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

Condensed Consolidated Financial Statements for the year ended 31 December 2013

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

ASSETS	Note	Thousands of Euros	
		31/12/2013	31/12/2012
		(*)	(**)
NON-CURRENT ASSETS		**14,390,514**	**15,172,747**
Intangible assets	2	**4,491,245**	**4,540,185**
Goodwill		2,725,848	2,559,822
Other intangible assets		1,765,397	1,980,363
Tangible assets - property, plant and equipment	3	**2,413,741**	**2,950,977**
Non-current assets in projects	4	**757,470**	**729,893**
Investment property		**63,922**	**71,086**
Investments accounted for using the equity method	5	**1,366,466**	**1,731,614**
Non-current financial assets	6	**2,317,846**	**1,848,469**
Long term cash collateral deposits	11	**559,432**	**362,722**
Derivative financial instruments	11	**40,692**	**470,697**
Deferred tax assets	12	**2,379,700**	**2,467,104**
CURRENT ASSETS		**25,380,643**	**26,390,629**
Inventories	7	**1,817,199**	**1,920,115**
Trade and other receivables		**11,316,007**	**11,414,486**
Trade receivables for sales and services		10,130,211	10,158,368
Other receivable		1,082,950	1,173,250
Current tax assets		102,846	82,868
Other current financial assets	6	**2,980,141**	**1,705,449**
Derivative financial instruments	11	**11,981**	**9,014**
Other current assets		**176,641**	**212,238**
Cash and cash equivalents		**3,769,078**	**4,527,836**
Non-current assets held for sale and discontinued operations	1 f)	**5,309,596**	**6,601,491**
TOTAL ASSETS		**39,771,157**	**41,563,376**

The accompanying notes 1 to 20 and Appendice I are an integral part of the consolidated statement of financial position at 31 December 2013.

(*) Unaudited

(**) Restated unaudited

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31/12/2013	31/12/2012
		(*)	(**)
EQUITY	8	**5,488,908**	**5,711,508**
SHAREHOLDERS' EQUITY		**3,802,827**	**3,382,358**
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**2,111,618**	**4,830,361**
(Treasury shares and equity interests)		**(64,958)**	**(574,696)**
Profit for the period of the parent		**701,541**	**(1,927,933)**
ADJUSTMENTS FOR CHANGES IN VALUE		**(534,914)**	**(725,840)**
Available-for-sale financial assets		**27,927**	**154**
Hedging instruments		**(442,697)**	**(801,806)**
Exchange differences		**(120,144)**	**75,812**
EQUITY ATTRIBUTED TO THE PARENT		**3,267,913**	**2,656,518**
NON-CONTROLLING INTERESTS		**2,220,995**	**3,054,990**
NON-CURRENT LIABILITIES		**11,323,455**	**10,917,000**
Grants		**49,748**	**54,215**
Non- current provisions	9	**1,794,751**	**1,892,041**
Non-current financial liabilities	10	**7,411,353**	**6,956,583**
Bank borrowings, debt instruments and other marketing securities		6,171,352	5,745,365
Project finance with limited recourse		1,035,693	1,103,847
Other financial liabilities		204,308	107,371
Derivative financial instruments	11	**497,868**	**594,363**
Deferred tax liabilities	12	**1,381,273**	**1,232,499**
Other non-current liabilities		**188,462**	**187,299**
CURRENT LIABILITIES		**22,958,794**	**24,934,868**
Current provisions		**1,102,411**	**1,213,613**
Current financial assets	10	**4,131,977**	**4,591,375**
Bank borrowings, debt , and other held-for-trading liabilities		3,593,400	3,943,345
Project finance with limited recourse		221,447	278,575
Other financial liabilities		317,130	369,455
Derivative financial instruments	11	**70,552**	**23,865**
Trade and other payables		**13,219,665**	**14,741,614**
Suppliers		8,307,953	8,726,149
Other payables		4,582,075	5,945,128
Current tax liabilities		329,637	70,337
Other current liabilities		**555,849**	**275,121**
Liabilities relating to non-current assets held for sale and discontinued operations	1 f)	**3,878,340**	**4,089,280**
TOTAL EQUITY AND LIABILITIES		**39,771,157**	**41,563,376**

The accompanying notes 1 to 20 and Appendice I are an integral part of the consolidated statement of financial position at 31 December 2013.

(*) Unaudited

(**) Restated unaudited

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Thousands of Euros	
		2013	2012
		(*)	(**)
REVENUE	13	**38,372,521**	**38,396,178**
Changes in inventories of finished goods and work in progress		(41,447)	83,704
Capitalised expenses of in-house work on assets		8,881	25,581
Procurements		(24,834,110)	(23,918,513)
Other operating income		570,851	403,684
Staff costs		(8,339,894)	(8,680,555)
Other operating expenses		(2,788,157)	(3,265,407)
Depreciation and amortisation charge		(1,207,908)	(1,468,872)
Allocation of grants relating to non-financial assets and others		5,014	3,550
Impairment and gains on the disposal of non-current assets		(199,519)	36,913
Other profit or loss		98,431	(24,766)
OPERATING INCOME		**1,644,663**	**1,591,497**
Finance income	14	360,744	507,853
Financial costs		(1,123,676)	(1,294,777)
Changes in the fair value of financial instruments	17	555,294	105,476
Exchange differences		(25,099)	219
Impairment and gains or losses on the disposal of financial instruments	16	255,707	(3,769,932)
FINANCIAL RESULT		**22,970**	**(4,451,161)**
Results of companies accounted for using the equity method	5	95,982	339,353
PROFIT BEFORE TAX		**1,763,615**	**(2,520,311)**
Income tax	12	(516,690)	1,005,216
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,246,925**	**(1,515,095)**
Profit after tax from discontinued operations	1.f) (***)	-	107,465
PROFIT FOR THE PERIOD		**1,246,925**	**(1,407,630)**
Profit attributed to non-controlling interests	8	(545,384)	(520,292)
Profit from discontinued operations attributable to non-controlling interests		-	(11)
PROFIT ATTRIBUTABLE TO THE PARENT		**701,541**	**(1,927,933)**

(***) Profit after tax from discontinued operations attributable to non-controlling interests	1.f)	-	107,454

EARNINGS PER SHARE

		Thousands of Euros	
		2013	2012
Basic earnings per share	1.m)	2.26	-6.62
Diluted earnings per share	1.m)	2.24	-6.62
Basic earnings per share from discontinued operations	1.m)	-	0.37
Basic earnings per share from discontinued operations	1.m)	2.26	-6.99
Diluted earnings per share from continuing operations	1.m)	2.26	-6.99

The accompanying notes 1 to 20 and Appendice I are an integral part of the consolidated income statement at 31 December 2013.

(*) Unaudited

(**) Restated unaudited

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Thousands of Euros					
	31/12/2013 (*)			31/12/2012 (**)		
	Of the Parent	Of non-controlling interests	Total	Of the Parent	Of non-controlling interests	Total
A) Total consolidated profit	**701,541**	**545,384**	**1,246,925**	**(1,927,933)**	**520,303**	**(1,407,630)**
Profit/(Loss) from continuing operations	701,541	545,384	1,246,925	(2,035,387)	520,292	(1,515,095)
Profit/(Loss) from discontinued operations	-	-	-	107,454	11	107,465
B) Income and expenses recognised directly in equity	**118,375**	**(193,873)**	**(75,498)**	**(1,250,758)**	**(70,238)**	**(1,320,996)**
Measurement of financial instruments	93,494	(2,107)	91,387	(1,314,582)	7,852	(1,306,730)
Cash flow hedges	335,745	63,251	398,996	(289,663)	(5,195)	(294,858)
Exchange differences	(219,214)	(238,838)	(458,052)	(48,421)	(27,752)	(76,173)
Arising from actuarial profit and loss and losses	37,058	28,406	65,464	(66,651)	(62,174)	(128,825)
Tax effect	(128,708)	(44,585)	(173,293)	468,559	17,031	485,590
C) Transfers to profit or loss	**94,873**	**(22,086)**	**72,787**	**2,844,907**	**11,793**	**2,856,700**
Measurement of financial instruments	(39,241)	(106,669)	(145,910)	3,925,165	-	3,925,165
Cash flow hedges	119,133	63,631	182,764	117,782	16,847	134,629
Exchange differences	23,258	19,306	42,564	(56)	-	(56)
Tax effect	(8,277)	1,646	(6,631)	(1,197,984)	(5,054)	(1,203,038)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**914,789**	**329,425**	**1,244,214**	**(333,784)**	**461,858**	**128,074**

The accompanying notes 1 to 20 and Appendice I are an integral part of the consolidated statement of comprehensive income at 31 December 2013.

(*) Unaudited

(**) Restated unaudited

(***) The only item of income and expense recognized directly in equity which cannot be subsequently subject to transfer to the income statement is the corresponding actuarial gains and losses.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Thousands of Euros								
	Share capital	**Share premium**	**Retained earnings and other reserves**	**Treasury shares**	**Valuation adjustments**	**Profit/(Loss) attributed to the Parent**	**Interim dividend**	**Non-controlling interests**	**TOTAL**
Balance at 31 December 2011	**157,332**	**897,294**	**4,709,557**	**(760,651)**	**(2,363,192)**	**961,940**	**(283,198)**	**2,872,182**	**6,191,264**
Income/(expenses) recognised in equity	-	-	(44,698)	-	1,637,352	(1,926,438)	-	461,858	**128,074**
Capital increases/(reductions)	3,666	-	(3,666)	-	-	-	-	-	**-**
Stock options	-	-	8,709	-	-	-	-	-	**8,709**
Distribution of profit from the prior year									
To reserves	-	-	462,045	-	-	(462,045)	-	-	**-**
To dividends	-	-	24,143	-	-	(499,895)	283,198	(178,907)	**(371,461)**
Treasury shares	(3,666)	-	(266,043)	185,955	-	-	-	-	**(83,754)**
Change in listed investees as a result of actuarial and other gains	-	-	(54,773)	-	-	-	-	-	**(54,773)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(6,408)	-	-	-	-	(100,143)	**(106,551)**
Balance at 31 December 2012	**157,332**	**897,294**	**4,828,866**	**(574,696)**	**(725,840)**	**(1,926,438)**	**-**	**3,054,990**	**5,711,508**
IAS 19 revised	-	-	1,495	-	-	(1,495)	-	-	**-**
Balance at 31 December 2012 adjusted (*)	**157,332**	**897,294**	**4,830,361**	**(574,696)**	**(725,840)**	**(1,927,933)**	**-**	**3,054,990**	**5,711,508**
Income/(expenses) recognised in equity	-	-	22,322	-	190,926	701,541	-	329,425	**1,244,214**
Capital increases/(reductions)	3,927	-	(3,927)	-	-	-	-	-	**-**
Stock options	-	-	5,391	-	-	-	-	-	**5,391**
Distribution of profit from the prior year									
To reserves	-	-	(2,120,641)	-	-	2,120,641	-	-	**-**
2012 acquisition of bonus issue rights	-	-	-	-	-	(192,708)	-	-	**(192,708)**
To dividends	-	-	-	-	-	-	-	(383,173)	**(383,173)**
Treasury shares	(3,927)	-	(261,303)	509,738	-	-	-	-	**244,508**
Treasury shares through investees	-	-	(142,811)	-	-	-	-	(112,501)	**(255,312)**
Change in listed investees as a result of actuarial and other gains	-	-	9,585	-	-	-	-	-	**9,585**
Additional ownership interest in controlled entities	-	-	(70,035)	-	-	-	-	(147,448)	**(217,483)**
2013 bonus issue rights	-	-	(140,970)	-	-	-	-	-	**(140,970)**
Change in the scope of consolidation and other effects of a lesser amount	-	-	(16,354)	-	-	-	-	(520,298)	**(536,652)**
Balance at 31 December 2013	**157,332**	**897,294**	**2,111,618**	**(64,958)**	**(534,914)**	**701,541**	**-**	**2,220,995**	**5,488,908**

The accompanying notes 1 to 20 and Appendice I are an integral part of the consolidated statement in equity at 31 December 2013.

(*) Restated unaudited

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED 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**	**1,011,813**	**1,299,550**
1.	**Profit/(Loss) before tax**	**1,763,615**	**(2,520,311)**
2.	**Adjustments for:**	**917,144**	**4,688,045**
	Depreciation and amortisation charge	1,207,908	1,468,872
	Other adjustments to profit (net) (Note 1.i)	(290,764)	3,219,173
3.	**Changes in working capital**	**(947,638)**	**(206,989)**
4.	**Other cash flows from operating activities:**	**(721,308)**	**(661,195)**
	Interest payable	(1,113,692)	(1,292,736)
	Dividends received	375,648	542,588
	Interest received	233,465	242,574
	Income tax payment/proceeds	(216,729)	(153,621)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES**	**(97,744)**	**2,285,124**
1.	**Investment payables:**	**(2,100,711)**	**(2,496,027)**
	Group companies, associates and business units	(534,687)	(515,952)
	Property, plant and equipment, intangible assets and property investments	(1,279,283)	(1,749,222)
	Other financial assets	(202,218)	(135,468)
	Other assets	(84,523)	(95,385)
2.	**Divestment:**	**2,002,967**	**4,781,151**
	Group companies, associates and business units	1,816,439	1,457,507
	Property, plant and equipment, intangible assets and investment property	149,832	640,884
	Other financial assets	33,663	2,678,297
	Other assets	3,033	4,463
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**	**(1,496,073)**	**(3,174,971)**
1.	**Equity instrument proceeds (and payment):**	**(476,556)**	**(83,754)**
	Acquisition	(942,222)	(155,880)
	Disposal	465,666	72,126
2.	**Liability instrument proceeds (and payment):**	**(1,251,044)**	**(2,323,237)**
	Issue	2,685,747	4,584,893
	Refund and repayment	(3,936,791)	(6,908,130)
3.	**Dividends paid and remuneration relating to other equity instruments:**	**(397,979)**	**(639,150)**
4.	**Other cash flows from financing activities:**	**629,506**	**(128,830)**
	Other financing activity proceeds and payables:	629,506	(128,830)
D)	**EFFECT OF CHANGES IN EXCHANGE RATES**	**(176,754)**	**(37,044)**
E)	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**	**(758,758)**	**372,659**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR**	**4,527,836**	**4,155,177**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE YEAR**	**3,769,078**	**4,527,836**

1. CASH FLOWS FROM OPERATING ACTIVITIES	-	-
2. CASH FLOWS FROM INVESTING ACTIVITIES	-	80,860
3. CASH FLOWS FROM FINANCING ACTIVITIES	-	-
CASH FLOWS FROM DISCONTINUED OPERATIONS	**-**	**80,860**

CASH AND CASH EQUIVALENTS AT YEAR END

Cash and banks	3,159,531	3,583,950
Other financial assets	609,547	943,886
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END	**3,769,078**	**4,527,836**

The accompanying notes 1 to 20 and Appendices I are an integral part of the consolidated statement of cash flows at 31 December 2013.

(*) Unaudited

(**) Restated unaudited

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

Notes to the condensed consolidated financial statements for the year ended 31 December 2013

1.- Introduction and basis of presentation for the half-yearly condensed consolidated financial statements

ACS, Actividades de Construcción y Servicios, S.A. is a company incorporated in Spain in accordance with the Spanish Companies Law. Its registered office is at Avenida de Pío XII, nº 102 in Madrid.

ACS, Actividades de Construcción y Servicios, S.A. heads a group of companies engaging in a range of different activities, mainly construction, industrial services, the environment, concessions and energy. The Company is therefore obliged to prepare, in addition to its own separate financial statements, the consolidated financial statements for the ACS Group, which include the subsidiaries, interests in joint ventures and investments in associates.

a) Basis of presentation and principles for consolidation

- *Basis of presentation*

The Condensed Consolidated Financial Statements of ACS, Actividades de Construcción y Servicios, S.A. and Subsidiaries (hereafter, the ACS Group) for the year ended 31 December 2013 were approved by the Directors of the Parent at its Board of Directors meeting held on 27 February 2014, and were prepared using the accounting records kept by the Parent and the other companies within the ACS Group.

The Directors approved the Condensed Consolidated Financial Statements on the presumption that anyone who reads them will also have access to the consolidated financial statements for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards (IFRSs), which were authorised for issue on 21 March 2013 and approved by shareholders at the General Shareholders' Meeting held on 10 May 2013. Consequently, and as they have been prepared using the accounting principles and standards employed in preparing the consolidated financial statements, it was not necessary to repeat or update the notes that are included in these condensed consolidated financial statements. Instead, the accompanying explanatory notes include an explanation of events and transactions that are significant to an understanding of the changes in the consolidated financial position and consolidated performance of the ACS Group since the date of the above-mentioned consolidated financial statements.

