

ANNUAL REPORT

2013

Executive
summary

Message from the Chairman

Dear Shareholders,

Firstly, I would like to share with all of you my optimism with regard to the global economic recovery under way. In the second half of 2013, the recession ended in the Euro area, US GDP expanded, and most emerging countries recovered from the turbulence they had experienced in the summer. The global economy expanded at an annual rate of close to 3.2% in the first quarter of 2014. In short, a moderate acceleration is expected in 2014-2015, sustained by the developed economies, supported in turn by a combination of fiscal and monetary policies and favorable financial conditions. In fact, the IMF expects global economic growth of 3.6% in 2014 and 3.9% in 2015.

In 2013, ACCIONA was impacted by energy reforms in Spain which, after several regulatory procedures, led to a Ministerial Order that established new remuneration parameters for renewable energies. As a whole, the various regulatory amendments in 2012 and 2013, and those approved in 2014 (which have yet to be fully detailed), will have an estimated impact of around 370 million euros on our EBITDA for a standard year.

In view of this, ACCIONA reacted in a way that was flexible and proactive, implementing a Plan of Action to mitigate the impact of the regulatory reform and maintain growth and value creation in our Energy and Infrastructure businesses.

In this regard, we focused on two areas of action:

- Strengthening our balance sheet and liquidity position, shifting our business model so as to grow in a way that is less capital intensive and drawing on alternative sources of funding, such as teaming up with financial partners and tapping the capital markets.
- Redefining the business model and creating a large Infrastructure division which comprises all the construction, water and services businesses as a fundamental strategic initiative and as a way to achieve synergies in revenues and costs. The final objective is to improve and optimize our platform so as to achieve sustainable growth in our strategic Infrastructure and Energy businesses, in which we have over a century of experience and are global leaders.

In line with these goals, several decisions have been made which have improved our Company's operational efficiency:

- We have divested renewable assets in Germany and Korea, a hospital concession in Canada and a rental property, raising approximately 370 million euros.
- We placed our first convertible bond issue (342 million euros).
- Additionally, and in accordance with our austerity policy, we took the unprecedented decision not to distribute a dividend out of 2013 earnings.
- I would also like to highlight progress in the search for a partner for ACCIONA Energy International, and also in our restructuring and cost reduction plans.

Despite these efforts, ACCIONA ended the year with revenues of 6.607 billion euros, 5.8% less than the previous year, and EBITDA of 1.228 billion euros, a decline of 14.1% year-

Key figures

→ Share data

	2012	2013
Starting price, €	66.7	56.2
Final price, €	56.2	41.8
Appreciation (%)	-15.8%	-25.7%
Low in 2013, €	30.5	34.1
High in 2013, €	68.1	64.8
Market capitalization at 31 December (million euros)	3,219	2,391

→ Turnover (million euros)

	2012	2013	Chg.
Infrastructure	3,326	2,733	-17.8%
Energy	2,107	2,120	0.6%
Water	506	585	15.6%
Service	592	641	8.3%
Other activities	631	641	1.6%
Consolidation adjustments	-146	-113	
Turnover	7,016	6,607	-5.8%

→ EBT (million euros)

	2012	2013	Chg.
Infrastructure	70	-28	n.a.
Energy	166	7	-95.9%
Water	23	24	7.6%
Service	2	3	92.6%
Other activities	-14	21	n.a.
Consolidation adjustments	-1	2	n.a.
ORDINARY EBT	245	29	-88.1%
Extraordinary items	1	-2,203	
EBT	246	-2,174	n.a.

→ EBITDA (million euros)

	2012	2013	Chg.
Infrastructure	163	82	-49.6%
Energy	1,125	979	-13.0%
Water	41	54	30.5%
Service	18	20	13.5%
Other activities	86	93	7.6%
Consolidation adjustments	-3	0	
EBITDA	1,431	1,228	-14.1%

on-year. Ongoing regulatory reforms had a negative impact of 257 million euros on our EBITDA in 2013.

This is the first time since it was listed that ACCIONA has reported a loss (-1.972 billion euros), and it is mainly due to sizeable provisions booked in 2013 to address the regulatory changes in the energy sector. Excluding the regulatory impact, Group EBITDA would have increased by 4% and ordinary pre-tax profit by 17%.

