



ACCIONA'S Commitment

- a. Good governance
- b. People
- c. Innovation**
- d. Environment
- e. The value circle
- f. Society
- g. Stakeholder engagement
- h. Dissemination and Leadership
- i. Accountability

Innovation

2012

CHALLENGES	ADVANCES	HIGHLIGHTS	
<ul style="list-style-type: none"> ■ Undertake to invest 100 million euros in 2012, in coherence with the expansion of the 2015 Sustainability Master Plan. 	<ul style="list-style-type: none"> ■ Invested €166.2 m in research, development and innovation (RDI) projects. 	<ul style="list-style-type: none"> ■ The RDI portfolio expanded by including 247 projects covering 12 research areas linked to ACCIONA's businesses. 	<ul style="list-style-type: none"> ■ An Open Day was held at all of ACCIONA's technological centers to focus on collaboration between the teams of the various businesses and on technology transfer.
<ul style="list-style-type: none"> ■ Reinforce the Technological and Competitive Observatory as the main technological information source of the three main business lines. 	<ul style="list-style-type: none"> ■ The number of Group companies that requested reports from the Observatory doubled in 2012. 	<ul style="list-style-type: none"> ■ The RDI management system's certification was renewed in accordance with the UNE 166.002 standard. 	<ul style="list-style-type: none"> ■ A pilot experience with suppliers was implemented to boost their innovation capacities.
<ul style="list-style-type: none"> ■ Increase the Observatory's user numbers and the service satisfaction. 	<ul style="list-style-type: none"> ■ The Observatory's activity increased by 25% among "clients" and 67% in terms of reports with respect to 2011. 	<ul style="list-style-type: none"> ■ Operating innovations were implemented and developed in the processes of all ACCIONA's divisions, leading to savings of 12.4 million euros. 	<ul style="list-style-type: none"> ■ The first experience in Europe in operating a real photovoltaic plant at an industrial scale with 1 MW lithium-ion batteries, to improve the quality of electricity generation, handling and integration into the renewable energy grid (the photovoltaic plant in Tudela, Spain).
<ul style="list-style-type: none"> ■ Organize at least three new RDI meetings or workshops. 	<ul style="list-style-type: none"> ■ Four workshops were organized with internationally renowned experts. 	<ul style="list-style-type: none"> ■ The web 2.0 platform IMAGINNE was launched as a website to capture ideas, projects and initiatives from employees. 	
<ul style="list-style-type: none"> ■ Create and consolidate the RDI Contribution Analysis and Assessment Committee in each business division. 	<ul style="list-style-type: none"> ■ The Analysis & Assessment Committees created within the main divisions held regular meetings during 2012. 		
<ul style="list-style-type: none"> ■ Strengthen the internationalization strategy by unlocking the value of innovation created in the businesses. 	<ul style="list-style-type: none"> ■ Unlocking the value of innovation outside Spain (Canada, the US, Mexico, Brazil, Chile, Peru, El Salvador, Poland and Australia). 		

2013

CHALLENGES

- Identify operating innovations in key processes to generate savings of at least €4 million.
- Generate new patents and unlock their value, beating the figure of 100 patents.
- Undertake to invest 100 million euros in 2013.
- Increase the contribution of ideas from the users of IMAGINNE, the platform that compiles innovative ideas from ACCIONA's staff.
- Process the Corporate Innovation Standard and draft the procedures in accordance with its content.
- Draft the first EPD (Environmental Product Declaration) in a civil engineering work.
- Implement the DELPHOS tool by ACCIONA's Observatory.
- Simulate the Market Trend by ACCIONA's Observatory.

→ Innovation indicators

	2012	2011
Total RDI investment (€m)	93.6	166.2
% of investment intensity (total investment/sales)	1.41	2.37
Total no. of patents	78	94
People working in RDI	348	348

ACCIONA's focus on innovation

The year 2012 was marked by changes in national and international innovation policies, a complex global economic situation, an accelerating pace in technological advances, and emerging changes in the Company's business models. In such a complex context, ACCIONA redesigned its innovative activity by adding competitiveness to its business lines so that they are based on technological differentiation.