This consolidated interim financial information was prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account International Accounting Standard (IAS) 34, on Interim Financial Reporting, and all the mandatory accounting principles and rules and measurement bases and, accordingly, they present fairly the ACS Group's consolidated equity and financial position at 31 December 2013, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the interim period then ended. All of this is pursuant to Article 12 of Royal Decree 1362/2007.

However, since the accounting policies and measurement bases used in preparing the consolidated financial information for the ACS Group for 2013 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards. In order to uniformly present the various items composing the consolidated financial information, the policies and measurement bases used by the Parent were applied to all the consolidated companies.

In preparing this consolidated financial information for the ACS Group for the year ended 31 December 2013, estimates were occasionally made by the Senior Executives of the Group and of the consolidated entities, later ratified by the Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates essentially refer to the same aspects detailed in the consolidated financial statements for the annual period ended 31 December 2012:

- The assessment of impairment losses on certain assets.
- The fair value of assets acquired in business combinations.
- The measurement of goodwill and the allocation of assets in acquisitions.
- The recognition of earnings in construction contracts.
- The amount for certain provisions.

- The assumptions used in calculating liabilities and obligations to employees.
- The market value of the derivatives (such as equity swaps, call spreads, etc.)
- The useful life of intangible assets and property, plant and equipment.
- The recoverability of deferred tax assets.

Although these estimates were made using the best information available on the date when these condensed consolidated financial statements were approved with regard to the facts reviewed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming periods or years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

- *Bases of consolidation*

Except for that indicated in the following paragraph, the bases of consolidation applied in 2013 are consistent with those applied in the consolidated financial statements for 2012.

On 1 January 2013, the ACS Group restated the consolidated financial statements for 2012 for comparison purposes as a result of the entry into force of revised IAS 19, which is applied retrospectively. This standard affects the recognition and valuation of defined benefit pension plans and only has a significant impact on the performance of assets associated with plans that 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 market expectations.

For these reasons and in accordance with IAS 1, the condensed financial statements for the comparative period of the previous year, however, do not present the third statement of financial position for 1 January 2012 since, as a result of that established in the 2009-2011 improvements project endorsed by the EU with regard to IAS 1 (specifically paragraph 40 A), the Parent's Directors do not consider it will have a material effect (of relative importance) on the financial statements taken as a whole. The impact of applying this standard to the ACS Group at 31 December 2012 is a loss of EUR 1,495 thousand. The consolidated statement of financial position at 31 December 2012 includes a reclassification between "Reserves" and "Profit for the year attributable to the Parent" amounting to EUR 1,495 thousand.

b) Entry into force of new accounting standards

In 2013 the following standards and interpretations came in to force and were adopted by the European Union and, where applicable, were used by the Group in the preparation of these condensed consolidated financial statements:

(1) *New standards, amendments and interpretations whose application is mandatory in the year beginning 1 January 2013:*

New standards, amendments and interpretations:		**Mandatory application in the years beginning on or after**:
Approved for use in the European Union		
Amendment to IAS 12 - Income taxes - deferred taxes relating to investment property (published in December 2010)	Regarding the calculation of deferred taxes relating to investment properties in accordance with the fair value model of IAS 40.	Annual periods beginning on or after 1 January 2013
IFRS 13 - Fair value measurement (published in May 2011)	Establishes guidance for fair value measurement.	Annual periods beginning on or after 1 January 2013
Amendment to IAS 1 - Presentation of other comprehensive income (published in June 2011)	Minor amendment in relation to other comprehensive income	Annual periods beginning on or after 1 July 2012
Amendment to IAS 19 - Employee benefits (published in June 2011)	The amendments mainly affect defined benefit plans given that one of the main changes is the elimination of corridor approach.	Annual periods beginning on or after 1 January 2013
Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities (published in December 2011)	Introduction to new disclosures related to offsetting financial assets and financial liabilities of IAS 32.	Annual periods beginning on or after 1 January 2013
Improvements to IFRSs 2009-2011 Cycle (published in May 2012)	Minor amendments to a series of standards.	Annual periods beginning on or after 1 January 2013
IFRIC 20: Stripping costs in the production phase of a surface mine (published in October 2011)	The IFRS Interpretations Committee deals with the accounting treatment of waste removal costs in surface mines.	Annual periods beginning on or after 1 January 2013

In relation to these standards, the effect on revised IAS 19, which is explained in section a) Bases of consolidation of this Note, is noteworthy.

In addition, in relation to the entry into force of IFRS 13, the most significant effect is the consideration of credit risk in measuring derivative instruments that are measured at fair value. In accordance with IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date (for example, an exit price), regardless of whether or not this price is directly observable or estimated using another valuation technique.

The new definition of the fair value of a liability or an asset in IFRS 13 takes the view that both own credit risk and the counterparty risk in the fair value of the derivatives must be included in the measurement. This effect was not considered in the definition of fair value given in IAS 39, which is based on the concept of liquidation.

In order to determine the fair value of the ACS Group's derivatives, various valuation techniques based on total expected exposure (which includes current exposure and potential exposure) adjusted by the probability of default and by potential losses in the case of default on the part of one of the counterparties. The total expected exposure of the derivatives is obtained by using the observable effects on the market, such as interest rate curves, exchange rates and volatilities according to the market conditions at the measurement date. The amounts applied to the probability of default are based mainly on the application of spreads of comparable companies and to counterparties with available credit information, the credit spreads are obtained from the CDS (Credit Default Swap) listed on the market and/or the rating thereof. In addition, credit enhancements and collateral associated with these derivatives were taken into account to adjust the credit risk.

The effect of applying this standard to all those derivative financial instruments that are measured at fair value through profit or loss at 1 January 2013 gave rise to a gain in the consolidated income statement of EUR 176 thousand included under "Changes in fair value of financial instruments" and a decrease of EUR 5,193 thousand in consolidated equity included under "Valuation adjustments - Hedging transactions".

(2) ***New standards, amendments and interpretations whose application is mandatory subsequent to the calendar year beginning 1 January 2013 (applicable from 2014 onwards):***

At the date of approval of these condensed consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the condensed consolidated financial statements or because they had not yet been adopted by the European Union:

New standards, amendments and interpretations:		Mandatory application in the years beginning on or after:
Approved for use in the European Union		
IFRS 10 - Consolidated financial statements (published in May 2011)	Replaces the current consolidation requirements of IAS 27.	Annual periods beginning on or after 1 January 2014 (1)
IFRS 11 - Joint arrangements (published in May 2011)	Replaces IAS 31 on interests in joint ventures.	Annual periods beginning on or after 1 January 2014 (1)
IFRS 12 - Disclosure of interests in other entities (published in May 2011)	A single standard that sets out the requirements for disclosures relating to an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.	Annual periods beginning on or after 1 January 2014 (1)
IAS 27 (Revised) - Separate financial statements (published in May 2011)	The standard has been revised given that following its the issue of IFRS 10, it will only comprise an entity's separate financial statements	Annual periods beginning on or after 1 January 2014 (1)
IAS 28 (Revised) - Investments in associates and joint ventures (published in May 2011)	Parallel revision in relation to the issue of IFRS 11 - Joint arrangements	Annual periods beginning on or after 1 January 2014 (1)
Transition rules: Amendment to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards.	Annual periods beginning on or after 1 January 2014 (1)
Investment companies: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception in consolidation for parent companies that meet the definition of an investment entity.	Annual periods beginning on or after 1 January 2014
Amendment of IAS 32 - Offsetting financial assets and financial liabilities (published in December 2011)	Further clarifications of the rules for offsetting financial assets and financial liabilities of IAS 32.	Annual periods beginning on or after 1 January 2014
Not approved for use in the European Union		
IFRS 9 - Financial instruments: Classification and measurement (published in November 2009 and in October 2010) and subsequent amendment to IFRS 9 and IFRS 7 on the effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 2013)	Replaces the requirements for classification and measurement of financial assets and financial liabilities, derecognitions and hedge accounting of IAS 39.	Undefined (2)
Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (published in May 2013)	Clarifies certain disclosure requirements and requires additional information when the recoverable amount is based on fair value less costs to sell.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (published in June 2013)	The amendments determine in which cases and under what criteria the novation of a derivative does not make the interruption of hedge accounting necessary.	Annual periods beginning on or after 1 January 2014
Amendment to IAS 19 - Employee contributions to defined benefit plans (published in November 2013)	The amendment is issued in order to allow these contributions to be deducted from the cost of the service in the same period that they were paid, if certain requirements are met.	Annual periods beginning on or after 1 January 2014
Improvements to the IFRSs 2010-2012 Cycle and the 2011-2013 Cycle (published in December 2013).	Minor amendments to a series of standards.	Annual periods beginning on or after 1 January 2014
IFRS Interpretation 21 - Levies (published in May 2013)	An interpretation on when to recognise a liability for a tax or levy that is contingent on the investment of an entity in an activity at a specific date.	Annual periods beginning on or after 1 January 2014

(1) The European Union delayed the date of mandatory application by one year. The original date of application stipulated by the IASB is 1 January 2013.

(2) In November 2013, the IASB eliminated the date of mandatory application of IFRS 9, and establishment of a new date was left pending until the standard is complete. The new date is not expected to be before 1 January 2017.

The Group is in the process of analysing the impact of these standards, however they are not expected to have a significant impact. Certain comments are included below regarding these standards:

- The partially published IFRS 9 (not yet complete to date) replaces IAS 39 in the classification and measurement of financial assets (part published in November 2009) and financial liabilities (published in October 2010). The standard published in October 2010 also includes recognition and derecognition requirements, which are essentially the same as in IAS 39.

- The fundamental change introduced by IFRS 10, IFRS 11 and IFRS 12 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which will begin to be accounted for using the equity method. Besides this noteworthy amendment, IFRS 11 also changes the approach of analysing joint arrangements in certain contexts. Under IAS 31 the conclusion depends to great extent on the legal structure of the agreement, whereas in IFRS 11, this is more of a secondary step, whereby the primary approach of the analysis is whether or not the joint arrangement is structured through a separate vehicle or whether it represents a distribution of net profits or right or obligation of one party in proportion to its assets and liabilities, respectively. In this regard, the standard defines two unique types of joint arrangements which will be either a joint transaction or jointly controlled investees. With respect to the recognition of joint arrangements, the standard is not expected to have a significant effect for the ACS Group since it accounts for its jointly controlled companies using the equity method, however its impact is currently being evaluated.

c) Contingent assets and liabilities

In 2013 there were no significant changes in the Group's main assets and contingent liabilities.

d) Correction of errors

No significant error was corrected in the condensed consolidated financial statements for the year ended 31 December 2013.

e) Comparative information

The information contained in these condensed consolidated financial statements for the year ended 31 December 2012 is presented solely for comparison purposes with similar information relating to the year ended 31 December 2013. The comparative information is affected by the entry into force of revised IAS 19, as explained in section a) of this Note. The restatement in the statement of financial position includes a reclassification from "Profit attributable to the Parent" to "Reserves" of EUR 1,495 thousand at 31 December 2012.

As a result of that explained above, the effect on the income statement is detailed in this note. The ACS Group has not presented the statement of financial position from the beginning of the first comparative year (i.e. 1 January 2012), since its effect is not material in accordance with that indicated in IAS 1, paragraph 40 A.

For these reasons, the comparative information included in the accompanying consolidated income statement for 2012 was restated. The main affects are as follows:

	Thousands of Euros		
	31/12/2012 Restated	**Effect review IAS 19**	**31/12/2012**
	(*)	**(*)**	
REVENUE	**38,396,178**	**-**	**38,396,178**
OPERATING INCOME	**1,591,497**	**-**	**1,591,497**
Finance income	507,853	-	507,853
Financial costs	(1,294,777)	(4,992)	(1,289,785)
Changes in the fair value of financial instruments	105,476	-	105,476
Exchange differences	219	-	219
Impairment and gains or losses on the disposal of financial instruments	(3,769,932)	-	(3,769,932)
FINANCIAL RESULT	**(4,451,161)**	**(4,992)**	**(4,446,169)**
Results of companies accounted for using the equity method	339,353	-	339,353
PROFIT BEFORE TAX	**(2,520,311)**	**(4,992)**	**(2,515,319)**
Income tax	1,005,216	2,112	1,003,104
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**(1,515,095)**	**(2,880)**	**(1,512,215)**
Profit after tax from discontinued operations	107,465	-	107,465
PROFIT FOR THE PERIOD	**(1,407,630)**	**(2,880)**	**(1,404,750)**
Profit attributed to non-controlling interests	(520,292)	1,385	(521,677)
Profit from discontinued operations attributable to non-controlling interests	(11)	-	(11)
PROFIT ATTRIBUTABLE TO THE PARENT	**(1,927,933)**	**(1,495)**	**(1,926,438)**

(*) Unaudited

(**) Profit after tax from discontinued operations attributable to non-controlling interests	107,454	-	107,454

The explanatory notes include events or changes that might appear significant in explaining changes in the financial position and consolidated results of the ACS Group since the date of the above-mentioned consolidated financial statements.

f) Non-current assets held for sale and liabilities associated with non-current assets held for sale and discontinued operations

At 31 December 2013, non-current assets held for sale relate mainly to the renewable energy business (wind farms and solar thermal plants), highway concession assets, logistics activities and certain assets from Hochtief, A.G., such as the ownership interest in aurelis Real Estate. In all the above cases, the Group made a formal decision to sell these assets and initiated a plan for their sale. These assets are currently available for sale and the sale is expected to be completed within a period of 12 months from the date of their classification as assets held for sale.

The main changes in 2013 are a result of the following:

- On 28 June 2013, Leighton Holding completed the sale to the Ontario Teachers' Pension Plan of approximately 70% of its telecommunication assets, which include the following companies: Nextgen Networks, Metronode and Infoplex. The sale price meant that all of these assets were valued at AUD 771 million (approximately EUR 590 million), with a profit before tax of EUR 154,282 thousand (see Note 16).

- The sale of all airports managed by Hochtief, A.G. to a subsidiary of the Canadian pension fund Public Sector Pension Investment Board for EUR 1,083 million completed in September 2013, with a profit before tax of EUR 122,701 thousand (see Note 16).

- In 2013 assets held for sale also included the facility management business which was sold to Spie, S.A. in September, effective for financial purposes as of 1 January 2013, for a price of EUR 236 million and a profit before tax of EUR 157,755 thousand (see Note 16).

- aurelis Real Estate, which was sold in January 2014, as well as certain assets of PT Thiess Contractors, in Indonesia from the subsidiary Hochtief, A.G., were also included in 2013.

The main change in 2012 was due to the sale of the 23.5% interest in Clece to various funds managed by Mercapital, to which a purchase option was granted on the remaining share capital. As of 8 March 2012, the date of the sale, the company became jointly controlled. Other significant changes included the sale of the waste collection activity carried out by Thiess, and the sale of certain power transmission lines in Brazil and certain wind farms.

It is noteworthy of mention that the renewable assets and most of the concessions, which were classified as held for sale, were held in this category for more than twelve months. However, they were not sold due to certain circumstances, which at the time of their classification were not likely, mainly relating to regulatory uncertainties in the electricity sector and the situation of the financial markets. However, the Group continues to be committed to the plans for selling these assets, which are being actively marketed, and there is a high probability that the sale will take place in the short term. Paragraph B1 (c) of appendix B of IFRS 5 exempts a company from applying the one-year period as the maximum period for classifying an asset as held for sale if any circumstances arise during this period that were previously considered unlikely (as is the case with the aforementioned regulatory changes), if the assets continue to be actively sold at a reasonable price and if the management's commitment requirements are met and there is a high probability that the asset will be sold within one year from the balance sheet date. If this environment continues to improve, thereby increasing the investor's confidence, ACS may continue with its sale processes to which it is committed.

Discontinued operations

No discontinued operations were carried out in 2013.

After the sale by the ACS Group of the 23.5% ownership interest in the Clece Group (formed by Clece, S.A. and its subsidiaries) on 8 March 2012, Clece was no longer classified under discontinued operations and became accounted for using the equity method as it had joint control with the new shareholder and it was deemed that the conditions to maintain the remaining ownership interest classified as held for sale were no longer met. Therefore, the net gain on the sale of Clece amounted to EUR 150,100 thousand and was recognised under "Profit after tax from discontinued operations" in the consolidated income statement for 2012. This profit included both the gain on the sale of the 23.5% ownership interest, which amounted to EUR 39.7 million, and the revaluation to its market value of the investment held as a result of the loss of control, which amounted to EUR 110.3 million.

In addition to the foregoing, it included profit from this activity during the first two months of 2012 amounting to EUR 7,354 thousand, net of taxes and non-controlling interests.