In 2013, ACCIONA Energy contributed 80% of Group EBITDA, with 979 million euros. With regard to wind energy, 105 MW were installed, of which 75 MW were outside Spain, bringing the Group's total capacity to 8,480 MW and strengthening our leading position in the market.

In the area of Infrastructure, the international construction business accounted for 54% of the backlog in 2013, boosting ACCIONA Infrastructure's revenues to 2.733 billion euros. Our Water business obtained revenues of 585 million euros and EBITDA of 54 million euros. The Water backlog amounted to 10.730 billion euros at 2013 year-end.

As regards capital expenditure, ACCIONA maintained a selective policy in 2013 and invested 381 million euros, of which 205 million correspond to ACCIONA Energy and 198 million euros to Infrastructure, mainly in the concession business.

As a result of cash generation by our businesses, net interest-bearing debt amounted to 6.715 billion euros at 2013 year-end, 10% less than in the preceding year. We reinforced our financial structure and cash position, including unused credit lines, to approximately 2.600 billion euros. We do not face any major refinancing needs in the coming years, and 67% of our gross interest-bearing debt is without recourse.

We remain committed to accountability vis-à-vis our shareholders and other stakeholders and, in addition to presenting our financial information, this year we are submitting our third Sustainability Report for approval to the forthcoming Shareholders' Meeting.

I would like to highlight some specific instances of progress in our Sustainability practices in 2013. These include approval of ACCIONA's Policy Book, which sets out our financial, social and environmental commitments and the lines of action we apply in the communities where the Group operates.

As a result of our focus on workplace health and safety, there were zero fatal accidents among Company employees in the year. We have also extended our sustainability practices to our international operations, such as: the implementation of our Social Impact Management methodology in Brazil, Morocco and South Africa, and of innovation processes in ten new countries, which now account for 28% of the total.

As for the environment, we avoided the emission of more than 15 million tonnes of CO₂, and we reduced CO₂ emissions by 21% and energy consumption by 15% with respect to 2012.

The ACCIONA Microenergy Foundation strengthened its *Electricity at Home* program in Peru and Mexico in 2013. As a result, the living conditions of 1,700 families and 17 community centers in Peru and 180 families in Mexico have improved, thanks to clean energy.

All of these actions have been recognized by leading global sustainability fora, through our appointment to the Advisory Board of the Sustainable Energy for All program, and participation on the Executive Committees of the Global Compact LEAD platform and

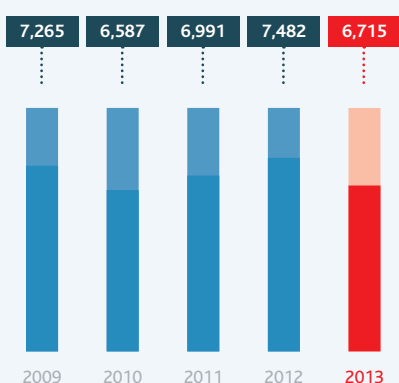
the Caring for Climate initiative, all of them organized by the United Nations. In Europe, we participated in both the Corporate Leaders Group on Climate Change and the European Green Growth Summit. We are the only Spanish company on the Global 100 Most Sustainable Corporations in the World 2014 list. We were confirmed as a component of the DJSI for the seventh consecutive year, this time in the Electric Utilities industry group, and we have been included in other indices, such as the Iberia 125 Climate Performance Leadership and Climate Disclosure Leadership, both created by the CDP.

These last few years of crisis have helped us achieve a business model that is sounder, more global and more lasting, enabling us to successfully overcome a period of difficulties that is without precedent in our history.

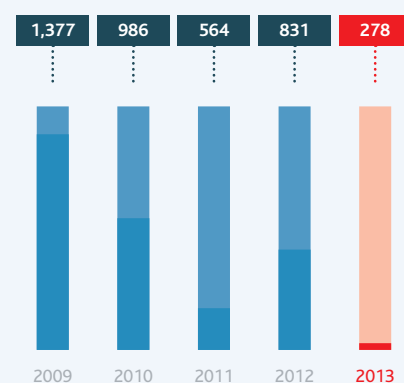
Every day, the challenge of producing goods and services for a population in constant growth is ever more demanding. Moreover, the social divide between the developed and developing worlds is not shrinking, as would be desirable to maintain a geostrategic and social balance in an increasingly interconnected world. In view of this, ACCIONA is developing a new energy model and providing the infrastructure required for the increasingly necessary economic and social development of the countries where we operate.

