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

Financial Statements for the year ended 31 December 2013 and Directors' Report, together with Independent Auditors' Report

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

Deloitte.

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

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet at 31 December 2013 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, it should be noted that, as required by Spanish corporate law, the Company's directors prepared separately the consolidated financial statements for the year ended 31 December 2013 of the Group of companies of which ACS, Actividades de Construcción y Servicios, S.A. is the parent, in accordance with International Financial Reporting Standards as adopted by the European Union. On this same date we issued our auditors' report on the aforementioned consolidated financial statements, in which we expressed an unqualified opinion. The Group's main consolidated aggregates are disclosed in Note 4.5.1 to the accompanying financial statements.

4. The accompanying directors' report for 2013 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

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

Ignacio Alcaraz Elorrieta
27 March 2014

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

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

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

BALANCE SHEET AT 31 DECEMBER 2013

(Thousands of Euros)

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

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

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

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

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

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

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

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

(Thousands of Euros)

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

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

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

	Shareholders' Equity						Adjustments for changes in value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit (loss) for the year	Interim dividend		
Beginning balance at 01/01/2012	**157,332**	**897,294**	**1,166,308**	**(169,653)**	**766,972**	**(283,198)**	**(407,416)**	**2,127,639**
Changes in accounting policies (Note 2.5) (*)	-	-	712	-	675	-	-	**1,387**
I. Total recognised income and expenses	-	-	-	-	**(619,571)**	-	**403,340**	**(216,231)**
II. Transactions with shareholders or owners	-	-	**(457,024)**	**95,810**	**(216,697)**	**283,198**	-	**(294,713)**
1. Capital increases/(reductions)	3,666	-	(3,666)	-	-	-	-	-
2. Distribution of dividends	-	-	(277,460)	-	(216,697)	283,198	-	(210,959)
3. Treasury share and equity interest transactions (net)	(3,666)	-	(175,898)	95,810	-	-	-	(83,754)
III. Other changes in equity	-	-	**558,983**	-	**(550,275)**	-	-	**8,708**
1. Equity instrument based payments	-	-	8,708	-	-	-	-	8,708
2. Other changes	-	-	550,275	-	(550,275)	-	-	-
Balance at 31/12/2012	**157,332**	**897,294**	**1,268,979**	**(73,843)**	**(618,896)**	-	**(4,076)**	**1,626,790**
I. Total recognised income and expenses	-	-	-	-	**1,260,282**	-	**36,126**	**1,296,408**
II. Transactions with shareholders or owners	-	-	**(490,436)**	**8,885**	-	-	-	**(481,551)**
1. Capital increases/(reductions)	3,927	-	(3,927)	-	-	-	-	-
2. 2012 acquisition of bonus issue right	-	-	(192,709)	-	-	-	-	(192,709)
3. 2013 bonus issue rights	-	-	(140,970)	-	-	-	-	(140,970)
4. Treasury share and equity interest transactions (net)	(3,927)	-	(152,830)	8,885	-	-	-	(147,872)
III. Other changes in equity	-	-	**(613,504)**	-	**618,896**	-	-	**5,392**
1. Equity instrument based payments	-	-	5,392	-	-	-	-	5,392
2. Other changes	-	-	(618,896)	-	618,896	-	-	-
Balance at 31/12/2013	**157,332**	**897,294**	**165,039**	**(64,958)**	**1,260,282**	-	**32,050**	**2,447,039**

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

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

CASH AND CASH EQUIVALENTS AT YEAR END

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. The production, sale and use of electricity and of other energy sources and the performance of studies relating thereto, and the production, exploration, sale and use of all manner of solid, liquid or gaseous primary energy resources, including specifically all forms and kinds of hydrocarbons and natural, liquefied or any other type of gas. Energy planning and rationalisation of the use of energy and combined heat and power generation. The research, development and exploitation of communications and information technologies in all their facets.

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

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

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

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

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

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

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

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

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.

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

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

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

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

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

25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to

special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.

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

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

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

29. To manage and administer fixed-income and equity securities of companies not resident in Spain, through the related organisation of the appropriate material and human resources in this connection.

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

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

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

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

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The consolidated financial statements of the ACS Group for 2013 will be prepared by the directors at the Board of Directors Meeting held on 26 March 2014. The consolidated financial statements for 2012 were approved by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. on 10 May 2013, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 includes the consolidated information related to the main assets and liabilities of the ACS Group’s 2013 and 2012 financial statements prepared under the aforementioned international standards.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

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

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

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, results, changes in equity and cash flows for 2013. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

2.3 Non-obligatory accounting principles applied

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

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

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

- The assessment of possible impairment losses on certain assets (see Note 4.1 and 4.5.1).
- The calculation of impairment of goodwill (see Note 5).
- The market value of certain financial instruments and derivatives (see Note 4.5.1).
- The calculation of provisions (see Note 4.9).
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other obligations to employees (see Note 4.12)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The recovery of deferred tax assets (see Note 14).
- Financial risk management (see Note 9.4).

Although these estimates were made on the basis of the best information available at 2013 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Going-concern principle of accounting

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

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

2.5 Comparative information

Comparative information

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

Changes in accounting policies

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

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

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

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

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

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

2.6 Correction of accounting errors

No material errors were detected in the preparation of the accompanying financial statements which gave rise to the restatement of the amounts included in the 2012 financial statements.

2.7 Grouping of items

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

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

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

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

3.- Distribution of profit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2013, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

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

a) Goodwill

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

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

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

b) Computer software

The Company recognises under “Computer Software” the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over 4 years.

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

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Company management performs impairment tests based on the recoverable amounts calculated for each cash-generating unit. Estimates of future results and investments are obtained each year for each cash-generating unit.

Other variables affecting the calculation of the recoverable amount are:

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

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

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

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

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

4.2 Property, plant and equipment

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

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

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

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

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

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

4.3 Investment property

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

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

4.4 Leases

Finance lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2013 or 31 December 2012.

Operating leases

If the Company acts as lessor:

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

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

If the Company acts as lessee:

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

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

4.5 Financial Instruments

4.5.1 Financial assets

Classification

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

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

b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

c) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

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

Initial recognition

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

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

Subsequent measurement

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

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

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect that would arise from applying consolidation bases. The main aggregates in the ACS Group's consolidated financial statements for 2013 and 2012 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2013	**2012 (*)**
Total assets	**39,771,157**	**41,563,376**
Equity	**5,488,908**	**5,711,508**
- Of the Parent	3,267,913	2,656,518
- Of minority interests	2,220,995	3,054,990
Income	**38,372,521**	**38,396,178**
Profit (loss) for the year	**1,246,925**	**(1,407,630)**
- Of the Parent	701,541	(1,927,933)
- Of minority interests	545,384	520,303

(*) Date restated.

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

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

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

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

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

4.5.2 Financial liabilities

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

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

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

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

4.5.3 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

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

4.5.4 Derivative financial instruments

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

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

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

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

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

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

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

Assessment

The fair value of the various derivative financial instruments is calculated using techniques widely used in financial markets, by discounting the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule based on spot and futures market conditions at the end of each year.

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

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

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

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

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

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

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

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

4.7. <u>Income Tax</u>

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

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

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

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

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

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

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

4.8. Income and expenses

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

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder’s right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the consultation published in Gazette no. 79 of the ICAC, dividends and finance income are to be recognised under “Revenue” in the accompanying income statement.

4.9. Provisions and contingencies

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

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

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

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

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

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

Provision for third-party liability

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

4.10 Termination benefits

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

4.11 Environmental assets and liabilities

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

In view of their nature, the Company's activities did not have a significant environmental impact in 2013 or 2012.

4.12 Pension obligations

Provisions for pensions

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

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

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

4.13 Share-based Payment

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

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

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

4.14 Joint ventures

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

At 31 December 2013 and 2012, the only unincorporated joint venture owned by the Company is UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.15 Related-party transactions

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

4.16 Cash flow statement

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

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

5.- Intangible assets

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

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

At the end of 2013 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,223 thousand (EUR 3,223 thousand in 2012).

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

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

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

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

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

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

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

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

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

Dragados Construcción:

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

Industrial Services:

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

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

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

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

6.- Property, plant and equipment

The changes in 2013 and 2012 in "Property, Plant and Equipment" in the balance sheet and the most significant information affecting this heading were as follows (in thousands of euros):

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

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

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

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

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

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

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

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

7.- Investment property

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

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

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

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

8.- Leases

Operating leases

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

No contingent rent was paid in 2013 and 2012.

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

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

9.1 Non-current financial assets

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

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

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

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

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

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

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

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

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

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

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

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

- A group of financial derivatives on 297,809,996 Iberdrola, S.A. shares that limit the ACS Group's exposure to fluctuations in the market of the aforementioned company's shares (see Note 10.2).

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

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

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

- In 2012 the Company also signed several amendments to the equity swap agreement entered into with Natixis, which entailed changing the repayment of the underlying value from EUR 1,000 million to EUR 1,432 million on 277,971,800 Iberdrola, S.A. shares, the elimination of the margin calls, the arrangement of a fixed guarantee of EUR 355,531 thousand (recognised under "Other financial assets" in the accompanying balance sheet), establishing the maturity date as 31 March 2015 and amending the method of terminating the agreement.

- On 18 April 2012, ACS, Actividades de Construcción y Servicios, S.A. carried out an accelerated bookbuilding process through UBS and Société Générale among professional and qualified investors both in Spain and abroad, of a package of direct and indirect shares through its investee, Corporate Funding, S.L., of 220,518,120 Iberdrola, S.A. shares, representing 3.69% of its share capital. The placement price resulting from the process was EUR 3.62 per share. As a result of this transaction, the Company incurred a loss before tax, along with other expenses related thereto, amounting to EUR 55,569 thousand recognised under "Changes in fair value of financial instruments" in the accompanying income statement.

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

With regard to the impairment of the ownership interest in Iberdrola, given that at 31 December 2013 the quoted price was greater than the carrying amount, the Company did not consider there to be any indications of impairment and, therefore, did not perform any impairment test to verify such a possibility. In contrast, it should be noted that, as in previous years, in 2012 the ACS Group internally tested its 0.200% ownership interest for impairment based on the discounting of future dividends and other information available on its investee, which also allowed it to conclude that there was no impairment since the recoverable value of the investment was below the average cost. A loss to the market price at the end of the year amounting to EUR 23,850 thousand was therefore recognised under "Impairment and gains or losses on financial instruments" in the accompanying income statement.

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

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

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

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

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

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

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

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

9.2 Current financial assets

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

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

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

Impairment losses:

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

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

Equity instruments:

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

Company Name	Registered Office	% of Ownership		Thousands of euros								
					Profit				Dividends	Carrying amount		
		Direct	Indirect	Share Capital	from Operations	Net	Other Equity	Total Equity Received	Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	115,920	89,951	273,488	564,258	87,021	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 - Madrid	-	100.00%	19,112	7,326	231	72,253	91,596	-	-	-	-
Hochtief, A.G.	Essen - Germany	1.54%	48.81%	197,120	859,111	171,196	1,897,299	2,265,615	-	60,597	-	-
Novovilla, S.A.	Avda. Pío XII, 102 - Madrid	100.00%	-	75,997	(147)	953	160,408	237,358	1,103	87,845	-	
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 - Madrid	100.00%	-	75,159	305,550	308,260	(32,416)	351,003	338,502	215,677	-	-
ENVIRONMENT												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	57,278	35,357	136,539	558,145	12,463	476,880	-	-
OTHER												
ACS, Telefonía Móvil, S. L. (Telecommunications)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	(3)	(2,656)	(61,414)	(60,956)	-	90,895	-	(90,895)
Residencial Monte Carmelo, S.A.U. (Investment property)	Avda. Pío XII, 102 - Madrid	99.99%	0.01%	1,000	(114)	(129,040)	1,623,506	1,495,466	1,052	3,226,743	(1,665,138)	(1,731,277)
Cariátide, S.A. (Investment property)	Avda. Pío XII, 102 - Madrid	99.99%	0.01%	1,803	24,391	(36,568)	(179,882)	(214,647)	-	3,165	-	-
Major Assets, S. L. (Investment property)	Avda. Pío XII, 102 - Madrid	99.98%	0.02%	12	13,929	(13,899)	(47,297)	(61,184)	-	32,452	-	-
Equity Share, S.L. (Investment property)	Avda. Pío XII, 102 - Madrid	99.99%	0.01%	6	17,975	(30,010)	16,735	(13,269)	-	6	-	(6)
Funding Statement, S.A. Investment property)	Avda. Pío XII, 102 - Madrid	100.00%	-	60	(2)	4,645	(1)	4,704	-	60	-	(1)
ACS, Actividades Finance, B.V. (Investment property)	Amsterdam, Holland.	100.00%	-	90	(143)	(92)	(12)	(14)	-	90	(90)	(90)
Statement Structure, S. A. (Investment property)	Avda. Pío XII, 102 - Madrid	100.00%	-	60	(2)	(1)	-	59	-	60	(1)	(1)
ASSOCIATES												
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) Spain	16.53%	33.47%	51,435	(174)	(470)	2,000	52,965	-	8,504	-	-
Total									**440,141**	**4,545,653**	**(1,665,229)**	**(1,822,269)**

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

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

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

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

The changes in the equity instruments of Group companies and associates in 2012 were as follows:

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

The most significant changes in 2013 and 2012 were as follows:

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

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

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

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

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

- **Admirabilia, S.L.**

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

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

- **Venelín**

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

- **Imesapi**

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

- **Hochtief, A.G.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Of the interest in Group companies, associates and financial assets held for sale, the following are directly or indirectly listed on the stock exchange:

Company	Euros per share			
	Average Fourth Quarter of 2013	**2013 Year-End**	**Average Fourth Quarter of 2012**	**2012 Year-End**
Iberdrola, S.A.	4.560	4.635	3.913	4.195
Hochtief, A.G.	64.16	62.06	39.75	43.93

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

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

Non-current loans to Group companies:

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

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

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

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

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

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

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

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

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

At 31 December 2012, it related to several participating loans maturing between 2015 and 2024, bearing floating market interest rates, the detail of which is as follows:

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

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

9.4 Information on the nature and level of risk of financial instruments

9.4.1 Qualitative information

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

a) Credit risk:

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

b) Liquidity risk:

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

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

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

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. Therefore, Company policy is to ensure that, at any given time, to the extent possible its non-current bank borrowings are tied to fixed interest rates.

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

9.4.2 Quantitative information

a) *Interest rate risk*:

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

This cash flow hedge is detailed in Note 10.

b) *Liquidity risk:*

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

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

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

10.- Derivative financial instruments

10.1 Hedging financial instruments

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

						Fair Value (Thousands of Euros)	
	Classification	Type	Amount Contracted (Thousands of Euros)	Maturity Date	Inefficient Portion Recognised in the Income Statement (Thousands of Euros)	2013	2012
Interest rate swap	Interest rate hedge	Floating to fixed	768,000	22/07/2015	-	(2,100)	(474)
Interest rate swap	Interest rate hedge	Floating to fixed	415,000	25/07/2014	-	(5,948)	(20,536)

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

10.2 Derivative Instruments which are not hedges

The assets and liabilities relating to financial instruments not qualified as hedges include the fair value of the derivatives which do not meet hedging conditions. At 31 December 2012, noteworthy within assets relating to financial instruments is the measurement at fair value of the call spread amounting to EUR 230,254 thousand contracted in relation to the refinancing on Iberdrola, S.A. shares carried out in July 2012 (see Note 9.1) on an underlying amount of 298,643,256 Iberdrola shares and which was cancelled in 2013. In its place a put spread was contracted on 297,809,996 Iberdrola shares. The market value at 2013 year-end gave rise to the recognition of a liability amounting to EUR 31,330 thousand. The effect of the market value in 2013 of these derivatives was recognised as income under "Changes in fair value of financial instruments" in the accompanying income statement (see Note 16.6).