The breakdown of the profit from discontinued operations in the period ended 31 December 2012 was as follows:

	Thousands of Euros
	31/12/2012
	Clece
Revenue	183,043
Operating expenses	(171,082)
Operating income	11,961
Profit before tax	**10,508**
Income tax	(3,143)
Profit after tax from discontinued operations	-
Profit attributed to non-controlling interests	(11)
Profit after tax and non-controlling interests	**7,354**
Profit before tax from the disposal of discontinued operations	216,496
Tax on the disposal of discontinued operations	(66,396)
Net profit from the disposal of discontinued operations	**150,100**
Profit after tax and non-controlling interests from discontinued operations	**157,454**

At 31 December 2013 and 31 December 2012, there were no assets or liabilities relating to any discontinued operation.

No income and expenses were recognised under "Adjustments for changes in value" in the consolidated statement of changes in equity in relation to discontinued operations at 31 December 2013 or 31 December 2012.

At 31 December and 31 December 2012, the discontinued operations had no effect on the consolidated statement of comprehensive income other than the effects on profit or loss listed above.

The detail of the effect of the discontinued operations on the statement of cash flows at 31 December 2012 is as follows:

	Thousands of Euros
	31/12/2012
	Clece
Cash flows from operating activities	-
Cash flows from investing activities	80,860
Cash flows from financing activities	-
Net cash flows from discontinued operations	**80,860**

Accordingly, a provision net of taxes of EUR 50,000 thousand was recognised in 2012 for future possible contingencies relating to discontinued operations sold that reduce the amount under "Profit after tax and non-controlling interests from discontinued operations" in the consolidated income statement to a profit of EUR 107,454 thousand. An agreement was reached with the buyer in 2013 which reduced the original gain by an amount less than the provision provided at year-end 2012.

Non-current assets held for sale

The lines of business relating to the renewable energy assets and power transmission lines are included under the Industrial Services segment. Certain of the remaining port and logistics assets are included in the Environment activity segment and lastly, the highways, the investment in aurelis Real Estate and the assets of PT Thiess Contractors are included in the Construction activity segment.

In addition to the aforementioned assets and liabilities, certain non-significant assets and liabilities held for sale from among the ACS Group companies are also included as non-current assets and liabilities relating to non-current assets.

The detail of the main assets and liabilities held for sale at 31 December 2013 is as follows:

	Thousands of Euros					
	31/12/2013					
	Renewable energy	Concessions	aurelis Real Estate	PT Thiess Contractors Indonesia	Other	Total
Tangible assets - property, plant and equipment	20,266	591	-	130,896	97,074	248,827
Intangible assets	8	576	-	-	37,326	37,910
Non-current assets in projects	2,678,715	787,482	-	-	-	3,466,197
Financial Assets	116,629	52,349	132,307	-	21,342	322,627
Deferred tax assets	96,042	39,244	-	-	7,427	142,713
Other non-current assets	-	-	38,458	-	594,230	632,688
Current assets	249,804	63,584	14,281	17,830	113,135	458,634
Financial assets held for sale	**3,161,464**	**943,826**	**185,046**	**148,726**	**870,534**	**5,309,596**
Non-current liabilities	2,341,450	757,889	-	68,116	323,179	3,490,634
Current liabilities	284,566	27,639	-	-	75,501	387,706
Liabilities relating to assets held for sale	**2,626,016**	**785,528**	**-**	**68,116**	**398,680**	**3,878,340**
Non-controlling interests held for sale	**1,163**	**(3,317)**	**-**	**-**	**19,817**	**17,663**

On 12 July, Royal Decree-Law 9/2013 was published, whereby urgent measures were adopted to ensure the financial stability of the electric system that affects the remuneration framework of the renewable energies that applies to the majority of the ACS Group's power plants located in Spain.

This new regulation envisages that, in addition to the remuneration for the sale of energy generated and valued at market prices, the facilities may receive specific remuneration made up of the term per unit of installed capacity, which covers any standard facility investment costs that cannot be recovered through the sale of the energy and a term at the operation that covers, where applicable, the difference between the operating costs and the income for the investment in the market of this standard facility.

In order to calculate this specific remuneration for a standard facility, the following will be considered throughout its regulatory useful life and in reference to the activity carried out and well managed by an efficient company:

a) Standard income for the sale of energy generated and valued at market production prices
b) Standard operating costs
c) Standard value of the initial investment

The purpose of these parameters is not to exceed the minimum level necessary to cover the costs that allow the facilities to be completed in conditions that are equal to other technologies on the market and that offer the possibility of obtaining a reasonable return. With regard to the reasonable return, the Royal Decree indicates that it will draw from, prior to taxes, the average return in the secondary market of the ten-year government bonds by applying the appropriate differential. Additional provision one of Royal Decree-Law 9/2013 sets forth the appropriate differential for those facilities included in the economic regime given priority at around 300 basis points, all without prejudice to a possible revision every six years.

As a result of the proposed publication of the ministry order, for the approval of the remuneration parameters of standard facilities applicable to certain facilities producing energy using renewable energy sources, cogeneration and waste, on 3 February 2014, subject to a consultation period, the ACS Group made a preliminary estimate of the impact that such regulation may have on the Group's wind farms and solar thermal plants.

The ACS Group has based its impairment tests on internal projections, estimated based on this new regulation, discounting the weighted average cost of capital (WACC) of 7%, considering the remuneration established in the aforementioned draft of the ministry order, based on the age of the assets and the remuneration of the operating and maintenance costs. Based on the foregoing, the ACS Group recognised a provision for impairment of EUR 199,256 thousand which reduced the balance of "Non-current assets held for sale". Likewise, and in relation to certain regulatory amendments published during the last months of 2012 and prior to the preparation of the 2012 financial statements, the Group assessed, based on its best estimates, the impact that these amendments may have on the value of its energy assets, and then adjusted them by EUR 300,000 thousand.

As a result of these regulatory changes, certain divestment processes have been placed on hold and even postponed until the affected regulatory framework is effectively clarified.

At 31 December 2013 and 2012, "Non-current assets held for sale" included the investment in the Castor underground gas storage facility made by Escal UGS, S.A., accounted for using the equity method, amounting to EUR 228,486 thousand (EUR 164,268 thousand in 2012). This amount includes the participating loan of EUR 235,469 thousand at 31 December 2013 (EUR 184,697 thousand at 31 December 2012) granted by ACS Servicios, Comunicaciones y Energía, S.L.

The ACS Group's ownership interest in this company amounts to 66.67%. However, the Directors do not consider control to exist over the business when taking into account the following circumstances:

- The activities and control mechanisms of Escal UGS, S.L. are regulated in the agreement protocol between ACS Servicios Comunicaciones y Energía, S.L., Castor UGS, L.P. (holders of 33.33% of the ownership interest) and Enagás, S.A. entered into in 2007. By virtue of this agreement, ACS undertakes to sell to Enagás, which agrees to purchase, 50% of the ownership interest of ACS once the condition of including the facilities in the gas system is met (once the plant is operational for commercial purposes and upon commencement of operations and access to the system's remuneration). The agreement considers the possibility that Enagás may become part of the shareholder structure prior to the inclusion of the facilities in the system.
- The sale price of this ownership interest is calculated as the present value of the cash flows of the Escal UGS, S.L. business plan discounted to the financial remuneration rate established by applicable regulations. The floor price (minimum value) will be the nominal value of the funds contributed by ACS to the project, in other words, ACS is not assuming any risk, in the literal sense, in this project.
- The protocol itself establishes the control parameters and functions of Enagás during the operating phase.
- The Escal UGS, S.L.'s business consists of developing an integrated product that includes the design, construction, financing, operation and maintenance of a financed project. All decisions regarding the relevant activities to be carried out are basically grouped together into two different phases: the construction phase and the operating phase. The concession was granted for a period of 30 years and may be extended for two successive periods of 10 years each.

IAS 27 establishes that control over a business, considered as a whole, is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The concept of financial and operating policies is not defined as such in this standard, but rather these policies must be understood to be what guides the company's main activities, such as sales, human resources or its own manufacturing process.

Taking into account the corporate purpose of Escal UGS, S.L., the operating policies begin to be effectively carried out from the entry into service of the facility, at which time, based on the agreements entered into between the parties, ACS does not have any control over these policies. In other words, based on the unique characteristics of the exploitation and the importance of the operation, the Directors do not consider the ACS Group to have control over the relevant business activities which, logically, are focused mainly on the operating phase of the gas storage facility, whereby the construction activity consists only of carrying out the activities necessary to start up the business. In this regard, ACS acts mainly as the EPC contractor (turnkey contract) of a facility that is strongly regulated (even in the construction and development phase). The entry of the Castor underground storage facility into the gas system obliges Enagás to acquire 50% of the ownership interest of ACS. Enagás will oversee gas storage operation and maintenance. As appearing in the concession document, the facilities affected by the Castor underground storage facility will be operated in accordance with the instructions of the technical system operator, in accordance with that established in Article 64.1 of Hydrocarbon Law 34/1998, of 7 October. Therefore, the Directors consider that, based on the need to exercise the exit commitment when the main business is started up, the Group does not have control over the relevant activities of the main business during the construction phase or during the operating phase.

In particular, with regard to the construction phase, certain aspects related to the relevant activities carried out by the company during this phase must be taken into account given the nature of the project described above, where the existence of a third link to the project requires an additional analysis (beyond those that have ownership interest in the share capital or in the voting rights of the companies involved in the project) of the capacity to govern and take decisions that specifically affect this phase. In this regard, the Castor underground gas storage facility is considered to be an integral part of the mandatory planning and, consequently, is considered to be a basic storage facility for the purposes of Article 59.2 of Hydrocarbon Law 34/1998, of 7 October. This facility is therefore considered to be a national and unique strategy that forms part of a strongly regulated sector. The control exercised by the regulator on the energy activity grants it a very active role in the current construction and start-up phase by participating in the definition of the project's design and construction, which has significant technical and budgetary complexity, and ensuring that the milestones of the process are carried out. The regulator therefore periodically reviews whether or not the project meets its requirements and performs a technical and financial audit, which is an essential condition for obtaining the final commissioning certificate from the authorities and for including the asset in the Spanish gas system, thereby obtaining definitive remuneration for only those costs incurred that meet the conditions determined during the construction phase by the regulator, who, therefore, has additional control over any deviations that may take place regarding the project. Consequently, the power that the regulator has to govern and manage the relevant activities carried out during the construction phase can be considered so significant, that the Company is not actually governed through its voting rights. Therefore, ACS' ability to substantively exercise its voting rights during the construction phase is in fact limited.

In addition, at the beginning of 2012 the ACS Group, once the construction work had reached a sufficient stage of completion, entered into negotiations to sell its entire ownership interest, opening various data room processes and bilateral negotiations with potential investors in order to definitively withdraw from the project once it has entered into service.

In 2013, the Company repaid the initial financing for the project and successfully placed the Project Bond of the Castor Project, the first of these characteristics issued with the guarantee of the PBCE (Project Bond Credit Enhancement) programme of the European Investment Bank. The issue amounted to EUR 1,400 million, with a term of 21.5 years and a final rate of 5.756% (BBB+ rating from Fitch and a BBB rating from S&P).

In the last few months of 2013, certain events took place in relation to the Escal's performance that led to the suspension of the plant's activity by order of the Ministry of Industry, Energy and Tourism, thereby preventing its commercial entry into service and the plant's connection to the gas system. The ACS Group understands that, following the appropriate technical studies that are currently in process, and after the technical and financial audit, which is completed and delivered to the Ministry, these problems will be solved in a satisfactory manner. In any case, the ACS Group understands that Escal UGS, S.L. has the right to return the concession at any time over 25 years, starting from when the concession was granted, with the collection right for the total carrying amount thereof, unless any misconduct or gross negligence is evidenced, in which case the collection right will be for the fair value, which currently significantly coincides with the carrying amount. Consequently, the ACS Group considers the value of the investment to be recoverable in any scenario related to this investment and, therefore, no impairment losses were recognised for this investment at 31 December 2013 or 2012.

The construction guarantee provided by ACS Servicios, Comunicaciones y Energía, S.L. to Escal UGS, S.L. amounted to EUR 59 million at 31 December 2013 (EUR 59 million at 31 December 2013 and 2012).

The detail of the main assets and liabilities held for sale at 31 December 2012 is as follows:

	Thousands of Euros					
	31/12/2012					
	Renewable energy	**Concessions**	**Airports managed by Hochtief**	**TelCo**	**Other**	**Total**
Tangible assets - property, plant and equipment	19,029	709	185	464,178	43,900	528,001
Intangible assets	23,095	592	5,905	15,080	59,312	103,984
Non-current assets in projects	2,610,991	797,787	-	-	10,026	3,418,804
Financial Assets	96,157	29,171	1,312,146	-	19,794	1,457,268
Deferred tax assets	110,281	48,955	-	-	9,443	168,679
Other non-current assets	-	-	1,278	20,002	548,497	569,777
Current assets	167,329	57,996	16,000	17,130	96,523	354,978
Financial assets held for sale	**3,026,882**	**935,210**	**1,335,514**	**516,390**	**787,495**	**6,601,491**
Non-current liabilities	2,626,331	763,469	4,373	30,056	311,989	3,736,218
Current liabilities	137,358	20,754	13,675	107,056	74,219	353,062
Liabilities relating to assets held for sale	**2,763,689**	**784,223**	**18,048**	**137,112**	**386,208**	**4,089,280**
Non-controlling interests held for sale	**(1,180)**	**-**	**372,861**	**-**	**29,294**	**400,975**

The net debt recognised under assets and liabilities held for sale at 31 December 2013 amounted to EUR 2,073,186 thousand (EUR 2,170,058 thousand at 31 December 2012) in renewable energies, EUR 593,403 thousand (EUR 596,367 thousand at 31 December 2012) in concession assets, EUR 57,633 thousand (EUR 53,550 thousand at 31 December 2012) in transmission lines, and EUR 248,849 thousand (EUR 168,331 thousand at 31 December 2012) in other assets. Net debt is calculated by adding current and non-current financial liabilities, less long-term deposits, other current financial assets and cash and cash equivalents.

The income and expenses recognised under "Adjustments for changes in value" in the consolidated statement of changes in equity, which relate to operations considered to be held for sale at 31 December 2013 and 31 December 2012, are as follows:

	Thousands of Euros				
	31/12/2013				
	Renewable energy	**Concessions**	**aurelis Real Estate**	**Other**	**Total**
Exchange differences	(1,639)	(43,186)	-	(13,850)	(58,675)
Cash flow hedges	(153,719)	-	(1,914)	(61,347)	(216,980)
Adjustments for changes in value	**(155,358)**	**(43,186)**	**(1,914)**	**(75,197)**	**(275,655)**

	Thousands of Euros				
	31/12/2012				
	Renewable energy	**Concessions**	**Airports managed by Hochtief**	**Other**	**Total**
Financial assets held for sale	-	-	138,854	-	138,854
Exchange differences	(822)	(72,933)	(1,444)	(4,095)	(79,294)
Cash flow hedges	(226,919)	(167)	(117,425)	(81,865)	(426,376)
Adjustments for changes in value	**(227,741)**	**(73,100)**	**19,985**	**(85,960)**	**(366,816)**

g) Materiality

In accordance with IAS 34, in deciding the information to be disclosed on the various items in the financial statements or other matters in the explanatory notes to the financial statements, the Group took into account their materiality in relation to the condensed consolidated financial statements.

h) Events after the reporting date

The following subsequent events took place prior to the date of approval of these condensed consolidated financial statements and are noteworthy of mention:

On 16 January 2014, ACS, Actividades de Construcción y Servicios, S.A. agreed to carry out the second share capital increase with a charge to reserves approved by the shareholders at the Annual General Meeting held on 10 May 2013. The purpose of the operation is to set up a flexible formula for remunerating the shareholders (“optional dividend”), such that they may opt to continue receiving compensation in cash or to receive new shares from the Company. The negotiation period ended on 13 February 2014 for the bonus issue rights corresponding to the second bonus issue approved by the shareholders at the Annual General Meeting held on 10 May 2013. The irrevocable commitment to purchase rights assumed by ACS was accepted by holders of 49.5% of the bonus issue 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 of EUR 0.50 par value each that were issued amounted to 2,562,846, and the related share capital increase amounted to EUR 1,281,423 (see Note 8.02).

On 31 January 2014, Hochtief A.G. sold 50% of its ownership interest in aurelis Real Estate at a price close to its carrying amount within its strategy of divesting non-strategic assets.

In February 2014, the proposed ministry order was published, as indicated in section f) above, which was used to evaluate the impact of the aforementioned regulation on the ACS Group.

i) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the equity and borrowings taken by the entity.

In preparing the consolidated statement of cash flows, cash and cash equivalents were considered to be cash on hand, demand deposits at banks and short-term, highly liquid investments that are easily convertible into cash and are subject to an insignificant risk of changes in value.