Today ACCIONA is a Company with a solid business model and the committed support of its employees, shareholders, clients and partners. I can assure you that we will spare no effort to ensure that ACCIONA not only overcomes its current challenges but also emerges stronger and becomes the leader in the markets where it operates. ■

→ Net interest-bearing debt (million euros)



→ Ordinary net capital expenditure (million euros)



Absent the regulatory changes, EBITDA would have expanded by **3.8%** and EBT by **16.7%**

ACCIONA around the world

In 2013, ACCIONA remained committed to international growth, having strengthened its long-term presence on the five continents.

Latin America: ACCIONA strengthened its presence in these markets, having completed noteworthy projects there. These include: a contract to build the Fortaleza metro east line and several wind turbine supply agreements in Brazil, a hydroelectric plant in Mexico, and a Company-owned wind farm and two photovoltaic plants for clients in Chile. It also strengthened its presence in Peru and Ecuador.

Asia-Pacific: ACCIONA strengthened its position in India and Australia with new contracts in Energy and also in Infrastructure (Australia).

North America: ACCIONA obtained a major wind turbine supply contract in the US. The Company strengthened its foothold in Canada with new contracts in Infrastructure and Energy.

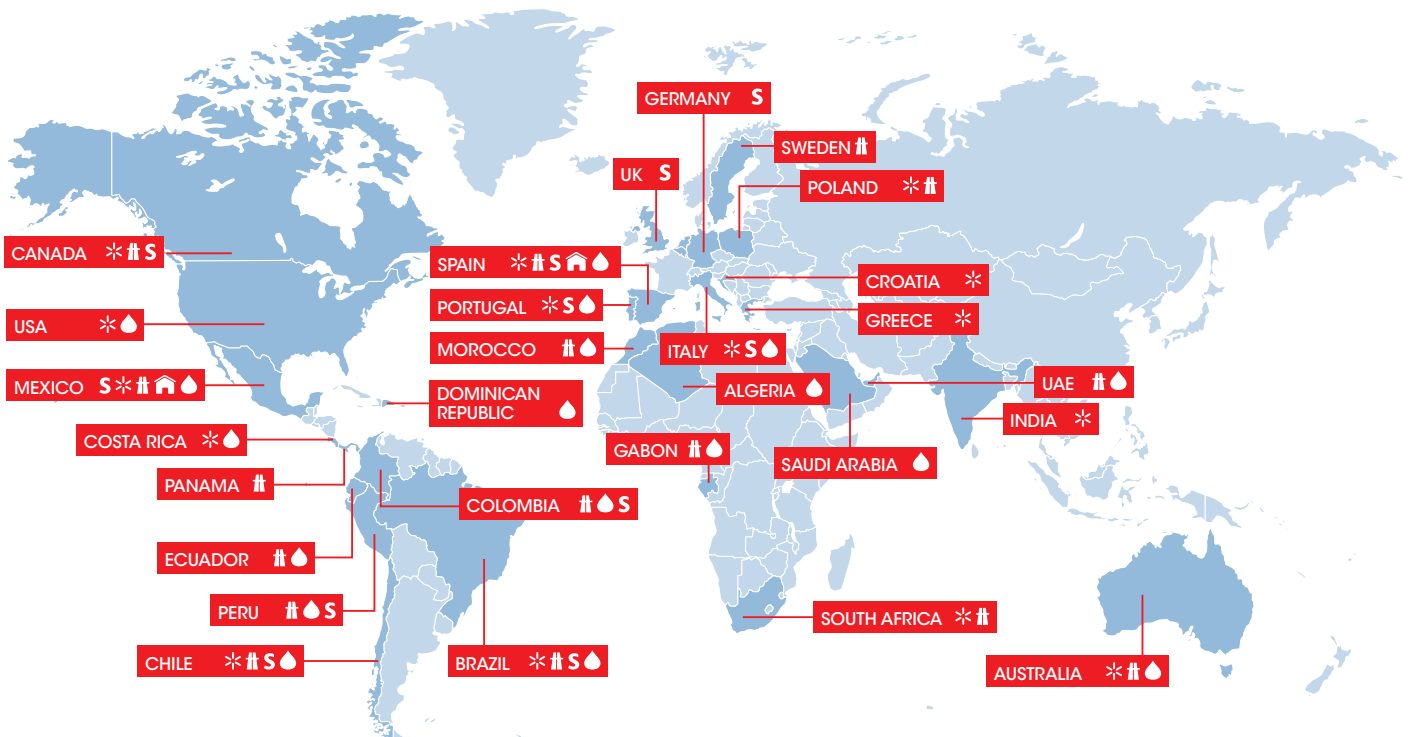
Middle East and North Africa: ACCIONA increased its strategic presence with a contract

