase, within the first quarter of 2014, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend.

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 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, at the Annual General Meeting held on 10 May 2013, 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.

Specifically, and by virtue of this delegation, on 20 June 2013 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 bonus shares from ACS or cash through the sale of the related bonus issue rights which are trade on the stock market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

In relation to the foregoing, in 2013 the Company increased its share capital by EUR 3,926,818.50 relating to 7,853,637 ordinary shares of EUR 0.5 par value each. Subsequent to the aforementioned capital increase and during the same year, share capital was reduced by EUR 3,926,818.50 relating to 7,853,637 ordinary shares of EUR 0.5 par value each through the retirement of the Company's treasury shares (see Note 11.3).

In addition, by virtue of this delegation, on 12 December 2013 the Company resolved to carry out a second share capital increase for a maximum amount of EUR 142 million for the same purpose as that of the first increase mentioned above. After a period of negotiating the bonus issue rights relating to this second increase, 2,562,846 ordinary shares of EUR 0.5 par value each were issued in February 2014 for a nominal amount of EUR 1,281,423.

**11.1 Legal reserve**

Under Article 274 of the Consolidated Text of the Spanish Companies 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. Otherwise, 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 2013 and 2012 the balance of this reserve had reached the legally required minimum.

**11.2 Reserve for goodwill**

In accordance with Article 273.4 of the Consolidated Text of the Spanish Companies Law, when distributing the profit for each year an appropriation of at least 5% of the goodwill recognised on the asset side of the balance sheet must be made to a restricted reserve for that goodwill. If no profit was recognised, or it were insufficient, this amount would be transferred from unrestricted reserves (see Note 3). At 31 December 2013, the balance of this heading amounted to EUR 206,039 thousand (EUR 164,831 thousand at 31 December 2012).

**11.3 Reserve for retired capital**

As a result of the retirement of the Parent's shares carried out in 2013 and 2012, in accordance with that established in Article 335.c of the Consolidated Text of the Spanish Companies Law, ACS, Actividades de Construcción y Servicios, S.A. arranged a restricted reserve for retired capital amounting to EUR 7,593 thousand (EUR 3,666 thousand at 31 December 2012), which is equivalent to the nominal value of the reduced share capital.

**11.4 Limitations on the distribution of dividends**

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

**11.5 Treasury shares**

The changes in “Treasury shares” in 2013 and 2012 were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Number of shares** | **Thousands of Euros** | **Number of shares** | **Thousands of Euros** |
| **At beginning of the year** | **4,135,813** | **73,843** | **6,375,880** | **169,653** |
| Purchases | 15,112,383 | 306,280 | 9,393,512 | 155,880 |
| Scrip dividend | 251,471 | - | - | - |
| Sales | (8,670,528) | (159,065) | (4,013,784) | (81,295) |
| 2013/2012 bonus paid | (208,529) | (3,826) | (287,700) | (7,655) |
| Retirement | (7,853,637) | (152,274) | (7,332,095) | (162,740) |
| **At end of the year** | **2,766,973** | **64,958** | **4,135,813** | **73,843** |

As a result of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, on 20 June 2013 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. After the decision-making period granted to the shareholders, on 18 July 2013 the following events occurred:

- The dividend was set at a total gross amount of EUR 192,708,608.096 and was paid on 23 July 2013.
- The definitive number of shares object of the share capital increase was 7,853,637 for a nominal amount of EUR 3,926,818.50.

Subsequent to 23 September 2013, through the pertinent registration in the Mercantile Registry, a reduction in the share capital of ACS, Actividades de Construcción y Servicios S.A. amounting to EUR 3,926,818.50 has been executed, by means of the retirement of 7,853,637 treasury shares for a carrying amount of EUR 152,274 thousand, with a charge to unrestricted reserves and through the allocation, for the same amount as the nominal value of the retired shares: EUR 3,926,818.50, to the reserve provided for in section c) of article 335 of the Spanish Companies Law. In this same connection, on 7 July 2012, 7,332,095 treasury shares were retired with a carrying amount of EUR 162,740 thousand in accordance with the resolutions adopted by the shareholders at the Annual General Meeting held on 31 May 2012 in relation to the shareholder remuneration system.

On 24 January 2013, the ACS Group sold a total of 20,200,000 treasury shares (of which 2,967,047 shares relate to the Company) amounting to EUR 360,166,000 with an negative effect on the Company of EUR 1,183 thousand. In addition, the Group 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 (see Note 10.2).

At 31 December 2013, the Company held 2,766,973 treasury shares, with a par value of EUR 0.5 each, representing 0.88% of the share capital, with a net value of EUR 64,958 thousand recognised under "Treasury shares" under equity in the balance sheet. At 31 December 2012, the Group held 4,135,813 treasury shares, with a par value of EUR 0.5 each, representing 1.31% of the share capital, with a carrying amount of EUR 73,843 thousand which was recognised under "Treasury shares" under equity in the balance sheet.

At the end of 2013 and 2012, these shares represented 0.88% and 1.31% of the share capital, respectively.

## 12.- Provisions and contingent liabilities

### 12.1 Non-current provisions

The detail of provisions in the balance sheet at the end of 2013, and of the main changes therein during the year are as follows (in thousands of euros):

| Non-current provisions | 2013 | | | |
|---|---|---|---|---|
| | **Balance at 01/01/2013** | **Charge for the year** | **Reversals and amounts used** | **Balance at 31/12/2013** |
| Liabilities and taxes | **45,138** | 6,693 | (3,402) | **48,429** |
| **Total non-current provisions** | **45,138** | **6,693** | **(3,402)** | **48,429** |

| 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** |

The Company recognises provisions for the estimated amount required for probable or certain third-party liability, and outstanding obligations the exact amount of which cannot be determined or whose date of payment is uncertain, since this depends on the fulfilment of 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.

#### *12.1.1 Employee benefit obligations*

**Long-term defined benefit obligations**

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2013 and 2012 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Retired employees | 191,761 | 193,162 |
| Serving employees | 14,417 | 19,643 |

These defined benefit pension obligations are funded by 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 obligations was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

| Actuarial Assumptions | 2013 | 2012 |
|---|---|---|
| Technical interest rate (*) | 3.66% | 4.90% |
| 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 obligations recognised under “Staff costs” in the income statement for 2013, gave rise to income of EUR 85 thousand in 2013 (EUR 107 thousand of expense in 2012). The income is a result of the rebate received by the Company from the insurance company due mainly to certain insured persons reaching the age envisaged in the actuarial calculations without having retired. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 2,836 thousand (EUR 2,784 thousand in 2012),which are also recognised under “Staff costs” in the income statement.

At 31 December 2013 and 2012, there were no outstanding accrued contributions.