With regard to liabilities related to financial instruments the most significant at 31 December 2013 and 2012 relates to the fair value of the equity swap on Iberdrola, S.A. shares. The fair value thereof at 31 December 2013 amounted to EUR 217,466 thousand (EUR 266,327 thousand at 31 December 2012). In addition, other liabilities relate to the derivative included in the outsourcing to a financial institution of the 2010 share option plan amounting to EUR 57,458 thousand (EUR 95,092 thousand at 31 December 2012). The financial institution acquired these shares on the market for delivery to management who are beneficiaries of this Plan in accordance with the conditions included therein, at the exercise price of the option. The change in fair value of this instrument is included under "Changes in fair value of financial instruments" (see Note 16.6).

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

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

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

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

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

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

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

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

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

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

11.- Equity

At 31 December 2013 and 2012, the share capital of ACS, Actividades de Construcción y Servicios, S.A. amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

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

At 31 December 2013, the shareholders with an ownership interest of over 10% in the share capital of the Company were Corporación Financiera Alba, S.A. with an ownership interest of 16.30% and Inversiones Vesan, S.A. with 12.52%.

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

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

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

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

Similarly, at the Annual General Meeting held on 25 May 2009, the shareholders resolved to delegate to the Board of Directors the power to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company’s newly issued shares or shares in circulation, under the following terms: Securities may be issued on one or more occasions within five years following the resolution date. The total amount of the issue or issues of securities, plus the total number of shares listed by the Company, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of eighty per cent of the equity of ACS, Actividades de Construcción y Servicios, SA. according to the latest approved balance sheet. Based on the aforementioned authorisation, in 2013 ACS, Actividades de Construcción y Servicios, S.A. formally executed a Euro Commercial Paper programme for a maximum amount of EUR 500 million, the balance of which amounted to EUR 310,194 thousand at 31 December 2013 (see Note 13.2). Likewise, based on the aforementioned delegation of powers, the Board of Directors took into consideration and provided guarantees in relation to the issue of bonds exchangeable for Iberdrola shares carried out by ACS, Actividades Finance B.V. amounting to EUR 721,100 thousand (see Note 9).

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

In this regard, the Company resolved in increase share capital to a maximum of EUR 504 million with a charge to voluntary reserves, whereby the first capital increase may not exceed EUR 362 million and the second increase may not exceed EUR 142 million, indistinctly granting the Executive Commission, the Chairman of the Board of Directors and the Director Secretary the power to execute the resolution. The capital increase is expected to take place, in the case of the first increase, within the two months following the date of the Annual General Meeting held in 2013 and, in the case of the second increase, within the first quarter of 2014, thereby coinciding with the dates on which ACS, Actividades de Construcción y Servicios, S.A. has traditionally distributed the final dividend and the interim dividend.

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

In addition to the aforementioned authorisation to reduce capital, at the Annual General Meeting held on 10 May 2013, the shareholders resolved, among other matters, to expressly allow the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part, for sale or retirement, for delivery to the employees or directors of the Company or the Group and for reinvestment plans for dividends or similar instruments. The Board of Directors is granted the power for its execution.

Specifically, and by virtue of this delegation, on 20 June 2013 the Company resolved to carry out the first capital increase for a maximum amount of EUR 362 million. This capital increase is aimed at establishing an alternative remuneration system, as in many Ibex companies, that would allow shareholders to receive bonus shares from ACS or cash through the sale of the related bonus issue rights which are trade on the stock market, or that may be sold to ACS at a certain price based on a formula approved by the shareholders at the General Meeting.

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

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

11.1 Legal reserve

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

At the end of 2013 and 2012 the balance of this reserve had reached the legally required minimum.

11.2 Reserve for goodwill

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

11.3 Reserve for retired capital

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

11.4 Limitations on the distribution of dividends

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

11.5 Treasury shares

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

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

As a result of the resolution adopted by the shareholders at the Annual General Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 10 May 2013, on 20 June 2013 the Company resolved to carry out the first capital increase, establishing the maximum reference value at EUR 362 million with a charge to reserves of the Company in order for the shareholders to be able to choose whether they wish to be compensated in cash or in the Company's shares. After the decision-making period granted to the shareholders, on 18 July 2013 the following events occurred:

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

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

On 24 January 2013, the ACS Group sold a total of 20,200,000 treasury shares (of which 2,967,047 shares relate to the Company) amounting to EUR 360,166,000 with an negative effect on the Company of EUR 1,183 thousand. In addition, the Group entered into certain derivative contracts for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year (see Note 10.2).

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

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

12.- Provisions and contingent liabilities

12.1 Non-current provisions

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

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

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

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

12.1.1 Employee benefit obligations

Long-term defined benefit obligations

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

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

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

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

Actuarial Assumptions	2013	2012
Technical interest rate (*)	3.66%	4.90%
Mortality tables	PERM/F - 2000	PERM/F - 2000
Annual rate of increase of maximum social security pension	2%	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

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

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

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

12.1.2 Share-based payment

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

Share option plans

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

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

The options may be exercised in two equal parts, cumulative if the beneficiary so wishes, during the fourth and fifth years after 1 May 2010, inclusive. However, in the case of an employee is terminated without just cause or if it is the beneficiary's own will, the options may be exercised six months following the event in question in the cases of death, retirement, early retirement or permanent disability, and after 30 days in all other cases. Tax withholdings and the taxes payable as a result of exercising the share options will be borne exclusively by the beneficiaries. The method for exercising the option is settled through equity instruments. No options relating to this plan were exercised in 2013 or 2012.

The commitments arising from this plan are hedged through a financial institution. In relation to the aforementioned plan, the share options are to be settled through equity instruments and never in cash. However, since the Group has hedged the commitments arising from these plans with a financial institution, their settlement shall not involve, under any circumstances, the issue of equity instruments additional to those outstanding at 31 December 2013 and 31 December 2012. In 2013 EUR 5,392 thousand (EUR 8,708 thousand in 2012) related to share-based remuneration were recognised under staff costs in the income statement, with a balancing entry in equity. For the calculation of the total cost of the aforementioned share plans, the Company considered the financial cost of the shares on the date on which the plan was granted based upon the futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period, as well as the “put” value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

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

12.2 <u>Contingencies</u>

Environment

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

CO_2 Emissions

Given the activities carried on by the Company, there are no matters relating to CO_2 emissions affecting the Company.

13.- Non-current and current payables

13.1 Non-current financial liabilities

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

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

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

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

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

Bank borrowings most notably include the agreement for refinancing the syndicated loan maturing in July 2015 entered into by ACS, Actividades de Construcción y Servicios, S.A. on 9 February 2012 with a syndicate of banks, made up of 32 Spanish and international institutions. At 31 December 2013 and 31 December 2012, the amount arranged totalled EUR 1,430,300 thousand. The loan bears interest at a rate tied to Euribor and is guaranteed by other ACS Group companies. Compliance with certain ratios based on EBITDA and the consolidated group's net debt, which the ACS Group meets at year end, is required.

The main change in 2012 with respect to 2011 resulted from the transactions carried out in relation to the ownership interest in Iberdrola, S.A. and, more specifically, in relation to the equity swap. In 2012 the Company amortised EUR 1,000 million by offsetting the amounts contributed as collateral to meet the coverage ratios. This loan was secured by shares amounting to 4.73% of the underlying value of Iberdrola, S.A. and bears interest at a rate tied to Euribor. On 24 December 2012, an additional novation agreement was signed, whereby the contract could be settled in the form of cash of ACS shares. In view of this change, the Company recognised the aforementioned equity swap as a financial derivative at 2012 year end (see Notes 9.1 and 10.2).

13.2 Current financial liabilities

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

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

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

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

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

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

14.- Tax matters

14.1 Current tax receivables and payables

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

Tax receivables

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

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

Tax payables

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

14.2 Reconciliation of accounting profit to taxable profit

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

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

	2012		
	Thousands of Euros		
	Increases	Decreases	Total
Accounting profit (loss) before tax from continued and discontinued operations			**(958,948)**
Permanent differences:			
Non-deductible provisions	1,872,578	-	1,872,578
Non-deductible expenses and other differences	14,798	(124)	14,674
Timing differences:			
Arising in the year:			
Merger goodwill	-	(3,262)	(3,262)
Externalised pension commitments	2,453	-	2,453
Unhedged derivative financial instruments	156,584	-	156,584
Non-deductible finance costs per tax consolidation	133,396	-	133,396
Other differences	5,924	-	5,924
Arising in prior years:			
Externalised pension commitments	-	(9,257)	(9,257)
Use of provisions and others	-	(315)	(315)
Adjustments to accounting loss in connection with 04/06/2013 ICAC Consultation	-	(965)	(965)
Individual taxable profit			**1,212,862**
Tax consolidation adjustments			
Provisions for intra-Group equity investments	10,352	-	10,352
Intra-Group dividends	-	(1,876,016)	(1,876,016)
Inclusion of gains (prior to tax credit for double taxation)	192,376	-	192,376
Elimination and inclusion of intra-Group losses (temporary difference)	94,264	(72,934)	21,330
Tax loss attributable on tax consolidation			**(439,096)**

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

14.3 Taxes recognised in equity

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

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

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

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

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

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

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

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

There were no discontinued operations in 2013 or 2012.

14.5 Recognised deferred tax assets

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

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

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

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

There were no significant unrecognised deferred tax assets.

14.6 <u>Deferred tax liabilities</u>

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

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

14.7 <u>Tax incentives</u>

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

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

14.8 <u>Years open for review and tax audits</u>

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

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

Consequently, 2006 to 2012 are open for review for Income Tax, 2011 to 2013 for VAT and 2010 to 2013 for the other taxes applicable to it. The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

15.- Foreign currencies

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

There were no significant exchange differences in 2013 and 2012.

16.- Revenue and expense recognition

16.1 Revenue:

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

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

16.2 Employee welfare costs

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

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

16.3 Finance income and finance costs

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

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

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

16.4 Other profit or loss

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

16.5 Impairment and gains or losses on disposals of financial instruments

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

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

16.6 Change in fair value of financial instruments

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

17.- Related party transactions and balances

17.1 Transactions with related parties

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

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

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

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

17.2 <u>Balances with related parties</u>

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

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

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

	31/12/2012	
	Subsidiaries	**Associates**
Non-current financial assets	**4,471,970**	**8,504**
Equity instruments (Note 9.3)	1,862,254	8,504
Loans to companies (Note 9.3)	2,609,716	-
Sundry accounts receivable	**126,992**	**596**
Current financial assets	**1,760,869**	**-**
Loans to companies	346,346	-
Other financial assets	1,414,523	-
Non-current liabilities	**1,333,277**	**-**
Current liabilities	**2,483,218**	**-**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17.3 Remuneration of directors and senior executives

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

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

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

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

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

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

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

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

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

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

Owner	Investee	Line of Business	Ownership Interest	Functions
Joan David Grimá Terré	Cory Environmental Management Limited	Environment	0.000%	Board Member
Pedro López Jiménez	GTCEISU Construcción, S.A. (the Terratest Group)	Special Foundations	45.00%	Chairman (through Fapindus, S.L.)
Santos Martinez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Técnicas Reunidas, S.A.	Construction of Industrial Facilities	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.005%	Board Member
Santos Martinez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Enagás, S.A.	Energy	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Julio Sacristán Fidalgo	Abertis Infraestructuras, S.A.	Concessions	0.00%	None
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real estate	33.33%	Director acting severally
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None

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

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

Name	Activity Performed	Type of arrangement	Company through which the activity is performed	Position or function at the company concerned
Pablo Valbona Vadell	Finance	Employee	Banca March, S.A.	First Deputy Chairman
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Board Member
Javier Echenique Landiribar	Finance	Employee	Banco Sabadell	Deputy Chairman
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Board Member
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Board Member
Javier Echenique Landiribar	Industrial Services	Employee	ACS, Servicios, Comunicaciones y Energía, S.L.	Board Member
Juan March de la Lastra	Holding company	Employee	Corporación Financiera Alba, S.A.	Board Member
Juan March de la Lastra	Information Technologies	Employee	Indra Sistemas, S.A.	Board Member
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Deputy Chairman
José María Loizaga Viguri	Venture capital	Independent professional	Cartera Industrial REA, S.A.	Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Board Member
Antonio García Ferrer	Industrial Services	Employee	ACS, Servicios, Comunicaciones y Energía, S.L.	Board Member
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transporte de Avenida de América	Chairman

Name	Activity Performed	Type of arrangement	Company through which the activity is performed	Position or function at the company concerned
Agustín Batuecas Torrego	Rail transport of goods	Employee	Continental Raíl, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Príncipe Pío, S.A.	Individual representing Continental Auto, S.L. Chairman
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Iridium Concesiones de Infraestructuras, S.A., Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Board Member
Pedro José López Jiménez	Construction and Services	Employee	Hochtief, A.G.	Board Member
Pedro José López Jiménez	Construction	Employee	Leighton Holdings, Ltd.	Board Member
Pedro José López Jiménez	Paper	Employee	Ence, S.A.	Board Member
Pedro José López Jiménez	Industrial Services	Employee	ACS, Servicios, Comunicaciones y Energía, S.L.	Deputy Chairman
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Acting Chairman and Deputy Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Acting Chairman and Deputy Chairman
Pedro José López Jiménez	Special Foundations	Employee	GTCEISU Construction, S.A.	Chairman (through Fapindus, S.L.)
Santos Martínez-Conde Gutiérrez-Barquín	Finance	Employee	Banca March, S.A.	Board Member
Santos Martínez-Conde Gutiérrez-Barquín	Holding company	Employee	Alba Participaciones, S.A.	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Steel	Employee	Acerinox, S.A.	Board Member
Santos Martínez-Conde Gutiérrez-Barquín	Holding company	Employee	Corporación Financiera Alba, S.A.	Chief Executive Officer
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Board Member secretary
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Board Member secretary

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

In 2013 and 2012, the Company had commercial relationships with companies in which certain of its directors perform management functions. All these commercial relationships were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

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

18.- Discontinued operations

At 31 December 2013 and 2012, there were no balances, income or expenses relating to discontinued operations.

19.- Other disclosures

19.1 Staff

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

Category	2013		
	Men	Women	TOTAL
University graduates	25	6	**31**
Further education college graduates	3	1	**4**
Non-graduate line personnel	-	12	**12**
Other staff	4	-	**4**
Total	**32**	**19**	**51**

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

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

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

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

19.2 Auditor's fees

In 2013 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 205 thousand (EUR 205 thousand in 2012). No fees were billed for tax advisory services in 2013 or 2012. Additional fees billed by Deloitte, S.L. in 2013 for services related to the audit amounted to EUR 447 thousand (EUR 522 thousand in 2012). The amounts billed by Deloitte as other services amounted to EUR 217 thousand in 2013 (EUR 214 thousand in 2012).