in Egypt to build what will be the largest drinking water treatment plant in Africa. ACCIONA strengthened its presence in the region with several water projects in Saudi Arabia and the United Arab Emirates and new services contracts in Qatar and Oman.

Elsewhere in Africa: ACCIONA maintained its presence in the Infrastructure, Water and Energy segments. It continues to operate in South Africa and Gabon. The Company strengthened its footprint in the latter with a number of Infrastructure and Water projects, including the contract to build the country's largest drinking water treatment plant.

Europe: The Company commissioned wind farms in Croatia and Poland, obtained a large services contract at Frankfurt Airport, and maintains a strong presence in strategic countries such as Italy, where it has several water projects under way, and in Poland, where it operates via subsidiary Mostostal Warszawa, one of the country's leading construction companies. ■

ACCIONA maintained its international presence in 2013, and international turnover accounted for **41%** of the Company's total



flamingo Infrastructure
 water drop Water
 S Service
 * Energy
 house Real Estate

Includes those countries where turnover exceeds three million euros.

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/// ACCIONA INFRASTRUCTURE

ACCIONA Infrastructure undertakes all aspects of construction, from design, engineering and execution through to infrastructure management and maintenance.

Strategic markets

It has a sound, century-long track-record in Spain, as well as a solid foothold in strategic markets such as Brazil, Chile, Mexico, Canada, Australia, Poland, Colombia and Ecuador.

- **AUSTRALIA:** the company was adjudicated a new road, short-listed for the East West Link mega-project, and received awards for the construction of Legacy Way Tunnel in Brisbane, all of which confirm our sound position in that market.
- **BRAZIL:** ACCIONA Infrastructure's presence in São Paulo was strongly reinforced with the adjudication of two of the six contracts for the São Paulo northern beltway (Rodoanel Mário Covas). This, together with the contract for the east line of the Fortaleza Metro, reflect ACCIONA's successful expansion in Brazil.

- The synergies achieved with ACCIONA's Engineering division led to two major contracts to build solar-thermal projects in **MOROCCO** and **SOUTH AFRICA**.
- Numerous contracts in **MEXICO**, from residential building, through educational and healthcare facilities, roads and ports, to energy projects, evidence that ACCIONA Infrastructure is currently well-positioned in Mexico and capable of undertaking all kinds of projects there.
- ACCIONA was also successful in three new markets in 2013. ACCIONA Infrastructure obtained its first contract in **PERU**, to build a hospital in Junín, and strengthened its base in **SWEDEN** due to the adjudication of a second railway contract in Stockholm, and in **ECUADOR** it was short-listed for the second phase of the Quito Metro, in which ACCIONA is already involved through a contract awarded in 2012 for the first phase. ■

In figures

TURNOVER:

2,733 M€

BACKLOG:

5,723 M€

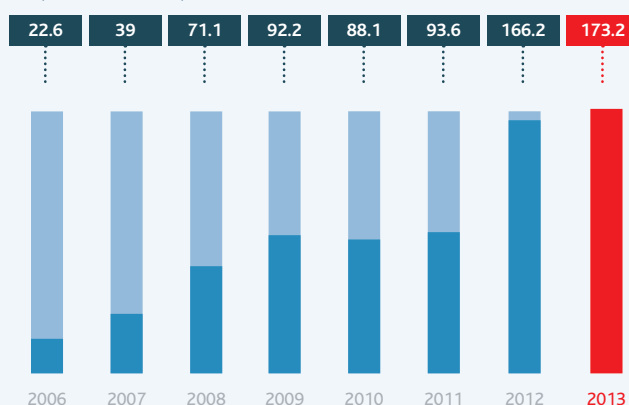
/// INNOVATION

In 2013, ACCIONA increased its commitment to R&D and innovation while also adopting a more flexible strategy to adapt innovation to the business. As a result, it received many national and international distinctions. The European Union's Horizon 2020 program was defined and approved in 2013. The EU's new Research and Innovation framework program for 2014-2020 contains changes in terms of the focus of the programs and funding instruments. In this context, ACCIONA has deepened its commitment to innovation in the business, re-focusing its innovation strategy in all areas with a view to adapting to the changing context.

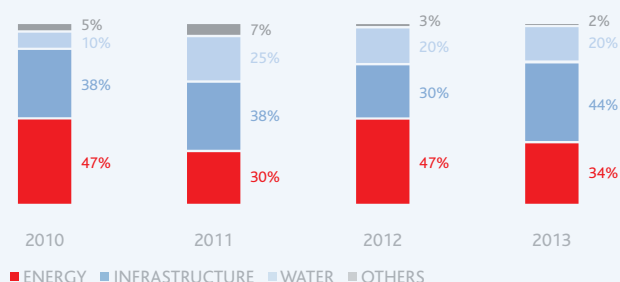
ACCIONA's position in the top innovation league tables improves year after year. ACCIONA is the Spanish company with the fastest growth in R&D spending in the last three years, according to the 2013 EU Industrial R&D Investment Scoreboard, drafted by the EC's IRI, its Economics of Industrial Research and Innovation action.

Global consulting firm Booz & Company ranked ACCIONA 461st out of the 1,000 listed companies with the greatest R&D and innovation spending. This is a notable improvement on the 620th position that ACCIONA attained in 2012. ■

→ Expenditure on innovation (million euros)



→ Expenditure on innovation, by business



/// ACCIONA AGUA

ACCIONA Agua provides comprehensive solutions which contribute to sustainable development in the water industry. Since inception, the company has contributed to treating, processing, reusing, desalinating and managing water for over 70 million people in 20 countries on five continents, always to the highest standards of quality, innovation and sustainability. ACCIONA Agua has placed its name on over 400 drinking water and wastewater treatment plants and over 70 desalination plants. It operates and maintains a full range of water treatment plants and provides end-to-end water services in over 180 cities (including water capture and distribution in 105 towns in Catalonia). ■

... in business terms...

10,730
M€ BACKLOG IN DECEMBER 2013

585
M€ TURNOVER IN 2013

2,806
WORKFORCE IN DECEMBER 2013

...advances ACCIONA Agua has provided to society...

115

DRINKING WATER TREATMENT PLANTS BUILT, WITH A TOTAL CAPACITY OF OVER 7 MILLION M³/DAY, SUPPLYING OVER 26 MILLION PEOPLE

MORE THAN 300 TREATMENT PLANTS BUILT, WITH A TOTAL CAPACITY OF MORE THAN

11.8

MILLION M³/DAY OF WATER, SERVING A POPULATION OF MORE THAN 53 MILLION PEOPLE

MORE THAN

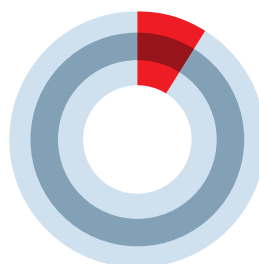
70

DESALINATION PLANTS, PRODUCING A TOTAL OF OVER 2.2 MILLION M³/DAY OF DRINKING WATER. IT SUPPLIES MORE THAN 10.5 MILLION PEOPLE

... creating real value...