### *12.1.2 Share-based payment*

As described in the measurement bases (see Note 4.13) in connection with the share-based employee remuneration plan, the Company recognises, on the one hand, the services received as an expense, based on their nature, at the date on which they are obtained and, on the other, the related increase in equity upon settling the share-based payment plan.

**Share option plans**

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 Annual General Meeting held on 25 May 2009, and at the request of the Remuneration Committee. The features of this Plan are as follows:

| | |
|---|---|
| - Number of shares: | 6,203,454 shares |
| - Beneficiaries: | 57 executives:<br>1 executive with 936,430 shares, 4 executives with between 752,320 and 351,160 shares; 8 executives with 92,940 shares; 16 executives with 69,708 shares and 28 executives 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 of 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 payable 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 2013 or 2012.

The commitments arising from this plan are hedged through a financial institution. In relation to the aforementioned plan, the share options are to be settled through equity instruments and never in cash. However, since the Group has hedged the commitments arising from these plans with a financial institution, their settlement shall not involve, under any circumstances, the issue of equity instruments additional to those outstanding at 31 December 2013 and 31 December 2012. In 2013 EUR 5,392 thousand (EUR 8,708 thousand in 2012) related to share-based remuneration were recognised under staff costs in the income statement, 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 the 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 financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

The stock market price of ACS shares at 31 December 2013, was EUR 25.020 (EUR 19.040 at 31 December 2012).

## 12.2 Contingencies

**Environment**

In view of the business activity carried on by the Company (see 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 and 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 $CO_2$ emissions affecting the Company.

**13.- Non-current and current payables**

**13.1 Non-current financial liabilities**

The balance of “Non-current payables” at the end of 2013 and 2012 was as follows (in thousands of euros):

| Types / Categories | Non-Current Financial Instruments | | | | | |
|---|---|---|---|---|---|---|
| | Bank Borrowings and Finance Leases | | Derivatives and Other | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Accounts payable | 1,540,648 | 1,462,697 | - | - | **1,540,648** | **1,462,697** |
| Derivatives (Notes 10.1 and 10.2) | - | - | 356,400 | 468,298 | **356,400** | **468,298** |
| **Total** | **1,540,648** | **1,462,697** | **356,400** | **468,298** | **1,897,048** | **1,930,995** |

The detail, by maturity, of “Current and non-current payables" is as follows (in thousands of euros):

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 and Subsequent Years | Total |
| Bank borrowings | 204,029 | 1,449,883 | 26,333 | 16,333 | 48,099 | **1,744,677** |

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

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 institutions. At 31 December 2013 and 31 December 2012, the amount arranged totalled EUR 1,430,300 thousand. The loan bears interest at a rate tied to Euribor and is guaranteed by other ACS Group companies. Compliance with certain ratios based on EBITDA and the consolidated group's net debt, which the ACS Group meets at year end, is required.

The main change in 2012 with respect to 2011 resulted from the transactions carried out in relation to the ownership interest in Iberdrola, S.A. and, more specifically, in relation to the equity swap. In 2012 the Company amortised EUR 1,000 million by offsetting the amounts contributed as collateral to meet the coverage 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. On 24 December 2012, an additional novation agreement was signed, whereby the contract could be settled in the form of cash of ACS shares. In view of this change, the Company recognised the aforementioned equity swap as a financial derivative at 2012 year end (see Notes 9.1 and 10.2).

### 13.2 Current financial liabilities

The detail of "Current Payables" at 2013 and 2012 year-end is as follows (in thousands of euros):

| Types / Categories | Current Financial Instruments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Bonds and other securities | | Bank Borrowings | | Derivatives and Other | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Accounts payable | 304,563 | - | 204,029 | 628,961 | 148,721 | 14,889 | 657,313 | 643,850 |
| Derivatives (Notes 10.1 and 10.2) | - | - | - | - | 20,203 | - | 20,203 | - |
| **Total** | **304,563** | **-** | **204,029** | **628,961** | **168,924** | **14,889** | **677,516** | **643,850** |

On 22 March 2013, ACS, Actividades de Construcción y Servicios, S.A. formally executed a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 500 million, which was registered in the Irish Stock Exchange, making use of the authorisation granted by the shareholders at the Annual General Meeting held on 25 May 2009 and in execution of the resolution of the Board of Directors on 8 November 2012. Banco Santander is the programme implementation coordinator (arranger), the entity who also acts as designated intermediary (dealer). By means of this programme, ACS will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets. This programme was renewed for EUR 750 million in March 2014 (see Note 20).

From its execution until 31 December 2013, various issues were launched under this programme for a total of EUR 430,245 thousand and redemptions amounted to EUR 120,051 thousand. At 31 December 2013, the issues outstanding under the aforementioned programme amounted to EUR 310,194 thousand.

At 31 December 2013, the Company had credit facilities with limits totalling EUR 600,100 thousand (EUR 597,900 thousand in 2012), of which EUR 7,612 thousand had been drawn down at 31 December 2013 (EUR 507,567 thousand in 2012). Additionally, the Company has current loans amounting to EUR 159,565 thousand.

At 31 December 2013, "Other financial liabilities" includes the dividend payable amounting to EUR 140,970. This dividend was paid on 18 February 2014 amounting to EUR 69,473 thousand (see Note 3).

## 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**

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Corporation tax receivable | 36,817 | 12,647 |
| Other accounts receivable | 14 | 379 |
| **Total** | **36,831** | **13,026** |

In 2012 and 2013, "Tax receivables" includes consolidated income tax refundable for the Tax Group 30/99, both for the estimate of the amount refundable for the year ended, as well as the amount which arose in 2012 and has yet to be refunded.