The detail of "Other adjustments to profit (net)" is as follows:

	Thousands of Euros	
	31/12/2013	31/12/2012
Financial income	(360,744)	(507,853)
Financial costs	1,123,676	1,289,785
Impairment and gains or losses on disposals of non-current assets	199,519	(36,913)
Results of companies accounted for using the equity method	(95,982)	(339,353)
Adjustments related to the assignment of net assets of Hochtief	(222,002)	(335,365)
Impairment and gains or losses on disposal of financial instruments	(255,707)	3,769,932
Adjustments related to the restructuring of Iberdrola and other effects	(555,294)	(105,476)
Other effects	(124,230)	(515,584)
Total	**(290,764)**	**3,219,173**

Payments relating to equity instruments included under cash flows from financing activities includes not only the acquisitions of ACS treasury shares, but also mainly the increase of the ownership interest in Hochtief and Leighton carried out in 2013.

The amount included under “Other cash flows from financing activities” includes mainly the monetisation of the call spread and put spread of Iberdrola that was mentioned in Note 6.b.

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

j) Changes in the scope of consolidation

The main changes in the scope of consolidation of the ACS Group (consisting of ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries) in the year ended 31 December 2013 are detailed in Appendix I.

Acquisitions, sales, and other corporate transactions

The inclusions of companies in the scope of consolidation in 2013 was mainly the result of their incorporation.

The most notable acquisition in 2013 relates to the purchase of Leighton Welspun Contractors (a company accounted for using the equity method) amounting to EUR 78,935 thousand, thereby increasing the ownership interest in this company by 39.90% to 100% on 27 December 2013. The fair value of this ownership interest prior to the purchase was EUR 119,021 thousand, whereby the fair value of the acquisition amounted to EUR 197,956 thousand. This acquisition entailed the recognition of EUR 155,752 thousand in goodwill and a loss of EUR 56,199 thousand as a result of taking the translation differences to income. The acquisition includes EUR 31,472 thousand in non-current assets, EUR 191,021 in current assets and EUR 180,936 in liabilities. Annual sales amounted to EUR 310,071 thousand and the net annual loss totalled EUR 6,171 thousand.

The most significant disposals of ownership interest in the share capital of subsidiaries, joint ventures or associates in 2013 relate to the sale of 70% of its telecommunication assets of Leighton with a profit before tax and non-controlling interests of Hochtief and ACS of EUR 154,282 thousand, the sale of all airports managed by Hochtief to a subsidiary of the Canadian pension fund Public Sector Pension Investment Board for EUR 1,083 million completed in September 2013 and the sale of the facility management business of Hochtief, which was sold to Spie, S.A. in September, for financial purposes as of 1 January 2013, for a price of EUR 236 million (see Note 1.f).

The main changes in the scope of consolidation in 2012 were as follows:

- On 8 March 2012, the ACS Group sold its ownership interest of 23.25% in Clece, S.A. to various funds managed by Mercapital, to which it has also granted the option to purchase the remaining capital. Following this date, control of Clece, S.A. is to be exercised jointly by the acquiring funds and by ACS, and the company is to be accounted for using the equity method rather than being fully consolidated. The sale price was EUR 80 million, which represented a total business value of EUR 505.7 million (see Note 1.f).

- The sale of all ownership interest in Abertis Infraestructuras, S.A. and a profit before tax of EUR 196,699 thousand recognised under "Impairment and gains or losses on disposals of financial instruments" in the accompanying income statement. After ACS, Actividades de Construcción y Servicios, S.A. disposed of its ownership interest in Abertis Infraestructuras, S.A., ACS and Trebol Holdings S.à.r.l. reached an agreement to terminate the shareholders agreement that was published on 1 September 2010.

k) <u>Functional currency</u>

These interim condensed consolidated financial statements are presented in euros, since this is the functional currency in the area in which the Group operates. Details of sales in the main countries in which the Group operates are set out in Note 13.

l) <u>Dividends paid by the Parent</u>

In 2013 (see Note 1.h), 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 the Company's reserves in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. In this regard, on 28 June 2013 the matters that are summarised below, in relation to the first increase capital mentioned above, were determined:

a) The maximum number of new shares to be issued in the first capital increase would be 17,481,366 shares.
b) The number of bonus issue rights necessary to receive a new shares is eighteen.
c) The maximum nominal amount of the first capital increase amounts to EUR 8,740,683.
d) The acquisition price of each bonus issue right, by virtue of the purchase agreement assumed by ACS, is EUR 1.112.

Lastly, after the decision-making period granted to the shareholders, on 18 July 2013 the dividend was determined at a total gross amount of EUR 192,708,608.96 and was paid on 23 July.

In addition, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A., at the meeting held on 12 December 2013, resolved to carry out the second capital increase, establishing the maximum reference value at EUR 142 million with a charge to the Company's reserves in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. In this regard, on 13 February 2014 the matters that are summarised below, in relation to the second increase capital mentioned above, were determined:

a) The maximum number of new shares to be issued in the second capital increase is 2,562,846 shares.
b) The nominal amount is EUR 1,281,423.
c) The acquisition price of each bonus issue right, by virtue of the purchase agreement assumed by ACS, is EUR 0.446.

Lastly, after the decision-making period granted to the shareholders, on 13 February 2014 the dividend was determined at a total gross amount of EUR 69,472,569.48 and was paid on 18 February 2014. However, in accordance with the instructions given by the ESMA through the EECS (European Enforcers Coordination Sessions), the ACS Group recognised the maximum amount of the possible liability at this date under "Other current liabilities" in the accompanying balance sheet at 31 December 2013 for the entire fair value of the approved dividend, which amounted to EUR 140,970 thousand, however the final amount was EUR 69,473 thousand.

The following dividends were paid in 2012:

	2012		
	% of par value	**Euros per Share**	**Thousands of Euros**
Ordinary shares	180.00	0.900	283,198
Total dividends paid	**180.00**	**0.900**	**283,198**

Dividends were paid against profits of the Parent.

m) Earnings per share from ordinary activities and discontinued operations

- *Basic earnings per share*

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2013	2012	Change (%)
Net profit for the period (thousands of Euros)	701,541	(1,927,933)	(136.39)
Weighted average number of shares outstanding	310,211,964	291,343,082	6.48
Basic earnings per share (Euros)	**2.26**	**(6.62)**	**(134.14)**
Profit after tax and non-controlling interests from discontinued operations (Thousands of Euros)	-	107,454	(100.00)
Basic earnings per share from discontinued operations (Euros)	**-**	**0.37**	**(100.00)**
Basic earnings per share from continuing operations (Euros)	**2.26**	**(6.99)**	**(132.33)**

- *Diluted earnings per share*

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (share options, warrants and convertible debt instruments). For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period. At 31 December 2013, as a result of the capital increase of February 2014, this was taken into account in calculating the diluted earnings per share and the diluted earnings per share of continuing operations for 2013, which amounted to EUR 2.24 per share.

2.- Intangible assets

2.01. Goodwill

The breakdown of goodwill, based on the companies giving rise thereto, is as follows:

	Thousands of Euros	
	31/12/2013	31/12/2012
Parent	780,939	780,939
Construction	1,778,630	1,617,777
Industrial Services	76,603	76,748
Environment	89,676	84,358
Total	**2,725,848**	**2,559,822**

In accordance with the table above, the most significant goodwill is the result of the full consolidation of Hochtief, A.G., amounting to EUR 1,433,801 thousand, and the result of the merger of the Parent with Grupo Dragados, S.A., which amounted to EUR 780,939 thousand. The most important changes in 2013 relate to the goodwill from the acquisitions made by Hochtief, A.G. amounting to EUR 181,639 thousand, the most notable of which is the acquisition of the 39.9% interest in Welspun Contractors Private Limited mentioned in Note 1.j).

In addition to the change in provisional goodwill of Hochtief, A.G. at 31 December 2011 amounting to EUR 55,019 thousand, the acquisition of Clark Builders for EUR 30,501 thousand in 2012 is noteworthy of mention.

As regards goodwill, each year the ACS Group compares the carrying amount of the related company or cash-generating unit (CGU) against its value in use, determined by the discounted cash flow method.

In relation to the goodwill arising from the purchase of Hochtief, A.G. in 2011, in accordance with IAS 36.80, this goodwill was assigned to the main cash-generating units, which are Hochtief Asia Pacific and Hochtief Americas, mainly in relation to the value of the construction backlog and to the relationship with customers for initial amounts of EUR 708 million and EUR 813 million, respectively. The value used in the first two cases was obtained using the Multi-Period Exceed Earnings Method (MEEM), which is valued based on operating cash flows. Likewise, non-current and current provisions and associated deferred tax liabilities amounting to EUR 1,565 million and EUR 664 million, respectively, were considered. The aforementioned provisions were recognised mainly to cover the risks in the investments held by the Hochtief Group in their ownership interest in the Habtoor Leighton Group, in certain projects that caused a profit warning in Leighton, and in certain concessions, as well as the liabilities arising from the ownership interest of the Hochtief Group in several projects of the Asia Pacific line of business and the Europe/Latin America line of business. Deferred tax liabilities were also recognised relating to the tax effect of the fair value adjustments made to the PPA.

EUR 1,147 million of the goodwill generated as a result of the purchase of Hochtief was assigned to the cash-generating unit (CGU) Hochtief Asia Pacific, while EUR 287 million was assigned to the CGU Hochtief Americas. 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 the 2017-2018 period, 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) represents a premium on the return of the long-term interest rate (10-year Australian bond) published by Factset on 30 September 2013 of 600 basis points. Similarly, the growth rate used corresponds to the estimated Australian consumer price index (CPI) for 2018 published by the IMF in its report "World Economic Outlook" of October 2013.

The internal projections of the Asia Pacific business are based on the historical data and Hochtief's internal forecasts for Asia Pacific in December 2016, and estimates in line with the projections 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 for testing the impairment of goodwill assigned to the Hochtief Asia Pacific business, the most relevant aspects are that the impairment test of goodwill supports a discount rate of up to approximately 11.1%, which represents a range of 130 basis points. Accordingly, it would be able to withstand an annual drop in cash flows of approximately 15% with regard to the projected cash flows, as well as a drop in the perpetual growth rate of approximately 175 basis points. Based on the foregoing, Group management believes the impairment test to be highly sensitive to changes in its key assumptions, but that these levels are within a reasonable degree of sensitivity that allows impairment losses of the assets related to the CGU in 2013 not to be identified.

In the case of the Hochtief Americas CGU, the following basic assumptions were made:

- Projections used over five years, until 2016 according to the Hochtief Business Plan for the line of business and estimates for the 2017-2018 period.
- Perpetual growth rate of 2.1%, according to the estimates of the IMF with regard to the US CPI in 2018 according to the report "World Economic Outlook" published by the IMF in October 2013.
- 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.

Along with the goodwill arising from the aforementioned full consolidation of Hochtief A.G., the most significant goodwill, which amounted to EUR 780,939 thousand, arose from the merger with Dragados Group in 2003 and related to the amount paid in excess of the value of the assets on the acquisition date. This goodwill was assigned mainly to the cash generating units of the Construction and Industrial Services areas as follows:

Cash Generating Unit	Goodwill assigned (Thousands of Euros)
Construction	554,420
Industrial Services	188,720
Environment	37,799
Total Goodwill	**780,939**

The various cash-generating units, in the case of Dragados Construction, Industrial Services, Urbaser and Clece, are valued using the discounted cash flow method. ACS SyC is valued using an EV/EBITDA multiple and, in turn, Concessions is conservatively valued at its book value in September 2013. No goodwill is assigned with regard to the concessions business (Iridium).

The discount rate used in each business unit is its weighted average cost of capital. In order to calculate the discount rate of each business unit, the yield of the Spanish 10-year bond was used, the deleveraging beta of the sector according to Damodaran, releveraged by the debt of each business unit, the market risk premium according to Damodaran. The cost of the gross debt is the actual consolidated cost of the debt of each business unit at September 2013 and the tax rate used is the theoretical rate of Spain. The perpetual growth rate (g) used is the increase of the CPI in 2018 for Spain according to the IMF report of October 2013.

The key assumptions used in determining the most significant cash-generating units are as follows:

Dragados Construction:

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

Industrial Services:

- Sales: compound annual growth rate in the 2012 (closed last year)-2018 period of 1.6%.
- EBITDA Margins: average margin in the 2013-2018 period 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 deficiency: maintain the days of the working capital deficiency for the period, calculated based on the estimate envisaged at year-end 2013.
- Perpetual growth rate of 1.2%.
- 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 the Dragados Group in 2003 is assigned, it has been determined, with the aforementioned assumptions, that in no circumstances is the estimated recoverable amount of the cash-generating unit less than its carrying amount, as there is no evidence of impairment thereof.

Similarly, a sensitivity analysis was carried out for all lines of business 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 750bp and 900bp, respectively, without any impairment being recognised.

The remaining goodwill, excluding that generated by the merger between ACS and the Dragados Group and the goodwill arising from the full consolidation of Hochtief A.G., is highly fragmented. Thus, in the case of Industrial Services, the total goodwill on the balance sheet amounts to EUR 76,603 thousand (EUR 76,748 thousand at 31 December 2012), which relates to 19 companies from this business area, the most significant relating to the acquisition of Midasco, LLC for EUR 14,273 thousand (EUR 15,177 thousand at 31 December 2012).

In the Environment area, total goodwill amounted to EUR 89,676 thousand (EUR 84,358 thousand at 31 December 2012), relating to 25 different companies, the largest amount being related to the purchase of the portion corresponding to the non-controlling interests of Tecmed, now merged into Urbaser, for EUR 38,215 thousand.

In the Construction area, in addition to the goodwill arising from the full consolidation of Hochtief A.G., noteworthy is the goodwill arising on the acquisitions of Pol-Aqua EUR 25,182 thousand (EUR 41,487 thousand at 31 December 2012), Pulice EUR 44,995 thousand (EUR 46,873 thousand at 31 December 2012), John P. Picone EUR 39,335 thousand (EUR 40,977 thousand at 31 December 2012), and Schiavone EUR 43,442 thousand (EUR 45,255 thousand at 31 December 2012). With the exception of the goodwill of Pol Aqua, which was partially amortised in 2013 in the amount of EUR 12,776 thousand, the differences in the goodwill arose as a result of translation differences with the US dollar.

In these areas, the calculated impairment tests are based upon scenarios similar to those that have been described for each area of activity or in the case of Dragados Group goodwill, taking into account the necessary adjustments based upon the peculiarities, geographic markets and specific circumstances of the affected companies.

According to the estimates and projections available to the Directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the carrying amount of the goodwill recognised at 31 December 2013 and 2012. The impairment losses on goodwill in 2013 amounted to EUR 12,776 thousand (EUR 2,825 thousand in 2012).

2.02. <u>Other intangible assets</u>

The additions to other intangible assets in 2013 amounted to EUR 96,334 thousand (EUR 61,679 thousand in 2012) relating mainly to Hochtief for EUR 41,648 thousand (EUR 47,977 thousand in 2012) and Industrial Services for EUR 41,790 thousand (EUR 1,623 thousand in 2012).

In 2013 the losses on items classified as other intangible assets amounting to EUR 5,027 thousand relating mostly to the Construction area (EUR 46,269 thousand at 31 December 2012) were recognised under "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated income statement. No impairment losses were reversed in the income statements for 2013 and 2012.

3.- <u>Tangible assets - property, plant and equipment</u>

In 2013 and 2012 items of property, plant and equipment were acquired for EUR 1,060,728 thousand and EUR 1,325,520 thousand, respectively.

In 2013, the most noteworthy additions relate to the Construction Area amounting to EUR 941,084 thousand, mainly from Hochtief as the result of acquiring equipment for the Leighton mining operations in Leighton for EUR 871,908 thousand, to the Industrial Services Area for EUR 42,713 thousand for the acquisition of machinery and equipment to carry out new projects, and to the Environment Area for EUR 76,921 thousand mainly for the incorporation of its activities in Chile.

In 2012 the most relevant acquisitions, by line of business, related mainly to the Construction Area amounting to EUR 1,213,146 thousand, mainly from Hochtief as the result of acquiring equipment for the Leighton mining operations in Leighton for EUR 1,073,595 thousand, to the Industrial Services Area for EUR 63,112 thousand for the acquisition of machinery and equipment to carry out new projects, and to the Environment Area for EUR 49,256 thousand, mostly earmarked for the acquisition and renovation of machinery and tools.

In 2013 and 2012, assets were also sold for a carrying amount of EUR 445,802 thousand and EUR 187,755 thousand, respectively, which did not give rise to significant profit or loss as a result of the disposals. Accordingly, the most significant disposal relates to the effect of the sale carried out by Leighton of its machinery and subsequent lease that represented a decrease of EUR 331,700 thousand.

At 31 December 2013, the Group had entered into contractual commitments for the future acquisition of property, plant and equipment amounting to EUR 145,935 thousand (EUR 421,428 thousand at 31 December 2012), including most notably EUR 137,395 thousand (EUR 405,388 thousand at 31 December 2012) relating mainly to mining operations in Leighton.