ACCIONA's innovation concept must be understood, not only based strictly on technology, but also on the operation and development of new business models with the objective of having competitive advantages in its main businesses: Energy, Water and Infrastructure.

ACCIONA's strategic decision to support innovation can be seen in the various commitments assumed within its Sustainability Master Plan until 2015. Its objectives in innovation are as follows:

- Increase coordination between the companies and attain maximum synergy from the RDI activity of the various business lines.

- Reorganize the activity and orient it towards profitability.

- Foster industrial and intellectual property.

The innovation objectives within the 2015 Sustainability Master Plan were reinforced during 2012 with the following actions:

- The RDI Contribution Analysis and Assessment Committees of the main business divisions (Water, Energy and Infrastructure) were created and met, analyzing the external audit performed by the independent auditor under the title of "Diagnosis and assessment of the RDI situation at ACCIONA" for each division, as well as the breakdown of investments by strategic research line, approval method and R&D monitoring, strategic plan and their contribution to the value of the businesses.

- ACCIONA's Technological and Competitive Observatory intensified its tasks to monitor and analyze the technological and competitive environment. The Observatory set up a macro-trend analysis which is being reinforced, with the repercussion on the various industries and the social, economic,

political, legislative and environmental situations.

- To identify technological and business opportunities in the market, ACCIONA reached agreements with leading companies with a strong technological component in various sectors applicable to its businesses, in order to position itself in different markets.

- ACCIONA is fostering the development of hybrid renewable energy systems at one of its desalination plants, in collaboration with a supplier with proven experience, as an innovative integration of different technologies.

- In 2012, ACCIONA implemented and developed operating innovations in all its divisions' processes, thus achieving savings of 12.4 million euros, beating the target of 2 million euros established in the Sustainability Master Plan. These operating innovations also enabled it to reduce the environmental impact of its processes as a result of a decrease in the emissions generated, a fall in energy and water consumption, and a decline in raw material needs.

Highlights of operating innovations in 2012

Operating innovations in the Legacy Way tunnels in Brisbane (Australia)

- The spoil conveyor was buried, thus avoiding 96,000 lorry trips = 190 metric tons of CO₂.
- Double-cabin wheeled vehicles were used so that they did not have to turn around inside the tunnel.
- ACCIONA pioneered the use of bicomponent mortar in rock tunnels. The "B" component is an accelerator that jellifies in ten seconds. Speeds of up to 50 meters/day have been achieved.

Operating innovations in the electricity generation processes (biomass plants). Sangüesa (Navarre, northern Spain) plant:

- The amount of biomass was reduced beyond its specifications as a result of drying, repacking and storing it in closed structures: 5,200 metric tons were recovered, providing savings of 29 euros/metric ton of repacking.
- The number of stops to clean the technology decreased by 16.5% as a result of using new profiles integrated within the pre-heater for steam cleaning.

- The number of trips was reduced by 28%, from 1,055 to 755 per year, as a result of developing a joint system to collect fly ash and slag.

Briviesca (Castile & Leon, central Spain) plant:

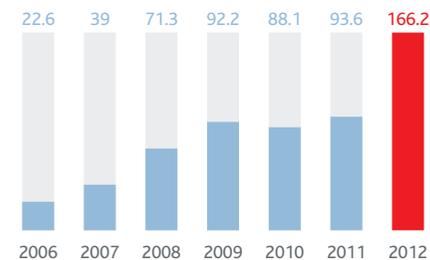
- Tertiary installations were built for treating municipal effluents, dispensing with the use of an aquifer in the plant's cooling process, thus reducing municipal water consumption by 81%.