**Tax payables**

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Tax withheld | 837 | 861 |
| Social security taxes payable | 55 | 54 |
| Tax liabilities | 865 | - |
| Other taxes payable | 12 | 23 |
| **Total** | **1,769** | **938** |

### 14.2 Reconciliation of accounting profit to taxable profit

The reconciliation of the accounting profit to the tax loss for income tax purposes is as follows:

| | 2013 | | |
|---|---|---|---|
| | Thousands of Euros | | |
| | Increases | Decreases | Total |
| **Accounting profit (loss) before tax from continued and discontinued operations** | | | **1,352,515** |
| Permanent differences: | | | |
| Non-deductible provisions | 61,559 | (2,260,348) | (2,198,789) |
| Non-deductible expenses and other differences | 11,484 | (18,057) | (6,573) |
| Timing differences: | | | |
| Arising in the year: | | | |
| Merger goodwill | - | (3,262) | (3,262) |
| Externalised pension commitments | 2,760 | - | 2,760 |
| Non-deductible finance costs per tax consolidation | 46,727 | - | 46,727 |
| Other differences | 7,062 | - | 7,062 |
| Arising in prior years: | | | |
| Financial instruments unrecognized in equity | | (170,246) | (170,246) |
| Externalised pension commitments | - | (6,021) | (6,021) |
| Use of provisions and others | - | (3,523) | (3,523) |
| Measurement of financial instruments recognised in equity | 53,997 | (3,776) | 50,221 |
| **Individual tax loss** | | | **(929,129)** |
| Tax consolidation adjustments for intra-Group equity investments | 1,665,229 | - | 1,665,229 |
| Tax consolidation adjustments for intra-Group dividends | - | (440,141) | (440,141) |
| **Taxable profit attributable on tax consolidation** | | | **295,959** |

| | 2012 | | |
|---|---|---|---|
| | Thousands of Euros | | |
| | Increases | Decreases | Total |
| **Accounting profit (loss) before tax from continued and discontinued operations** | | | **(958,948)** |
| Permanent differences: | | | |
| Non-deductible provisions | 1,872,578 | - | 1,872,578 |
| Non-deductible expenses and other differences | 14,798 | (124) | 14,674 |
| 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) |
| Adjustments to accounting loss in connection with 04/06/2013 ICAC Consultation | - | (965) | (965) |
| **Individual taxable profit** | | | **1,212,862** |
| Tax consolidation adjustments | | | |
| Provisions for intra-Group equity investments | 10,352 | - | 10,352 |
| Intra-Group dividends | - | (1,876,016) | (1,876,016) |
| Inclusion of gains (prior to tax credit for double taxation) | 192,376 | - | 192,376 |
| Elimination and inclusion of intra-Group losses (temporary difference) | 94,264 | (72,934) | 21,330 |
| **Tax loss attributable on tax consolidation** | | | **(439,096)** |

The attributable tax loss in 2012 did not give rise to any deferred tax asset since it was offset with the taxable profit of other Tax Group companies in the same year.

### 14.3 Taxes recognised in equity

The detail of the taxes recognised directly in equity is as follows:

| | 2013 | | |
|---|---|---|---|
| | Thousands of Euros | | |
| | Charge to Equity | Credit to Equity | Total |
| **Deferred taxes:** | | | |
| Measurement of hedging financial instruments | 706 | - | 706 |
| **Current taxes:** | | | |
| Measurement of available-for-sale financial assets | 14,777 | - | 14,777 |
| **Total deferred tax recognised directly in equity** | **15,483** | **-** | **15,483** |

| | 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** | **173,653** | **(794)** | **172,859** |

### 14.4 Reconciliation of accounting profit/loss to the income tax expense

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

| | 2013 | 2012 |
|---|---|---|
| Accounting profit (loss) before tax from continuing operations | 1,352,515 | (958,948) |
| Gross tax payable (30%) | 405,755 | (287,684) |
| Impact of permanent differences | (162,040) | 569,281 |
| Double taxation tax credits: | | |
| From dividends of the Tax Group | (132,042) | (562,805) |
| From other dividends and gains | (20,113) | (72,968) |
| Other tax credits | (1,467) | (1,466) |
| Adjustment to previous years' taxation | 2,140 | 15,590 |
| **Total income tax expense recognised in profit or loss from continued and discontinued operations** | **92,233** | **(340,052)** |

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

| | 2012 | 2012 |
|---|---|---|
| **Continuing operations** | | |
| Current income tax | 39,524 | (140,088) |
| Deferred tax | 52,709 | (199,965) |
| **Total income tax expense** | **92,233** | **(340,052)** |

There were no discontinued operations in 2013 or 2012.

### 14.5 Recognised deferred tax assets

The detail of the balance of this account at the end of 2013 and 2012 is as follows (in thousands of euros):

| | 2013 | 2012 |
|---|---|---|
| Temporary differences (prepaid taxes): | | |
| Pension obligations | 32,809 | 33,690 |
| Measurement of interest rate hedging financial instruments | 954 | 954 |
| Non-deductible finance charges | 38,685 | 40,019 |
| Unhedged derivative financial instruments | 34,149 | 85,223 |
| Losses eliminated in tax consolidation | 73,605 | 73,605 |
| Other | 19,985 | 19,827 |
| Unused tax credits | 72,233 | 86,791 |
| **Total deferred tax assets** | **272,420** | **340,109** |

The aforementioned deferred tax assets were recognised because the Company's directors consider that, on the basis of the best estimate of the Company's future earnings, these assets will probably be recovered.

For the purpose of analysing the recoverability tax assets of the consolidated Group, the ACS Group has created a model which uses the latest earnings projections available for the Group companies and includes the changes in tax legislation announced in recent months. According to this model, they will be recovered before all of the tax assets arising from tax loss and tax credit carryforwards

There were no significant unrecognised deferred tax assets.

### 14.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2013 and 2012 is as follows (in thousands of euros):

| | **31/12/2013** | **31/12/2012** |
|---|---|---|
| Gains eliminated in the tax consolidation process | 150,098 | 150,098 |
| Merger goodwill and other | 21,610 | 21,107 |
| **Total deferred tax liabilities** | **171,708** | **171,205** |

### 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 under "Tax matters" in the notes to the financial statements for the corresponding years.

Specifically, the Company took a tax credit for reinvestment of a portion of the capital gain obtained on the sale of Unión Fenosa, S.A. shares. The reinvestment was carried out, among other acquisitions, through the purchase of Iberdrola, S.A. shares in 2010, as a result of which a tax credit for reinvestment was taken amounting to EUR 14,654 thousand. In 2012 the period during which the reinvestment must be maintained according to regulations was partially breached. However, the regulation establishes that the credit is not lost if the amount obtained in the transaction is the object of a new reinvestment. In this connection, the Tax Group, specifically Iridium Concesiones de Infraestructuras, S.A., carried out investments in property, plant and equipment amounting to EUR 7,476 thousand, which enable a tax credit to be maintained for EUR 418 thousand, and it is considered that the rest of the reinvestment required in order to maintain the total credit, amounting to EUR 387,405 thousand, also taking into account that which was carried out in 2012, will be made within the periods established by the law.

### 14.8 Years open for review and tax audits

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.

The review by the tax authorities in connection with VAT for 2008 to 2010, in relation to VAT Group 194/08, concluded in 2013. The resulting tax debt attributable to the Company was not material and was paid and recognised under expenses for the year.

Consequently, 2006 to 2012 are open for review for Income Tax, 2011 to 2013 for VAT and 2010 to 2013 for the other taxes applicable to it. 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 certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

## 15.- Foreign currencies

The most significant foreign currency transactions carried out in 2013 amounted to USD 20 thousand (EUR 24 thousand in 2012).

