

**OBRASCÓN HUARTE LAIN, S.A. AND  
SUBSIDIARIES**

**2013 DIRECTORS' REPORT**

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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES**

### 2013 DIRECTORS' REPORT

#### **1. ECONOMIC OVERVIEW**

In 2013 the economy was hit by both macroeconomic circumstances (lower interest rates, improving global risk premiums) and political events (elections in Germany and Italy, conflict in North Korea and the uprisings in Egypt, Syria and Turkey). All these events led to volatility on the stock markets.

Global economic growth increased in the last quarter of 2013 by close to 3.5%, confirming the improvement in the previous quarter and drawing the recession in the eurozone to a close in the second half. This improvement was brought about by the acceleration of GDP in the US (1.9%), growth in Japan, which began to show the positive effects of expansionary monetary policy, and growth in the emerging economies. All this was most clearly seen at the end of the year with the Federal Reserve's decision to initiate the withdrawal of its liquidity stimulus programme. Furthermore, this improvement in the global economy aided the eurozone, which began to grow moderately in mid-2013. Meanwhile, the situation of the emerging economies was more varied with some of them, such as the Chinese economy, maintaining relatively stable growth rates (7.7%).

In Spain, meanwhile, data from the last quarter showed signs of the beginning of the recovery of the economy, such as: the growth of exports or the 0.1% increase in GDP, which represents the technical exit from recession after nine consecutive quarters of decreases.

Construction in Spain (based on data from Seopan) improved compared to 2012 with increases of 33% in the volume of civil engineering work public tenders, after several years of decline. In view of all the foregoing, FUNCAS expects the fall in construction investment to bottom out at levels of -4.9% in 2014.

## 2. BUSINESS PERFORMANCE

	Millions of euros				
	2013	%	2012	%	% change
Revenue	3,684.2	100.0	4,029.6	100.0	-8.6
EBITDA	1,215.1	33.0	1,052.9	26.1	15.4
EBIT <sup>(1)</sup>	1,031.4	28.0	829.8	20.6	24.3
Profit for the year from discontinued operations net of tax	-	-	1,162.3	28.8	-100.0
Profit attributable to the Parent	270.4	7.3	1,005.5	25.0	-73.1
Recurring profit attributable to the Parent <sup>(2)</sup>	270.4	7.3	260.1	6.5	4.0
Short-term backlog	8,269.6		8,040.0		2.9
Long-term backlog	51,244.9		45,372.6		12.9
Total backlog	59,514.5		53,412.6		11.4
Total assets	13,679.6		12,206.7		12.1
Concession infrastructure <sup>(3)</sup>	6,351.1	46.4	5,750.6	47.1	10.4
Equity attributable to the Parent <sup>(3)</sup>	2,258.4	16.5	2,135.2	17.5	5.8
Gross recourse borrowings <sup>(3)</sup>	1,572.6	11.5	1,429.3	11.7	10.0
Net recourse borrowings <sup>(3)</sup>	908.2	6.6	588.8	4.8	54.2
Gross non-recourse borrowings <sup>(3)</sup>	5,052.9	36.9	3,893.6	31.9	29.8
Net non-recourse borrowings <sup>(3)</sup>	4,633.4	33.9	3,609.0	29.6	28.4

(1) Excluding EUR 169.6 million of non-recurring provisions in 2012

(2) Excluding EUR 305.9 million of non-recurring provisions and other items in 2012

(3) % of total assets

### Performance of the Group

The OHL Group achieved satisfactory results in 2013. The growth attained in the main income statement aggregates, as compared with 2012, were as follows:

- Sales: -8.6%
- EBITDA: +15.4%
- Recurring EBITDA: +24.3%
- Net recurring attributable profit: +4.0%

Sales fell primarily in the Construction and Concessions businesses.

In Concessions, actual sales of the concession business grew by 8.7% due to the positive performance of traffic and tolls, although in the division as a whole they fell by 20.0% due to: (i) lower construction activity (both own and subcontracted to third parties) in Mexico compared to 2012, and (ii) the change in the consolidation method of the Poetas-Luis Cabrera toll road (proportionate consolidation to equity method) and others.

In Construction, the 9.0% growth abroad did not offset the decrease of the business in Spain (which decreased by 34.2%), making sales somewhat lower than in 2012 (-2.5%).

The relative weighting of the Group's international activity continued to be high, representing 75% of sales and 92% of EBITDA.

The detail, by geographical area, of the Group's sales in 2013 is as follows:

<b><u>Geographical area</u></b>	<b><u>% of sales</u></b>
- Central and South America	29.2%
- Spain	25.3%
- US and Canada	16.7%
- Middle East and North Africa	14.3%
- Central and Eastern Europe	13.4%
- Other	1.1%

The Group ended 2013 with a Construction backlog of EUR 8,059.7 million with large international contracts, including most notably the Ural-Polar railway line in Russia, the CHUM hospital in Montreal (Canada), the Marmara tunnels in Turkey and the Mecca-Medina high-speed railway in Saudi Arabia.