The impairment losses recognised in the consolidated income statement at 31 December 2013 amounted to EUR 1,909 thousand and related mainly to the sale and impairment of machinery of Dragados (EUR 2,417 thousand in 2012 relating mainly to the sale and impairment of Dragados machinery).

4.- Non-current assets in projects

The balance of "Non-current assets in projects" in the consolidated statement of financial position at 31 December 2013, includes the costs incurred by the fully consolidated companies in the construction of transport, services and power generation centres whose operation constitutes the purpose of their respective concessions. These amounts relate to property, plant and equipment associated with projects financed under a project finance arrangement if they are identified as intangible assets or as financial assets according to the criteria discussed in Note 03.04 to the consolidated financial statements at 31 December 2012. To better understand its activities relating to infrastructure projects, the Group considers it more appropriate to present its infrastructure projects in a grouped manner, although they are broken down by type of asset (financial or intangible) in this note.

All the project investments made by the ACS Group at 31 December 2013 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	**Accumulated depreciation**	**Carrying amount of non-current assets in projects**
Waste treatment	2019 - 2050	464,886	(93,017)	**371,869**
Highways/roads	2024 - 2038	239,511	(30,044)	**209,467**
Police stations	2024 - 2032	72,835	-	**72,835**
Wind farms	2030	46,410	(9,264)	**37,146**
Water management	2025 - 2033	35,541	(9,048)	**26,493**
Energy transmission	2040	15,703	-	**15,703**
Security	2014	64,128	(57,379)	**6,749**
Other infrastructures	-	27,033	(9,825)	**17,208**
Total		**966,047**	**(208,577)**	**757,470**

The breakdown of this heading by type, in accordance with IFRIC 12, is as follows:

The concession assets identified as intangible assets, as a result of the Group assuming demand risk, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	**Accumulated depreciation**	**Carrying amount of non-current assets in projects**
Waste treatment	2020 - 2050	279,322	(57,359)	**221,963**
Highways/roads	2024 - 2038	239,471	(30,023)	**209,448**
Water management	2025 - 2028	33,558	(9,048)	**24,510**
Other infrastructures	-	2,674	(595)	**2,079**
Total		**555,025**	**(97,025)**	**458,000**

The concession assets identified as financial assets, given that the Group does not assume demand risk, are as follows:

Type of infrastructure	End date of operation	Thousands of Euros
		Collection rights arising from concession arrangements
Waste treatment	2040	**88,141**
Police stations	2024 - 2032	**72,835**
Energy transmission	2040	**15,703**
Water management	2032 - 2033	**1,983**
Other infrastructures	-	**11,601**
Total		**190,263**

The details of the financial assets financed under a project finance arrangement that do not meet the requirements for recognition in accordance with IFRIC 12 are as follows:

Type of infrastructure	End date of operation	Thousands of Euros		
		Investment	Accumulated depreciation	Carrying amount of non-current assets in projects
Waste treatment	2019 - 2041	97,423	(35,658)	**61,765**
Wind farms	2030	46,410	(9,264)	**37,146**
Security	2014	64,128	(57,379)	**6,749**
Highways/roads	2026	40	(21)	**19**
Energy transmission	-	6,417	(6,417)	**-**
Other infrastructures	-	6,341	(2,813)	**3,528**
Total		**220,759**	**(111,552)**	**109,207**

Simultaneously, there are concession assets that are not financed by project finance amounting to EUR 279,567 thousand which are recognised under "Other intangible assets".

In 2013 and 2012 non-current assets in projects were acquired for EUR 143,468 thousand and EUR 147,062 thousand, respectively.

The main investments in projects made in 2013 relate to the Construction business, especially noteworthy of mention being those made in highway concessions for EUR 3,504 thousand (EUR 93,845 thousand in 2012), and the Environment business in waste treatment amounting to EUR 115,220 thousand (EUR 37,181 thousand in 2012). In addition, non-current assets in projects were transferred in 2012 as a result of selling the 40% ownership interest held in the Avenida de América transfer point and 29% in Concesionaria Ruta del Canal, S.A. In both cases the percentage held became accounted for using the equity method and represented a decrease in the cost of non-current assets in projects of EUR 24,137 thousand and EUR 98,822 thousand, respectively. No gains arose as a result of these transactions or from the sale or revaluation of the ownership interest held.

After the maturity of the project debt in 2012 of Tirmadrid, S.A. and UTE Dehesas, they were no longer considered non-current assets in projects and were included under intangible assets for EUR 136,304 thousand and EUR 69,066 thousand, respectively.

No significant divestments took place in 2013 or 2012.

Impairment losses in the consolidated income statement at 31 December 2013 amounted to EUR 1,432 thousand. No impairment losses were recognised in the income statement at 31 December 2012.

At 31 December 2013 and 31 December 2012, the Group had entered into contractual commitments for the acquisition of non-current assets in projects amounting to EUR 36,645 thousand and EUR 35,787 thousand, respectively, which mainly relate to the Group's current concession agreements.

The financing relating to non-current assets in projects is explained in Note 10.
The concession operators are also obliged to hold restricted cash reserves, known as reserve accounts, included under “Other current financial assets” (see Note 6).

5.- Investments accounted for using the equity method

The detail, by line of business, of the investments in companies accounted for by the equity method at 31 December 2013 and 31 December 2012 is as follows:

Line of Business	31/12/2013			31/12/2012		
	Share of net assets	Profit/Loss for the year	Total carrying amount	Share of net assets	Profit/Loss for the year	Total carrying amount
Construction	732,806	74,053	**806,859**	886,443	264,087	**1,150,530**
Industrial Services	201,903	3,110	**205,013**	192,545	4,073	**196,618**
Environment	335,951	18,819	**354,770**	356,559	26,781	**383,340**
Corporate Unit	(176)	-	**(176)**	(43,286)	44,412	**1,126**
Total	**1,270,484**	**95,982**	**1,366,466**	**1,392,261**	**339,353**	**1,731,614**

- *Construction*

At 31 December 2013, noteworthy of mention in the Construction Area are the investments from the Hochtief Group accounted for using the equity method, both if they are associates and joint ventures, in accordance with the alternative included in IAS 31, amounting to EUR 545,909 thousand (EUR 1,062,102 thousand at 31 December 2012). The most noteworthy investments at 31 December 2012 include the investment in aurelis Real Estate amounting to EUR 284,040 thousand, which was classified as held for sale at 31 December 2013, and the investment in Leighton Welspun Contractors of EUR 178,381 thousand at 31 December 2012, which was fully consolidated at 31 December 2013 (see Note 1.j).

- *Environment*

The main change in the Environment Area relates to accounting for the Clece Group using the equity method, the reason for which the ACS Group acquired joint control over certain funds managed by Mercapital on 8 March 2012. The carrying amount at 31 December 2013 amounted to EUR 285,608 thousand (EUR 269,713 thousand at 31 December 2012).

- *Corporation*

In April 2012, the ACS Group sold all of its ownership interest held in Abertis Infraestructuras, S.A. through Admirabilia, S.L., with a profit before tax of EUR 196,699 thousand, which until now was accounted for using the equity method.

6.- <u>Financial assets</u>

a) Composition and breakdown

The breakdown of the Group's financial assets at 31 December 2013 and 31 December 2012, by nature and category for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2013		31/12/2012	
	Non-Current	Current	Non-Current	Current
Equity instruments	1,097,535	81,982	504,512	110,855
Loans to associates	773,191	87,391	859,467	131,773
Other loans	323,597	127,647	362,747	111,537
Debt securities	1,857	1,369,409	3,155	802,325
Other financial assets	121,666	1,313,712	118,588	548,959
Total	**2,317,846**	**2,980,141**	**1,848,469**	**1,705,449**

b) Iberdrola

The Group's most significant equity instrument relates to Iberdrola.

At 31 December 2013, the ACS Group held 188,188,889 shares representing 3.02% of the share capital of Iberdrola, S.A. at that date (75,190,459 shares representing 1.22% of the share capital of Iberdrola, S.A. at 31 December 2012). The consolidated average cost amounted to EUR 4.134 per share (EUR 4.195 per share, prior to taking into account the valuation adjustments 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 872,256 thousand (EUR 315,423 thousand at 31 December 2012). At 31 December 2013, a positive valuation adjustment of EUR 65,999 thousand, net of the related tax effect, was recognised in equity under "Valuation adjustments - Available-for-sale financial assets".

In 2013, the most significant transactions in relation to the ownership interest in Iberdrola were as follows:

On 22 October 2013, ACS Actividades Finance, B.V. (a Dutch subsidiary wholly owned by ACS, Actividades de Construcción y Servicios, S.A.) issued bonds that are exchangeable for Iberdrola shares for a nominal amount of EUR 721,100 thousand (see Note 10), 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 consolidated income statement.

As of mid-2012, the ACS Group had several financial derivative agreements with various financial institutions on Iberdrola (call spreads), which offered an exposure on an underlying asset of 597,286,512 Iberdrola shares. As a result of the increase in the quoted price of this underlying asset, on 20 December 2013 the parties agreed to replace the previous structure for a new one (put spread), which has the same exposure profile and maturity periods, however the strike price and the price of the 595,601,946 Iberdrola shares of the underlying asset are slightly adjusted as a result of the changes in Iberdrola's dividend policy. This change enabled the ACS Group to monetise the value of these derivatives for a total of EUR 856.5 million included in the balance sheet at year-end 2013. The market value at year-end 2013 gave rise to the recognition of an liability amounting to EUR 62,896 thousand (see Note 11).

Following these transactions, at 31 December 2013, the ACS Group only held the aforementioned 3.02% ownership interest in Iberdrola (125 million shares of which are pledged in the exchangeable bond) and the following derivative financial instruments, which were measured at fair value through profit or loss at year end:

- A group of financial derivatives on 595,601,946 Iberdrola, S.A. shares that limit the ACS Group's exposure to fluctuations in the market of the aforementioned company's shares (see Note 11).

- An equity swap signed with Natixis on 164,352,702 Iberdrola, S.A. shares (see Note 11), in which the ACS Group continues holding the usufruct rights on these shares.

The most relevant transactions in 2012 with regard to Iberdrola were as follows:

- 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 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 ACS Group incurred a loss before tax, along with other expenses related thereto, amounting to EUR 855,689 thousand recognised under "Impairment and gains or losses on disposals of financial instruments" in the accompanying consolidated income statement (see Note 16).

- Accordingly, on 13 July 2012 Residencial Monte Carmelo, S.A., wholly owned by ACS, Actividades de Construcción y Servicios, S.A., 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 it had entered into with a bank syndicate, in which Banco Bilbao Vizcaya Argentaria, S.A. acted as the agent (see Note 10). This agreement was amended on 21 December 2012 and the prepaid forward was cancelled subsequent to year-end 2012.

- In 2012 ACS, Actividades de Construcción y Servicios, S.A. 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, establishing the maturity date as 31 March 2015 and amending the method of terminating the agreement.

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 ACS Group did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such possibility. In contrast, in 2012 the ACS Group internally tested its 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 consolidated average cost. A loss to the market price at the end of the year amounting to EUR 222,139 was therefore recognised under "Impairment and gains or losses on disposals of financial instruments" in the accompanying consolidated income statement (see Note 16).

"Impairment and gains or losses on disposals of financial instruments" in the accompanying consolidated income statement for 2012 (see Note 16) includes the aforementioned loss with regard to the sale of the 3.69% of the share capital of Iberdrola, the impairment of the 1.22% ownership interest and additional losses of EUR 2,873,344 thousand as a result of the Residencial Monte Carmelo, S.A. transactions and the equity swap. In 2013 the market value of the derivative financial instruments held at year end in relation to Iberdrola shares represented a profit of EUR 404,050 thousand (EUR 232,333 thousand in 2012) which was recognised under “Changes in fair value of financial instruments” (see Note 17).

c) Xfera Móviles (Yoigo)

At 31 December 2013 and 2012, the ACS Group had 17% ownership interest in the share capital of Xfera Móviles, S.A. through ACS Telefonía Móvil, S.L.

The carrying amount of the ownership interest in Xfera amounted to EUR 198,376 thousand at 31 December 2013 and 2012, which following write-downs carried out in previous years prior to the sale in 2006 to the Telia Sonera Group, relates to the contributions made in 2006 onwards, including the participating loans related thereto included under "Other loans".

d) Loans to associates

"Non-current loans to associates" relates mainly to the loans granted to Habtoor Leighton Group amounting to EUR 373,990 thousand (EUR 402,500 thousand at 31 December 2012).

Regarding this loan and investment in the Habtoor Leighton Group, provisions were made that for the most part cover the ACS Group's exposure in the accompanying condensed financial statements.

e) Other loans

Non-current loans include mainly the debt that continues to be refinanced to local corporations, amounting to EUR 62,806 thousand at 31 December 2013 (EUR 101,798 thousand at 31 December 2012), and the participating loans to Xfera Móviles, S.A.(amounting to EUR 119,170 thousand, the same amount as at 31 December 2012).

f) Debt securities

At 31 December 2013, this heading includes the short-term investments in securities relating mainly to investments in securities, investment funds and fixed-income securities maturing in more than three months and that are not intended to be held until maturity from Hochtief for EUR 1,041,278 thousand (EUR 517,948 thousand at 31 December 2012). The year-on-year increase was caused basically as a result of the collections obtained from the divestments carried out during the year. Other amounts most notably include the investments held by Cobra in the amount of EUR 101,843 thousand (EUR 121,251 thousand at 31 December 2012) and Urbaser in the amount of EUR 179,037 thousand (EUR 79,633 thousand at 31 December 2012).

g) Other financial assets

At 31 December 2013, "Other financial assets" included short-term deposits amounting to EUR 1,178,777 thousand (EUR 418,123 thousand at 31 December 2012). This amount includes the amounts contributed to meet the coverage ratios of certain financing for the ownership interest in Hochtief amounting to EUR 359 thousand (see Note 10) and certain derivatives arranged by the Group amounting to EUR 306,380 thousand (see Note 11). These amounts earn interest at market rates and their availability depends on the compliance with the coverage ratios.

h) Impairment losses

In 2013 the impairment losses on financial assets amounted to EUR 20,498 thousand (see Note 16). In 2012 no significant impairment losses were recognised on the financial assets in addition to those relating to the ACS Group's ownership interest in Iberdrola (see section b) of this Note and Note 16).

There were no significant reversals due to the impairment of financial assets in 2013 or 2012.

7.- Inventories

The detail of "Inventories" is as follows:

	Thousands of Euros	
	31/12/2013	**31/12/2012**
Merchandise	218,531	225,092
Raw materials and other supplies	362,656	413,760
Work in progress	974,682	1,126,536
Finished goods	13,024	7,472
By-products, waste and recovered materials	276	197
Advances to suppliers and subcontractors	248,030	147,058
Total	**1,817,199**	**1,920,115**

Impairment losses on inventories recognised and reversed in the consolidated income statement for 2013, relating to the various ACS Group companies, amounted to EUR 236 thousand and EUR 7,552 thousand, respectively (EUR 212 thousand and EUR 6,129 thousand respectively in 2012).

8.- Equity

8.01. Share capital

At 31 December 2013, the share capital of the Parent 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.

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount thereof.

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

The capital increase or increases may be carried out 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 disapply preferential subscription rights is exercised.

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

Similarly, at the General Shareholders' Meeting held on 25 May 2009, the shareholders resolved to grant the Board of Directors the power, in accordance with the applicable legal provisions, to issue simple, exchangeable or convertible fixed-income securities as well as warrants on newly issued shares or Company shares currently in circulation. 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 Construccion y Servicios, S.A. according to the latest approved statement of financial position. 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 at 31 December 2013 amounted to EUR 304,563 thousand (see Note 10). Based on the aforementioned delegation of powers, the Board of Directors took into consideration and provided guarantees in relation to the issue of bonds that are exchangeable for Iberdrola shares launched by ACS Actividades Finance, B.V. in the amount of EUR 721,100 thousand (see Notes 6 b) and 10).

The Ordinary General Shareholders' 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 to 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, thereby equally granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the two months following the date of the General Shareholders' Meeting held in 2013 and, in the case of the second increase, within the first quarter of 2014, thereby coinciding with the dates on which the ACS Group 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 General Shareholders' 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 Board.

In relation to the foregoing, in 2013 the Parent 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 this capital increase, share capital was reduced in this same year 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 Parent's treasury shares (see Note 15.04).

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 of EUR 142 million for the same purpose as that of the first increased 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.

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.

In addition to Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Hochtief A.G. on the Frankfurt Stock Exchange (Germany), Dragados y Construcciones Argentina, S.A.I.C.I. on the Buenos Aires Stock Exchange (Argentina), Leighton Holdings Ltd., Macmahon Holdings Limited and Sedgman Limited on the Australia Stock Exchange.