There were no significant exchange differences in 2013 and 2012.

## 16.- Revenue and expense recognition

### 16.1 Revenue:

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

| | 2013 | 2012 |
|---|---|---|
| Dividends of subsidiaries and associates (Note 9.3 y 17.1) | 440,141 | 1,876,016 |
| Dividends from non-current financial assets (Note 9.1) | 67,043 | 59,997 |
| Finance income of subsidiaries and associates (Note 17.1) | 166,784 | 276,303 |
| Service provision | 12,456 | - |
| **Total** | **686,424** | **2,212,316** |

### 16.2 Employee welfare costs

The detail of “Employee Benefit Costs” in 2013 and 2012 is as follows (in thousands of euros):

| | 2013 | 2012 |
|---|---|---|
| **Employee benefit costs** | | |
| Employer social security taxes | 593 | 559 |
| Contributions to pension plans (Note 12.1) | 2,751 | 2,891 |
| Other employee benefit costs | 624 | 678 |
| **Total** | **3,968** | **4,128** |

### 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):

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Finance income | Finance costs | Finance income | Finance costs |
| Application of the effective interest method | 14,236 | 248,857 | 11,128 | 303,211 |

This heading includes EUR 3,610 thousand related to the settlement of hedging instruments.

### 16.4 Other profit or loss

The amounts recognised in 2013 under the heading "Other profit and loss" in the income statement relates mainly to charges for the year to the provision for risks and expenses (see Note 12.1). In 2012 no amount was recognised under this heading.

### 16.5 Impairment and gains or losses on disposals of financial instruments

This heading in the accompanying income statement for 2013 includes mainly the reversal of the provision made in the year for the financing granted by the Company to Residencial Monte Carmelo, S.A.U. and Corporate Funding, S.L. (see Note 9.3) in 2012, the impairment loss recognised in relation to the ownership interest in Residencial Monte Carmelo, S.A.U, the net effect of which was EUR 533,651 thousand as well as the gains on the sale of Admirabilia, S.L. amounting to EUR 15,550 thousand (see Note 9.3).

In 2012 it included the losses related to the impairment of the 0.200% ownership interest and additional losses as a result of the equity swap, as well as the provisions made for the investment and financing granted by the Company to the vehicles in relation to the ownership interest in Iberdrola amounting to EUR 2,498,674 thousand (see Note 9.1).

### 16.6 Change in fair value of financial instruments

This heading in the accompanying income statement for 2013 includes mainly the earnings due to the market value of the Company's derivatives, both in relation to the Iberdrola shares (such as the equity swap, the call spread and the put spread), amounting to EUR 252,084, thousand and in relation to the ACS shares, amounting to EUR 150,859 thousand (see Note 10.2).

## 17.- Related party transactions and balances

### 17.1 Transactions with related parties

The detail of the transactions with related parties in 2013 is as follows (in thousands of euros):

| Income (-), Expense (+) | 2013 | | |
|---|---|---|---|
| | **Subsidiaries** | **Associates** | **Entities with joint control or significant influence over the Company** |
| Asset purchases | - | - | - |
| Services received | 979 | - | - |
| Operating lease agreements | 2,260 | - | - |
| Interest received | 70,951 | - | - |
| Interest paid (Note 16.1) | (166,784) | - | - |
| Accrued interest not yet collected | 52,320 | - | - |
| Accrued interest not yet paid | (6,363) | - | - |
| Dividends (Note 16.1) | (440,141) | - | - |
| Cost apportionment agreement | (318) | - | - |
| Service provision (Note 16.1) | (12,456) | - | - |

The detail of related party transactions performed in 2012 was 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) | - |

**17.2 Balances with related parties**

The detail of the balances with related parties in the balance sheet at 31 December 2013 is as follows (in thousands of euros):

| | 31/12/2013 | |
|---|---|---|
| | **Subsidiaries** | **Associates** |
| **Non-current financial assets** | **3,810,498** | **8,504** |
| Equity instruments (Note 9.3) | 2,714,880 | 8,504 |
| Loans to companies (Note 9.3) | 1,095,618 | - |
| **Sundry accounts receivable** | **24,755** | **32** |
| **Current financial assets** | **636,507** | **-** |
| Loans to companies | 466,194 | - |
| Other financial assets | 170,313 | - |
| **Non-current liabilities** | **700,467** | **-** |
| **Current liabilities** | **1,581,557** | **-** |

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

| | 31/12/2012 | |
|---|---|---|
| | **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 amount included under "Other financial assets" both at 31 December 2013 and at 31 December 2012, relate in full to the accrued dividends payable at year end from ACS Group companies. Additionally, the Company recognised an interim dividend payable at the end of 2013 amounting to EUR 140,970 thousand (see Note 13.2).

The detail, at 31 December 2013 and 31 December 2012, of “Current loans to group companies” is as follows:

| | **Thousands of Euros** | |
|---|---|---|
| | **31/12/2013** | **31/12/2012** |
| Major Assets, S.L. | 439,902 | 9,451 |
| Cariátide, S.A. | 23,699 | 23,410 |
| ACS Telefonía Móvil, S.L. | - | 116,694 |
| ACS Servicios y Concesiones, S.L. | - | 103,643 |
| Equity Share, S.L. | - | 76,551 |
| Corporate Funding, S.L. | - | 18,932 |
| Others of lesser amounts | 15,862 | 12,713 |
| Provisions | (13,269) | (15,048) |
| **Total** | **466,194** | **346,346** |

The financing granted by the Company to Major Assets, S.L. comes from the reclassification as current of the financing existing at 31 December 2012, granted to Major Assets, S.L. itself as well as to Corporate Statement, S.L. which was absorbed in 2013 by the former (see Note 9.3). This financing is made up of two participating loans and two subordinated credits. The participating loans, maturing on 30 June 2014 and 30 July 2014, amount to EUR 60,902 thousand and EUR 45,567 thousand, respectively, with interest accruing at a fixed and a floating rate and capitalised annually. The subordinated credits, maturing on 30 June 2014 and 30 July 2014, amount to EUR 190,646 thousand and EUR 130,028 thousand, respectively, with interest accruing at a fixed rate and capitalised annually. Accrued interest receivable at 31 December 2013 amounted to EUR 12,759 thousand.

The amount corresponding to Cariátide, S.A. relates to the accrued interest receivable at 31 December 2013, since the financing is classified as non-current (see Note 9.3).