ACCIONA AGUA (HM ³)	2013	2012
Desalinated water	99 hm ³	121 hm ³
Municipal water	133 hm ³	51 hm ³
Treated wastewater	431 hm ³	396 hm ³
TOTAL	663 hm³	568 hm³

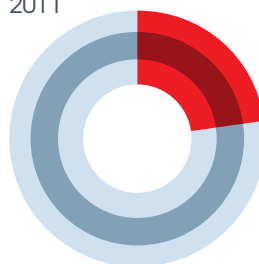
→ Design & construction 2013



→ Operation & maintenance 2013



2011



2011



CONSTRUCTION CONTRACTS

NTOUM DRINKING WATER TREATMENT PLANT (GABON)

ACCIONA Agua obtained its first contract in Gabon, to design and build a drinking water treatment plant, which will have a capacity of 140,000 m³/day. This will increase the supply capacity in the capital, Libreville, and its surrounding areas, serving an estimated one million people.

MONTE DA ROCHA (PORTUGAL)

ACCIONA Agua was awarded the contract to expand the Monte da Rocha drinking water treatment plant in Alentejo, Portugal, after which the plant will produce 6,400 m³/day, serving around 35,000 people.

GABAL AL ASFAR (EGYPT)

The company was selected to carry out the contract to expand, design, build and commission the Gabal Al Asfar wastewater treatment plant in Egypt, and later operate and maintain it for two years. The plant will have a treatment capacity of 500,000 m³/day and serve around two million people in the eastern part of the Egyptian capital Cairo.

/// ACCIONA SERVICE

ACCIONA Service continues to provide clients with end-to-end solutions that include the design, management and operation of all of their non-core business activities, serving both private companies and institutions as well as public administrations.

This brand includes:

- ACCIONA Facility Services
- ACCIONA Environment
- ACCIONA Urban Services
- ACCIONA Multi-Services
- ACCIONA Airport Services
- ACCIONA Productions & Design
- ACCIONA Forwarding
- Renewable Energies Operation & Maintenance (EROM)

Once again, the Company is the leading provider of these services to Spain's top companies, particularly in the food, automobile and hospitality industries, as well as heavy industry and metallurgy. It also serves large services companies, shopping centers, banks and insurers.

Management models

In the area of services to public administrations, ACCIONA Service has achieved strong, steady growth. At a time when public services are being re-examined to ensure their sustainability over time as well as their quality, ACCIONA Service proposes management models which confirm that services can be optimized so as to continue delivering a better service to citizens. The best proof of this is our presence at the various echelons of the administration. From local level, where we deliver a range of services, to central government, where we serve some of the country's largest infrastructures. ■



Municipal services.



Park and garden maintenance and landscaping.



Energy services.



Specialized, technical cleaning services for industry, healthcare and laboratories.



Technical services and facility maintenance.



Handling services.



Event organization.



Logistics & transport services.



Security services.



Ancillary services.

Integrating the companies increased total turnover by 8.3% and EBITDA by 13.5%

/// SUSTAINABILITY

ACCIONA focuses its sustainability strategy on economic growth, environmental equilibrium, and social progress.

This strategy was implemented via the Sustainability Master Plan 2015 (SMP 2015), a roadmap which includes all of the initiatives in this sphere and sets out objectives in the following areas: Innovation, Environment, Society, Value Circle, Corporate Governance, Dialogue with Stakeholders, Dissemination and Leadership, and Accountability.

The Company is positioned as a leader in sustainability, as its commitment to responsible management aligns perfectly with

the dissemination of a business model based on Sustainable Development and an active presence in various organizations and initiatives.

The Sustainability Report offers an overview of ACCIONA's performance vis-à-vis challenges in sustainable development that the Company faced in 2013, focusing especially on drafting the report in accordance with the criteria, principles, and content of the new Global Reporting Initiative (GRI) G4 framework. This edition covers a larger battery of key indicators to a reasonable level of assurance. ■

Presence in sustainability indices and organisations:

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



The new energy regulations had an impact amounting to 257 million euros on ACCIONA Energy's 2013 accounts. This situation forced the company to strengthen its action plan aimed at reducing costs and capital expenditure, stepping up services to customers, and bringing in equity partners. ACCIONA Energy-owned facilities produced 22,404 GWh in 2013, 10% more than in the preceding year. In normal circumstances, the related economic magnitudes would have increased similarly; however, regulatory changes in Spain in 2012 and 2013 (the latter in force since July 2013) had an impact of 257 million euros on the company in 2013; in a full year with average output and prices, the impact would be between 360 and 370 million euros.