19.3 Guarantee commitments to third parties and other contingent liabilities

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

The Company's directors consider that any unanticipated liabilities that might arise from the guarantees provided would not be material. In this connection, in relation to one of the concession companies in which the Company holds an indirect ownership interest, the non-controlling shareholders have a potential option to sell. However, the Company and its legal advisors do not consider that the conditions stipulated for its execution have been met, and accordingly, no liability was recognised in this connection in the accompanying financial statements. In these cases, the Company's directors consider that the possible effect on the financial statements would not be material. In February 2014 notification was received that enforcement proceedings had been initiated regarding the guarantees granted to ACS, Actividades de Construcción y Servicios, S.A., amounting to EUR 73,350 thousand (which includes both the principal and the interest), however, the Company has filed claims related thereto which it considers will be resolved in its favour.

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

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

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

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

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

	Thousands of Euros	**%**
Within the legal maximum period	87,324	98.44%
Remainder	1,382	1.56%
Total	**88,706**	**100.00%**
Weighted average days outstanding	12.47 days	

PMPE is understood to be the "Weighted average period past due", in other words, the ratio between the payments made to all suppliers in the year within a period exceeding the legal payment term and the number of days by which this deadline was exceeded, over the total amount of payments made in the year subsequent to the legal deadline.

20.- Events after the reporting date

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

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

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

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

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

21.- <u>Explanation added for translation to English</u>

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

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

26 March 2014

1.- Company Performance in 2013

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

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

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

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

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

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

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

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

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

2.- Treasury shares

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

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

On 23 January 2013, the ACS Group sold a total of 20,200,000 treasury shares (of which 2,967,047 shares correspond to the Company) amounting to EUR 360,166,000 with a negative effect on the Company of EUR 1,183 thousand. In addition, the Group entered into certain derivative contracts for the same number of ACS shares, payable only in cash and within a period of two years that may be extended for a further year.

3.- Risk management policies

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

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

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

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

The ACS Group's 2013 Corporate Governance Report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

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

Risks arising from changes in interest rates on cash flows are mitigated by hedging the interest rates through financial instruments that curb the effect of any fluctuations therein. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

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

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

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

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

4.- Human resources

In 2013 ACS, Actividades de Construcción y Servicios, S.A. employed 51 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The ACS Group had a total 157,689 employees at 31 December 2013.

5.- Technological innovation and environmental protection

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

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

5.1 Research and development activities

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

5.2 Environmental protection

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

The ACS Group, as a result of its commitment since its creation, continues to protect the environment, and is working on various initiatives to continue to promote the main criteria of its environmental policy: reduce its impact on climate change, minimise the use of resources, reduce water usage and have a minimal impact on biodiversity. Once again, in 2013 the

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

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

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

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

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

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

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

7.- Outlook for 2014

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

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

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

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

8.- Annual Corporate Governance Report

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

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

REFERENCE FINANCIAL YEAR END DATE	31/12/2013

C.I.F.	A-28004885

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

REGISTERED OFFICE
AVENIDA PIO XII, 102, MADRID, SPAIN

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
23/09/2013	157,332,297.00	314,664,594	314,664,594

Indicate whether there are different classes of shares carrying different rights:

Yes ☐ No ☒

A.2 List the direct and indirect holders of significant ownership interests in the company at year-end, excluding Board Members:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. ALBERTO CORTINA ALCOCER	4,875	12,272,838	3.90%
MR. ALBERTO ALCOCER TORRA	0	11,502,616	3.66%
CORPORACION FINANCIERA ALBA, S.A.	0	51,305,942	16.30%
INVERSIONES VESAN, S.A.	39,397,625	0	12.52%
SAYGLO HOLDING, S.L.	0	17,741,012	5.64%
IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	17,643,657	0	5.61%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
MR. ALBERTO CORTINA ALCOCER	PERCACER, S.A.	6,063,705
MR. ALBERTO CORTINA ALCOCER	IMVERNELIN PATRIMONIO, S.L.	5,064,693
MR. ALBERTO CORTINA ALCOCER	CORPORACION FINANCIERA ALCOR, S.L.	466,440
MR. ALBERTO CORTINA ALCOCER	CINAINVEST HOLDING, S.A.	678,000
MR. ALBERTO ALCOCER TORRA	COMERCIO Y FINANZAS, S.A.	5,971,482
MR. ALBERTO ALCOCER TORRA	IMVERNELIN PATRIMONIO, S.L.	5,064,694
MR. ALBERTO ALCOCER TORRA	CORPORACION FINANCIERA ALCOR, S.L.	466,440
CORPORACION FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	51,305,942
SAYGLO HOLDING, S.L.	GLOYSA TRUST, B.V.	97,355
SAYGLO HOLDING, S.L.	IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	17,643,657

Indicate the most significant changes in the shareholding structure occurring the year:

Name or company name of the shareholder	Transaction date	Description of the transaction
SOUTHEASTERN ASSET MANAGEMENT, INC	21/10/2013	Ownership interest has fallen below 5% of Share Capital

A.3 Complete the following tables on the members of the company's Board of Directors who hold voting rights through company shares:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JOSÉ LUIS DEL VALLE PÉREZ	278,902	0	0.09%
MR. JULIO SACRISTÁN FIDALGO	4,925	0	0.00%
MR. JOSÉ ÁLVARO CUERVO GARCÍA	0	44,333	0.01%
MR. JOSÉ MARÍA LOIZAGA VIGURI	128,313	0	0.04%
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	0	954,000	0.30%
Mr. JAVIER ECHENIQUE LANDIRIBAR	28,674	0	0.01%
MR. ANTONIO GARCÍA FERRER	100,572	0	0.03%
MR. AGUSTÍN BATUECAS TORREGO	952,000	1,500,000	0.78%
MR. JAVIER MONZÓN DE CÁCERES	4,750	0	0.00%
MR. FLORENTINO PÉREZ RODRÍGUEZ	0	39,397,625	12.67%
MR. MIGUEL ROCA JUNYENT	40	0	0.00%
MR. JUAN DAVID GRIMÁ TERRÉ	0	0	0.00%
MR. PABLO VALLBONA VADELL	13,737	0	0.00%
MS. SABINA FLUXÀ THIENEMANN	0	0	0.00%
MR. MANUEL DELGADO SOLÍS	0	0	0.00%
MR. JUAN MARCH DE LA LASTRA	100	0	0.00%
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	8,663	0	0.00%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
MR. JOSÉ ÁLVARO CUERVO GARCÍA	SOCIEDAD DE ESTUDIOS DE ESTRATEGIA EMPRESARIAL, S.A.	44,333
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	LYNX CAPITAL, S.A.	309,357
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	FIDALSER, S.L.	644,643
MR. AGUSTÍN BATUECAS TORREGO	INVERSIONES BATUECAS TORREGO, S.L.	1,400,000
MR. AGUSTÍN BATUECAS TORREGO	INVERSIONES CEDA, S.L.	100,000
MR. FLORENTINO PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.	39,397,625

% of total voting rights held by the Board of Board Members	13.79%

Complete the following table on the members of the company's Board of Directors who hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	Equivalent number of shares	% of total voting rights
MR. JOSÉ LUIS DEL VALLE PÉREZ	351,160	0		0.11%
MR. FLORENTINO PÉREZ RODRÍGUEZ	936,430	0		0.30%

A.4 Indicate, as applicable, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as applicable, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

A.6 Indicate whether any shareholders' side agreements affecting the company have been executed between shareholders pursuant to Articles 530 and 531 of the Spanish Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes ☐ No ☒

Indicate whether the company is aware of any concerted actions between its shareholders. If so, provide a brief description:

Yes ☐ No ☒

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year:

A.7 Indicate if there is any individual or legal entity that exercises or could exercise control over the Company under Article 4 of the Securities Market Law. If so, identify them:

Yes ☐ No ☒

Comments

A.8 Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
2,766,973	0	0.88%

(*) Through:

In accordance with the provisions set forth in Royal Decree 1362/2007, detail any significant changes during the financial years:

Notification date	Total direct shares acquired	Total indirect shares acquired	% of total share capital
01/02/2013	3,212,622	0	1.03%
26/03/2013	3,552,663	0	1.13%
05/07/2013	3,222,724	0	1.03%
05/09/2013	3,336,645	0	1.03%
26/09/2013	238,420	0	0.07%

A.9 Give details of the conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to issue, acquire or transfer treasury shares.

The following resolution was adopted at the Ordinary General Shareholders' Meeting held on 10 May 2013:

In rendering the authorisation granted through the resolutions of the Company's General Shareholders' Meeting held on 30 May 2012 null and void and in accordance with the provisions of Articles 146 *et seq.* and 509 of the Spanish Companies Law, the Board of Directors of the Company and those of its subsidiaries are authorised, during a period of one year from the date of this meeting, which shall be automatically extended for periods of equal duration up to a maximum of five years, unless stipulated otherwise by the shareholders at the General Meeting, and in accordance with the conditions and requirements envisaged in the legal provisions in force at the time, to acquire, at any given time and as many times as deemed advisable and through any of the means admitted by law, with a charge to profit for the year and/or unrestricted reserves, shares of the Company, the nominal value of which when added to those already owned by the Company or by its subsidiaries does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable at any given time. The minimum price and the maximum price, respectively, will be the nominal value and the weighted average price relating to the last trading day prior to the transactions increased by 20%.

The Board of Directors of the Company and those of its subsidiaries are also authorised, within the period and in accordance with the conditions established above to the extent that it is possible, to acquire shares of the Company through loans, for a consideration or otherwise, on an arm's-length basis, taking into account market conditions and the characteristics of the transaction.

Express authorisation is given for the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part: (i) for sale or retirement, (ii) for delivery to workers, employees or Board Members of the Company or its Group, when there is a right recognised either directly through or as a result of exercising the options they hold, for the purposes envisaged in the last paragraph of Article 146.1.a) of the Spanish Companies Law, and (iii) for reinvestment plans for dividends or similar instruments.

In order to retire treasury shares and granting the execution of this task to the Board of Directors in accordance with that indicated below, the Board resolved to reduce share capital, with a charge to profit or unrestricted reserves, for an amount equal to the total nominal value of the treasury shares which the Company directly or indirectly holds at the date of adoption of this resolution by the Board of Directors.

In accordance with Article 7 of the Company By-laws, the Board of Directors is empowered (with express powers of substitution) to execute this resolution to reduce share capital, which may be carried out once or several times within the maximum period of five years from the date of this resolution, performing such formalities, taking such steps and providing such authorisations as might be necessary or required by the Spanish Companies Law and other applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, (i) set the date or dates for the specific share capital reduction or reductions, taking into account market conditions, the share price, the Company's economic-financial position, its cash, reserves, business performance and any other matter that is reasonable to consider; (ii) specify the amount of each share capital reduction; (iii) use of the amount of the reduction, either to restricted reserves or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; (iv) amend Article 6 of the Company By-laws to the new share capital figure; (v) apply for the delisting of the retired shares; and, in general, adopt any resolutions as might be necessary to ensure the full effectiveness of the retirement of these shares and the concomitant capital reduction, designating the persons empowered to implement these resolutions.

The execution of these share capital reduction shall be subordinate to the execution of the capital reduction through the retirement of treasury shares proposed to the shareholders at the Ordinary General Shareholders' Meeting under item 7 on the Agenda, such that under no circumstances may the execution of this resolution be prevented in accordance therewith.

A.10 Indicate, as applicable, any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, indicate the existence of any type of restrictions which may make it difficult to takeover the company via the market acquisition of its shares.

Yes ☐ No ☒

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes ☐ No ☒

If so, explain the measures adopted and the situations in which the restrictions would be inoperative:

A.12 Indicate whether the company has issued shares that are not traded in a regulated market in the European Community.

Yes ☐ No ☒

Where appropriate, indicate the different classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and, if applicable, describe the differences between the minimum required under the Spanish Companies Law (LSC) and the quorum required for holding the General Shareholders' Meeting.

Yes ☐ No ☒

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Companies Law (LSC) for adopting resolutions and the company's rules.

Yes ☐ No ☒

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules applying to amending the Company's By-laws. In particular, indicate the majorities anticipated for modifying the by-laws, as well as, where appropriate, the rules anticipated for protecting partners' rights on modifying the by-laws.

GENERAL SHAREHOLDERS' MEETING RULES

Article 3. Ordinary General Shareholders' Meeting

Point 8. A separate vote shall be taken on each item of the Agenda. Additionally, a separate vote shall be taken on the appointments or ratifications of Board Members, which shall be voted on individually, and on proposed amendments to the Company By-laws, which shall be voted on Article by Article or by substantially independent groups of Articles.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and in the previous year:

	Attendance information				
Date of the General Meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic voting	Other	
10/05/2013	20.19%	55.06%	0.00%	0.00%	75.25%
31/05/2012	20.05%	51.40%	0.00%	0.00%	71.45%

B.5 Indicate whether the by-laws contain any restrictions with respect to a minimum number of shares required to attend General Meetings.

Yes ☒ No ☐

Number of shares required to attend General Meetings	100

B.6 Indicate whether it has been resolved that certain decisions which entail a structural modification to the company (subsidiarisation, purchase/sale of operating assets, operations equivalent to liquidating the company, etc.) need to be submitted for the approval of the General Shareholders' Meeting, even if Company Law does not expressly demand it.

Yes ☐ No ☒

B.7 Indicate the address and mode of access to the company's website to information on corporate governance and other information on the General Meetings that need to be made available to the shareholders through the Company's website.

The address is http://www.grupoacs.com/index.php/es/c/gobiernocorporativo

Once in the ACS Group's website, a page appears with several tabs on the edge, one of which is "CORPORATE GOVERNANCE"; if you click on this tab, the following sub-sections appear: Company By-laws, Rules of the General Meeting, Annual Corporate Governance Report, Board of Directors, Shareholders' Agreements and Rules of Conduct for Securities Markets; each sub-section contains pertinent information. If you click on "Annual Corporate Governance Report" and following a brief introduction, there is a specific instruction to click on it and download the annual reports since 2003 in PDF format.

C STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	21
Minimum number of Board Members	11

C.1.2 Complete the following table with the Board Members:

Name or company name of the Board Member	Representa-tive	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MR. FLORENTINO PÉREZ RODRÍGUEZ		CHAIRMAN AND CEO	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. ANTONIO GARCÍA FERRER		EXECUTIVE DEPUTY CHAIRMAN	14/10/2003	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. PABLO VALLBONA VADELL		DEPUTY CHAIRMAN	05/09/1997	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MS. SABINA FLUXÀ THIENEMANN		BOARD MEMBER	25/05/2009	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. MANUEL DELGADO SOLÍS		BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JUAN MARCH DE LA LASTRA		BOARD MEMBER	30/07/2008	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN		BOARD MEMBER	19/06/2002	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. AGUSTÍN BATUECAS TORREGO		BOARD MEMBER	29/06/1999	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JAVIER MONZÓN DE CÁCERES		BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. MIGUEL ROCA JUNYENT		BOARD MEMBER	14/10/2003	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JUAN DAVID GRIMÁ TERRÉ		BOARD MEMBER	14/10/2003	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Name or company name of the Board Member	Representa-tive	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MR. JULIO SACRISTÁN FIDALGO		BOARD MEMBER	24/06/1998	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JOSÉ ÁLVARO CUERVO GARCÍA		BOARD MEMBER	05/09/1997	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JOSÉ MARÍA LOIZAGA VIGURI		BOARD MEMBER	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ		BOARD MEMBER	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION
Mr. JAVIER ECHENIQUE LANDIRIBAR		BOARD MEMBER	20/05/2004	25/05/2009	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR. JOSÉ LUIS DEL VALLE PÉREZ		BOARD MEMBER - SECRETARY	28/06/1989	03/12/2008	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of Board Members	17

Indicate removals from the Board of Directors which occurred during the reporting period:

C.1.3 Complete the following tables on the Board Members and their positions:

EXECUTIVE DIRECTORS

Name or company name of the Board Member	Committee which notified the appointment	Position per company organisation chart
MR. FLORENTINO PÉREZ RODRÍGUEZ	APPOINTMENTS AND REMUNERATION COMMITTEE	CHAIRMAN AND CEO
MR. ANTONIO GARCÍA FERRER	APPOINTMENTS AND REMUNERATION COMMITTEE	EXECUTIVE DEPUTY CHAIRMAN
MR. AGUSTÍN BATUECAS TORREGO	APPOINTMENTS AND REMUNERATION COMMITTEE	BOARD MEMBER
MR. JOSÉ LUIS DEL VALLE PÉREZ	APPOINTMENTS AND REMUNERATION COMMITTEE	SECRETARY -BOARD MEMBER

Total number of Executive Board Members	4
% over total Board	23.53%

EXTERNAL PROPRIETARY BOARD MEMBERS

Name or company name of the Board Member	Committee which notified the appointment	Name or company name of significant shareholder represented or proposing appointment
MR. PABLO VALLBONA VADELL	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALBA, S.A.
Mr. JAVIER ECHENIQUE LANDIRIBAR	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALCOR, S.L.
MR. JAVIER MONZÓN DE CÁCERES	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALCOR, S.L.
MR. JUAN MARCH DE LA LASTRA	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALBA, S.A.
MR. JULIO SACRISTÁN FIDALGO	APPOINTMENTS AND REMUNERATION COMMITTEE	INVERSIONES VESAN, S.A.
MR. MANUEL DELGADO SOLÍS	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALCOR, S.L.
MS. SABINA FLUXÀ THIENEMANN	APPOINTMENTS AND REMUNERATION COMMITTEE	SAYGLO HOLDING, S.L.
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACION FINANCIERA ALBA, S.A.

Total number of Proprietary Board Members	8
% over total Board	47.06%

EXTERNAL INDEPENDENT BOARD MEMBERS

Name or company name of the Board Member:

MR. JOSÉ ÁLVARO CUERVO GARCÍA

Profile:

Born in 1942 in Carreña (Asturias).

Professor of Business Economy at the Universidad Complutense de Madrid. Director of the Centro Universitario de Estudios Financieros (CUNEF - University Centre). Winner of the Rey Jaime I Prize in Economics (1992), the Castile and León “Infanta Cristina” Prize in Economics (1999) and has Honoris Causa Doctorates from the Universities of Oviedo, León, Castilla - La Mancha, Las Palmas de Gran Canaria, Salamanca and Rey Juan Carlos.
He has worked as a professor at the Universities of Valladolid, Oviedo and CIDE (Mexico), and was a visiting professor at Saloman Center (Stern School of Business) of the University of New York and at the lnstitute of Management,
lnnovation and Organization of the University of California, Berkeley.
Vice-dean of the Schools of Economic and Business Sciences at the Complutense de Madrid and Oviedo Universities, and Dean of the latter. His lines of research focus on three areas: economy and business management, finance and the financial system and privatisation and public companies.
He is currently a member of the Board of Directors of Bolsas y Mercados Espanoles (BME) and SONAE SGPS, S.A. (Portugal) and a member of the Spanish Government’s Privatisation Advisory Council.

Name or company name of the Board Member:

MR. JOSÉ MARÍA LOIZAGA VIGURI

Profile:

Born in Bilbao (1936). He began his career in Banco Vizcaya and has held various executive positions. In 1968, he was General Manager of Zardoya and played a role in 1972 in the merger with Schneider Otis. Up to 1980, he was the head of Otis Elevator for Southern Europe. In 1980 he founded Banco Hispano Industrial (Grupo BHA) and in 1982 he was appointed Deputy Chairman and CEO of Banco Union which merged with Banco Urquijo where he held a position until 1985.
In 1985 he founded Mercapital, S.A. and was Chairman of this group until 2008.
He has held positions including, inter alia, Chairman of Bodegas Barón de Ley and Bodegas Lan, as well as being a Board Member of Banque Privee Edmond de Rothschild, Suez lnternational, Otis lnternational, Amorim lnvestment, Lácteas G Baquero and Union Fenosa, Mecalux, etc.
He is currently chairman of Cartera Industrial Rea, and Deputy Chairman of Zardoya Otis, as well as a Board Member of Otis Elevadores Portugal. He is Commandeur de l'Ordre de Leopold.

Name or company name of the Board Member:

MR. MIGUEL ROCA JUNYENT

Profile:

Born in 1940 in Cauderan (France).
Degree in Law from Universitat de Barcelona.
Secretary of the Board of Directors of Accesos de Madrid, Concesionaria Espanola, since January 2000. Secretary of the Board of Directors of Abertis Infraestructuras S.A. Member of the Board of Directors of Endesa S.A. Partner - Chairman of Despacho Roca Junyent.

Name or company name of the Board Member:

MR. JUAN DAVID GRIMÁ TERRÉ

Profile:

Born in 1953 in Sabadell (Barcelona). He has a PhD in Economics and Business; and has studied at the Universidad Autonoma de Barcelona, Baylor University and Harvard Business School. He joined McKinsey & Company in 1982, where he was a partner.
From 1992 to 2010 he was the general manager of Banco Santander. In January 2002 he was appointed Deputy Chairman and CEO of the Auna Group, a position he held in addition to his responsibilities at the Bank up to November 2005.
Member of the Board of Directors of Viking Consortium Holdings Limited (UK).

Total number of Independent Board Members	4
Total % of the Board	23.53%

Indicate whether any Board Member qualifying as independent receives any sum or benefit, other than remuneration as a Board Member, from the company or its group, or maintains or maintained, during the last financial year, a business relationship with the company or any company in its group, whether in his or her own name or as a significant shareholder, Board Member or senior executive of an organisation which maintains or maintained such a relationship.

There is a housing construction contract between Dragados, S.A. and the Board Member Joan David Grimà Terré, signed in 2013 for EUR 2,534 thousand, of which EUR 257 thousand were billed in 2013.

Where appropriate, include a justified statement of the Board of Directors on the reasons why it is considered that this Board Member can perform his or her functions as an Independent Board Member.

OTHER EXTERNAL BOARD MEMBERS

Name or company name of the Board Member	Committee which notified or proposed the appointment
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	APPOINTMENTS AND REMUNERATION COMMITTEE

Total number of other External Board Members	1
Total % of the Board	5.88%

Indicated the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

Name or company name of the Board Member:

MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ

Company, executive or shareholder with whom there is a relation:

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

Reasons:

At 31 December 2013, the period of five years for an old Executive Board Member to be able to be considered as an Independent Board Member. This became the case on 4 March 2014, at which time five years had passed Mr. Pedro López Jiménez ceased to be Chairman of what was Unión Fenosa S.A. at that time.

Indicate any changes in the type of each Board Member during the period:

C.1.4 Complete the following table with information relating to the number of women Board Members during the last 4 financial years, as well as the nature of those Board Members:

	Number of women Board Members				% of total Board Members of each type			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	12.50%	12.50%	11.11%	11.11%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	1	1	5.88%	5.88%	5.56%	5.56%

C.1.5 Explain the measures taken, where appropriate, to attempt to include on the Board of Directors a number of women to enable a balanced presence of women and men to be achieved.

Explanation of the measures
The ACS Group promotes all those policies necessary to ensure equality of opportunities and to avoid implicit biases and any discrimination in selection processes not just of members of the Board of Directors, but rather any job post and to guarantee that the candidates meet the requirements in terms of competence, knowledge and experience to carry out the work, as explained in point 1.3.1 of ACS' Code of Conduct. The number of women Board Members represents 5.88% of the total number of members of the Board of Directors. Although this is less than half, it must be borne in mind that the only vacancy occurring on the Board in recent years was filled by a woman.

C.1.6 Explain the measures, where appropriate, the Nominations Committee has decided to ensure that the selection processes do not suffer from implicit biases that hinder the selection of women Board Members and that the company deliberately seeks and includes women who meet the professional profile sought among the potential candidates:

Explanation of the measures
The Appointments and Remuneration Committee, in accordance with that laid down in the Rules of the Board of Directors and the Group's Code of Conduct, promotes the inclusion of women among potential candidates, ensuring that they have the appropriate professional profile and the objective criteria of merit and capacity.

When, in spite of the measures which have been adopted, where applicable, the number of women Board Members is few or zero, explain the reasons justifying this:

Explanation of the reasons
The Group has a policy on renewals on the Board of Directors which approximates to the criteria put forward by the Unified Code, coordinating the principles of representative nature with those of equality and independence. For this reason, the vacancies which have opened in the last 5 years have been used to reduce the number of male Board Members and to include women Board Members, meaning that the only inclusion has been a woman.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

The External Proprietary Board Members Mr. Pablo Vallbona Vadell, Mr. Juan March de la Lastra and Mr. Santos Martínez-Conde Gutierrez-Barquín, representing Corporación Financiera Alba, S.A.
The External Proprietary Board Members Mr. Javier Echenique Landiribar, Mr. Javier Monzón de Cáceres and Mr. Manuel Delgado Solis, representing Corporación Financiera Alcor, S.A.
The Executive Director Mr. Florentino Pérez and the External Proprietary Board Member Mr. Julio Sacristán Fidalgo, representing Inversiones Vesan, S.A.
The External Proprietary Board Members Ms. Sabina Fluxà Thienemann, representing Sayglo Holding, S.L.

C.1.8 If applicable, explain the reasons for appointing Proprietary Board Members at the request of shareholders who have a holding of less than 5% of share capital.

Indicate whether any formal requests by a shareholder to have a Board Member appointed were denied although the shareholder holds the same or a higher number of shares than another shareholder at whose request Proprietary Board Members were appointed. In this case, explain the grounds for denying this request:

Yes ☐ No ☒

C.1.9 Indicate whether any Board Members resigned from office before the expiration of their term of office, whether and in what manner the Board Member explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the Board Member:

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or company name of the Board Member:

MR. FLORENTINO PÉREZ RODRÍGUEZ

Brief description:

ALL POWERS CORRESPONDING TO THE BOARD EXCEPT THOSE THAT CANNOT BE TRANSFERRED.

C.1.11 Identify, if applicable, the Board Members who hold office as Board Members or executives at other companies forming part of the listed company's group:

Name or company name of the Board Member	Company name of the group entity	Position
MR. ANTONIO GARCÍA FERRER	DRAGADOS, S.A.	BOARD MEMBER
MR. ANTONIO GARCÍA FERRER	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA S.L.	BOARD MEMBER
MR. ANTONIO GARCÍA FERRER	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER
MR. AGUSTÍN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES AVENIDA DE AMÉRICA, S.A.	CHAIRMAN
MR. AGUSTÍN BATUECAS TORREGO	CONTINENTAL RAIL, S.A.	INDIVIDUAL REPRESENTATIVE
MR. AGUSTÍN BATUECAS TORREGO	CONSTRURAIL, S.A.	BOARD MEMBER
MR. AGUSTÍN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES PRÍNCIPE PÍO, S.A.	INDIVIDUAL REPRESENTATIVE
MR. AGUSTÍN BATUECAS TORREGO	INTERCAMBIADOR DE TRANSPORTES PLAZA DE CASTILLA, S.A.	INDIVIDUAL REPRESENTATIVE
MR. JAVIER MONZÓN DE CÁCERES	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER
MR. MANUEL DELGADO SOLÍS	DRAGADOS, S.A.	BOARD MEMBER
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	HOCHTIEF AG	MEMBER OF THE SUPERVISORY BOARD
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	DRAGADOS, S.A.	DEPUTY CHAIRMAN

Name or company name of the Board Member	Company name of the group entity	Position
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA S.L.	DEPUTY CHAIRMAN
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	ACS SERVICIOS Y CONCESIONES, S.L.	DEPUTY CHAIRMAN
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	LEIGHTON HOLDINGS LTD	ACTING BOARD MEMBER
MR. JOSÉ LUIS DEL VALLE PÉREZ	HOCHTIEF AG	MEMBER OF THE SUPERVISORY BOARD
MR. JOSÉ LUIS DEL VALLE PÉREZ	DRAGADOS, S.A.	BOARD MEMBER/SECRETARY
MR. JOSÉ LUIS DEL VALLE PÉREZ	CLECE, S.A.	CHAIRMAN
MR. JOSÉ LUIS DEL VALLE PÉREZ	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA S.L.	BOARD MEMBER/SECRETARY
MR. JOSÉ LUIS DEL VALLE PÉREZ	ACS SERVICIOS Y CONCESIONES, S.L.	BOARD MEMBER/SECRETARY
MR. JOSÉ LUIS DEL VALLE PÉREZ	COBRA GESTIÓN DE INFRAESTRUCTURAS, S.L.	BOARD MEMBER/SECRETARY
MR. JAVIER ECHENIQUE LANDIRIBAR	ACS SERVICIOS, COMUNICACIONES Y ENERGÍA S.L.	BOARD MEMBER

C.1.12 List, if applicable, any Board Members of the company who are members of the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, as disclosed to the company:

Name or company name of the Board Member	Company name of the group entity	Position
MR. JOSÉ ÁLVARO CUERVO GARCÍA	BOLSAS Y MERCADOS ESPAÑOLES. SDAD HOLDING DE MDOS Y STMAS FIN., S.A.	BOARD MEMBER
MR. JOSÉ MARÍA LOIZAGA VIGURI	ZARDOYA OTIS, S.A.	DEPUTY CHAIRMAN
MR. JOSÉ MARÍA LOIZAGA VIGURI	CARTERA INDUSTRIAL REA, S.A.	CHAIRMAN
MR. JAVIER ECHENIQUE LANDIRIBAR	BANCO SABADELL, S.A.	DEPUTY CHAIRMAN
MR. JAVIER ECHENIQUE LANDIRIBAR	GRUPO EMPRESARIAL ENCE, S.A.	BOARD MEMBER
MR. JAVIER ECHENIQUE LANDIRIBAR	REPSOL YPF, S.A.	BOARD MEMBER
MR. JAVIER MONZÓN DE CÁCERES	INDRA SISTEMAS, S.A.	CHAIRMAN
MR. MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER
MR. JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA, S.A.	DEPUTY CHAIRMAN
MR. JUAN MARCH DE LA LASTRA	INDRA SISTEMAS, S.A.	BOARD MEMBER
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S.A.	CEO
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	ACERINOX, S.A.	BOARD MEMBER
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	INDRA SISTEMAS, S.A.	BOARD MEMBER
MR. MIGUEL ROCA JUNYENT	ENDESA, S.A.	BOARD MEMBER

C.1.13 Indicate, and if applicable, explain whether the Company has established any rules about the number of Boards on which its Board Members may sit:

Yes ☒ No ☐

Explanation of the rules

Article 14 of the Rules of the Board of Directors provides that Board Members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the Company or of any of the Group companies or provide representation services on behalf of the same. Additionally, the Rules of the Board of Directors, as currently worded, limits the number of Groups which a Board Member of the Company can form part of to five, except in the case of express authorisation on a reasonable basis.