Miajadas (Extremadura, southwest Spain) plant:

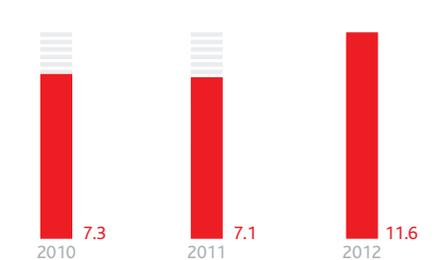
- A wood biomass dosage system was built to reduce seasonal dependency of the biomass crops and harvesting, thus ensuring electricity supply throughout the year. A 50% mix is provided and electricity generation increased by 6%.

- ACCIONA continued with its research efforts and increased RDI investment in 2012 by 77.5% due mainly to innovation in business and in internationalization. ACCIONA invested 166.2 million euros directly in RDI projects in 2012, broken down equally among the divisions depending on their business volume and activity.

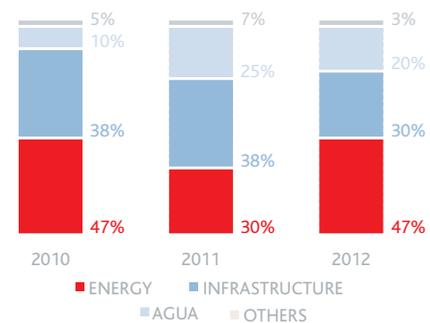
→ Investment in R&D (€m)



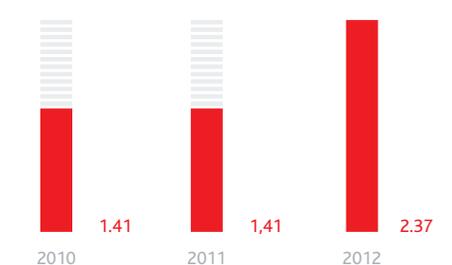
→ Investment in RDI/EBITDA (%)



→ Investment performance by business

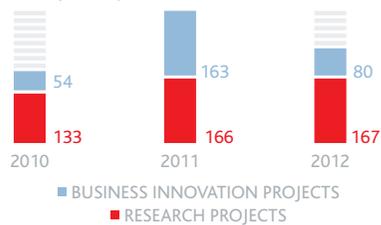


→ Investment in RDI/revenues (%)

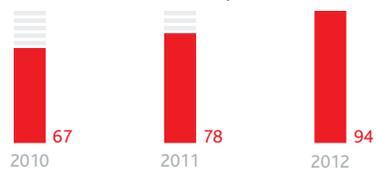


The annual R&D Industrial Scoreboard, published by the European Commission's Directorate-General for Research and Innovation, supports ACCIONA's investment efforts. In the EU context, ACCIONA is the leader among the electricity and construction companies, in terms of investment effort (investment in RDI/ revenues) among comparable companies with revenues of over 1 billion euros. In accordance with the 2011 investment figure, ACCIONA is 9th in terms of total investment volume in RDI among Spanish companies, 212th in Europe and 711th worldwide.

→ Project portfolio



→ Total number of patents



- In 2012, ACCIONA continued focusing on research and intellectual property. Its RDI portfolio includes 247 projects, covering 12 research areas linked to the Group's businesses. This enabled it to intensify the actions to protect intellectual property, increasing the number of patents by 20.5% to 94 with respect to 2011.

- Complying with ACCIONA's 2009-2012 RDI Investment Plan, financed by the European Investment Bank, together with other external financing, reinforces the objective

of obtaining 35% financing for its RDI investment.

As part of its internal collaboration, ACCIONA launched a Web 2.0 platform, IMAGINNE, in March 2012 to capture ideas, projects and initiatives, thus focusing on employee contributions.

Awards for innovation. IMAGINNE platform

In mid-March 2012, the Web 2.0 platform IMAGINNE was set up to enable all Company employees to provide innovative ideas within ACCIONA's open community.

By 31 December 2012, 1,484 users had registered, providing 454 innovative ideas.

ACCIONA fosters staff participation by providing communications and motivation through this website, acknowledging their participation and ideas with awards in the following categories: an ideas competition, an implementation prize

with two sub-categories (implementation of innovation and implementation of process improvements), and an R&D award (an exclusive prize for researchers at ACCIONA's Innovation Centers).