AW3000

ACCIONA Windpower, the Group's subsidiary specialized in wind turbine design, manufacturing and sale, produced turbines totalling 945 MW in 2013 and has signed additional contracts for 615 MW.

In 2013, ACCIONA Windpower undertook a program to reduce the cost of energy (COE) associated with each wind turbine; the COE combines a machine's capital cost (acquisition of components, manufacture, transport, installation and commissioning) and the cost of operating and maintaining it over its useful life (25 years on average). In 2013 alone, the company managed to cut the COE by 13% and expects to reach 25% by the end of 2014.

EPCs and sales

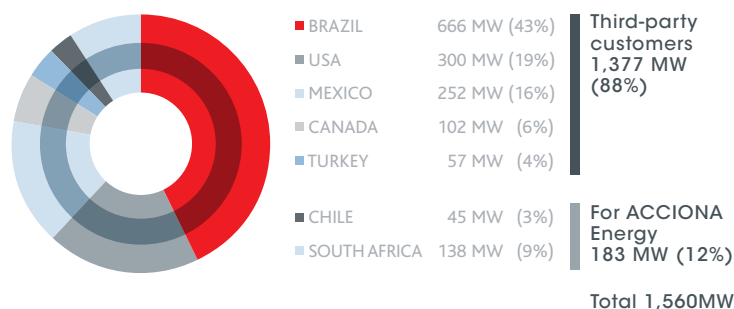
As regards EPCs (turnkey projects for third parties), ACCIONA Energy signed contracts in 2013 and has commitments for the first half of 2014 totalling 427 MW.

ACCIONA expanded the supply of renewable energies to large accounts in Spain in 2013. Its subsidiary, ACCIONA Green Energy Developments, supplied 5,110 GWh, an increase of 56% with respect to 2012. ACCIONA sold electricity—100% renewable as certified by the Spanish National Markets and Competition Commission—to a large number of companies and entities, including Adif, Acuamed, and Telefónica. ■

→ ACCIONA Energy, total output by technology

Technology	2012 (GWh)	2013 (GWh)	Difference (%)
Wind	17,376	18,399	+5.9%
Hydroelectric	1,828	2,882	+57.7%
Biomass	450	454	+0.9%
Solar thermal	596	546	-8.4%
Photovoltaic	101	95	-5.9%
Cogeneration	28	28	-
Total	20,379	22,404	+9.9%

→ Orders for AW3000 wind turbines (MW and %)



→ ACCIONA Energy total output by country*

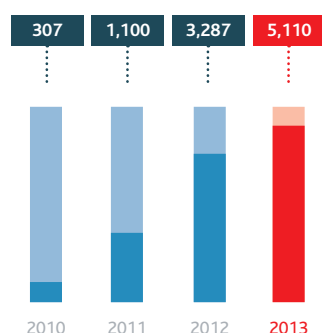
Countries	2012 (GWh)	2013 (GWh)	Difference (%)
Spain	13,120	15,209	+15.9%
Renewables	13,092	15,181	+15.9%
Cogeneration	28	28	0%
USA	2,089	2,114	+1.2%
Mexico	2,180	1,863	-14.5%
Australia	984	1,002	+1.8%
Canada	538	555	+3.2%
Portugal	375	413	+10.1%
India	208	244	+17.3%
Germany	269	242	-10%
Italy	188	236	+25.5%
South Korea	196	179	-8.7%
Greece	111	125	+12.6%
Poland	67	108	+61%
Croatia	0	66	-
Hungary	54	50	-7.4%
Total	20,379	22,404	+9.9%

→ Turnkey facilities for clients (in 2014)

Countries	Technology	Capacity (*)	Commissioned
Australia	Photovoltaic	24	1H 2014
Canada	Wind	102	2015
Mexico	Wind	252	2015 - 2016
Chile	Photovoltaic	49	2014 - 2015
Total		427	

* MW for wind; MWp for photovoltaic.

→ Electricity sales to end customers (GWh)



* All of ACCIONA Energy's facilities outside Spain are renewable.