C.1.14 Indicate the Company's general policies and strategies the Board in plenary session has reserved the right to approve:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management and budget targets	X	
Remuneration and evaluation of Senior Executives	X	
Risk control and management policy, and the periodic monitoring of internal information and control systems	X	
Policy on dividends and on treasury shares, and the limits to apply	X	

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration for the Board of Directors (thousands of euros)	10,793
Amount of overall remuneration corresponding to rights accumulated by the Board Members as regards pensions (thousands of euros)	2,070
Overall remuneration for the Board of Directors (thousands of euros)	12,863

C.1.16 Identify the Senior Executives who are not Executive Board Members and indicate the total remuneration paid to them during the year:

Name or company name	Position
MR. ALFONSO AGUIRRE DÍAZ-GUARDAMINO	Head of the Legal Department of ACS Servicios Comunicaciones y Energía, S. L.
MR. JOSÉ ZORNOZA SOTO	Finance Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. GONZALO GÓMEZ-ZAMALLOA BARAIBAR	CEO of Vias y Construcciones, S.A.
MR. GUSTAVO TUNELL AYUSO	Manager of Poland at Dragados, S.A.
MR. FRANCISCO JAVIER LÓPEZ SANCHEZ	Manager of Building at Dragados, S.A.
MR. RAÚL LLAMAZARES DE LA PUERTA	CEO of Intecsa and Makiber
MR. JOSÉ MARÍA CASTILLO LACABEX	General Manager of Imesapi, S.A.
MR. ÁNGEL GUERRA ZALABARDO	General Manager of Sice, Tecnología de Sistemas, S.A.
MR. JOSÉ LUÍS LOPEZ MOLINILLO	Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. EUGENIO LLORENTE GÓMEZ	Chairman and CEO of the Industrial Services Area
MR. JOSE IGNACIO LEGORBURU ESCOBAR	European Assistant Manager of Dragados, S.A.
MR. JOSE MARIA AGUIRRE FERNANDEZ	General Manager of Tecsa, Empresa Constructora, S.A.
MR. RICARDO MARTIN DE BUSTAMANTE VEGA	European Manager of Dragados, S.A.

Name or company name	Position
MR. JESUS GARCÍA ARIAS	General Manager of Sociedad Española de Montajes Industriales, S.A. (SEMI)
MR. CRISTOBAL GÓNZALEZ WIEDMAIER	Finance Manager of ACS Servicios Comunicaciones y Energía, S.L.
MR. EUSEBIO ARNEDO FERNÁNDEZ	Head of Human Resources of Dragados, S.A.
MS. MARTA FERNÁNDEZ VERDES	Finance Director of Dragados, S.A.
MR. MANUEL ALVAREZ MUÑOZ	Production Manager of Vias y Construcciones, S.A.
MR. CARLOS ABILIO PÉREZ	General Manager of Municipal Waste Treatment, Urbaser, S.A.
MR. RICARDO CUESTA CASTIÑEYRA	Head of the Legal Department of Dragados, S.A.
MR. JOSE REIS COSTA	Chairman of Procme LTD
MR. ÁNGEL MANUEL GARCÍA ALTOZANO	Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. MANUEL ANDRÉS MARTÍNEZ	General Manager of Urban Services at Urbaser, S.A.
MR. ADOLFO VALDERAS MARTÍNEZ	General Manager of Iridium, Concesiones de Infraestructuras, S.A.
MR. JOSÉ LUIS CELORRIO GARCÍA	General Manager of Maessa Telecomunicaciones, S.A. (Maetel)
MR. JOSE ALFONSO NEBRERA GARCÍA	General Manager of ACS Servicios Comunicaciones y Energía, S.L.
MR. JOSÉ ANTONIO FERNÁNDEZ GARCÍA	General Manager of the ETRA GROUP
MS. CRISTINA ALDAMIZ-ECHEVARRÍA GÓNZALEZ DE DURANA	Director of Investments and Management Control of ACS, Actividades de Construcción y Servicios, S.A.
MR. SALVADOR MYRO CUENCO	Development Manager of Iridium, Concesiones de Infraestructuras, S.A.
MR. RICARDO FRANCO BARBERA	Eastern US Manager of Dragados, S.A.
MR. FRANCISCO JAVIER GÓMEZ GARCÍA	General Manager of Initec Energía, S.A.
MR. JOSE MARÍA LÓPEZ PIÑOL	Chairman of Urbaser, S.A.
MR. PEDRO ASCORBE TRIAN	General Manager of Dragados Off Shore, S.A.
MR. ALEJANDRO CANGA BOTTEGHEIZ	Western US Manager of Dragados, S.A.
MR. BERNARDO DE LA FUENTE ELVIRA	General Manager of Control y Montajes Industriales, S.A.
MR. ALEJANDRO MATA ARBIDE	Administration Manager of ACS, Actividades de Construcción y Servicios, S.A.
MR. CARLOS GEREZ PASCUAL	Director of Machinery of Dragados, S.A.
MR. LUIS NOGUEIRA MIGUELSANZ	General Secretary of the Construction, Concessions and Environment Areas
MR. JUAN MATA ARBIDE	General Manager of Geotecnia y Cimientos, S.A. (Geocisa)
MR. EPIFANIO LOZANO PUEYO	Corporate General Manager of ACS, Servicios Comunicaciones y Energía, S. L.
MR. ROMÁN GARRIDO SÁNCHEZ	North American Manager of Dragados, S.A.
MR. RAMON JIMÉNEZ SERRANO	General Manager of Integrated Projects, Cobra Gestión de Infraestructuras, S.A.
MR. JOSÉ ANTONIO PÉREZ PÉREZ	General Manager of Mantenimientos y Ayuda a la Explotación, S.A. (Maessa)
MR. ANDRÉS SANZ CARRO	Secretary General of Sociedad Española de Montajes Industriales, S.A. (SEMI)
MR. JUAN JOSÉ FANJUL PASTRANA	General Manager of Cobra Instalaciones y Servicios, S.A.
MR. IGNACIO SEGURA SURIÑACH	CEO of Dragados, S.A.
Mr. ENRIQUE PÉREZ RODRIGUEZ	CEO of Cogesa, S.A.
MR. DIEGO MIGUEL ZUMAQUERO GARCÍA	Director, Spain, of Dragados, S.A.
MR. ELOY DOMÍNGUEZ-ADAME BOZZANO	Director of Affiliates of Dragados, S.A.
MR. FRANCISCO REINOSO TORRES	Director de Administration and Finances, ACS Servicios y Concesiones, S.L.
MR. SANTIAGO GARCÍA SALVADOR	Operations Manager of Iridium, Concesiones de Infraestructuras, S.A.
MR. JUAN SANTAMARÍA CASAS	Sole Administrator, Iridium, Concesiones de Infraestructuras, S.A.

Total Senior Executive remuneration (thousand euros)	24,638

C.1.17 Where applicable, indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies that hold significant shareholdings in the listed company and/or entities in the group:

Name or company name of the Board Member	Company name of the significant shareholder	Position
MR. FLORENTINO PÉREZ RODRÍGUEZ	INVERSIONES VESAN, S.A.	SOLE ADMINISTRATOR
MS. SABINA FLUXÀ THIENEMANN	IBEROSTAR HOTELES Y APARTAMENTOS, S.L.	BOARD MEMBER
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA, S.A.	BOARD MEMBER
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.	BOARD MEMBER

List, as appropriate, any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

Name or company name of the related Board Member:

MR. PABLO VALLBONA VADELL

Name or company name of the related significant shareholder:

CORPORACION FINANCIERA ALBA, S.A.

Description of relationship:

DEPUTY CHAIRMAN OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA

Name or company name of the related Board Member:

MR. MANUEL DELGADO SOLÍS

Name or company name of the related significant shareholder:

MR. ALBERTO CORTINA ALCOCER

Description of relationship:

ABOGADO DE PERCACER, S.L.

Name or company name of the related Board Member:

MR. MANUEL DELGADO SOLÍS

Name or company name of the related significant shareholder:

MR. ALBERTO ALCOCER TORRA

Description of relationship:

ABOGADO DE INVERNELIN PATRIMONIO, S.L.

Name or company name of the related Board Member:

MR. JUAN MARCH DE LA LASTRA

Name or company name of the related significant shareholder:

CORPORACION FINANCIERA ALBA, S.A.

Description of relationship:

DEPUTY CHAIRMAN OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A.

Name or company name of the related Board Member:

MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Name or company name of the related significant shareholder:

CORPORACION FINANCIERA ALBA, S.A.

Description of relationship:

BOARD MEMBER OF BANCA MARCH, S.A., MAIN SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A.

Name or company name of the related Board Member:

MR. JULIO SACRISTÁN FIDALGO

Name or company name of the related significant shareholder:

INVERSIONES VESAN, S.A.

Description of relationship:

BROTHER IN LAW OF MR. FLORENTINO PÉREZ, ADMINISTRATOR OF INVERSIONES VESÁN, S.A.

C.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the year:

Yes ☐ No ☒

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. List the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The appointment of Board Members is regulated in the Rules of the Board of Directors:

- Composition and appointment in Article 3.
- Duties in Article 4.
- Period of appointment in Article 11.
- The Chairman in Article 17.
- The Vice Chairmen in Article 18.
- The Chief Executive Officer in Article 19.
- The Secretary in Article 20.
- The Appointments and Remuneration Committee in Article 24.

The wording of the Rules of the Board of Directors mentioned above is detailed in section H of this report.

- Re-election of Board Members.

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of his or her shares by any means.

- Removal of Board Members.

The removal of Board Members is regulated in the following articles of the Rules of the Board of Directors, which are worded as follows:

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated: Accepting the resignation of Board Members.

Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.

Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

C.1.20 Indicate whether or not the Board of Directors has carried out an assessment of its activity during the year:

Yes ☒ No ☐

Where applicable, explain to what extent the self-assessment led to significant changes to its internal organisation and to the procedures applicable to its activities.

Description of amendments

The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or of its Delegated Committees.

C.1.21 Indicate the cases in which the Board Members must resign.

In accordance with Article 11 of the Rules of the Board of Directors, the Proprietary Board Members shall resign from the Board of Directors when the shareholder they represent fully disposes of its shares by any means.

C.1.22 State whether the function of the Chief Executive Officer of the Company rests with the Chairman of the Board. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person:

Yes ☒ No ☐

Measures to limit risks

The Chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO and has been delegated all the powers of the Board, except those that cannot be delegated. Therefore, in accordance with the Rules of the Board of Directors, the Chairman shall undertake the duties that befit the status of the Chief Executive Officer of the Company, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee. His duties are not only delimited by this scope of powers that cannot be delegated, but also by the duties that he carries out as the Chairman of the Executive Committee.

Also noteworthy is that any resolution of special relevance to the Company shall be submitted to the approval of the Board of Directors, and an absolute majority shall be required, in which case neither the Chairman nor the corresponding Committee shall have a casting vote.

Indicate and, if applicable, explain whether rules have been established to enable one of the Independent Board Members to convene a Board meeting or add items to the agenda, to coordinate and give voice to the concerns of External Board Members and lead the Board's evaluation of the Chairman.

Yes ☒ No ☐

Explanation of the rules

In accordance with the Rules of the Board of Directors, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes ☐ No ☒

Where applicable, describe the differences.

C.1.24 State whether there are specific requirements, other than those related to Board Members, to be nominated as Chairman.

Yes ☐ No ☒

C.1.25 Indicate if the chairman has a casting vote:

Yes ☐ No ☒

C.1.26 Indicate whether the By-laws or the Rules of the Board of Directors set any age limit for Board Members:

Yes ☐ No ☒

C.1.27 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for Independent Board Members, differing from that laid down in the regulations:

Yes ☐ No ☒

C.1.28 Indicate whether the Company By-laws or the Rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the form of doing so and, in particular, the maximum number of delegations that a Board Member can hold, as well as whether it has been made mandatory to delegate to a Board Member of the same type. Where applicable, give a brief description of these rules.

Without prejudice to attendance obligations, Board Members who are unable to attend a meeting in person may be represented and cast a vote through another Board Member. This delegation must be in writing to the Chairman and must be in the form of a letter, telegram, telex or fax or any other written means that acknowledges receipt by the addressee.

C.1.29 Indicate the number of meetings that the Board of Directors held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable: In this calculation, Board Members who have granted proxies without specific instructions shall be considered to present:

Number of Board meetings	7
Number of Board meetings without chairman's attendance	0

Indicate the number of meetings held during the year by the different board committees:

Commission	N° of Meetings
EXECUTIVE OR DELEGATED COMMITTEE	9
AUDIT COMMITTEE	6
APPOINTMENTS AND REMUNERATION COMMITTEE	2

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with all members present. In this calculation, Board Members who have granted proxies without specific instructions shall be considered to be present:

Attendance of Board Members	7
Number of attendances as a % of the total votes during the year	92.44%

C.1.31 Indicate whether the individual and consolidated financial statements are certified before being presented to the Board of Directors for approval:

Yes ☒ No ☐

Identify, if applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the Board:

Name	Position
MR. ÁNGEL MANUEL GARCÍA ALTOZANO	CORPORATE GENERAL MANAGER

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being presented at the General Shareholders' Meeting without a qualified auditors' report.

In this respect, routine meetings are held between the accounts auditor and the Audit Committee to analyse with sufficient notice any differences between the accounting criteria of the Company and its Group and the auditors' interpretation of the accounts. The foregoing is in accordance with Article 20 bis of the Company By-laws. It is considered that the 2013 auditors' reports on both ACS, Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable.

C.1.33 Is the Secretary of the Board a Board Member?

Yes ☒ No ☐

C.1.34 Explain the procedure for appointing and removing the secretary of the Board and indicate whether the appointment and removal are subject to a report of the Appointments Committee and are approved by the Board in plenary session.

Procedure for appointment and dismissal

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member, and who must be a practising lawyer. In addition to the duties laid down by current legislation, the Company By-laws and these Rules, the Secretary of the Board of Directors must also oversee the legality of the acts issued by the company bodies of which he or she forms part, providing the due warnings and recording them in the Minutes. The appointment of the Secretary was not reported by the Appointments and Remuneration Committee since he was appointed years prior to the formation of this Committee.

	Yes	**No**
Does the Appointments Committee report the appointment?	**X**	
Does the Appointments Committee report the dismissal?	**X**	
Does the Board in plenary session approve the appointment?	**X**	
Does the Board in plenary session approve the removal?	**X**	

Is the secretary of the Board particularly entrusted with ensuring compliance with good governance recommendations?

Yes ☒ No ☐

Comments

C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the external auditors, of financial analysts, investment banks and of rating agencies.

In regard to the auditor, Article 23 of the Rules of the Board of Directors provides that the duties of the Audit Committee shall be as follows:

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

- Overseeing the preparation and presentation of the regulated financial information.

- Proposing to the Company's Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms in accordance with applicable law.

- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards. In any case, auditors and audit firms shall annually furnish the committee with written confirmation of their independence from the company or directly and indirectly related companies, in addition to reporting any additional services of any type presented to these companies by the aforementioned auditors or firms, or related individuals or companies, in accordance with the provisions of current Spanish legislation.

- Annually and prior to the issuance of the auditors' report, issuing a report expressing an opinion on the independence of the auditors or audit firms. In any case, this report shall give an opinion on the provision of the additional services mentioned above.

- Reviewing and reporting on the estimates made by Company management and of those companies comprised within its Group of companies with respect to possible significant tax and legal contingencies.

- Ascertaining the results of inspections conducted by official entities.