In relation to the loans that finance the investments of Cariátide, S.A. and Major Assets, S.L. in Hochtief, A.G., the financing agreements entered into stipulate, among other things, that coverage ratios must be met or otherwise, the pledges on Hochtief, A.G. shares could be enforced. In the event that the coverage ratios are not met, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2013, the Company contributed funds to meet these ratios amounting to EUR 359 thousand (EUR 90,957 thousand in 2012).

The detail of “Non-current payables to Group companies” at 31 December 2013 and 2012 is as follows:

| | **Thousands of Euros** | |
|---|---|---|
| | **31/12/2013** | **31/12/2012** |
| Novovilla, S.L. | - | 233,075 |
| Villanova, S.A. | - | 1,131 |
| PR Pisa, S.A.U. | - | 1,099,071 |
| ACS, Actividades Finance, B.V. | 700,467 | - |
| **Total** | **700,467** | **1,333,277** |

The debt with ACS, Actividades Finance, B.V. relates to a loan granted by this company with the funds obtained from the issue of a bond exchangeable for Iberdrola shares maturing on 22 October 2018 and bearing interest at a fixed rate (see Note 9.1).

The outstanding credits at 31 December 2012 were tied to Euribor and those maturing within more than one year have been either cancelled or reclassified as current.

In 2013 the Company collected a dividend from Pr Pisa S.A.U. amounting to EUR 1,215 million through the settlement of the liability existing at that date.

The detail of "Current payables to Group companies" at 31 December 2013 and 2012 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **31/12/2013** | **31/12/2012** |
| ACS Servicios, Comunicaciones y Energía, S.L. | 654,780 | 812,508 |
| Dragados, S.A. | 490,743 | 800,437 |
| Residencial Monte Carmelo, S.A.U. | 373,440 | 5,578 |
| Admirabilia, S.A. | 14,639 | 386,072 |
| Aurea Fontana, S.L. | - | 218,814 |
| Villa Aurea, S.L. | - | 151,530 |
| Roperfeli S.L. | - | 54,220 |
| PR Pisa, S.A.U. | - | 14,870 |
| Others of lesser amounts | 47,955 | 39,189 |
| **Total** | **1,581,557** | **2,483,218** |

The amount payable to ACS Servicios, Comunicaciones y Energía, S.L. relates to a credit facility of up to EUR 920,000 thousand maturing on 31 July 2014, which is automatically renewable annually, of which EUR 653,543 thousand has been drawn down (EUR 811,110 thousand at 31 December 2012). It bears interest at a rate tied to Euribor.

The amount payable to Dragados, S.A. relates to a credit facility of up to EUR 625,000 thousand maturing on 28 June 2014, which is automatically renewable annually, of which EUR 489,762 thousand has been drawn down (EUR 786,310 thousand at 31 December 2012). It bears interest at a rate tied to Euribor.

The debt with Residencial Monte Carmelo, S.A.U. relates to a credit facility with a balance at 31 December 2013 of EUR 263,441 thousand, which automatically matures and is renewable annually with an interest rate tied to Euribor and to the balance corresponding to 2013 income tax amounting to EUR 109,971 thousand included in Tax Group 30/99.

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

### 17.3 Remuneration of directors and senior executives

The breakdown of the remuneration received in 2013 and 2012 by the members of the Board of Directors and senior executives of the Company is as follows (in thousands of euros):

| | 2013 | |
|---|---|---|
| | Wages (fixed and variable) | By-law-stipulated directors' emoluments |
| Board of Directors | 7,519 | 2,239 |
| Senior executives | 3,112 | - |

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

Other amounts payable to the members of the Board of Directors and senior executives of ACS, Actividades de Construcción y Servicios, S.A. are as follows (in thousands of euros):

| | 2013 | | |
|---|---|---|---|
| | Pension Plans | Insurance premiums | Other |
| Board of Directors | 1,805 | 16 | - |
| Senior executives | 653 | 3 | - |

| | 2012 | | |
|---|---|---|---|
| | Pension Plans | Insurance premiums | Other |
| Board of Directors | 1,811 | 16 | - |
| Senior executives | 766 | 2 | - |

At 2013 and 2012 year end, no advances or loans had been granted to the members of the Board of Directors or senior executives of the Company. The members of the Board of Directors and senior executives did not receive any termination benefits.

The amount recognised in the income statement as a result of the share options granted to the directors with executive duties amounted to EUR 1,119 thousand (EUR 1,808 thousand in 2012) for the directors and EUR 426 thousand (EUR 491 thousand in 2012) for senior executives. This amount relates to the proportion of the value of the plan at the date on which it was granted.

### 17.4 Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the directors

Pursuant to Article 229 of the Consolidated Text of the Spanish Companies Law, the 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, and the functions, if any, that they discharge thereat:

| Owner | Investee | Line of Business | Ownership Interest | Functions |
|---|---|---|---|---|
| Joan David Grimá Terré | Cory Environmental Management Limited | Environment | 0.000% | Board Member |
| Pedro López Jiménez | GTCEISU Construcción, S.A. (the 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 | 0.005% | Board Member |
| 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 | Enagás, 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 |

| Owner | Investee | Line of Business | Ownership Interest | Functions |
|---|---|---|---|---|
| Juan March de la Lastra | Indra Sistemas, S.A. | Information technologies and defence systems | 0.012% | Board Member |
| Antonio García Ferrer | Ferrovial, S.A. | Construction and Services | 0.000% | None |

Also pursuant to the aforementioned law, set forth below are the activities carried on, as independent professionals or as employees, by the various members of the Board of Directors that are identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. for 2013.

| 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. | Board Member |
| Javier Echenique Landiribar | Finance | Employee | Banco Sabadell | Deputy Chairman |
| Javier Echenique Landiribar | Energy | Employee | Repsol YPF, S.A. | Board Member |
| Javier Echenique Landiribar | Paper | Employee | Ence, S.A. | Board Member |
| Javier Echenique Landiribar | Industrial Services | Employee | ACS, Servicios, Comunicaciones y Energía, S.L. | Board Member |
| Juan March de la Lastra | Holding company | Employee | Corporación Financiera Alba, S.A. | Board Member |
| Juan March de la Lastra | Information Technologies | Employee | Indra Sistemas, S.A. | Board Member |
| 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. | Board Member |
| Antonio García Ferrer | Industrial Services | Employee | ACS, Servicios, Comunicaciones y Energía, S.L. | Board Member |
| Antonio García Ferrer | Urban services and concessions | Employee | ACS, Servicios y Concesiones, S.L. | Board Member |
| Agustín Batuecas Torrego | Transport interchange | Employee | Intercambiador de Transporte de Avenida de América | Chairman |