The competition "Conoce tu Huella" ("Find out your footprint") was carried out exclusively for ACCIONA Agua's staff with the purpose of encouraging employees to present ideas that identify and foster improvements in energy efficiency, getting them involved in its implementation and acknowledging their contributions to this.

RDI management

The function of ACCIONA's innovation is to integrate the work carried out at the businesses' Technological Centers under the General Department of the Innovation Area, providing them with common policies that are reflected in the RDI Management System.

ACCIONA'S TECHNOLOGICAL CENTERS

ACCIONA has three Technological Centers that provide support and back-up to the businesses so that new technological innovation units can be created and consolidated and which make up the Company's research cornerstones:

- The Madrid Technological Center specializes in infrastructure, construction, transport and the environment.
- The Pamplona Technological Center specializes in renewable energies.
- The Barcelona Technological Center specializes in water management technologies.

In 2012, a major achievement in the Centers' activity was the consolidation of the Open Day initiative at ACCIONA's Technological Centers, with the challenge of launching a project with mixed participation. The results

of these open days were initiatives for hybrid renewable energy systems and maturity control for concrete tower bodies in 3 MW turbines.

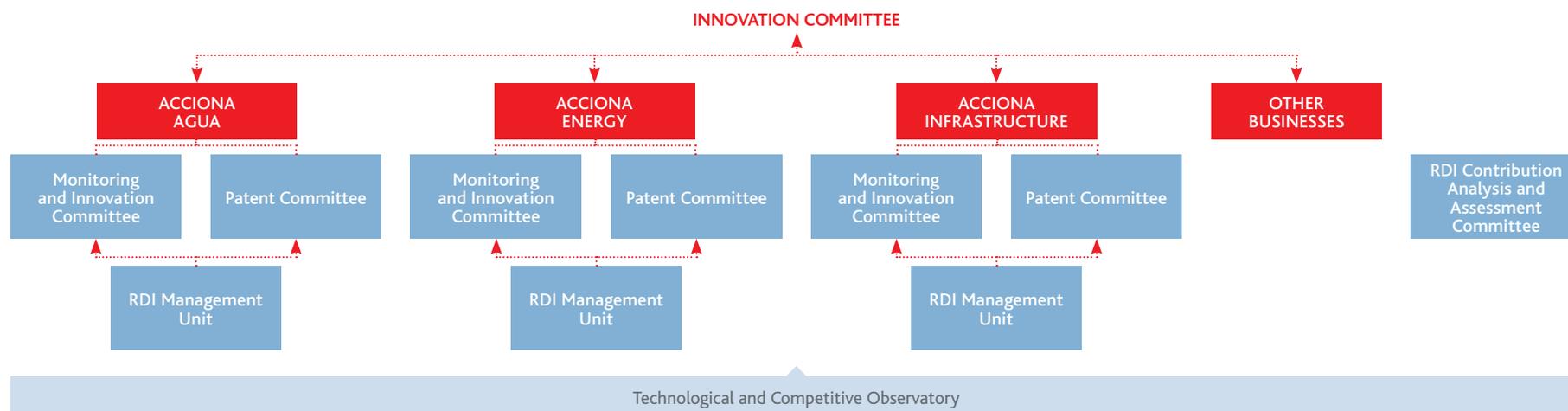
RDI MANAGEMENT SYSTEM

ACCIONA's RDI Management System has UNE 166002:2006 certification, which identifies a common methodology for all the businesses covered by this standard. In November 2012, AENOR (Spain's certification agency) performed the external monitoring audit, and the Company obtained satisfactory results.