Other significant awards obtained in 2013 were the construction work on Line 3 of the Santiago underground railway system in Chile, the Mushaireb and Education City underground railway stations in Qatar, the 72 Street subway station in New York, a toll road between Hubová and Ivachnová in the Slovak Republic and the Gustavo Fricke Hospital in Viña del Mar and Valparaíso Port, both in Chile. Together they add up to EUR 1,047.3 million and, along with other lesser awards, contribute EUR 3,048.6 million to the backlog. The Construction backlog abroad now accounts for 81.5% of the total.

Another significant event in 2013 was the increase in the ownership interest in Abertis. In March OHL Emisiones, a wholly-owned subsidiary of OHL Concesiones, purchased an additional 3% stake in Abertis from La Caixa which, together with other minor acquisitions made in the market, increased the ownership interest in Abertis to 18.93%. Through this increased ownership interest, OHL strengthened its presence in the shareholder structure of Abertis and became its second main shareholder, underlining its clear commitment to remaining as such. The entire ownership interest in Abertis secures the non-recourse credit facility (secured solely by these shares of Abertis) obtained in December 2012, currently amounting to EUR 1,215.3 million and maturing in 2016.

Of particular note in the area of finances are three important transactions carried out in the framework of the policy of continuous optimisation of the Group's financial structure, which demonstrate the prestige of OHL and the continued support of the international capital markets:

- In April OHL Concesiones (through its wholly-owned subsidiary OHL Investments), carried out its first transaction in the capital markets -an issue of bonds convertible into shares of OHL Mexico amounting to EUR 300 million, maturing at five years and listed in Frankfurt. OHL Concesiones may decide when the exchange is settled, delivering shares, cash or a combination of the two. In October OHL Investments, S.A. increased this issue by an additional EUR 100 million.

This brings the total amount issued to EUR 400 million which is secured by 16.99% of OHL México S.A.B. de C.V., the bonds being exchangeable for shares in this subsidiary representing approximately 8.49% of its share capital.

- In April OHL registered a Euro Commercial Paper (ECP) Program at the Irish Stock Exchange under which it can issue short-term securities for a maximum amount of EUR 300 million. This program provides flexibility and diversification of sources of short-term financing in the capital market, making it a new alternative to the traditional banking market.
- In September OHL Concesiones arranged a credit facility maturing at 3 years and denominated in pesos, equal to EUR 300 million secured by 21.9% of the shares of OHL México, S.A.B. de C.V.

Also, for OHL México 2013 was a year of change in terms of its financial structure due to two major transactions:

- The capital increase (100% Primary) successfully completed in June, whereby 239,397,167 new shares were issued for a total of MXN 6942.5 million (approx. EUR 415 million). As a result thereof, the ownership interest of the OHL Group stood at 63.64% of its share capital. With this transaction OHL México strengthens its balance sheet and endows its financial structure with flexibility at a key moment for the industry, as a result of the good prospects for investment in transport infrastructure that prevail in Mexico.
- The integral refinancing of Concesionaria Mexiquense, S.A. de C.V. (Commex) -its most important asset- for an amount of approximately MXN 17,300 million through a combination of various financial instruments (capital markets and bank financing), which was executed in a single act guaranteed in full by Goldman Sachs. The average life of the refinanced amount increased from 5 to 23 years and substantially lowers the interest cost in comparable terms. This transaction converted Commex into an investment grade asset and a major cash generator for OHL México.

### Performance by division

	Millions of euros				
	2013	%	2012	%	% change
REVENUE					
Concessions	513.8	14%	642.5	16%	-20.0%
Construction	2,669.9	72%	2,738.3	68%	-2.5%
Other business activities	500.5	14%	648.8	16%	-22.9%
<b>Total</b>	<b>3,684.2</b>	<b>100%</b>	<b>4,029.6</b>	<b>100%</b>	<b>-8.6%</b>
EBITDA					
Concessions	951.5	78%	749.0	71%	27.0%
Construction	251.4	21%	252.4	24%	-0.4%
Other business activities	12.2	1%	51.5	5%	-76.3%
<b>Total</b>	<b>1,215.1</b>	<b>100%</b>	<b>1,052.9</b>	<b>100%</b>	<b>15.4%</b>
EBIT					
Concessions	877.4	85%	667.1	80%	31.5%
Construction	155.7	15%	147.3	18%	5.7%
Other business activities	-1.7	0%	15.4	2%	N/A
<b>Total divisions</b>	<b>1,031.4</b>	<b>100%</b>	<b>829.8</b>	<b>100%</b>	<b>24.3%</b>
Write-downs	-		-169.6		
<b>Total</b>	<b>1,031.4</b>		<b>660.2</b>		<b>56.2%</b>