| Name | Activity Performed | Type of arrangement | Company through which the activity is performed | Position or function at the company concerned |
|---|---|---|---|---|
| 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 | Intercambiador de Transportes Príncipe Pío, S.A. | Individual representing Continental Auto, S.L. 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. | Board Member |
| Pedro José López Jiménez | Construction and Services | Employee | Hochtief, A.G. | Board Member |
| Pedro José López Jiménez | Construction | Employee | Leighton Holdings, Ltd. | Board Member |
| Pedro José López Jiménez | Paper | Employee | Ence, S.A. | Board Member |
| Pedro José López Jiménez | Industrial Services | Employee | ACS, Servicios, Comunicaciones y Energía, S.L. | Deputy Chairman |
| 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. | Board Member |
| Santos Martínez-Conde Gutiérrez-Barquín | Holding company | Employee | Alba Participaciones, S.A. | Chairman |
| Santos Martínez-Conde Gutiérrez-Barquín | Steel | Employee | Acerinox, S.A. | Board Member |
| Santos Martínez-Conde Gutiérrez-Barquín | Holding company | Employee | Corporación Financiera Alba, S.A. | Chief Executive Officer |
| Javier Monzón de Cáceres | Urban services and concessions | Employee | ACS, Servicios y Concesiones, S.L. | Board Member |
| Javier Monzón de Cáceres | Information Technologies | Employee | Indra Sistemas, S.A. | Chairman |
| Miguel Roca Junyent | Infrastructure Concessions | Employee | Abertis Infraestructuras, S.A. | Non-Board Member secretary |
| Miguel Roca Junyent | Finance | Employee | Banco Sabadell, S.A. | Non-Board Member secretary |

| Name | Activity Performed | Type of arrangement | Company through which the activity is performed | Position or function at the company concerned |
|---|---|---|---|---|
| Miguel Roca Junyent | Energy | Employee | Endesa | Independent External Board Members |
| Álvaro Cuervo García | Stock Exchange | Employee | BME-Bolsas y Mercados Españoles, S.A. | Board Member |
| José Luis del Valle Pérez | Urban services and concessions | Employee | ACS, Servicios y Concesiones, S.L. | Board Member secretary |
| José Luis del Valle Pérez | Industrial Services | Employee | ACS, Servicios, Comunicaciones y Energía, S.L. | Board Member secretary |
| José Luis del Valle Pérez | Construction | Employee | Dragados, S.A. | Board Member secretary |
| José Luis del Valle Pérez | Engineering and Assembly work | Employee | Cobra Gestión de Infraestructuras, S.L. | Board Member secretary |
| 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 |
| 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 | Board Member |
| Florentino Pérez Rodríguez | Holding company | Independent professional | Inversiones Vesán, S.A. | Board Member |
| Julio Sacristán Fidalgo | Holding company | Employee | Inversiones Vesán, S.A. | Board Member |
| Sabina Fluxá Thienemann | Tourism | Employee | Iberostar Hoteles y Apartamentos, S.L. | Board Member |

In 2013 and 2012, the Company had commercial relationships with companies in which certain of its directors perform management functions. All these commercial relationships 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 2013 and 2012, there were no balances, income or expenses relating to discontinued operations.

## 19.- Other disclosures

### 19.1 Staff

The average number of employees at the Company in 2013 and 2012, by category, is as follows:

| Category | 2013 | | |
|---|---|---|---|
| | 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 | 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** |

Also, the distribution by sex at the end of 2013 and 2012, by category, is as follows:

| Category | 2013 | | |
|---|---|---|---|
| | Men | Women | TOTAL |
| University graduates | 25 | 6 | **31** |
| Further education college graduates | 3 | 1 | **4** |
| Non-graduate line personnel | - | 11 | **11** |
| Other staff | 4 | - | **4** |
| **Total** | **32** | **18** | **50** |

| 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** |

### 19.2 Auditor's fees

In 2013 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 2012). No fees were billed for tax advisory services in 2013 or 2012. Additional fees billed by Deloitte, S.L. in 2013 for services related to the audit amounted to EUR 447 thousand (EUR 522 thousand in 2012). The amounts billed by Deloitte as other services amounted to EUR 217 thousand in 2013 (EUR 214 thousand in 2012).

### 19.3 Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as a guarantor for Group companies and associates with regard to government agencies and private customers, mainly in certain concession projects, to ensure the success of the execution of the projects. The surety bonds and guarantees granted at 31 December 2013 amounted to EUR 392,762 thousand (EUR 391,468 thousand at 31 December 2012).

The Company's directors consider that any unanticipated liabilities that 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 non-controlling shareholders have a potential option to sell. However, the Company and its legal advisors 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 Company's directors consider that the possible effect on the financial statements would not be material. In February 2014 notification was received that enforcement proceedings had been initiated regarding the guarantees granted to ACS, Actividades de Construcción y Servicios, S.A., amounting to EUR 73,350 thousand (which includes both the principal and the interest), however, the Company has filed claims related thereto which it considers will be resolved in its favour.

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

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, since the entry into force of the Law, there were no balances payable to suppliers that were past due by more than the maximum payment period at 31 December 2013 or 31 December 2012.

This balance relates to suppliers which, due to their nature, are trade payables to suppliers of goods and services, such that the information includes data relating to "Payable to suppliers" and "Payable to suppliers - Group companies and associates" under current liabilities in the balance sheet.

The legal maximum payment period applicable to the Company in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 60 days.

The following table provides information relating to the deferral of payments to suppliers, in accordance with the ICAC resolution dated 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 | 87,324 | 98.44% |
| Remainder | 1,382 | 1.56% |
| **Total** | **88,706** | **100.00%** |
| Weighted average days outstanding | 12.47 days | |

PMPE is understood to be the "Weighted average period past due", in other words, 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 reporting date**

At 16 January 2014, ACS, Actividades de Construcción y Servicios, S.A. resolved to carry out a second share capital increase with a charge to reserves, approved the shareholders at the Annual General Meeting held on 10 May 2013. The purpose of the transaction is to create a flexible remuneration formula for the shareholders ("optional dividend"), so that they may opt to continue receiving remuneration in cash or to receive new Company shares. The negotiation period ended on 13 February 2014 for the bonus issue rights corresponding to the second paid-in capital increase approved by the shareholders at the Annual General Meeting held on 10 May 2013. The irrevocable commitment to purchasing rights assumed by ACS has been accepted by holders of 49.5% of the free allotment rights, which has determined the acquisition by ACS of 155,768,093 rights for a total gross amount of EUR 69,472,569.48. The definitive number of ordinary shares issued, of a nominal value of EUR 0.5 each, is 2,562,846, and the nominal value of the corresponding capital increase is EUR 1,281,423 (see Note 3).