8.02. Treasury shares

The changes in “Treasury shares” are as follows:

	2013		2012	
	Number of Shares	Thousands of Euros	Number of Shares	Thousands of Euros
At beginning of the year	**21,368,766**	**574,696**	**23,608,833**	**760,651**
Purchases	15,112,383	306,280	9,393,512	155,880
Scrip dividend	251,471	-	-	-
Sales	(25,903,481)	(659,616)	(4,013,784)	(115,262)
Bonus payments 2013/2012	(208,529)	(3,874)	(287,700)	(9,269)
Depreciation	(7,853,637)	(152,528)	(7,332,095)	(217,304)
At end of the reporting period	**2,766,973**	**64,958**	**21,368,766**	**574,696**

As a result of the resolution adopted by the shareholders at the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 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 the Company's reserves 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 had elapsed, on 18 July 2013 the following events took place:

- The dividend was determined to be a total gross amount of EUR 192,708,608.096 and was paid on 23 July 2013.
- The number of final shares subject to the capital increase was 7,853,637 for a nominal amount of EUR 3,926,818.50.

On 23 September 2013, a share capital reduction was subsequently carried out and registered in the Mercantile Registry for ACS Actividades de Construcción y Servicios, S.A. amounting to EUR 3,926,818.50, by means of the retirement of 7,853,637 treasury shares with a carrying amount of EUR 152,528 thousand, with a charge to unrestricted reserves and a provisions of EUR 3,926,818.50 for the same amount as the nominal value of the retired shares, to the reserve provided for in section c) of Article 335 of the Spanish Companies Law. In this regard, on 7 July 2012, 7,332,095 treasure shares were retired with a carrying amount of EUR 217,304 thousand in accordance with the resolutions adopted by the General Shareholders' Meeting held on 31 May 2012 in relation to the shareholder remuneration system (see Note 8.01).

On 24 January 2013, the ACS Group sold a total of 20,200,000 treasury shares amounting to EUR 360,166,000 to three entities, which gave rise to a negative effect on equity of EUR 170,698 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 11).

At 31 December 2013, the Group held 2,766,973 treasury shares of the Parent, of EUR 0.5 par value each, representing 0.88% of the share capital, with a consolidated carrying amount of EUR 64,958 thousand which is recognised under "Treasury shares" in equity in the accompanying consolidated statement of financial position. At 31 December 2012, the Group held 21,368,766 treasury shares of the Parent, of EUR 0.5 par value each, representing 6.79% of the share capital, with a consolidated carrying amount of EUR 574,696 thousand which was recognised under "Treasury shares" in equity in the accompanying consolidated statement of financial position.

The average purchase price of ACS shares in 2013 was EUR 20.27 per share and the average selling price of the shares in 2013 was EUR 25.46 per share (EUR 16.59 and EUR 28.72 per share, respectively, in 2012).

8.03. Adjustments for changes in value

The changes in "Adjustments for changes in value" are as follows:

	Thousands of Euros	
	2013	**2012**
Beginning balance	**(725,840)**	**(2,363,192)**
Hedging Instruments	359,109	(153,685)
Available-for-sale financial assets	27,773	1,839,515
Exchange differences	(195,956)	(48,478)
Ending balance	**(534,914)**	**(725,840)**

The adjustments for hedging instruments relate to the reserve set up for the effective portion of changes in the fair value of the financial instruments designated and effective as cash flow hedges. They relate mainly to interest rate hedges and, to a lesser extent, foreign exchange rate hedges, tied to asset and liability items in the balance sheet, and to future transaction commitments qualifying for hedge accounting as they meet the requirements provided for in IAS 39 on hedge accounting and, to a lesser extent, the pension obligations of the Hochtief subgroup.

The changes relating to available-for-sale financial assets include the unrealised gains or losses arising from changes in their fair value net of the related tax effect. The change arose mainly as a result of the transactions carried out in relation to the ownership interest in Iberdrola, S.A. (see Note 6.b).

9.- Non-current provisions

The breakdown of the balance of this heading is as follows:

	Thousands of Euros	
	31/12/2013	**31/12/2012**
Funds for pensions and similar obligations	427,121	524,584
Provisions for taxes and third-party liability	1,345,835	1,348,099
Provisions for actions on infrastructure	21,795	19,358
Provisions	**1,794,751**	**1,892,041**

Note 20 to the ACS Group's consolidated financial statements for the year ended 31 December 2012 describes the main disputes, including the main litigation of a tax and legal nature affecting the Group at that date. The total amount of the payments made by the ACS Group arising from lawsuits in 2013 and 2012 is not material in relation to these condensed consolidated financial statements.

10.- Financial liabilities

The detail of the ACS Group's non-current financial liabilities at 31 December 2013 and 2012, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros			
	31/12/2013		**31/12/2012**	
	Non-Current	**Current**	**Non-Current**	**Current**
Debt instruments and other marketable securities	2,619,916	600,462	1,483,824	157,670
Bank borrowings	4,587,129	3,214,385	5,365,388	4,064,250
- with limited recourse	1,035,693	221,447	1,103,847	278,575
- Other	3,551,436	2,992,938	4,261,541	3,785,675
Other financial liabilities	204,308	317,130	107,371	369,455
Total	**7,411,353**	**4,131,977**	**6,956,583**	**4,591,375**

At 31 December 2013, the ACS Group had non-current debentures and bonds issued amounting to EUR 2,619,916 thousand and EUR 600,462 thousand in current issues (EUR 1,483,824 thousand in non-current and EUR 157,670 thousand in current, respectively, at 31 December 2012) mainly from Leighton Holdings and Hochtief, A.G. The most significant changes at 31 December 2013 with regard to 31 December 2012 are as follows:

- Corporate bond issue launched by Hochtief, A.G on 14 March 2013 for a nominal amount of EUR 750 million maturing in March 2020 and with an annual coupon of 3.875%. (In March 2012, Hochtief, A.G. issued a corporate bond for a nominal amount of EUR 500 million maturing in March 2017 and with an annual coupon of 5.5%).

- On 22 October 2013, ACS Actividades Finance, B.V. (a Dutch subsidiary wholly owned by ACS, Actividades de Construcción y Servicios, S.A.) issued bonds that are exchangeable for Iberdrola shares 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, S.A. 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.

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, in using the authorisation granted by the General Shareholders' Meeting held on 25 May 2009 and in executing the Board of Directors resolution on 8 November 2012. Banco Santander is the coordinator of the programme operations (arranger), a company which also acts as the appointed 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.

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.

“Project finance and limited recourse borrowings” on the liability side of the consolidated statement of financial position mainly includes, in addition to the financing for the acquisition of Hochtief, A.G., the amount of the financing related to infrastructure projects. The detail of the balance of this heading, by type of financed asset at 31 December 2013, is as follows:

	Thousands of Euros		
	Current	**Non-current**	**Total**
Hochtief Aktiengesellschaft	13,479	558,929	**572,408**
Project financing			
Waste treatment	12,030	243,546	**255,576**
Property assets (Inventories)	181,711	23,072	**204,783**
Highways	7,932	124,113	**132,045**
Police station	4,277	55,461	**59,738**
Water management	2,009	19,164	**21,173**
Security	-	10,902	**10,902**
Photovoltaic plants	9	506	**515**
	221,447	**1,035,693**	**1,257,140**

The detail of this heading, by type of financial assets, at 31 December 2012 was as follows:

	Thousands of Euros		
	Current	Non-current	Total
Hochtief Aktiengesellschaft	12,076	589,631	**601,707**
Project financing			
Property assets (Inventories)	239,353	117,340	**356,693**
Waste treatment	12,147	173,243	**185,390**
Highways	388	131,469	**131,857**
Police station	4,161	60,214	**64,375**
Water management	1,996	21,766	**23,762**
Energy transmission	-	9,655	**9,655**
Security	8,446	-	**8,446**
Photovoltaic plants	8	529	**537**
	278,575	**1,103,847**	**1,382,422**

In relation to the initial package of Hochtief, A.G. share acquired in 2007, on 27 October 2011 Cariatide, S.A. entered into a refinancing agreement with a bank syndicate for a nominal amount of EUR 602,000 thousand until 24 July 2015. The main characteristics of the financing agreement include maintaining a coverage ratio over the market value of the shares of Hochtief, A.G. If this ratio were not met, the pledge on the acquired shares could be enforced. In the event that the aforementioned coverage ratio is not maintained, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds.

At 31 December 2013 and at the date of approval of these condensed financial statements, the coverage ratios envisaged by this financing were met.

Other non-current bank borrowings most notably include the syndicated loan agreement maturing in July 2015 entered into by ACS, Actividades de Construcción y Servicios, S.A. with a syndicate of banks, made up of 32 Spanish and international entities. The amount contracted totalled EUR 1,430,300 thousand at 31 December 2013. In addition, in May 2012 the Group renewed the syndicated loan with Urbaser for EUR 506,300 thousand maturing on 28 November 2014, which is the reason it is classified as current.

Also noteworthy of mention, within other bank borrowings, is the long-term financing obtained for the acquisition of Hochtief, A.G. shares for a nominal amount of EUR 450,000 thousand maturing in June and July 2014 through the SPV Major Assets, S.L., all with an in rem guarantee on the Hochtief shares deposited therein. In addition, EUR 200,000 thousand maturing in February 2014 through the SPV Equity Share, S.L. with an in rem guarantee secured by Iberdrola shares.

The long-term financing from the investee Hochtief, A.G. for EUR 708,375 thousand (EUR 1,148,815 thousand at 31 December 2012) is also noteworthy of mention. In 2013, Leighton resolved to receive syndicated bank financing amounting to EUR 765,800 thousand (AUD 1,000,000 thousand) maturing on 21 June 2016, which replaces the previous syndicated bank financing of AUD 600,000 thousand that matured in December 2013. At 31 December 2013, no amount had been paid with regard to this financing.

In 2013 and 2012 the ACS Group satisfactorily repaid all the amounts of its bank borrowings on their respective due dates. At the date of preparation of the condensed consolidated financial statements, the Group had also complied with all its financial obligations.

Note 21 of the financial statements for 2012 details the main financial risks to which the ACS Group is exposed (interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk of listed shares). The most significant changes in the ACS Group's financial risks detailed in the financial statements are as follows:

- The issue of a Hochtief, A.G. corporate bond amounting to EUR 750 million maturing at seven years, the new syndicated financing entered into by Leighton until 2016, and the issue of the bonds that are exchangeable for Iberdrola shares of EUR 721 million mentioned in this Note.
- The sale already carried out on the assets related to the telecommunications in Leighton, the airports of Hochtief and the facility management business, which considerably increased the Group's liquidity.
- The issue of the Euro Commercial Paper (ECP) programme mentioned in this Note.
- The monetisation of Iberdrola's call spread and put spread mentioned in Note 6.b.
- The sale of the treasury shares carried out in January mentioned in Note 8.02.

The amount relating to "Other financial liabilities" includes mainly payables to associates.

11.- Derivative financial instruments

The detail of the financial instruments is as follows:

	Thousands of Euros			
	31/12/2013		31/12/2012	
	Assets	Liabilities	Assets	Liabilities
Hedges	7,741	65,762	481	124,004
Non-qualified hedges	32,951	432,105	470,216	470,359
Non-current	**40,692**	**497,868**	**470,697**	**594,363**
Hedges	-	22,805	4,871	20,272
Non-qualified hedges	11,981	47,747	4,143	3,593
Current	**11,981**	**70,552**	**9,014**	**23,865**
Total	**52,673**	**568,420**	**479,711**	**618,228**

The assets and liabilities designated as hedging instruments includes the amount corresponding to the effective part of the changes in fair value of these instruments designated and classified as cash flow hedges. Principally they are hedges of interest rates (interest rate swaps) and exchange rates, linked to elements of the assets and liabilities of the balance, as well as to future commitments for transactions to which they are applied, to meet certain requirements of IAS 39, on hedge accounting.

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. Assets relating to financial instruments at 31 December 2012 amounting to EUR 460,506 thousand most notably includes the measurement at fair value of the call spread contracted in relation to the refinancing on Iberdrola, S.A. shares carried out in July 2012 (see Note 6 b)) on an underlying asset of 597,286,512 Iberdrola shares and that was cancelled in 2013. Instead, a put spread was contracted on 595,601,946 Iberdrola shares. The market value at year-end 2012 gave rise to the recognition of a liability amounting to EUR 62,896 thousand. The effect of changes to the market in 2013 of these derivatives was recognised as income under "Changes in fair value of financial instruments" in the accompanying consolidated financial statements (see Note 17).

The most significant liabilities related to financial instruments at 31 December 2013 and 2012 relate to the fair value of the equity swap on Iberdrola, S.A. shares. The fair value of the equity swap 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 of the 2010 stock option plan to a financial institution 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 measurement of fair value of this instrument is included under "Changes in fair value of financial instruments" (see Note 17).

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 the consolidated income statement with respect to the value of the option in the previous year. The risk of an increase in the share price is not assumed by either the financial institution or the Group, since, in this case, management would exercise its call option and directly acquire the shares from the financial institution, which agrees to sell them to the beneficiaries at the exercise price. Consequently, upon completing the plan, if the shares have a higher market price than the value of the option, the derivative will have zero value at this date.

Additionally, according to the contract, at the time of final maturity of the Plan, in the event that there are options that have not been exercised by their Directors (i.e. due to voluntary resignation in the ACS Group), the pending options are settled by differences. In other words, the financial institution sells the pending options on the market, and the result of the settlement, whether positive or negative, is received by ACS in cash (never in shares). Consequently, the Company never receives the shares arising from the Plan upon completion and, therefore, 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 37,634 thousand (a loss of EUR 45,909 thousand in 2012) recognised under "Changes in fair value of financial instruments" (see Note 17). The amounts provided as collateral relating to the derivatives arranged by the Group mentioned above amounted to EUR 554,337 thousand at 31

December 2013 and were included under "Long-term deposits" in the accompanying statement of financial position. These amounts are remunerated at market rates. The short-term portion is indicated in Note 6.g.

In accordance with that indicated in Note 8.02, in January 2013 the ACS Group sold three entities for a total of 20,200,000 treasury shares, by entering into certain derivative agreements for an equal number of ACS shares that can only be settled in cash in a two-year period that may be extended an additional year, and that were settled in 2013. The main characteristics of these derivative agreements 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 on 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 reintegrated in any way.
- ACS must deposit cash equal to 25% of the notional amount as cash collateral, 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 through dividends of the underlying shares.

With regard to the effect on the sales transaction and the arrangement of the derivatives, paragraph B6 of the implementation guidelines of IAS 39 has been considered. In this case, although the sales agreements and derivatives 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 were arranged with Tyrus. In accordance with the IAS, 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. Therefore, the conclusion is that the agreements must be treated separately.

With regard to this last objective, in 2013 the Group settled the transaction with a profit of EUR 58,400 thousand included under "Changes in fair value of financial instruments" (see Note 17). 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 shares, and for 3.4 million shares at 50% of the drop between EUR 23.90 and EUR 18.38 per share.

The Group 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 900 thousand for a derivative instruments measured at fair value through profit or loss, in accordance with the new IFRS 13 that entered into force on 1 January 2013.

With regard to the assets and liabilities measured at fair value, the ACS Group followed the hierarchy set out in IFRS 7, in accordance with that indicated in Note 03.08.06.

Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2: Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

	Thousands of Euros			
	Value at 31/12/2013	Level 1	Level 2	Level 3
Assets	**2,588,558**	**1,920,898**	**608,562**	**59,098**
Equity instruments	1,164,619	954,286	151,235	59,098
Debt securities	1,371,266	966,612	404,654	-
Financial instrument receivables				
Non-current	40,692	-	40,692	-
Current	11,981	-	11,981	-
Liabilities	**568,420**	**-**	**562,475**	**5,945**
Financial instrument receivables				
Non-current	497,868	-	497,868	-
Current	70,552	-	64,607	5,945

	Thousands of Euros			
	Value at 31/12/2012	Level 1	Level 2	Level 3
Assets	**1,900,558**	**866,874**	**958,611**	**75,073**
Equity instruments	615,367	348,926	191,368	75,073
Debt securities	805,480	517,948	287,532	-
Financial instrument receivables				
Non-current	470,697	-	470,697	-
Current	9,014	-	9,014	-
Liabilities	**618,228**	**-**	**618,228**	**-**
Financial instrument receivables				
Non-current	594,363	-	594,363	-
Current	23,865	-	23,865	-

The changes in financial instruments included under Level 3 in 2013 are as follows:

	Thousands of Euros
Balance at 1 January 2013	**75,073**
Adjustments for change in value	(12,900)
Effect on income	(13,307)
Other changes	10,232
Balance at 31 December 2013	**59,098**

No derivative instruments measured at fair value through profit or loss were transferred between levels 1 and 2 of the fair value hierarchy in 2013. There were also no transfers to or from Level 3 with regard to 31 December 2012. The decrease in the fair value of Level 3 was recognised directly in equity.