The **Innovation Committee** assesses the degree to which each **business achieves** its innovation objectives



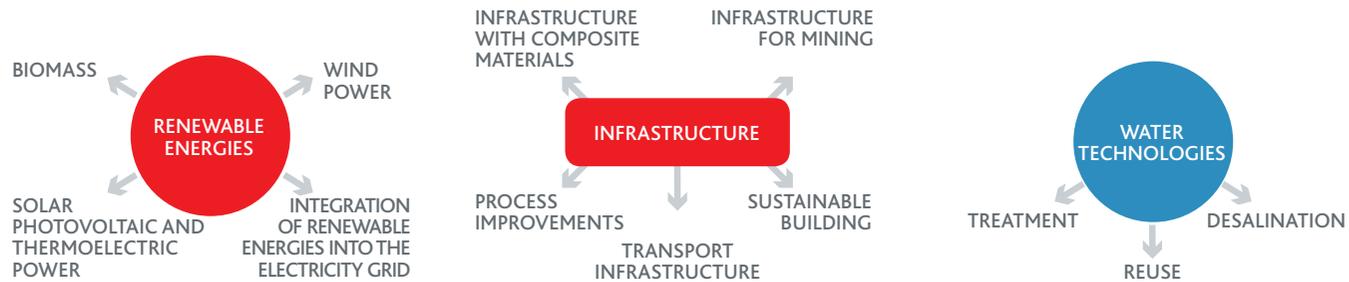
ACCIONA's innovation activity is structured as follows:



Within the framework of the Management System, and with the aim of monitoring it and the other RDI activities, the Innovation Committee holds a meeting every month, comprising people responsible for the Business and Corporate Area. The committee's main functions are as follows:

- Monitor the Strategic Innovation Plans of each business.
- Assess the degree of completion of the innovation objectives of each business.
- Monitor the project portfolio.
- Identify synergies for developing innovation activities.
- Coordinate the external actions and collaborations.
- Propose the dissemination of the knowledge achieved in innovation.
- Inform about and propose actions regarding patents and exploitation of the intellectual property.

Strategic RDI lines



RENEWABLE ENERGIES

ACCIONA's innovation in renewable energies focuses on the strategic business lines of wind, solar thermoelectric and photovoltaic power, biomass and the integration of renewable energies into the electricity grid.

SUSTAINABLE CONSTRUCTION

The research lines developed in the sustainable construction area focus on providing technology that enables the Company to differentiate with a view to its business, including infrastructure with traditional materials, composite materials, process improvements, infrastructure for transport and sustainable building.

WATER TECHNOLOGY

The Water division focuses innovation on knowledge of new technologies and their direct application to the processes of the plants it supplies and manages. With the objective of improving the quality of the water treated and supplied, and minimizing the process costs, the R&D activity in water technology is developed at its technological centers, in pilot plants and at the actual plants it manages.

Other projects developed in 2012 include the following:

- The installation of the experimental wind farms for AWP3000 turbines in Cener (National Center for Renewable Energies, in Navarre, Spain) and Cedar County (Iowa, USA) was completed, and a high degree of completion was reached in the Spanish facilities at Barasoain (78%), Vedadillo (54.2%) and Villanueva (57.3%).
- The thermosolar plants' efficiency was optimized after process improvements were implemented in oil drainage, collector cleaning, breakdown diagnosis, solar radiation prediction and equipment control strategies.
- The control software that will develop an optimal strategy for energy management in buildings was successfully implemented at the Center for Energy Control in Buildings (Spain).
- A pilot trigeneration "zero emissions" plant in Seville (southern Spain). The main objective is to develop renewable generation systems free of emissions that can supply power to large buildings at a competitive cost within a distributed generation model.
- MeeFS project: "Multifunctional Energy Efficient Façade System for residential building retrofitting in Europe". The project is aimed at assessing and demonstrating an innovative multifunctional façade system oriented towards the residential building sector in Europe in order to improve the energy efficiency and modernization of buildings.
- A pilot trial was conducted with the Inneoclean product on two main streets in Madrid (central Spain). Inneoclean was developed by ACCIONA in collaboration with a chemical group for decontaminating road surfaces. Based on laboratory tests, the product is expected to be around 50% effective in eliminating nitrogen oxide.
- The Company continued working on the ESPROFAN water treatment project, completing the design, construction and implementation of the pilot plant. The project aims at developing a strategy to optimize the energy balance and foster biogas production, associated with the anaerobic treatment of sludge generated in the wastewater treatment process.
- The first experience in Europe was carried out to operate a real photovoltaic plant at an industrial scale with 1 MW lithium-ion batteries in order to improve the quality of electricity generation, handling and integration into the renewable energy grid (the photovoltaic plant in Tudela, northeast Spain).