On 13 March 2014, ACS, Actividades Finance 2 B.V. (a Dutch wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A.) announced that upon completion of the accelerated bookbuild, the amount, the interest rate and the conversion price as well as the definitive conditions of the exchangeable bond issue over Iberdrola shares have been set, as follows:

- The final amount of the issue amounted to EUR 405.6 million.
- The bonds which were issued at par will mature on 27 March 2019, unless they are exchanged or redeemed early. The price for redeeming the bonds on maturity will be 100% of the nominal value, unless they are exchanged.
- The bonds accrue annual nominal fixed interest of 1.625%, payable quarterly in arrears.
- The bonds will be exchangeable, at the choice of the bondholders, for 63,187,412 ordinary shares of Iberdrola, representing approximately 0.9914% of its share capital. However, in accordance with the terms and conditions of the bonds, the Issuer may opt, when the bondholders exercise their exchange right, to deliver the corresponding number of Iberdrola shares, cash or a combination thereof.
- The conversion price of the bonds is EUR 6.419 per each Iberdrola share, representing a premium of 32.5% over the weighted average quoted price of these shares since the announcement of the issue until the time it was set. As of 17 April 2017 (3 years and 21 days from the Closing Date), the Company will have the option of redeeming the bonds early at par if the value of the Iberdrola shares exceeds 130% of the conversion price applicable during at least 20 trading days in any period of 30 consecutive trading days.
- The bondholders will have the right to redeem their bonds early from the Issuer for an amount equal to the sum of the nominal amount and the interest accrued:
    - on 27 March 2017 (3 years from the closing date); and
    - in the event that there is any change of control of ACS (as this concept is defined under the terms and conditions of the bonds).
- The subscription and payment of the bonds will take place at the closing date, initially set for 27 March 2014 provided that the conditions envisaged in the subscription agreement that the Company, Issuer and the Underwriter signed on 13 March 2014 with the Lead Managers.
- As part of the subscription agreement, the Issuer, the Company and the Underwriter have formalised a lock-up agreement, from the signature date for a period of 90 days from the subscription and payment of the bonds, pursuant to which they undertake not to perform any issues, offers or sales of the shares offered in exchange or in similar transactions in relation to the Iberdrola shares and/or any convertible or exchangeable security for Iberdrola shares, subject to certain exceptions.
- On 17 March 2014, a request was made to list the bonds on the open market (Freiverkehr) (a multilateral trading facility) on the Frankfurt Stock Exchange.

On 18 March 2014, ACS, Actividades de Construcción y Servicios, S.A. reduced its share capital by EUR 1,281,423 relating to 2,562,846 ordinary shares of EUR 0.5 par value each through the retirement of the Parent's treasury shares.

In using the authorisation granted by the shareholders at the Annual General Meeting held on 25 May 2009 and in executing the resolution of the Board of Directors of 27 February 2014, ACS, Actividades de Construcción y Servicios, S.A., on 20 March 2014 has formally executed a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which has been subscribed by the Irish Stock Exchange. Santander Global Banking & Markets is the programme implementation coordinator (arranger), the entity who also acts as designated intermediary (dealer). By means of this programme, ACS will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets.

**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.

*2013 Directors' Report of ACS, Actividades de Construcción y Servicios, S.A.*

*26 March 2014*

## 1.- Company Performance in 2013

In 2013 the Company recognised healthy operating results as a result of the activity of its industrial and operating companies, the sales and profitability of which continue to be solid.

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

| **Key operating & financial figures** | | | |
|---|---|---|---|
| Millions of Euros | **2012** | **2013** | **Change** |
| **Sales** | **38,396** | **38,373** | **-0.1%** |
| **Backlog[1]** | **74,588** | **63,419** | **-15.0%** |
| Months | 21 | 18 | |
| **EBITDA** | **3,088** | **3,002** | **-2.8%** |
| Margin | 8.0% | 7.8% | |
| **EBIT** | **1,579** | **1,746** | **+10.5%** |
| Margin | 4.1% | 4.5% | |
| **Recurring net profit[2]** | **582** | **580** | **-0.3%** |
| **Attributable Net Profit[3]** | **(1,928)** | **702** | **n/a** |
| **EPS** | **€-6.62** | **€2.26** | **n/a** |
| **Cash Flow from Activities** | **1,506** | **1,959** | **+30.1%** |
| **Net Investments** | **(2,285)** | **476** | **n/a** |
| Investments | 2,496 | 2,484 | -0.5% |
| Divestments | 4,781 | 2,008 | -58.0% |
| **Net Debt** | **4,952** | **4,235** | **-14.5%** |
| Net business debt | 4,171 | 3,550 | -14.9% |
| Project Financing | 781 | 685 | -12.3% |

NOTE: Data presented in accordance with ACS Group management criterion.

(1) Includes backlog proportional to the participation in the joint ventures which the Group has not fully consolidated. The comparable change is -2.0%, or EUR 1,482 million.

(2) Net profit excluding extraordinary results and the net contribution of the investees, Abertis and Iberdrola.

(3) The balance sheet, the income statement and the statement of cash flows have been restated as a result of the entry into force of revised IAS 19 which is applied retroactively. This standard affects the recognition and measurement of the defined contribution pension plans and only has a significant impact on the performance of assets related to the plans which are recognised in the income statement which, as a result of the change, are determined based on the interest rate used to discount the defined benefit liability, instead of the market expectations. The effect on the ACS Group is a loss of EUR 1.5 million in 2012, also included under equity.

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** | **2012** | **%** | **2013** | **%** | **Change 12/13** |
|---|---|---|---|---|---|
| Construction | 133.9 | 7% | 87.0 | 17% | -35.0% |
| Environment | 61.3 | 3% | 12.5 | 2% | -79.7% |
| Industrial Services | 359.1 | 19% | 338.5 | 67% | -5.7% |
| Other | 1,381.6 | 71% | 69.2 | 14% | -95.0% |
| **Total** | **1,936.0** | | **507.2** | | |

## 2.- Treasury shares

At 31 December 2013, the ACS Group had 2,766,973 treasury shares, accounting for 0.87% of its share capital. The detail of the transactions performed in the year is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of shares | Thousands of Euros | Number of shares | Thousands of Euros |
| **At beginning of year** | **4,135,813** | **73,843** | **6,375,880** | **169,653** |
| Purchases | 15,112,383 | 306,280 | 9,393,512 | 155,880 |
| Scrip dividend | 251,471 | - | - | - |
| Sales | (8,670,528) | (159,065) | (4,013,784) | (81,295) |
| Bonus Payments 2013/2012 | (208,529) | (3,826) | (287,700) | (7,655) |
| Amortisation Charge | (7,853,637) | (152,274) | (7,332,095) | (162,740) |
| **At end of year** | **2,766,973** | **64,958** | **4,135,813** | **73,843** |

On 23 January 2013, the ACS Group sold a total of 20,200,000 treasury shares (of which 2,967,047 shares correspond to the Company) amounting to EUR 360,166,000 with a negative effect on the Company of EUR 1,183 thousand. In addition, the Group 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 policies

### 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 minimising the risks, prioritizing their significance as necessary.