12.- <u>Tax matters</u>

- *Deferred tax assets and liabilities*

The detail of the deferred tax assets at 31 December 2013 is as follows:

	Thousands of Euros					
	31/12/2013			31/12/2012		
	Tax Group in Spain	Other companies	Total	Tax Group in Spain	Other companies	Total
Credit for tax loss	683,551	169,330	852,881	707,173	69,952	777,125
Other temporary differences	453,504	723,298	1,176,802	495,970	837,804	1,333,774
Tax credits and tax relief	343,451	6,566	350,017	355,932	273	356,205
Total	**1,480,506**	**899,194**	**2,379,700**	**1,559,075**	**908,029**	**2,467,104**

Credit for tax loss of the ACS Tax Group in Spain arise from the consolidated tax loss for 2012, arising mainly as a result of the impairment and losses tied to the investment in Iberdrola, S.A., and expire after a period of 18 years. "Other temporary differences" includes the deferred tax asset related to the adjustment to non-deductible finance costs in the amount of EUR 91,440 thousand for the companies that belong to the tax group in Spain.

The temporary differences of the companies not included in the Spanish Tax Group arose mainly from the companies of the Hochtief group.

The deferred tax assets indicated above were recognised in the consolidated statement of financial position because the Group's Directors considered that, based on their best estimate of the Group's future earnings, where no extraordinary losses are expected such as those that were incurred in 2012, it is probable that these assets will be recovered.

Deferred tax liabilities amounting to EUR 1,381,273 thousand (EUR 1,232,499 thousand at 31 December 2012) have not changed substantially with respect to 31 December 2012.

- *Change in income tax expense*

The main items affecting the quantification of income tax expense are as follows:

	Thousands of Euros	
	2013	**2012**
Consolidated profit/(loss) before tax	1,763,615	(2,520,311)
Profit or loss of companies accounted for using the equity method	(95,982)	(339,353)
	1,667,633	**(2,859,664)**
Tax charge at 30%	500,290	(857,899)
Tax credit for double taxation of dividends of Iberdrola, S.A.	(30,234)	(52,357)
Net impact of other permanent differences, tax credits, national tax rate spreads and adjustments	46,634	(94,960)
Income tax expense/(income)	**516,690**	**(1,005,216)**

The most significant item included at 31 December 2013 under "Net impact of other permanent differences, tax credits, national tax rate spreads and adjustments" relates mainly to the existence of subsidiaries not included in Tax Group 30/99, which does not include the tax effect related to their accounting losses. At 31 December 2012, this item related mainly to the tax credit for reinvestment and double taxation of gains from the sale of investees amounting to EUR 71,680 thousand.

13.- Business segments

In accordance with the ACS Group's internal organisational structure, and consequently, its internal reporting structure, the Group carries on its business activities through lines of business which are the operating reporting segments as indicated in IFRS 8. The Construction segments include Hochtief, A.G. and the concession business carried out through Iridium. Note 25 to the consolidated financial statements of the ACS Group for the year ended 31 December 2012 details the bases used by the Group to define its operating segments.

The reconciliation of revenue, by segment, to consolidated revenue at 31 December 2013 and 2012 is as follows:

Segments	Thousands of Euros					
	2013			2012		
	External income	Inter-segment income	**Total income**	External income	Inter-segment income	**Total income**
Construction	29,544,221	15,049	**29,559,270**	29,672,154	10,602	**29,682,756**
Environment	1,781,009	197	**1,781,206**	1,690,167	632	**1,690,799**
Industrial Services	7,047,291	19,774	**7,067,065**	7,033,857	16,155	**7,050,012**
(-) Adjustments and eliminations of ordinary inter-segment income	-	(35,020)	**(35,020)**	-	(27,389)	**(27,389)**
Total	**38,372,521**	**-**	**38,372,521**	**38,396,178**	**-**	**38,396,178**

Inter-segment sales are made at market prices.

The reconciliation of the profit/loss, by business, with consolidated profit/loss before taxes at 31 December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Segments		
Construction	674,285	717,460
Environment	62,905	197,487
Industrial Services	463,616	465,231
Total profit of the segments reported upon	**1,200,806**	**1,380,178**
(+/-) Non-assigned profit	46,119	(2,787,819)
(+/-) Elimination of internal profit (between segments)	-	-
(+/-) Other profits (loss)	-	-
(+/-) Income tax and /or profit (loss) from discontinued operations	516,690	(1,112,670)
Profit/(Loss) before tax	**1,763,615**	**(2,520,311)**

Revenue, by geographical area, at 31 December 2013 and 2012 is as follows:

Net amount of turnover by Geographical Area	**Thousands of Euros**	
	2013	**2012**
Domestic market	5,245,344	5,975,062
Foreign market	33,127,177	32,421,116
a) European Union	4,431,605	4,234,636
b) O.E.C.D countries	23,514,257	23,276,437
c) Rest of countries	5,181,315	4,910,043
Total	**38,372,521**	**38,396,178**

The detail of sales by principal countries is as follows:

Net Revenue by Geographical Area	**Thousands of Euros**	
	31/12/2013	**31/12/2012**
Australia	11,995,039	12,494,377
United States	8,523,739	8,250,834
Spain	5,245,344	5,975,062
Germany	2,081,268	1,916,208
Mexico	1,276,568	1,305,731
Canada	1,260,428	935,953
Indonesia	900,533	1,015,674
China	875,861	539,630
United Arab Emirates	786,539	925,054
Poland	698,777	722,052
United Kingdom	657,404	487,734
Brazil	305,868	504,625
Portugal	217,673	337,137
Other	3,547,480	2,986,107
Total	**38,372,521**	**38,396,178**

14.- <u>Financial income</u>

At 31 December 2013, financial income included, among other items, the dividends from Iberdrola, S.A. which amounted to EUR 102,540 thousand (EUR 223,435 thousand at 31 December 2012).

15.- Average workforce

The detail of the average number of employees, by professional category and gender, is as follows:

Category	Average number of employees					
	2013			2012		
	Men	Women	TOTAL	Men	Women	TOTAL
University graduates	23,718	6,248	**29,966**	24,280	6,308	**30,588**
Junior college graduates	6,078	1,622	**7,700**	5,820	1,677	**7,497**
Non-graduate line personnel	11,424	1,489	**12,913**	10,727	1,415	**12,142**
Clerical personnel	3,367	6,357	**9,724**	3,462	6,354	**9,816**
Other employees	95,353	9,094	**104,447**	96,047	8,252	**104,299**
Total	**139,940**	**24,810**	**164,750**	**140,336**	**24,006**	**164,342**

16.- Impairment and gains or losses on disposal of financial instruments

In 2013, this heading of the accompanying consolidated income statement includes mainly the profit from the sale of Leighton's telecommunication business amounting to EUR 154,282 thousand. This profit includes the effect of recognising the 30% ownership interest that is still held at fair value, the profit from the sale of the Hochtief airports, and the sale of Hochtief's facility management business to SPIE, S.A. Similarly, the impact of the impairment losses of the first quarter on the ownership interest in Iberdrola amounting to EUR 20,498 thousand was recognised, along with the loss of EUR 56,199 thousand as a result of taking the translation differences existing at the time of the Leighton Welspun Contractors purchase mentioned in Note 1 j) to the income statement.

In 2012 this heading included the losses incurred in relation to the sale of the 3.69% interest in the share capital of Iberdrola, the impairment losses on the 1.22% ownership interest, and the additional losses as a result of the Residencial Monte Carmelo, S.A. transactions and the equity swap of Iberdrola, which are described in Note 10.01. It is also noteworthy of mention that in 2012 the gains on the sale of the 10.28% holding of Abertis Infraestructuras, S.A. amounted to EUR 196,699 thousand.

17.- Changes in fair value of financial instruments

This heading includes the effect on the income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. At 31 December 2013, the most significant impact relates to the market valuation of the derivative financial instruments held at year end in relation to Iberdrola, S.A. shares, which gave rise to a profit of EUR 404,050 thousand (EUR 232,333 thousand in 2012), and to the profit from the derivatives on ACS shares, as described in Note 11.

The most significant losses incurred in 2012 were mainly a result of the valuation of the derivative of the ACS Group's 2010 stock option plan and the market valuation of certain derivatives amounting to EUR 60,751 thousand.

18.- Transactions and balances with related parties

The following information relating to transactions with related parties is disclosed in accordance with the Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and applied through the Spanish National Securities Market Commission.

Transactions between individuals, companies or Group entities related to Group shareholders or Directors

The transactions performed in 2013 were as follows (in thousands of euros):

2013 Related transactions	**Significant shareholders**		**Directors and managers**	**Other related parties**							**Total**
Expenses and revenue	**Grupo Iberostar**	**Total**	**Total**	**Fidalser, S.L.**	**Rosán Inversiones, S.L.**	**Terratest Técnicas Especiales, S.A.**	**Indra**	**Zardoya Otis, S.A.**	**March-JLT, S.A.**	**Total**	
Management or cooperation agreements	-	**-**	-	-	-	1,046	-	-	-	**1,046**	**1,046**
Leases	-	**-**	-	177	-	-	-	-	-	**177**	**177**
Reception of services	-	**-**	-	125	-	548	1,678	1,496	-	**3,847**	**3,847**
Other expenses	-	**-**	-	-	-	-	-	-	38,110	**38,110**	**38,110**
Expenses	**-**	**-**	**-**	**302**	**-**	**1,594**	**1,678**	**1,496**	**38,110**	**43,180**	**43,180**
Provision of services	553	**553**	257	-	384	-	2,362	-	-	**2,746**	**3,556**
Revenue	**553**	**553**	**257**	**-**	**384**	**-**	**2,362**	**-**	**-**	**2,746**	**3,556**

2013 Related transactions	**Significant shareholders**		**Other related parties**				
Other transactions	**Banca March**	**Total**	**Banco Sabadell**	**Lynx Capital, S.A.**	**Fidalser, S.L.**	**Total**	**Total**
Financing agreements: Loans and capital contributions (lender)	52,630	**52,630**	750,534	-	-	**750,534**	**803,164**
Guarantees given	30,820	**30,820**	-	-	-	**-**	**30,820**
Dividends and other distributed profit	-	**-**	-	326	679	**1,005**	**1,005**
Other transactions	23,813	**23,813**	-	-	-	**-**	**23,813**

The transactions performed in 2012 were as follows (in thousands of euros):

2012 Related transactions	**Significant shareholders**		**Directors and managers**	**Other related parties**							**Total**
Expenses and revenue	**Grupo Iberostar**	**Total**	**Total**	**Fidalser, S.L.**	**Rosán Inversiones, S.L.**	**Terratest Técnicas Especiales, S.A.**	**Indra**	**Zardoya Otis, S.A.**	**March-JLT, S.A.**	**Total**	
Management or cooperation agreements	-	**-**	-	-	-	3,211	-	-	-	**3,211**	**3,211**
Leases	-	**-**	-	182	-	-	-	-	-	**182**	**182**
Reception of services	-	**-**	-	66	-	1,092	2,756	1,113	-	**5,027**	**5,027**
Other expenses	-	**-**	-	-	-	-	-	-	41,806	**41,806**	**41,806**
Expenses	**-**	**-**	**-**	**248**	**-**	**4,303**	**2,756**	**1,113**	**41,806**	**50,226**	**50,226**
Provision of services	538	**538**	97	-	276	-	2,130	5	-	**2,411**	**3,046**
Revenue	**538**	**538**	**97**	**-**	**276**	**-**	**2,130**	**5**	**-**	**2,411**	**3,046**

2012 Related transactions	**Significant shareholders**		**Other related parties**					**Total**
Other transactions	**Banca March**	**Total**	**Banco Sabadell**	**Fidwei Inversiones, S.L.**	**Lynx Capital, S.A.**	**Fidalser, S.L.**	**Total**	
Financing agreements: Loans and capital contributions (lender)	52,120	**52,120**	859,603	-	-	-	**859,603**	**911,723**
Guarantees given	41,120	**41,120**	-	-	-	-	**-**	**41,120**
Dividends and other distributed profit	-	**-**	-	554	674	1,059	**2,287**	**2,287**
Other transactions	30,645	**30,645**	-	-	-	-	**-**	**30,645**

Banca March is considered to be a significant shareholder given that it is a shareholder of Corporación Financiera Alba, S.A., the main direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. Banca March has performed typical transactions relating to its ordinary course of business such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies.

The Iberostar Group is disclosed due to its tie as a direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. As a tourism and travel agency, this Group has provided services to ACS Group companies as part of its business transactions. The ACS Group has also carried out air-conditioning activities in main hotels owned by Iberostar.

Rosán Inversiones, S.L. is disclosed as a result of its relationship with the Chairman and CEO of the Company, which holds a significant ownership interest through Inversiones Vesán, S.A.

The transactions with other related parties are listed as a result of the relationship of certain board members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or Senior Executives. In this regard, the transactions with Fidalser, S.L., Terratest Técnicas Especiales, S.A., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are listed due to the relationship of the director, Pedro López Jiménez, with these companies. Transactions with Indra are listed due to its relationship with the director Javier Monzón. The transactions performed with the Zardoya Otis, S.A. are indicated due to its relationship with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the director Javier Echenique. The transactions with the insurance broker, March-JLT, S.A., are listed due to the company's relationship with Banca March, although in this case the figures listed are intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

"Other transactions" includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2013 "Other transactions" related exclusively to Banca March, since it is the main shareholder of Corporacion Financiera Alba, S.A., which is a direct shareholder of the ACS Group. Banca March, as a financial institution, provides various financial services to ACS Group companies in the ordinary course of business amounting to a total EUR 23,813 thousand (EUR 30,645 thousand in 2012), and in this case they relate to the reverse factoring lines of credit for suppliers.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business, and related to ordinary Group company transactions.

The transactions performed between ACS consolidated Group companies were eliminated in the consolidation process and form part of the normal business activities of the companies in terms of their company object and conditions. The transactions are performed on an arm's length basis and the related information is not necessary to fairly present the equity, financial position and results of the Group's operations.

In accordance with the information available to ACS, Actividades de Construcción y Servicios, S.A., the members of the Board of Directors were not involved in any conflicts of interest in 2013 or 2012, in accordance with that indicated in Article 229 of the Spanish Companies Law.

19.- Board of Directors and Senior Executives

Remuneration of Directors

In 2013 and 2012 the Board members of ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration either as members of the Boards of Directors of the Parent and the Group companies or as Senior Executives of Group companies.

	Thousands of Euros	
	2013	**2012**
Fixed remuneration	3,961	3,862
Variable remuneration	4,006	3,885
By-law stipulated director's emoluments	2,825	2,734
Other	1	1
Total	**10,793**	**10,482**

In addition, EUR 1,119 thousand in 2013 (EUR 1,808 thousand in 2012) were charged to income as a result of the share options granted to members of the Board of Directors with executive posts. This amount relates to the proportion of the value of the plan at the date on which it was granted.

The benefits relating to pension funds and plans, and life insurance premiums are as follows:

Other Benefits	Thousands of Euros	
	2013	2012
Pension funds and plans: contributions	1,805	1,811
Life insurance premiums	16	16

The amount recognised under "Pension funds and plans: Contributions" includes the portion relating to the payments made by the Company in the year.

The ACS Group has not granted any advances, loans or guarantees to any of the board members.

Remuneration of the Senior Executives

The remuneration of the Group's Senior Executives in 2013 and 2012, excluding those who are simultaneously Executive Directors, was as follows:

	Thousands of Euros	
	2013	2012
Salaries (fixed and variable)	24,638	21,025
Pension Plans	1,599	1,690
Life insurance	29	25

The year-on-year increase in remuneration was caused by the increase in the number of persons considered to be Senior Executives in 2013 and by the additional compensation paid to members of management that discharged their duties abroad. EUR 4,272 thousand in 2013 (EUR 6,901 thousand in 2012) were charged to income as a result of the share options granted to the Group's Senior Executives, and were not recognised under "Total remuneration". Similarly, as indicated in the case of Directors, the amounts relate to the proportion of the value of the plan on the date it was granted.

With regard to the Group's Senior Executives, in 2012 only one transaction was recognised with Group companies, which consisted of purchasing assets for EUR 453 thousand on an arm's-length basis.

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

- Number of shares: 6,203,454 shares
- Beneficiaries: 57 managers: 1 manager with 936,430 shares; 4 managers with between 752,320 and 351,160 shares; 8 managers with 92,940 shares; 16 managers with 69,708 shares and 28 managers with 46,472 shares
- Acquisition price: EUR 34.155 per share.

The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after 1 May 2010, inclusive. However, in the case 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 to be paid as a result of exercising the share options will be borne exclusively by the beneficiaries. The method for exercising the option is settled through equity instruments. No options relating to this plan were exercised in 2013 or 2012.

The commitments arising from this plan are hedged through a financial institution (see Note 11).

