



JOSÉ MANUEL ENTRECANALES
Chairman of ACCIONA

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

ACCIONA reacted proactively, implementing a **Plan of Action to mitigate the impact of regulatory reform** and maintain growth and **value creation in Energy and Infrastructure**

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 euros 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 the 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 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.