### Concessions

The Concessions division continued to perform well and its performance compared with December 2012 was as follows:

Sales:	-20.0%
EBITDA:	+27.0%
EBIT:	+31.5%

As regards sales, the detail of the change in sales with respect to 2012 is as set out in the table below:

Business activity	Millions of euros		
	Revenue		
	2013	2012	% change
Concession business	374.6	344.5	8.7%
Change of consolidation method and other(*)	-	87.1	N/A
Own construction business	71.8	111.1	-35.4%
IFRIC 12	67.4	99.8	-32.5%
<b>Total</b>	<b>513.8</b>	<b>642.5</b>	<b>-20.0%</b>

(\*) Poetas - Luis Cabrera toll road changed from proportionate consolidation to the equity method and other.

As evidenced in the table, the actual concession business sales on a like-for-like basis grew by 8.7% compared to 2012 due to increased traffic and tolls (mainly in Mexico). The other effects (change in consolidation method, own construction business and construction sales under IFRIC 12) mean the total decrease in revenue was 20.0%.

The main factors that influenced the changes in sales and EBITDA were as follows:

- The positive trend in traffic and tolls in the Group's Mexican concessions, as shown in the following table:

	Change in traffic			Toll revisions	
	2013	2012	% change	% revision (5)	Most recent revision
<b>Mexico</b>					
Amozoc-Perote (1)	28,913	28,795	0.4%	4.8%	January 2013
Concesionaria Mexiquense (1)	272,039	269,523	0.9%	9.6%	January 2013
Viaducto Bicentenario (2)	29,749	25,702	15.7%	29.4%	January 2013
Autopista Urbana Norte (2)	40,120	12,349	224.9%	33.6% (6)	March 2013
<b>Spain</b>					
Euroglosa M-45 (2)	74,293	74,076	0.3%	2.7%	March 2013
Autopista Eje Aeropuerto (1)	6,395	7,239	-11.7%	2.6%	January 2013
Autovía de Aragón (2)	100,002	99,415	0.6%	5.3%	January 2013
Metro Ligero Oeste (3)	15,200	17,655	-13.9%	2.8%	January 2013
Puerto de Alicante (T.M.S.) (4)	83,243	99,531	-16.4%	2.4%	January 2013
<b>Peru</b>					
Autopista del Norte (1)	30,531	26,359	15.8%	5.8% (7)	June 2013

(1) Equivalent average paying traffic.

(2) Average daily traffic (ADT): total km travelled by all the users of the toll road, divided by the total km in operation on the road. This measurement represents the number of users that would have travelled the total km in operation along the toll road.

(3) Average daily number of passengers.

(4) Cumulative number of TEUs shipped.

(5) Average increase in toll applied at each toll plaza, obtained from the tariff revision provided for in each concession arrangement.

(6) Average increase of the toll revision at off-peak and peak hours.

(7) The doubling of the Casma-Huarmey stretch of the road was completed in June. The increase shown in the table is the average of the total of the toll roads for June.

- The appreciation/depreciation of the euro vis-à-vis the Latin American currencies compared to 2012 was as follows:

	Average exchange rate for the period (per EUR 1)		Appreciation (Depreciation)
	2013	2012	
Mexican peso	17.07	16.98	0.5%
Peruvian new sol	3.61	3.4	6.2%

- In the last quarter of 2012 Controladora Vía Rápida Poetas was opened to traffic -with reversible stretches- along its entire route between Santa Fe and Luis Cabrera. Also, in the first half of 2013, construction was completed on the second body of work in the Las Torres to Túnel 5 stretch and between the latter and Periférico Sur. This completed the road, giving it a length of approximately 7.2 km.
- In the fourth quarter of 2012 the last two stretches of the Urbana Norte toll road came into service. The first, Stretch III, inaugurated on 29 October, is a raised viaduct 5.7 km in length between Alencastre and the San Antonio collector road. The second, Stretch II, an 0.8 km tunnel underneath Paseo de la Reforma, was opened to traffic on 3 December. The raised part of the road, consisting of 9.8 km of trunk road, is in full operation. In the second quarter of 2013 the Constituyentes and Reforma Centro link roads came into service.
- In the first quarter of 2013, OHL Concesiones finished works to expand and improve the layout of the first section of the Autovía de Aragón road, which runs between Madrid and Guadalajara.
- In May 2013 the 70-km Casma-Huarmey section belonging to the Autopista del Norte toll road in Peru was brought into service, thus completing the planned doubling of the road.
- In June 2013 the new Tenerife container terminal was officially inaugurated.