The stock market price of ACS shares at 31 December 2013 and 2012 was EUR 25.020 and EUR 19.040 per share, respectively.

Within the Hochtief Group there are also share-based payment remuneration systems for the Group's management. These plans were set up in 2004, following the sale of the ownership interest of RWE in Hochtief and have continued up to the present year. All of these share option plans form part of the remuneration system for Senior Executives of Hochtief, and long-term incentive plans. The total amount provisioned for these share-based payment plans at 31 December 2013 is EUR 20,095 thousand (EUR 21,456 thousand at 31 December 2012). The effect on the consolidated income statement for 2013 and 2012 in this connection was not significant. To hedge the risk of exposure to changes in the market price of the Hochtief shares, it has a number of derivatives which are not considered to be accounting hedges.

20.- Explanation added for translation to English

These condensed consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX I

CHANGES IN THE SCOPE OF CONSOLIDATION

Main companies included in the scope of consolidation are as follows:

Masa do Brasil Manutençao e Montagens, Ltda.
Dragados Australia PTY, Ltd.
Imesapi Colombia, SAS
Cymi DK, LLC
ACS OLRT Holdings, INC.
ACS RTG Partner, INC.
Rideau Transit Maintenance General Partnership
ACS RT Maintenance Partner, INC.
Rideau Transit Group General Partnership
Semi Ingenieria, S.r.L.
Antanarinas, S.A.
Schloss Herrenhausen GmbH
Turner-Marhnos S A P I De CV
Turner Southeast Europe d.o.o Beograd
Turner-Arellano Joint Venture
Turner Sabinal JV
Valoram, S.A.S.
Drace Infraestructuras Venezuela, C.A.
Electren UK Limited
Semi Chile Spa
Maessa France SASU
Grupo Imesapi S.L.
Cymi Canada INC
Iridium Colombia Concesiones Viarias, SAS
Iridium Colombia Desarrollo de Infraestructuras
Maetel Romania SRL
Maetel Chile LTDA
Cobra Instalaciones y Servicios Benin
Remodelación Diesel Cadereyta, S.A. de C.V.
Concesionaria Linea de Transmisión CCNCM SAC
Cogeneración Cadereyta, S.A. de C.V.
Constructora Las Pampas de Siguas, S.A.
Cobra Railways UK Limited
Parque Eólico Valcaire, S.L.
Termosesmero, S.L.
City East Alliance
Hochtief Gayrimenkul Gelistirme Limited Sirketi
HTFM GmbH
Inspire Schools Finance Pty Limited
John Holland Pty. Ltd. & Lend Lease Project Management & Constraction (Australia) Pty. Ltd.
John Holland Pty. Ltd. & Pindan Contracting Pty. Ltd.
Kings Square No.4 Unit Trust
Kings Square Pty Ltd
Leighton Companies Management Group Llc
Leighton Fulton Hogan JV
Leighton Fulton Hogan JV (SH16 Causeway Upgrade)
Leighton M&E Limited
Leighton Offshore Eclipse Pte. Ltd.
Leighton Offshore Faulkner Pte. Ltd.
Leighton Offshore Mynx Pte. Ltd.
Leighton Offshore Stealth Pte. Ltd.
Murray & Roberts Marine Malaysia - Leigton Constractors Malaysia JV
New Future Alliance (SIHIP)
Nextgen Group Holdings Pty. Ltd.
Northern Gateway Alliance
Southern Gateway Alliance (Mandura)

Turner/HGR
Turner/Hoist
Turner/Omega/Ho
Turner/Winter
Wellington Tunnel Alliance
Muelle Melbourne & Clark, S.A.
Consorcio Constructor Bahía Chilota, S.A.
UFS-United Facility Solutions
Sice Canada, Inc.
Consorcio GSI Spa
Ofiteco WLL
Semi Peru Montajes Industriales S.A.C.
Grupo Maessa Saudi Arabia LTD
Humiclima Haiti, S.A.
Tedagua Mexico, S.A. de C.V.
Cobra Energy Investment Finance, LLC
Projekt DuO Baufeld Nord GmbH & Co. KG
formart GmbH & Co. KG
Tivoli Office GmbH & Co. KG
John Holland Laing O'Rourke Joint Venture NRW
John Holland Veolia Water Australia Joint Venture (Hong Kong Sludge)
John Holland & Bouygues Travaux Publics (Glenfield Junction Alliance)
John Holland & Bouygues Travaux Publics (North Strathfield Rail Underpass Alliance)
Double One 3 Unit Trust1
Erskineville Residential Project Pty. Ltd.
Thiess York
US Utility Services Joint Venture
Thiess John Holland Dragados Joint Venture
Projektgesellschaft Marieninsel West GmbH & Co. KG
Projektgesellschaft Marieninsel Ost GmbH & Co. KG
Leighton Fabrication and Modularization Ltd.
Leighton Group Property Services Pty. Ltd.
Clece Care Services, Ltd
Consorcio Constructor Puente Santa Elvira, S.A.
Statement Structure, S.A.
Zaintzen, S.A.U.
Sertego TGMD, S.A.
Sice Societatea de Inginerie Si Constructii Electrice, S.R.L.
Consorcio Sice Disico
Consorcio Ofiteco Geoandina
Dragados Micoperi Offshore, S A P I De C.V.
Energia Olmedo - Ourense. Fase I, S.A.
SEMI Colombia S.A.S.
Aztec Energy Holdings, S.L.
Miramar Energias, S.L.U.
Energias Mexicanas, S.L.U.
Avante MPG1 B.V.
Avante MPG2 B.V.
Alianz Petroleum S de RL de CV
Vetra MPG Holdings 2, LLC.
Vetra MPG Holdings LLC
Monclova Pirineos Gas, S.A. de C.V.
Valortegia, S.A.S
Lavintec Centre Especial D'Ocupació, S.L.
EGPI- Empresa global de Proyectos de Ingenieria, S.A.S.
Innovantis, S.A.
Tecneira Brasil Participações, S.A.
Tecneira Embuaca Geração e Comercialização de Energia, S.A.
Gestway – Gestão de infra estruturas Ltda.
SDE (OLRT) Inc.
Builders Direct SA

Fleetco Finance Pty. Ltd.
Fleetco Holdings Pty. Ltd.
Fleetco Management Pty. Ltd.
Fleetco Rentals Pty. Ltd.
Fleetco Services Pty. Ltd.
Garlanja
Grundstücksgesellschaft Köbis Dreieck GmbH & Co. Development KG
Hochtief Building GmbH
Hochtief Engineering GmbH
Hochtief Infrastructure GmbH
Hochtief Pandion Oettingenstsraße GmbH & Co. KG
Hollywood Apartments Pty Ltd (50% - Joint Venture)
Hollywood Apartments Trust (50% - Joint Venture)
HTP Projekt 1 (eins) GmbH & Co KG
HTP Projekt 2 (zwei) GmbH & Co KG
Inserta s.r.o.
Kings Square Developments Pty Ltd (100%)
Kings Square Developments Unit Trust (100%)
LCS Employment Agency, Ltd.
Leighton Boral Amey NSW JV
Leighton Boral Amey QLD JV
Leighton Infra 12 Joint Venuture
Leighton OSD Joint Venture - Agra
Leighton OSE Joint Venture- Indore
Leighton Properties (NSW) Pty Ltd (100%)
Leighton-John Holland JV (Thomson Line)
Mode Apartments Pty. Ltd.
Mode Apartments Unit Trust
Moonee Ponds Pty. Ltd.
North Parramatta No. 1 Pty. Ltd.
North Parramatta No. 1 Unit Trust
Paradip Mutli Cargo Berth Ltd.
Silcar New Caledonia SAS
SmartReo Ltd.
Task JV (Thiess & Sinclair Knight Merz)
Thiess Black and Veatch JO
Turner International/Acropolis Management Consultants
Turner International/TiME Proje Yonetimi Limited Sirketi
Turner/CON-REAL-University of Arkansas
Turner/Goodfellow Top Grade/Flatiron-Oakland Army Base
Turner/Smoot
Vizag General Cargo Berth Ltd.

The main companies no longer included in the scope of consolidation are as follows:

Trenmedia, S.A.
Servicios Generales de Jaén, S.A.
Soc.Inversora de Infraestructuras de la Mancha, S.L
Project SP sp. z o.o.
HDM Schools Solutions (Holdings), Limited
SALTA Verwaltungs-GmbH
Dinsa Eléctricas y Cymi, S.A. de CV
Sice Puerto Rico, Inc.
Estacionamientos El Pilar, S.A.
Red Eléctrica del Sur, S.A. (Redesur)
Parque Eólico Región de Murcia, S.A.
ASI-Flatiron Inc.
Aspire Schools (Qld) Pty. Ltd.
Aspire Schools Financing (Qld) Pty Limited
Aspire Schools Financing Services (Qld) Pty. Ltd.

Aspire Schools Holdings (Qld) Pty Limited
Australia-Singapore Cable (Australia) Pty Limited
Australia-Singapore Cable (International) Limited
Australia-Singapore Cable (Singapore) Pte Ltd
Bonaventura Straßenerhaltungs-GmbH
Frontier Kemper/Flatiron
Hochtief Pandion Isarauen Verwaltungs GmbH
Infoplex Pty. Ltd.
Leighton Hsin Chong Joint Venture
Metronode (NSW) Pty Ltd
Metronode Investments Pty Limited (formerly Vytel Investments)
Metronode M2 Pty Ltd
Metronode New Zealand Limited
Metronode Pty Ltd.
Metronode S2 Pty Ltd
Nextgen Networks Pty. Ltd.
Nextgen Pure Data Pty Ltd
Nextgen Telecom (WA) Pty Ltd (formerly known as Silk Telecom (WA))
Nextgen Telecom Pty Limited (formerly Silk Telecom Pty. Limited)
SA Health Partnership Holding Nominees Pty. Ltd.
SA Health Partnership Pty. Ltd.
Wai Ming Contracting Company Limited
Airport Holding Kft.
Athens International Airport S.A.
Flughafen Hamburg GmbH
HKG Holding AG
Hochtief Société Iranienne
Hochtief PPP 1. Holding Verwaltungsgesellschaft mbH
Access for Wigan (Holdings) Limited
Flughafen Düsseldorf GmbH
Tirana International Airport SH.P.K.
Thiess Services Arkwood Joint Venture
car.e. Facility Management Kft.
HOST GmbH Hospital Service + Technik
Joint Venture J&P-AVAX SA - Hochtief Facility Management Hellas S.A
Hochtief AirPort Capital Verwaltungs GmbH & Co. KG
HAP Hamburg Airport Partners GmbH & Co. KG
Sydney Airport Intervest GmbH
Airport Partners GmbH
Hochtief AirPort Retail SHPK
Schloss Herrenhausen GmbH
Hochtief Facility Management Bahrain Airport W.L.L.
Hochtief Energy Management Harburg GmbH
Advago S.A.
Hochtief AirPort GmbH
HTFM GmbH
car.e Facility Management GmbH
Hochtief HUNGARIA Facility Management Kft.
Hochtief Facility Management Polska Sp. z o.o.
Hochtief Facility Management Bahrain W.L.L.
FM Go! GmbH
Hochtief Energy Management GmbH
Stadion Nürnberg Betriebs - GmbH
Hochtief Facility Management UK Limited
Hochtief Facility Management Hellas S.A.
APC Airport Partners Consult GmbH
BBI Flughafen Berlin Brandenburg International Verwaltungs GmbH i.L.
HAP Hamburg Airport Partners Verwaltungsgesellschaft mbH
Hochtief AirPort Capital Management GmbH
Sydney Airport Intervest Verwaltungs GmbH i.L.
Airport Strategic Consulting Pty. Ltd.

Broad Construction Services (SA) Pty. Ltd.
Broad Construction Services (VIC) Pty. Ltd.
Broad Construction Services (NT) Pty. Ltd.
Deep Blue Consortium Pty Ltd
DoubleOne 3 Unit Trust
Metro Developments Australia Pty. Ltd.
Silverton Group (Aust) Pty. Ltd.
Drace Infraestructuras Venezuela C.A.
Castellano Leonesa de Minas, S.A.U.
Tangshan International Container Terminal Co. Ltd.
Eix Diagonal Construccions, S.L.
Gaviel, S.A.
Dragados SPL del Caribe, S.A. C.V.
CITIC Construction Investment Co., Ltd.
Waste Syclo, S.A.
Biodemira, Lda.
Bioparque Mira, Lda.
NGS - New Generation Supplier, Unipessoal Lda
Tecneira do Paracuru, Ltda.
CME Construçao E Manutençao Eletromecania Romania, SARL
Equipamentos Informaticos, Audio e Imagem, S.A.
Cobra CSP USA, Inc.
Cobra Sun Power USA Inc.
California Sun Power, LLC
Carta Valley Wind Power LLC
Eyra Wind Power USA Inc
Red Top Wind power LLC
Desorción Térmica S.A.
PKO BP Inwestycje-Sarnia Dolina, Ltd Liability Co
400 George Street Partnership
APN No. 19 Pty Ltd and Leighton Properties (VIC) Pty Ltd
B2L Partnership
Bayview Project Noosa Partnership
California Steel Advisory Services
Dematteo/Flatiron
Dematteo/Flatiron/Interbeton
Flatiron Construction Services
Flatiron/C.M. Piech
Hochtief B2L Partner Inc.
Hochtief Canada Holding Inc.
Immobiliengesellschaft Curia Kirchberg S.A.
Leighton International FZ LLC
Leighton-Macmahon Joint Venture
Palmetto Transportation Constructors
SLC Rail Constructors

EXPLANATORY NOTE TO THE SELECTED INDIVIDUAL FINANCIAL INFORMATION OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2013

Separate financial statements

Basis of presentation of the selected individual financial information

Accounting standards applied

The Selected Individual Financial Information (hereinafter, the selected financial information) was prepared in accordance with commercial legislation in force and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and its subsequent amendment by Royal Decree 1159/2010, of 17 September, adapted to the summarised models set forth under Article 13 of Royal Decree 1362/2007, pursuant to that set forth under Article 12 of said Royal Decree, and in CNMV Circular 1/2008, of 30 January.

This selected financial information does not include all the information required by complete separate financial statements prepared in accordance with generally accepted accounting principles and standards under Spanish regulations. Specifically, the accompanying selected financial information has been prepared with the necessary content for compliance with the requirements for selected individual financial information, established in rule two of the aforementioned Circular 1/2008 for those cases in which the issuer, in applying the regulations in force, is required to prepare condensed consolidated financial statements. Consequently, the selected financial information must be read together with the Company's financial statements for the year ended 31 December 2012 and together with the condensed consolidated financial statements for the period from 1 January 2013 to 31 December 2013.

In relation to the preparation of the selected individual financial information, the consideration of the dividends received and the interest earned from the financing granted to the investees as revenue, in accordance with the ruling published in number 79 of the Spanish Accounting and Audit Institute Official Gazette of September 2009, is noteworthy of mention.

The detail of individual revenue is as follows:

	2013	**2012**
Dividends from Group companies and associates	440,141	1,876,016
Dividends from non-current financial assets	67,043	59,997
Financial income form Group companies and associates	166,784	276,303
Provision of services	12,456	-
Total	**686,424**	**2,212,316**

In accordance with the ICAC ruling of 4 June 2013, the Company assessed its credit risk, which, in accordance with Recognition and Measurement Standard no. 22 "Changes in accounting policies, errors and accounting estimates" of the Spanish National Chart of Accounts, gave rise to the accounting thereof. The most significant effects of this valuation are detailed below:

Account	Thousands of Euros		
	31/12/2012 Restated	**Consultation effect ICAC 04/06/2013**	**31/12/2012**
	(*)	**(*)**	
Non-current assets			
Long-term 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 for the year	(618,896)	675	(619,571)
Non-current liabilities			
Long-term liabilities: Other financial liabilities	468,298	(5,759)	474,057
Deferred tax liabilities	171,205	1,471	169,734

(*) Unaudited

Account	Thousands of Euros		
	31/12/2012 Restated	**Consultation effect ICAC 04/06/2013**	**31/12/2012**
	(*)	**(*)**	
Changes in the fair value of financial instruments	(173,122)	965	(174,087)
PROFIT BEFORE TAX	**(958,948)**	**965**	**(959,913)**
Income tax	340,052	(290)	340,342
PROFIT FOR THE PERIOD	**(618,896)**	**675**	**(619,571)**

(*) Unaudited

The impact on the Company's equity was not significant.

This Selected Individual Financial Information was prepared in relation to the publication of the six-monthly financial report as required by Article 35 of Securities Market Law 24/1988, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

With regard to the individual Company, the losses incurred in 2012 as a result mainly of the impairment losses and the partial sale of the ownership interest in Iberdrola, S.A., both directly and indirectly through the vehicle companies that it controls, which entailed the recognition of impairment losses on the assets associated with this ownership interest, were noteworthy of mention.