C.1.36 Indicate whether the company changed its external auditors during the year. If so, identify the incoming and outgoing auditors:

Yes ☐ No ☒

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group and, if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes ☒ No ☐

	Company	**Group**	**Total**
Amount of other non-audit work (thousands of euros)	664	1,401	2,065
Amount of other non-audit work/total amount billed by audit firm (as a %)	76.43%	11.48%	15.80%

C.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications. If so, indicate the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes ☐ No ☒

C.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm represents of the total number of years which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	12	12
Number of years audited by current auditing firm /Number of years that the company has been audited in %	50.00%	50.00%

C.1.40 Indicate whether there is a procedure for Board Members to be able to receive outside advisory services, and if so, give details:

Yes ☒ No ☐

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board and, under special circumstances, may consist of external advice at the Company's expense.

C.1.41 Indicate whether there is a procedure for the Board Members to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance and, if so, give details:

Yes ☒ No ☐

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board.

C.1.42 Indicate, whether the company has established rules obliging Board Members to report and, if applicable, resign, in situations which could harm the company's good name and reputation and if so, give details:

Yes ☒ No ☐

Explanation of the rules

Article 13 of the Board Rules expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest among themselves, or their closest relatives and the Company. Should any conflict of interest exist and be unavoidable, it must be reported to the Board of Directors and recorded in the minutes of the first Board meeting that takes place. Furthermore, they must notify the Company, in the shortest possible term and in all cases within the five following days, of the shares, stock options or derivatives referring to the share value which may be held, directly or indirectly, either by the Board Members themselves or their closest relatives.

Board Members must notify the Company of the most significant changes that take place in their professional circumstances and especially those affecting the qualities taken into account for appointing them as such. Furthermore, they shall notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

The Board Members shall abstain from intervening in the deliberations and casting their vote on those matters in which they have a particular interest, which will be expressly registered in the Minutes.

C.1.43 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit had been filed against him or her for any of the crimes set forth in Article 213 of the Spanish Companies Law:

Yes ☐ No ☒

Indicate whether the Board of Directors has analysed the case. If the answer is yes, provide a reasoned explanation of the decision taken on whether or not the Board Member should continue in his or her post or, where applicable, explain the actions taken by the Board of Directors before the date of this report or which it plans to take.

C.1.44 Detail the significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and the effects thereof.

In the case of a change in control over the Company, the early redemption will occur of bonds convertible to Iberdrola shares, issued by ACS Actividades Finance BV on 22 October 2013 for a face value of EUR 721,100,000.

A "change in control" will occur if one or more individuals or legal entities, acting individually or jointly, acquire control of ACS, Actividades de Construcción y Servicios, S.A. For these purposes, "control" means (i) the acquisition or control of over 50% of the voting rights or (ii) the right to appoint and/or remove all or the majority of the board of directors or other governing body, whether obtained directly or indirectly and if they obtain ownership of the share capital, possession of the voting rights, contract or other type and "controlled" will be interpreted in consequence. To avoid any doubt, any agreement or concerted action by two or more existing ACS, Actividades de Construcción y Servicios, S.A. shareholders which does not lead to a mandatory takeover bid under Spanish legislation may not be considered a change of control except when these parties have previously launched a takeover bid, but when doing so have acquired (combining their existing holdings) less than 50% of the voting rights.

C.1.45 Identify, in aggregated form, and indicate, in detail, the agreements between the Company and its executive and management posts or employees who have termination benefits, guarantee or golden parachute clauses, when they resign or are dismissed unfairly or the contractual relationship ends due to a takeover bid or other type of operation.

Number of beneficiaries: 6

Type of beneficiary:

Members of senior management, including Executive Board Members.

Description of agreement:

The contracts consider the cases stipulated under this point with maximum benefits of 5 years in remunerations.

Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 Detail all the Committees of the Board of Directors, their members and the proportion of Proprietary and Independent Board Members on them:

EXECUTIVE OR DELEGATED COMMITTEE

Name	Position	Type
MR. FLORENTINO PÉREZ RODRÍGUEZ	CHAIRMAN	Executive
MR. JOSÉ MARÍA LOIZAGA VIGURI	DEPUTY CHAIRMAN	Independent
MR. ANTONIO GARCÍA FERRER	MEMBER	Executive
MR. JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Proprietary
MR. JUAN MARCH DE LA LASTRA	MEMBER	Proprietary
MR. PABLO VALLBONA VADELL	MEMBER	Proprietary
MR. PEDRO JOSÉ LÓPEZ JIMÉNEZ	MEMBER	Other External

% Executive Board Members	28.57%
% Proprietary Board Members	42.86%
% Independent Board Members	14.29%
% Other External Members	14.29%

AUDIT COMMITTEE

Name	Position	Type
MR. JOSÉ MARÍA LOIZAGA VIGURI	CHAIRMAN	Independent
MR. JOSÉ ÁLVARO CUERVO GARCÍA	MEMBER	Independent
MR. JULIO SACRISTÁN FIDALGO	MEMBER	Proprietary
MR. MANUEL DELGADO SOLÍS	MEMBER	Proprietary
MR. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	MEMBER	Proprietary

% Executive Board Members	0.00%
% Proprietary Board Members	60.00%

% Independent Board Members	40.00%
% Other External Members	0.00%

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
MR. JOSÉ MARÍA LOIZAGA VIGURI	CHAIRMAN	Independent
MR. JAVIER ECHENIQUE LANDIRIBAR	MEMBER	Proprietary
MR. JULIO SACRISTÁN FIDALGO	MEMBER	Proprietary
MR. MIGUEL ROCA JUNYENT	MEMBER	Independent
MR. PABLO VALLBONA VADELL	MEMBER	Proprietary

% Executive Board Members	0.00%
% Proprietary Board Members	60.00%
% Independent Board Members	40.00%
% Other External Members	0.00%

C.2.2 Complete the following table with information relating to the number of women Board Members on the Committees of the Board of Directors during the last four financial years.

	Number of women Board Members							
	2013		2012		2011		2010	
	Number	%	Number	%	Number	%	Number	%
EXECUTIVE OR DELEGATED COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Indicate whether the Audit Committee is charged with the following duties:

	Yes	No
Supervising the preparation and integrity of the financial information of the Company and, if applicable, of the group, and checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.	X	
Reviewing internal control and risk management systems on a regular basis, so that the main risks are properly identified, managed and disclosed.	X	
Overseeing the independence and effectiveness of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; proposing the resources to be assigned to the internal audit function; receiving regular reports back on its activities; and verifying that senior management is acting on the conclusions and recommendations of its reports	X	
Establishing and monitor a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.	X	
Proposing to the Board the selection, appointment, re-election and replacement of the	X	

external auditors, as well as the terms and conditions of the engagement.		
Receiving regular information from the external auditor on the progress and findings of the audit plan and checking that senior management are acting on its recommendations	**X**	
Ensuring the independence of the external auditor	**X**	

C.2.4 Describe the rules relating to the organisation and functioning of the Board committees, as well as the responsibilities attributed to each of them.

EXECUTIVE OR DELEGATED COMMITTEE

The Executive Committee shall be made up of the Chairman of the Board of Directors, who shall act as its Chairman, and by the Deputy Chairman or both Deputy Chairmen, in the event that these positions had been appointed, of Board Members appointed by the Board of Directors for such purpose, and of the Secretary to the Board, with the right to speak but not to vote, who shall act as its Secretary.

The Executive Committee shall meet as often as it is convened by its Chairman, on his or her own initiative or at the request of, at least, two of its members. It shall be deemed to be set up when the majority of its members attend, present or represented, and unless the legislation in force, the Company By-laws or the Rules of the Board of Directors provide otherwise, it shall adopt its agreements by majority vote of those attending, present or represented.

The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Company By-laws. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence, and in turn, the Executive Committee may subject the decision on any matter to the Board of Directors, which even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.

Insofar as deemed necessary, and with the natural adaptations, the operation of the Executive Committee shall be governed by the provisions of the company By-laws or the Board Rules regarding the operation of the Board of Directors.

AUDIT COMMITTEE

In accordance with the provisions of Article 20 bis of the Company By-laws, there shall be an Audit Committee made up of a minimum of three and a maximum of five members who shall be appointed and discharged, from among its members, by the Board of Directors. Under no circumstances may such appointment fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature in the Company during the three immediately preceding years. At least one of the members of the Audit Committee shall be independent and shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. The appointment of the Chairman, also to be carried out by the Board of Directors, shall necessarily fall to one of the Company's External Board Members, who may not remain in such position for a period in excess of four years, although he or she may, nevertheless, be re-elected after the term of one year has elapsed from the moment of termination. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and it shall adopt its agreements by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year, coinciding with the initial and final stages of the audit of the Company's financial statements and of the Group's consolidated financial statements and always prior to issuing the corresponding audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.

Insofar as deemed necessary, and with the natural adaptations, the operation of the Audit Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

APPOINTMENTS AND REMUNERATION COMMITTEE
Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their functions indefinitely or during the term for which they were elected. The appointment of the Chairman must fall on one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.2.5 Indicate, if applicable, if there are Rules of the Board Committees, where they can be consulted and amendments made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

EXECUTIVE OR DELEGATED COMMITTEE
The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.
The specific rules relating to the Executive Committee are set forth in Article 22 of the Rules of the Board of Directors.

AUDIT COMMITTEE
The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com. The specific rules relating to the Executive Committee are set forth in Article 23 of the Rules of the Board of Directors

APPOINTMENTS AND REMUNERATION COMMITTEE

The Board Committees are governed by Articles 19, 20 and 20 *bis* of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.

The Appointments and Remuneration Committee is governed in accordance with Article 24 of the Rules of the Board of Directors.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the various Board Members on the Board according to their status:

Yes ☒ No ☐

D RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and, where applicable, explain the procedure for approving transactions with related parties and within the group.

Body responsible for approving related party transactions
Board of Directors

Procedure for approving related party transactions
As established by the Rules of the Board of Directors, related party transactions shall be approved by the Board of Directors or, where appropriate, by the Executive Committee with subsequent ratification by the Board of Directors, with prior report by the Audit Committee, except where these meet the following three conditions a) They are performed in accordance with standard contract conditions; b) They are performed at the general prices or rates set by the supplier for the merchandise or service at issue; and c) The sum involved does not exceed 1% of the company's annual income.

Explain whether approval for transactions with related parties has been delegated, indicating, where applicable, the body or persons to whom it has been delegated.

When this involves transactions in the normal course of business and meets the conditions stated in the previous sections, authorisation falls to the people responsible for each business, without prejudice to notifying the Audit Committee for review and subsequent notification to the Board of Directors.

D.2 List those transactions, which are significant due to their magnitude or relevant due to their subject, carried out between the company or group companies and the company's significant shareholders:

D.3 List any material transactions entailing a transfer of funds or obligations between the company or group companies and the company's administrators or executives:

D.4 Report any significant transactions by the company with other entities in the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business:

In any case, report any intragroup transaction carried out with entities established in countries or territories considered to be tax havens:

Corporate name of its group entity:

Cobra Gibraltar Limited

Amount (thousands of euros): 2,600

Brief description of the transaction:

Work on Gibraltar Airport terminal

D.5 Indicate the value of the transactions carried out with other related parties.

(in thousands of euros).

D.6 List the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group and its Board Members, executives or significant shareholders.

The Rules of the Board of Directors specifically regulate conflicts of interest, stating that, in the interests of the corresponding duty of loyalty, Board Members must:

I. Avoid conflicts of interest between themselves or the closest members of their family and the Company and, in the case that such conflict cannot be avoided, must notify the Board of Directors of all cases of such conflicts.

II. Notify the Company as soon as possible of the shares, share options or derivatives based on share values which they themselves or their closest family members hold, directly or indirectly, as well as the most significant changes that occur in their professional situation and, especially, those affecting the attributes considered for their appointment as Board Members.

III. Notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

IV. Abstain from intervening in deliberations and casting their vote on those matters in which they have a particular interest.

V. Avoid being on more than five management bodies of companies other than those in the Group of companies in which the Company is the parent, without previous express authorisation from the Board provided with justification.

VI. Not directly or indirectly hold positions in or represent companies or organisations that are in competition with the Company or with any company of its Group.

VII. Not use in any manner for private purposes any non-public information of which they have become aware in carrying out their duties as Board Member.

VIII. Not use the commercial transactions of which he or she has become aware while carrying out the duties of his or her post to his or her own benefit nor make use of the Company's assets nor take advantage of his or her post to obtain economic benefit without rendering the just consideration.

Additionally, there are Rules of Conduct in the Securities Markets that include a set of rules designed to detect and regulate any possible conflicts of interest between the Company and/or its Group, its Board Members, Directors or significant shareholders. In general, the Rules apply to the members of the Board of Directors, members of the Group's Management Committee and to those Company representatives and personnel who carry out activities that may have an essential bearing on the price of the Company's shares. They also apply to Company representatives or personnel and to external advisers who, with respect to a specific transaction, are aware of privileged or reserved information regarding the Company's securities.

D.7 Is more than one Group company listed in Spain?

Yes ☐ No ☒

Identify the subsidiaries listed in Spain:

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Management Systems.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate risks and fulfil the objectives established by the Board of Directors. The diversity and complexity of the sectors in which the Group carries out its activities implies a variety of risks; the Corporate Unit is responsible for defining basic guidelines in order to homogenise performance criteria in each of the divisions to guarantee an adequate level of internal control. The Group's companies and divisions are responsible for developing the required and appropriate internal regulation to govern the implementation of any necessary internal controls, which, in turn, shall guarantee optimum performance of such internal control in accordance with the special circumstances of their activities.

In order to respond to the need for global and homogeneous risk management, the Corporate Unit has established a risk management model which includes the identification, evaluation, classification, valuation, processing and follow-up of risks at the Group and operational business line levels. When these risks have been identified, a risk map is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies under certain basic principles. These principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return of the same, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

Hochtief, the German listed company which has been fully consolidated by the ACS Group since 2011, has defined its risk control policy to be consistent with its business activity and in line with the ACS Group's policies. The detail of these policies and systems is included in the 2013 Annual Report on pages 119 to 127 inclusive, available on the website www.hochtief.com

E.2 Identify the Company bodies responsible for preparing and executing the Risk Management System.

The ACS Group’s Management Committee defines the Group’s global risk policy and, if appropriate, sets up the appropriate management mechanisms to ensure that the risks are kept within the approved levels.

The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective generic supervision of compliance with the established risk levels for each business activity.

The Board of Directors approves the global risk policy and the system for control and management.

E.3 Indicate the main risks that may affect the achievement of the business objectives.

The ACS Group’s Risk Management System identifies and evaluates various risk scenarios grouped into two categories: corporate risks and business risks.

Corporate risks affect the Group as a whole and the listed Company in particular and can be summarised as:

- Regulatory Risks, deriving from the reliability of the published Financial Information, the Company’s disputes, Stock Market regulatory rules, data protection law, possible changes in national and international financial regulations and civil liability on equity integrity

- Financial Risks, including the level of indebtedness, liquidity risk, risks resulting from fluctuations in exchange rates, risks from the use of derivative financial instruments, risks from investments and exposure to risk from variable yields from investments made in listed companies.

- Information Risks, both to reputation affecting the Group’s image and those to transparency and its relationship with analysts and investors.

Business risks are those specifically affecting each of the businesses. These vary according to the characteristics of each activity and are grouped in turn into:

- Operational Risks, including risks relating to contracting and tendering for works and projects, to planning and control of execution of the various works and projects, to client and credit risks, to product quality, environmental, purchasing and subcontracting risks.