The ACS Group's 2013 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 on cash flows are mitigated by hedging the interest rates through financial instruments that curb the effect of any fluctuations therein. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

Foreign currency risk is managed by arranging debt in the same functional currency as that of the asset financed by the Group abroad. In order to hedge net positions in currencies other than the euro, the Group uses various financial instruments in order to mitigate exposure to foreign currency risk.

To manage the liquidity risk arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time. This goes hand in hand with the Group's capital management, which preserves an optimum financial and equity structure in order to reduce the cost of capital whilst safeguarding the Group's ability to continue operating with sound debt/equity 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 balances considered to be doubtfully collectible.

A full detail of the mechanisms used to manage financial risks and of the financial instruments used to hedge these risks is included in the notes to the both the Company's individual financial statements and the Group's consolidated financial statements for 2013.

## 4.- <u>Human resources</u>

In 2013 ACS, Actividades de Construcción y Servicios, S.A. employed 51 individuals. 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 157,689 employees at 31 December 2013.

## 5.- <u>Technological innovation and environmental protection</u>

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 <u>Research and development activities</u>

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing 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 <u>Environmental protection</u>

As in the previous case, on an individual basis, the Company does not carry out any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials arising 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, as a result of its commitment since its creation, continues to protect the environment, and is working on various initiatives to continue to promote the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water usage and have a minimal impact on biodiversity. Once again, in 2013 the

Group continued to employ its Environmental Management System which includes the detailed environmental protection initiatives of each Group company.

**6.- Significant events subsequent to year-end**

On 12 December 2013, the Board of Directors of ACS approved the distribution of the interim dividend. It was distributed in February 2014 using a flexible dividend system through which 49.5% of ACS shareholders chose to sell their rights to ACS through the Purchase Commitment, entailing the acquisition by ACS of 155,768,093 rights for a gross amount of EUR 69.5 million, or EUR 0.446 per share. The remaining shareholders chose the share option, as a result of which 2,562,846 shares of ACS were issued which were admitted to listing on 26 February 2014.

On 13 March 2014, ACS, Actividades Finance 2, B.V. (a Dutch wholly-owned subsidiary of ACS, Actividades de Construcción y Servicios, S.A.) announced that upon completion of the accelerated bookbuild, the amount, the interest rate and the conversion price as well as the definitive conditions of the exchangeable bond issue over Iberdrola shares have been set, as follows:

- The final amount of the issue amounted to EUR 405.6 million.
- The bonds which were issued at par will mature on 27 March 2019, unless they are exchanged or redeemed early. The price for redeeming the bonds on maturity will be 100% of the nominal value, unless they are exchanged.
- The bonds accrue annual nominal fixed interest of 1.625%, payable quarterly in arrears.
- The bonds will be exchangeable, at the choice of the bondholders, for 63,187,412 ordinary shares of Iberdrola, representing approximately 0.9914% of its share capital. However, in accordance with the terms and conditions of the bonds, the Issuer may opt, when the bondholders exercise their exchange right, to deliver the corresponding number of Iberdrola shares, cash or a combination thereof.
- The conversion price of the bonds is EUR 6.419 per each Iberdrola share, representing a premium of 32.5% over the weighted average quoted price of these shares since the announcement of the issue until the time it was set. As of 17 April 2017 (3 years and 21 days from the closing date), the Company will have the option of redeeming the bonds early at par if the value of the Iberdrola shares exceeds 130% of the conversion price applicable during at least 20 trading days in any period of 30 consecutive trading days.
- The bondholders will have the right to redeem their bonds early from the Issuer for an amount equal to the sum of the nominal amount and the interest accrued:
  - on 27 March 2017 (3 years from the closing date); and
  - in the event that there is any change of control of ACS (as this concept is defined under the terms and conditions of the bonds).
- The subscription and payment of the bonds will take place at the closing date, initially set for 27 March 2014 provided that the conditions envisaged in the subscription agreement that the Company, Issuer and the Underwriter signed on 13 March 2014 with the Lead Managers.
- As part of the subscription agreement, the Issuer, the Company and the Underwriter have formalised a lock-up agreement, from the signature date for a period of 90 days from the subscription and payment of the bonds, pursuant to which they undertake not to perform any issues, offers or sales of the shares offered in exchange or in similar transactions in relation to the Iberdrola shares and/or any convertible or exchangeable security for Iberdrola shares, subject to certain exceptions.
- On 17 March 2014, a request was made to list the bonds on the open market (Freiverkehr) (a multilateral trading facility) on the Frankfurt Stock Exchange.

On 18 March 2014, ACS, Actividades de Construcción y Servicios, S.A. reduced its share capital by EUR 1,281,423 relating to 2,562,846 ordinary shares of EUR 0.5 par value each through the retirement of the Parent's treasury shares.

In using the authorisation granted by the shareholders at the Annual General Meeting held on 25 May 2009 and in executing the resolution of the Board of Directors of 27 February 2014, ACS, Actividades de Construcción y Servicios, S.A., on 20 March 2014 has formally executed a Euro Commercial Paper (ECP) programme for a maximum amount of EUR 750 million, which has been subscribed by the Irish Stock Exchange. Santander Global Banking & Markets is the programme implementation coordinator (arranger), the entity who also acts as designated intermediary (dealer). By means of this programme, ACS will be able to issue promissory notes maturing between 1 and 364 days, thereby enabling it to diversify its means of obtaining financing on capital markets.

**7.- Outlook for 2014**

The ACS Group expects to increase its net recurring profit in 2014 by maintaining a moderate gearing ratio.

In order to achieve these objectives, the ACS Group will continue to grow in all of its developed reference markets. It will do so in North America, Pacific Asia and Latin America by taking advantage of the opportunities which arise as a result of its privileged position and in Europe by retaining its roots. Likewise, it will continue to invest in infrastructure development projects.

The ACS Group will promote more measures to increase the profitability of its operating companies, standardising the risk control system and strengthening the growth of its activities with high added value in new markets.

Lastly, one of the ACS Group's objectives is to improve in terms of financing efficiency, promoting adequate management of working capital and increasing access to capital markets in order to, thus, reduce its finance costs and diversify its sources of financing.

**8.- Annual Corporate Governance Report**

In accordance with corporate law, following is the Annual Corporate Governance Report, which forms an integral part of the 2013 Directors' Report.