The solar thermoelectric plant with parabolic trough collectors in Orellana, Badajoz (southwest Spain). ACCIONA Energy.

The project's main objective is to develop a solar thermoelectric plant with high energy efficiency, advanced automation, control and reliability features, low environmental impact and a longer useful life.

To meet this objective, the Company carried out a number of specific developments in collaboration with

suppliers. After implementing these developments in the thermosolar plant, technical improvements were achieved, obtaining high efficiency, a greater degree of automation and a high level of security. The Company also achieved economic improvements in terms of cost reductions in investments and assembly, reductions in possible breakdowns of collectors, a longer

service life, as well as cost reductions in operations and maintenance.

From an environmental standpoint, the Company reduced the risks of discharges and emissions of polluting gases to the atmosphere, and increased the production of renewables.

Innovative activities performed within the WTP project in Mundaring, Australia

Within the Helena Water consortium, ACCIONA was selected for the design, construction and 35-year operation concession of the drinking water treatment plant (DWTP) in Mundaring, Perth (Western Australia).

This project is the first DWTP of its kind under the PPP (public private partnership) initiative in Western Australia and ACCIONA's first project in this state, becoming a further milestone in consolidating its presence in Australia.

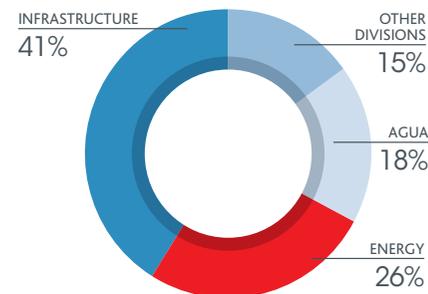
The Mundaring facility will include numerous innovations regarding access to hitherto inaccessible resources, water quality, flexibility and operations with a low carbon footprint.

It will be a unique installation (with filtration), specifically designed to minimize the rejection of water and other materials, and integrated into the surrounding infrastructure. Since the closeness to the Weir landfill makes this a complex issue, the plan includes modifications associated with the design and development of a new and improved process control methodology, thus complying with environmental requirements.

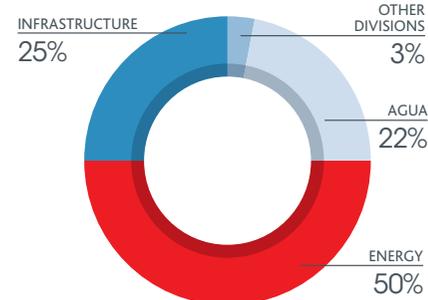
Innovation in business and internationalization

Innovation is implemented and developed on a day-to-day basis in the business activity. A total of 135.1 million euros was invested in innovation projects in the business in 2012, i.e. 81% of ACCIONA's total investment in innovation. The breakdown of innovation projects in business in 2012 is as follows:

→ Breakdown of innovation projects in business



→ Investment in innovation in business



Following are the main innovation projects in business in 2012:

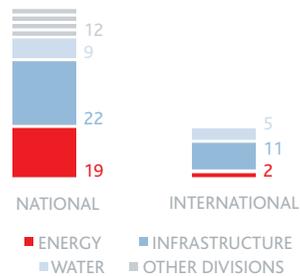
- Development of a procedure to integrate a higher energy efficiency system into the desalination plants.
- Innovation made within the Adelaide desalination project in Australia.
- A new efficient boiler for the combustion of mixed biomass at the Briviesca (Castile & Leon, central Spain) plant.
- Development of parabolic trough collectors in CT Orellana (Badajoz, southwest Spain).
- Implementation of a wind turbine blade manufacturing plant in Lumbier (Navarre, northeast Spain) and innovations in the expansion of the blade manufacturing facilities for new wind turbine models.
- Design of a procedure to improve and optimize processes at the coal treatment plants in Poland.
- Innovations made within the Legacy Way Tunnel project in Brisbane (Australia).

