



JOSÉ MANUEL ENTRECANALES
Chairman of ACCIONA

Letter from the Chairman

I am happy to offer you this Report, which has been prepared in accordance with the principles of the new integrated reporting framework. We believe this guide is a step forward in terms of corporate transparency and provides a useful business communication tool that brings together information that was previously scattered across various reports. This will help us to explain how ACCIONA creates and distributes value.

One of our main challenges in 2013 was the reform of Spain's electricity market and its impact on ACCIONA. Taken as a whole, the various regulatory changes wiped around 257 million euros from our 2013 EBITDA, and around 370 million euros of recurrent earnings from a standard year. This has led us to review the value of our renewable energy assets and their related goodwill. Excluding this regulatory impact, our EBITDA would have increased by 4% and ordinary pre-tax profit by 17%.

Repositioning and reinventing ACCIONA for new growth

In the short term, we are focusing on strengthening our balance sheet. We need to reduce our credit risk and strengthen our liquidity; this has come at a heavy price in terms of dividends, investment and asset valuations.

We are applying tight investment policies, except for projects that are already underway. Planned investment for 2014 totals 450 million euros, particularly in energy and focusing on completing projects to which we are

already committed. We have accelerated the rotation of certain assets and implemented cost-cutting plans for development and procurement, which are already bearing fruit.

As part of the strengthening of our balance sheet, we have issued our first convertible bonds. This milestone has diversified our funding sources, enabling us to extend the maturity profile of our debt and enhance our short-term liquidity.

Opportunities in our international markets remain strong

The market consensus, with optimistic growth forecasts for infrastructure and renewable energy capacity, reinforces our commitment to developing more sustainable societies.

We are firmly committed to projects that improve the lives of people. Our future growth will be based on our technical capabilities and our skills in leading our growth markets, such as Mexico where we have grown to become the largest producer of wind power, in just a few

years. In order to ensure we achieve our objectives, we have beefed up our Sustainability Master Plan with more ambitious targets, focusing on shrinking our environmental footprint and optimizing the social impact of our projects.

We are clearly focused on managing our social impact. We have made significant progress over recent years in increasing our positive social impact on local communities from the start of operations; this includes specific analysis of the risks involved in these impacts from the earliest stages of project tenders. Widening the scope of our approach has brought us competitive advantages in more demanding and higher added-value projects, as our clients increasingly value working with a responsible and reliable company as a key to the success and profitability of their projects.

New, more tightly integrated, structure

We are reinventing ACCIONA and have rearranged our internal structure. This reorganization includes the creation of

an Infrastructure division, comprising our construction, water and services businesses. This combination of businesses will give us a more integrated international structure, with a comprehensive product offering that enhances our development and efficiency, opening up new synergies at the Group level.

As a result, ACCIONA's strategic businesses are now divided into two large divisions: ACCIONA Energy and ACCIONA Infrastructure, both of which are global leaders in their area and well positioned in markets with significant growth potential. This new structure enables the Group to focus on our *core* businesses, while we continue rationalizing our other activities.

ACCIONA is facing one of the greatest challenges of its almost 100-year history, however we can assure you that we are not only able to overcome this, but also in a position to offer our employees, clients, shareholders and partners a promising and bright future.

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