- Non-Operational Risks, including risks relating to risk prevention and health and safety at work, with Human Resources, compliance with the specific legislation and tax regulations applicable to the business, the reliability of accounting and financial information and the management of financial resources and indebtedness.

E.4 Identify whether the entity has a level of risk tolerance.

The ACS Group’s Management Committee has defined a framework for action in order to homogenise the identification, classification, evaluation, management and tracking of the risks of the different divisions. Once the risks have been identified and their magnitude and probability have been evaluated, as well as the indicators for measuring them, these form the basis for preparing the Risk Map, in which all the heads of each of the Divisions or business units are involved, determining the level of tolerance for each variable.

Periodic updating of the Risk Map, both at corporate level and in each of the businesses, is carried out by each of the Heads of the different divisions by tracking the indicators measuring exposure to risk.

E.5 Indicate what risks have arisen during the financial year.

The main risks which arose during the year were:

- In relation to Escal UGS, S.L.'s participation in the Castor underground gas storage facility in late 2013, certain events occurred in relation to its progress which led to the Ministry of Industry, Energy and Tourism suspending plant gas injection and extraction activity, so preventing the plant from entering commercial operation and being connected to the gas system. The ACS Group understands that, after the completion of the appropriate technical studies and the corresponding technical and accounting audits, these problems will be resolved satisfactorily. In any case, the ACS Group understands that Escal UGS, S.L. has the right to return the concession at any time, with the right to collect its total value and, as such, considers that the value of its investment can be recovered.

- The substantial increase in costs relating to the Leighton Gorgon Jetty & Marine STR project led to the corresponding client claims, which are currently being negotiated. These claims have been included as outstanding amounts receivable for work carried out in the consolidated financial statements, as is the case for other projects in Iraq related to the oil industry. It is expected that both claims will be recovered, hence no provision has been made in this respect.

- The Radial 3 and Radial 5 (R3 and R5) toll motorway concession companies have suffered significant losses since they began operating, with the resulting alteration in the economic/financial balance anticipated in the concession and problems in covering the financial liabilities, leading to the two entering a creditors' insolvency process. By virtue of the shareholders' agreements signed at the time, the "non-construction partners" have a potential right to sell their shares over the "construction partners", which include ACS. Given the differences in interpretation between the parties, arbitration proceedings are under way, which will decide on the validity of the options to sell. The Group and its legal advisers believe that they have complied with the contractually anticipated grounds so that the aforementioned options are no longer be valid.

E.6 Explain the plans for responding to and supervising the entity's main risks.

The ACS Group's geographic and business diversification, together with the high level of operating decentralisation that characterises the organisation, makes it necessary for it to have a dual system for risk control and supervision. Added to the corporate risk management system is the system belonging to each business unit or listed company, in which each management level is responsible for complying with the standards and the applicable internal procedures.

Their effectiveness is evaluated and verified periodically by the production units' internal audits and by Corporate Internal Audit, which also contributes to the management of the general risks the Group faces in achieving its objectives. The alerts, recommendations and conclusions generated are reported both to Group Management and to the heads of the business areas and companies assessed.

To carry out their duties, the Business and Corporate Internal Audit departments have qualified, expert personnel who are independent of the lines of production.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

Describe the mechanisms which make up the risk control and management systems in relation to the process of issuing financial information (ICFRS) for the entity.

F.1 Company's control environment

Indicating their main characteristics, detail at least the following:

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

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

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

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

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

In relation to the above, in accordance with Article 23 of the Rules of the Board of Directors, the Audit Committee is responsible, inter alia, for the following:

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

- "Overseeing the preparation and presentation of the regulated financial information".

On the other hand, Hochtief, which has formed part of the ACS Group as an investee since June 2011, lists its shares on the German stock market and, in turn, has majority ownership interest in Leighton, which in turn lists its shares on the Australian stock market. Both companies have implemented their own risk management and internal control over financial reporting systems in accordance with applicable legislation. Additional information on these systems can be found in their 2013 annual reports and is available on www.hochtief.com and www.leighton.com.au.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) implementing procedures so this structure is communicated effectively throughout the company.

In accordance with the Rules of the Board of Directors, the Appointments and Remuneration Committee under this Board is responsible, *inter alia*, for nominating Senior Executives, particularly those who are to be a member of the Group's Management Committee, and for proposing the basic conditions of their contract.

Corporate General Management, in the case of ACS, Actividades de Construcción y Servicios, S.A., and the CEO or Chairman, in the case of the various business areas, are responsible for determining the organisational structure in their area of activity and communicating this to the interested parties through the anticipated channels in each case.

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

The ACS Group has a General Code of Conduct which was approved by the Board of Directors on 15 March 2007. This was last updated by agreement of the Executive Committee of the Board of Directors on 30 August 2011. This Code has been disseminated and is accessible to all employees via the Group's website.

Both the Hochtief Group's parent company, Hochtief AG, and the parent company of its Leighton subgroup, Leighton Holdings Limited, are companies listed on the German and Sydney stock exchanges, respectively, hence they are subject to their own regulatory bodies' rules and have both their own Codes of Conduct and their own internal channels for complaints and control, under similar terms to those of the ACS Group. For this reason, the ACS Group's General Code of Conduct does not apply directly to investee companies belonging to the Hochtief Group and the Leighton Group.

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

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

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

This Monitoring Committee has been assigned the following functions:

- Promoting the dissemination, knowledge of and compliance with the code in each and every Group company.
- Establishing the appropriate communications channels to ensure that any employee can seek or provide information regarding compliance with this code, ensuring the confidentiality of complaints processed at all times.
- Interpreting the regulations derived from the Code and supervising their implementation.

- Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.
- Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations or with the ACS Group.
- Gathering data on levels of compliance with the Code and disclosing the specific related indicators.
- Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

The Annual Report on Actions and Recommendations of the General Code of Conduct Monitoring Committee for 2013 will be submitted by the Audit Committee in March 2014.

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

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

For this purpose, there are two channels of communication:

- An e-mail address: canaletico@grupoacs.com
- A postal address: Ethics Channel

ACS Group
Avenida de Pío XII, No. 102
28036 Madrid, Spain

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

A total of 27 communications were received in 2013, which due to defects in form, the Code of Conduct Monitoring Committee not being the competent body or other reasons for inadmissibility did not lead to the opening of any cases. In all of the communications, the means used was the digital channel.

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

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

Therefore, within the Group’s scope of consolidation, a group of approximately 1,150 employees working in the economic-financial area received approximately 21,500 hours of training in finance, accounting rules, consolidation, auditing, internal control and risk management in 2013.

F.2 Risk assessment in financial reporting

Detail at least the following:

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

- The process exists and is documented.

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

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

- Corporate Risks: affecting the Group as a whole and, in particular, the listed Company.
- Business Risks: specifically affecting each of the business areas and varying based on the unique characteristics of each business.

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

Accordingly, the risks are classified as follows:

- Operational risks
- Non-operational risks

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

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

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

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

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

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

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

- A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

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

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements.

The ACS Group's Risk Management System considers risks of the operational, technological, legal or any other type which, if they arise, could have a significant impact on the Group's financial statements.

- Which of the company's governing bodies monitors the process.

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

F.3 Control activities

Indicating their main characteristics, detail at least the following:

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

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

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

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

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

The Group documents the significant processes, risks and control activities implemented in the business areas in a systematic and homogeneous manner, with the exceptions described for the listed investee companies. This documentation is based on the following:

- Identification of the companies and processes or business cycles that may significantly affect the financial information. Each significant process has a flow chart and a description of key activities.

- Identification of the risks and controls established to mitigate the financial reporting risks and those responsible for this control, under a common methodology.

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

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

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

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

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

The main information systems have protection against viruses and Trojans and have elements that are periodically updated to prevent intrusions to the information systems.

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

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

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

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

F.4 Information and communication

Indicating their main characteristics, detail at least the following:

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

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

The Group has an accounting policies manual that is in line with the International Financial Reporting Standards (IFRS) as these are adopted by the European Union. This manual, updated in January 2013, is applicable to all companies included in the Group's scope of consolidation and to its joint ventures and associates.

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

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

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

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

1) Frequency of information reporting

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

2) Type of information reporting

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

3) Financial reporting format

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

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

4) Model for reporting internal control information

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

This reporting took place in 2013 on a half-yearly basis, at the same time as the publication of the ACS Group's interim half-yearly financial statements.

F.5 Supervision of system operation

Indicating their main characteristics, detail at least the following:

F.5.1 The ICFRS supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function which includes support to the Committee in its work on supervising the internal control system, including the ICFRS, among its duties. Furthermore, indicate the scope of the assessment of the ICFRS carried out in the financial year and of the procedure by means of which the person responsible communicates the results, whether the entity has an action plan that details possible corrective actions and whether its impact on the financial information has been considered.

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

The ACS Group's Internal Corporate Audit functions are carried out by the Internal Audit Department, which coordinated the auditing of the Group's various business areas.

The Corporate Internal Audit Department is included in the organisational structure as a body reporting hierarchically to the Corporate General Management and functionally to the Audit Committee of the Board of Directors. It has no hierarchical or functional link to the business areas. Therefore, the appointment/dismissal of the person responsible is at the suggestion of the Audit Committee. In this regard, Hochtief and Leighton, as noted in point F.1, have their own control systems and the internal audits for these companies report to their Audit Committees.

In turn, the internal audit departments of the Parents of the Group's business areas report hierarchically to the Chairman and/or CEO of these areas and functionally to the Corporate Internal Audit Department. The functions assigned to the Internal Audit Department are as follows:

- Reviewing the implementation of policies, procedures and standards established in the Group's business areas, as well as the operations and transactions they perform.

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

- Reviewing and assessing, in the performance of their work, the internal controls established, included among which are those which make up the risks associated with the financial information for the audited units.

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

The Corporate Internal Audit Department submits the Annual Audit Plan each year for approval by the Audit Committee. This Audit Plan consolidates the internal audits of the Group companies, except for Hochtief and Leighton.

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

The Corporate Internal Audit Department submitted the 2013 Activities Report and the 2014 Audit Plan to the Audit Committee in February 2014. The audits carried out are of the following type:

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

In 2013 the various internal audit departments of the business areas carried out 130 audits.

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

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

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

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

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

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

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

In 2013, the internal and external auditors attended six Audit Committee meetings.

F.6 Other relevant information

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F.7 External auditor's report

Indicate:

F.7.1 Whether the ICFRS information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be included as an appendix. Otherwise, explain the reasons for the absence of this review.

The information relating to the ICFRS issued to the markets for 2013 was reviewed by the external auditor.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Code on good corporate governance.

If any recommendations are not followed or are only partially followed, a detail explanation of the reasons for this must be included so that the shareholders, investors and the market in general have sufficient information to assess the company's conduct. Explanations of a general nature will not be acceptable.

1. The By-laws of listed companies may not limit the number of votes held by a single shareholder or impose other restrictions on the company's takeover via the market acquisition of its shares.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Complies ☒ Explain ☐

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

3. Even if not expressly required under Company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating company, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

See section: B.6.

Complies ☒ Partially complies ☐ Explain ☐

4. That the proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in Recommendation 27, be made public on the date on which the call of the meeting is published.

Complies ☒ Explain ☐

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

a) The appointment or ratification of Board Members, with separate voting on each candidate;

b) Amendments to the By-laws, with votes taken on all articles or groups of articles that are materially different.

Complies ☒ Partially complies ☐ Explain ☐

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

Complies ☒ Explain ☐

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the Company's best interest, to be understood as maximizing the Company's value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies ☒ Partially complies ☐ Explain ☐

8. The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in plenary session should reserve the right to approve:

a) The Company's general policies and strategies, and specifically:

i) The strategic or business plan, management targets and annual budgets;

ii) Investment and financing policy;

iii) Design of the structure of the corporate group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and evaluation of Senior Executives;

vii) Risk control and management, and the periodic monitoring of internal information and control systems;

viii) Dividend policy, as well as the policies and limits applying to treasury shares.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

i) At the proposal of the company's Chief Executive, the appointment and removal of Senior Executives and provisions relating to termination benefits.

ii) The remuneration of the Board Members and, if applicable, extra remuneration for executive and other functions that the contracts should respect.

iii) The financial information to be periodically disclosed by the Company given that it is listed on the securities market.

iv) Investments or transactions of all kinds which, because of the elevated amounts involved or their special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders' Meeting;

v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Transactions which the company conducts with Board Members, significant shareholders, shareholders with Board representation or other persons related thereto ("related party transactions").

However, Board authorisation shall not be required for related party transactions that simultaneously meet the following three conditions:

1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;

2. They are performed at the general prices or rates set by the supplier of the merchandise or service at issue;

3. The transaction amount does not exceed 1% of the company's annual revenues.

It is advisable that related party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee charged with the same function; and that the Board Members involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies ☒ Partially complies ☐ Explain ☐

9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

See section: C.1.2.

Complies ☐ Explain ☒

There are currently 17 Board Members, which is a number comprised within the 11 to 21 member limit provided in Article 13 of the Company By-laws and is in accordance with the Spanish Limited Liability Companies Law. To date, this was considered to be most appropriate number in accordance with the company's needs and characteristics with regard to shareholder structure.

10. A broad majority of the Board shall be External Proprietary and Independent Board Members and the number of Executive Board Members should be the minimum

necessary, taking into account the complexity of the group of companies as well as each Executive Board Members' holding in the share capital of the company.

See sections: A.3 and C.1.3.

Complies ☒ Partially complies ☐ Explain ☐

11. Among External Board Members, the relation between Proprietary Board Members and Independent Board Members should reflect the proportion between the capital represented on the Board and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of Proprietary Board Members is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no ownership interests attain the legal threshold for significant shareholdings, despite the existence of shareholders with considerable investments in absolute terms.

2. In companies with multiple shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 and C.1.3.

Complies ☒ Explain ☐

12. The number of Independent Board Members shall represent at least a third of all Board Members.

See section: C.1.3.

Complies ☐ Explain ☒

It is to our understanding that the distribution of the different types of Board Members (Executive, Proprietary and Independent) is appropriate based on the Company's characteristics, i.e., a large cap company with four significant shareholders holding different ownership (percentages ranging from 18% to 5%).

13. The nature of each Board Member must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointments Committee. This report shall also explain the reasons for having appointed Proprietary Board Members at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request Proprietary Board Members were appointed.

See sections: C.1.3 and C.1.8.

Complies ☒ Partially complies ☐ Explain ☐

14. When the number of women Board Members is few or zero, the Appointments Committee ensures that when vacancies occur:

a) Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;

b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Board Members are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's Chief Executive, along with the chairmen of the relevant Board committees.

See sections: C.1.19 and C.1.41.

Complies ☒ Partially complies ☐ Explain ☐

16. When the Chairman and Chief Executive of the Company, one of the Company's Independent Board Members shall be empowered to request the calling of Board meetings or the inclusion of new business on the Agenda, in order to coordinate and voice the concerns of External Board Members and will take charge of the Chairman's evaluation.

See section: C.1.22.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

17. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the Company By-laws and the Rules of the General Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by the Board in plenary session; the relevant appointment and removal procedures being stipulated in the Rules of the Board of Directors.

See section: C.1.34.

Complies ☒ Partially complies ☐ Explain ☐

18. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the Agenda of these meetings.

See section: C.1.29.

Complies ☒ Partially complies ☐ Explain ☐

19. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Board Members have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30.