As a result of internationalizing innovation, 18 projects were carried out in 2012, amounting to 49.3 million euros, i.e. approximately 30% of the total innovation budget, linked directly to the international business portfolio.

Innovation was internationalized jointly with the business activity. In 2012, the value of international innovation was unlocked in Canada, the US, Mexico, Brazil, Chile, Poland, Peru, El Salvador and Australia, broken down into the following divisions:

The main innovation projects in international works in 2012 were as follows: the Company obtained a contract to build a 16-meter bridge using composite materials in Gabon; it implemented polymeric materials to stabilize the soil in Chile and Canada; and it reinforced bridges using composite materials in Brazil.

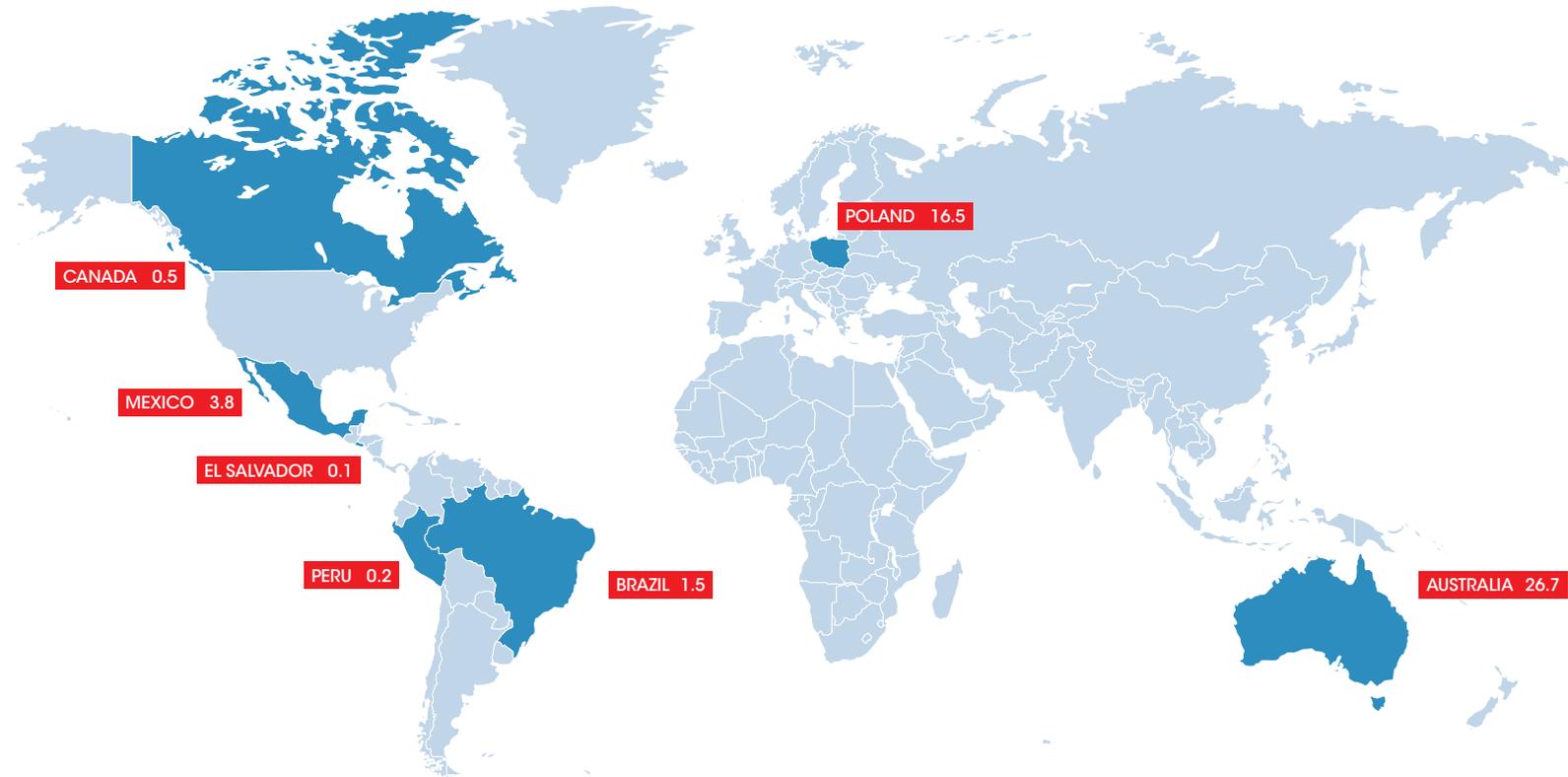
→ Projects in Spain and abroad.
Innovation in business



In 2012, the internationalization of innovation translated into 18 projects, worth a total 49.3 millions euros



→ Internationalization of innovation
 (2012 investment figures in million euros)



The Technological and Competitive Observatory

ACCIONA's Technological and Competitive Observatory continues to strengthen its position as the Company's analysis unit. Its main mission is to support corporate decision-making by identifying the risks and opportunities in the technological and market environment, and act as ACCIONA's monitoring and prospective instrument; this enables the Company to know about the technological, innovation and market trends and anticipate future changes.

Its lines of action in 2012 were as follows:

- Monitor the Company's competitive environment both in technological research and in market and business performance.
- Expand the external knowledge networks.
- Research the analysis methods and tools.

The Technological and Competitive Observatory's highlights in 2012 were as follows:

- Greater involvement in the decision-making processes: there was an increase in the number of reports requested and the number of ACCIONA's divisions and companies that required its services. The number of Group companies that requested reports from the Observatory increased 60% in 2012 with respect to 2011.
- R&D projects: in 2012, the Delphos project was certified as a research and development work in the analysis field. It studies the definition for the post-normal environmental scenarios.
- Production: the number of reports drafted increased by 60% with respect to the previous year, i.e. from 109 in 2011 to 175 in 2012.

- Workshops: four workshops were organized on different technologies and knowledge areas, involving internationally renowned experts. The objective was to identify the early stages of new technologies and draft a roadmap, as well as implement innovative analysis methods.

Collaborations

ACCIONA is a member of, or collaborates with, several initiatives and has arranged agreements with various prestigious institutions. It currently has agreements with Spain's Higher Council for Scientific Research (CSIC) the Fraunhofer Institute, the Max Planck Institute and TECNALIA, among others. It has also signed collaborations with universities such as the MIT (Massachusetts Institute of Technology), London School of Economics, Oxford University and the Carlos III University (Spain), among others. Additionally, it is collaborating with leading chemical, oil and gas, industrial and other companies, not only with the objective of fostering innovative capacities to improve the value chain but also with the aim of capitalizing on synergies and identifying business opportunities.

Acknowledgements

In 2012, ACCIONA obtained the following awards in its research activity:

- The Brisbane Lord Mayor's "Business Innovation" award in Australia. The award acknowledges companies that stand out because of their innovation and competitiveness capacities in national and/or international markets.
- The Eolo innovation award to an ACCIONA Energy engineer for his work minimizing electromagnetic interference with telecommunication systems in wind farm designs.
- The Academy of Competitive Intelligence's "Analytical Competition" award for the analysis of competitive environments granted to the Technological and Competitive Observatory team.
- Finalist in the Energex awards for Sustainability in Business.
- The ILIS project was a finalist in the Powergrid International awards for the best grid integration of renewables.
- "Capital" magazine's Export Award for the Best Innovative Company.
- ACCIONA Agua was a finalist in the Global Water Intelligence awards in the category of Water Company of the Year and Desalination Plant of the Year, for its Adelaide (Australia) facility.