Complies ☒ Partially complies ☐ Explain ☐

20. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the Company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the Minutes.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

21. The full Board shall evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's operation;

b) Based on the report issued by the Appointments Committee, how well the Chairman and Chief Executive Officer have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by them.

See sections: C.1.19 and C.1.20.

Complies ☒ Partially complies ☐ Explain ☐

22. All Board Members shall be entitled to receive any additional information they require on matters within the Board's competence. Unless the By-laws or Board Rules indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41.

Complies ☒ Explain ☐

23. All Board Members shall be entitled to call on the Company for the advice they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: C.1.40.

Complies ☒ Explain ☐

24. Companies shall organise induction courses for new Board Members to supply them rapidly with the information they need on the Company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Complies ☒ Partially complies ☐ Explain ☐

25. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively.

a) Board Members should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of Board Memberships their Board Members can hold.

See sections: C.1.12, C.1.13 and C.1.17.

Complies ☒ Partially complies ☐ Explain ☐

26. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholders' Meeting, as well as provisional appointments through co-opting, shall be approved by the Board:

a) On the proposal of the Appointments Committee, in the case of Independent Board Members;

b) Subject to a report from the Appointments Committee in all other cases.

See section: C.1.3.

Complies ☒ Partially complies ☐ Explain ☐

27. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Board Memberships held at other companies, listed or otherwise;

c) An indication of the Board Member's classification as Executive, Proprietary or Independent; in the case of Proprietary Board Members, stating the shareholder they represent or have links with;

d) The date of their first and subsequent appointments as a company Board Member; and

e) Shares held in the company and any options thereon.

Complies ☒ Partially complies ☐ Explain ☐

28. Proprietary Board Members shall resign when the shareholders they represent dispose of the shares owned in their entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Board Members, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and C.1.2.

Complies ☒ Partially complies ☐ Explain ☐

29. The Board of Directors may not propose the removal of Independent Board Members before the expiry of the statutory term for which they were appointed, as mandated by the By-laws, except where just cause is found by the Board based on a report of the Appointments Committee. In particular, just cause will be presumed when a Board Member is in breach of the duties inherent to his position or comes under one of the grounds leading to their disqualification as independent, in accordance with that laid down in Ministerial Order ECC/461/2013.

The removal of Independent Board Members may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

Complies ☒ Explain ☐

30. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

When a Board Member is sued or tried for any of the offences stated in Article 213 of the Companies Law the Board should examine the matter and, in view of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report

See sections: C.1.42 and C.1.43.

Complies ☒ Partially complies ☐ Explain ☐

31. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, Independents and other Board Members unaffected by potential conflicts of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; Board Member or otherwise.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

32. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Irrespective of whether such resignation is filed as a significant event, the motive for it must be explained in the Annual Corporate Governance Report.

See section: C.1.9.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

33. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the Company's performance or membership of pension schemes shall be confined to Executive Board Members.

The delivery of shares is excluded from this limitation when Board Members are obliged to retain them until the end of their tenure.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

34. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardise their independence.

Complies ☒ Partially complies ☐ Explain ☐

35. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies ☒ Partially complies ☐ Explain ☐

36. In the case of variable pay, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies ☒ Partially complies ☐ Explain ☐

37. When the company has a Delegate or Executive Committee (hereafter "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself.

See sections: C.2.1 and C.2.6.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

38. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board Members will receive a copy of the Committee's minutes.

Complies ☒ Partially complies ☐ Explain ☐

39. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate Committees, of Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration committee or committees should be set forth in the Rules of the Board of Directors and include the following:

a) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its Board Members and the remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting.

b) These Committees should be formed exclusively of External Board Members and have a minimum of three members. Executive Board Members or Senior Executives may also attend meetings at the Committee's invitation, when the committee members so agree expressly.

c) Their chairmen shall be Independent Board Members.

d) They may engage external advisers when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in Minutes and a copy sent to all Board Members.

See sections: C.2.1 and C.2.4.

Complies ☒ Partially complies ☐ Explain ☐

40. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4.

Complies ☒ Explain ☐

41. All members of the Audit Committee, particularly its Chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Complies ☒ Explain ☐

42. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

See section: C.2.3.

Complies ☒ Explain ☐

43. The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation and submit an activities report at the end of each year.

Complies ☒ Partially complies ☐ Explain ☐

44. The control and risk management policy shall specify at least:

a) The different types of risk (operational, technological, financial, legal, risk to reputation, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of identified risks, should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies ☒ Partially complies ☐ Explain ☐

45. The Audit Committee's role will be as follows:

1. In relation to internal control and reporting systems:

a) Ensuring that the main risks identified as a result of supervising the effectiveness of the company's internal control and internal auditing, where applicable, are managed and reported appropriately.

b) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the internal audit department's budget; receiving regular reports on its activities; and verifying that senior management acts on the findings and recommendations of its reports.

c) Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2. In relation to the external auditor:

a) Receiving regular information from the external auditors on the progress and findings of the audit plan, and checking that senior management is acting on its recommendations.

b) Ensuring the independence of the external auditors, to which end:

i) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons for the same.

iii) The Committee should investigate the issues giving rise to the resignation of any external auditors.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

Complies ☒ Partially complies ☐ Explain ☐

46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any other senior manager.

Complies ☒ Explain ☐

47. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditors to conduct a limited review.

b)The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Related-party transactions, unless this responsibility has been assumed by another supervision and control Committee.

See sections: C.2.3 and C.2.4.

Complies ☒ Partially complies ☐ Explain ☐

48. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee chairman and the auditors will give a clear account to shareholders of their scope and content.

See section: C.1.38.

Complies ☒ Partially complies ☐ Explain ☐

49. The majority of the members of the Appointments Committee or of the Appointments and Remuneration Committee, in the case that there is only one, are Independent Board Members.

See section: C.2.1.

Complies ☐ Explain ☒ Not applicable ☐

The Appointments and Remuneration Committee is composed of two Independent Board Members and one Non-Executive Proprietary Board Member for each reference shareholder with a significant holding.

50. The Appointments Committee shall have the following functions in addition to those stated in earlier Recommendations:

a) Evaluating the skills, knowledge and experience required of the Board; defining the roles and capabilities required of the candidates to fill each vacancy; and deciding the time and dedication necessary for them to properly perform their duties.

b) Examining or organising, as the Committee deems fit, the succession of the Chairman and the Chief Executive and, if applicable, submitting proposals to the Board in order to ensure a smooth and well-planned handover.

c) Reporting on the senior executive appointments and removals which the Chief Executive proposes to the Board.

d) Reporting to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

51. The Appointments Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Any Board Member may suggest Board Membership candidates to the Appointments Committee for its consideration.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

52. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

a) Make proposals to the Board of Directors regarding the following:

i) The remuneration policy for Board Members and Senior Executives;

ii) The individual remuneration of Board Members and other contract conditions.

iii) The basic conditions of the contracts of Senior Executives.

b) Overseeing compliance with the remuneration policy set by the company.

See section: C.2.4.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

53. The Remuneration Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Complies ☒ Explain ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

1. If there are any relevant aspects relating to corporate governance in the company or group entities which have not been reflected in the other sections of this report, but which need to be included to give more complete and reasoned information on the structure and governance practices in the company or its group, detail them briefly.

2. This section can also include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance and, if so, include the information that it is required to furnish, where such information differs from that required in this report.

3. The company may also indicate whether it has adhered voluntarily to other codes on ethical principles or good practices, whether international or applying to the sector or other scope. Where applicable, identify the code in question and the date of adherence.

C.1.19.- Literal content of the applicable articles of the Rules of the Board of Directors.

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated:

- Accepting the resignation of Board Members.

- Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.

- Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.

- Delegating to any of its members, in full or in part, the powers corresponding to the Board, except those which cannot be delegated.

- Preparing the individual and consolidated financial statements and management reports and submitting them for approval by the General Shareholders' Meeting. Also drawing up an annual report on the Board Member's remuneration policy, which shall be submitted to an advisory vote at the Company's General Shareholders' Meeting as a separate item on the agenda.

- Drawing up reports, including the Annual Corporate Governance Report, and the proposals which, in accordance with the legislation in force and the Company By-laws, the Board of Directors is responsible for adopting.

- Approving the yearly budget.

- Approving the merger, acquisition, spin-off or business operations involving the Group's main subsidiaries of which the Company is the Parent.

- Approving the block issue of debentures, promissory notes, bonds or similar securities by the Group's main subsidiaries of which the Company is the Parent.

- Approving the transfer of rights regarding the brand name, trademarks and other intellectual and industrial property rights that belong to the Company or the companies of its Group, whenever they are of financial relevance.

- Assessing, yearly, the quality and efficiency of its operation; the Chairman and, if appropriate, CEO's performance of their duties, following the issuance of a report by the Appointments and Remuneration Committee; and the operation of the Board of Director's Committees, following the issuance of a report by these Committees.

- Amending these Rules.

- Carrying out, in general, all functions for which it is responsible by law, by regulation or in accordance with these Rules, and performing any other functions which have been delegated thereto by the General Shareholders' Meeting. The Board may, in turn, only delegate those that are expressly permitted in the resolution on delegation of the General Shareholders' Meeting.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.
Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of its shares by any means.

Article 17. The Chairman

The Board shall elect a Chairman from among its members, who, in addition to the functions that may correspond in accordance with the legislation in force, the Company By-laws and these Rules, shall perform the tasks corresponding to his or her condition as the Company's maximum executive, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Chairman shall enjoy the broadest powers for performing his or her tasks and, unless other stipulated by law, may fully or partially delegate such powers to other Board Members and the Company's management personnel and, in general, whoever he or she deems advisable or necessary.

Article 18. The Deputy Chairmen

The Board may also elect from among its Board Members one or two Deputy Chairmen who shall act as the Chairman in cases of delegation, absence or illness and, in general, perform all the tasks that may be entrusted to them by the Chairman, the Executive Committee and the Board of Directors.

Substitution of the Chairman shall take place by chronological order of the Deputy Chairmen's appointment, in the absence of such order, by order of seniority and, lastly by order of greater to lesser age.

Article 19. The Chief Executive Officer

The Board may appoint a Chief Executive Officer, delegating him the powers deemed expedient except those which, by law or Company By-laws, cannot be delegated.

Article 20. The Secretary

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member and who must be a practising lawyer. Apart from the duties laid down by the legislation in force, the Company By-laws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the Company bodies he forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes; and ensuring that the Board of Directors bears in mind in its actions the recommendations of the Unified Code of Good Corporate Governance in force.

Article 24. The Appointments and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their duties indefinitely or during the term for which they were elected. The appointment of the Chairman must fall to one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

The Appointments and Remuneration Committee has the following duties:

1. Report on the remuneration system for the Chairman of the Board of Directors and other Senior Executives in the Company. Where appropriate, make the pertinent recommendations to the Board so that the succession of the Chairman and, if applicable, Chief Executive Officer, proceeds in a planned and orderly manner. Consult with the Chairman, and if appropriate, the Chief Executive Officer, on any matters within its competence affecting the Company's executive Board Members and other Senior Executives.

2. Report on the distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their duties.

3. Report on the remuneration of Board Members.

4. Report on multi-annual plans that may be set up according to share value such as share option plans.

5. Propose the appointment or re-election of Independent Board Members and report on the proposals for the appointment of other Board Members and the Secretary to the Board of Directors. For these purposes, the skills, knowledge, experience and dedication to the good

performance of their duties of those proposed as Board Members should be assessed. The Committee shall also report on the proposed early resignation of any Independent Board Members.

6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts

7. Issues relating to gender diversity on the Board of Directors.

8. Any other matters under its competence, pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.1.22 (2) In accordance with the Rules of the Board of Directors, amended on 25 February 2010, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.30 The percentage of votes in the Board are not calculated by the number of meetings at which all the Board Members were present with respect to the total number held, but rather by the number of votes (110) with respect to the total theoretical number (nine meetings by 17 Board Members).

D.2 and D.3 In relation to this section, list any relevant transactions entailing a transfer of funds or obligations between the company or group companies and companies related to the company's significant shareholders. In relation to this section, the only transactions between executives and administrators are those remunerations already detailed in those sections:

Management or collaboration agreements:
Terratest Tecnicas Especiales, S.A., amounting to EUR 1,046 thousand

Leases:
Fidalser, S.L., amounting to EUR 177 thousand

Services received:
Fidalser, S.L., amounting to EUR 125 thousand
Terratest Tecnicas Especiales, S.A., amounting to EUR 1,046 thousand
Indra, amounting to EUR 1,678 thousand
Zardoya Otis, S.A., amounting to EUR 1,496 thousand

Other expenses:
March Unipsa, JLT, S.A., amounting to EUR 38,110 thousands

Services rendered:
Rosan Inversiones, S.L., amounting to EUR 384 thousand
Grupo Iberostar, amounting to EUR 553 thousand
Indra, amounting to EUR 2,362 thousand

Financing agreements: loans and capital contributions:
Banca March, amounting to EUR 52,630 thousand
Banco Sabadell, amounting to EUR 750,534 thousand

Guarantees given:
Banca March, amounting to EUR 30,820 thousand

Dividends and other distributed profit:
Lynx Capital, S.A., amounting to EUR 326 thousand.

Fidalser, S.L., amounting to EUR 679 thousand

Other transactions:
Banca March, amounting to EUR 23,813 thousand

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.

Included under Administrators and Executives is a housing construction contract between Dragados, S.A. and the Board Member Joan David Grimà Terré, signed in 2013 for EUR 2,534 thousand, of which EUR 257 thousand were billed in 2013.

Rosán Inversiones, S.L. is itemised due to its links with the Company's Chairman and CEO, who has a significant holding through Inversiones Vesán, S.A., as services were rendered by various Group entities in 2012 and 2013.

The transactions with other related parties are listed due to 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 managers. In this regard, the transactions with Fidalser, S.L., Terratest Tecnicas Especiales, S.A., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, 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 Board Member 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 Corporación 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 relate to the normal operations of the Group companies.

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 were carried out on an arm's length basis and they do not have to be disclosed to present fairly the equity, financial position and results of the Group's operations

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

With regard to Recommendation 37 of Section G, the following structure of ownership interest of the various categories of Board Members on the Board of Directors and Executive Committee is noteworthy:

Executive Board Members on the Board of Directors:	.... 23.53%
Executive Board Members on the Executive Committee:	.... 28.57%
External Proprietary Board Members on the Board of Directors:	.... 47.05%
External Proprietary Board Members on the Executive Committee:	.... 42.86%
External Independent Board Members on the Board of Directors:	.... 23.53%
External Independent Board Members on the Executive Committee:	.... 14.29%
Other External Board Members on the Board of Directors:	.... 5.88%
Other External Board Members on the Executive Committee:	.... 14.29%

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting held on 26/03/2014.

Indicate whether any Board Members voted against or abstained in relation to the approval of this Report.

Yes ☐ No ☒

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. FOR 2013

To the Directors of
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.:

As requested by the Board of Directors of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. ("the Entity") and in accordance with our proposal-letter of 14 October 2013, we have applied certain procedures to the information relating to the ICFR system included in the accompanying Annual Corporate Governance Report (section F) of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. for 2013, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2013 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR). Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F), relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.

3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the system of ICFR. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.

5. Perusal of minutes of meetings of the Board of Directors, the Executive Committee and the Audit Committee in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by CNMV Circular no. 5/2013, of 12 June 2013, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Ignacio Alcaraz Elorrieta
27 March 2014