As a result of these factors, the changes in sales and EBITDA of the main concession operators, grouped together by country, is as follows:

	REVENUE			EBITDA		
	2013	2012	% change	2013	2012	% change
<b>Mexico</b>	<b>184.4</b>	<b>151.1</b>	<b>22.0%</b>	<b>822.3</b>	<b>571.7</b>	<b>43.8%</b>
Amozoc-Perote	25.1	23.8	5.5%	16.2	15.8	2.5%
Concesionaria Mexiquense (1)	123.3	111.6	10.5%	525.7	365.2	43.9%
Viaducto Bicentenario (1)	21.5	14.6	47.3%	130.3	111.8	16.5%
Autopista Urbana Norte (1)	14.5	1.1	N/A	150.1	78.9	90.2%
<b>Spain</b>	<b>154.1</b>	<b>155.6</b>	<b>-1.0%</b>	<b>104.7</b>	<b>110.5</b>	<b>-5.2%</b>
Euroglosa M-45	13.1	12.7	3.1%	8.7	10.9	-20.2%
Autopista Eje Aeropuerto	3.7	4.2	-11.9%	-1.1	-0.4	175.0%
Autovía de Aragón	26.1	22.5	16.0%	20.0	18.9	5.8%
Metro Ligero Oeste	96.0	96.3	-0.3%	75.2	74.0	1.6%
Puerto de Alicante (T.M.S.)	15.2	19.9	-23.6%	1.9	7.1	-73.2%
<b>Peru</b>	<b>24.0</b>	<b>24.3</b>	<b>-1.2%</b>	<b>13.5</b>	<b>12.2</b>	<b>10.7%</b>
Autopista del Norte	24.0	24.3	-1.2%	13.5	12.2	10.7%
<b>Total concessions</b>	<b>362.5</b>	<b>331.0</b>	<b>9.5%</b>	<b>940.5</b>	<b>694.4</b>	<b>35.4%</b>
Head office and other	151.3	311.5	-51.4%	11.0	54.6	-79.9%
<b>Total</b>	<b>513.8</b>	<b>642.5</b>	<b>-20.0%</b>	<b>951.5</b>	<b>749.0</b>	<b>27.0%</b>

(1) EBITDA includes the guaranteed profitability adjustment pursuant to the concession arrangements, which are classified under "Other Operating Income" and are excluded from "Revenue": Concesionaria Mexiquense EUR 447.2 million, Viaducto Bicentenario EUR 119.8 million and Autopista Urbana Norte EUR 150.3 million.

"Head Office and Other" includes the sales and costs corresponding to the construction activity carried on by the concession operators themselves, net of intra-Group transactions, due to the application of IFRIC 12. In accordance with the accounting principle of prudence, the Group matched the sales figure of the construction activity carried on by the concession operators themselves to the costs of this construction activity, which did not affect EBITDA for these years. At 31 December 2013, this figure amounted to EUR 67.4 million (31 December 2012: EUR 99.8 million).

Also, in application of IFRIC 12, provisions were recognised for major maintenance work scheduled over various years amounting to EUR 34.8 million at 31 December 2013 (31 December 2012: EUR 20.8 million). Prior to the application of IFRIC 12, the cost of this work was considered to be an addition to non-current assets at the time of execution and depreciation was taken thereon on the basis of their useful life.

On 2 April 2013, OHL Concesiones was awarded the contract to construct and operate the new terminal 2 of Valparaíso Port in Chile. The term of the concession is 30 years and requires an investment of approximately EUR 270 million to double the current capacity of the port.

As a result of this new award, OHL Concesiones now manages a portfolio of 16 major concessions, which includes ten toll road concessions, covering a total of 790 km, one airport, three ports and two railway concessions.

At 31 December 2013, the long-term backlog stood at EUR 51,013.5 million, representing an increase of 13.5% with respect to 2012.

Other salient events in 2013 include:

- In the first quarter of 2013, the OHL Group acquired shares representing 8.69% of the share capital of Abertis Infrastructures, S.A. With these acquisitions, at 31 December 2013 the OHL Group held an ownership interest of 18.93%.
- In June OHL México increased capital by issuing 239,397,167 new shares for a total amount of MXN 6942.5 million. As a result thereof, and after an additional issue made on 6 July, the ownership interest of the OHL Group stood at 63.64% of its share capital.
- In December 2013, due to the adverse performance of traffic and the cost overruns in the investments in major works and compulsory purchases, the concession operator Autopista Eje Aeropuerto petitioned for insolvency proceedings to be initiated in view of its inability to meet its financial commitments. On 27 January 2014, the voluntary insolvency proceedings were initiated.

The carrying amount of this concession is EUR 52.5 million. The OHL Group believes that this is its minimum recoverable amount and is equivalent to the Public Authority Liability (PAL), regardless of any viability plan proposed by the insolvency manager. The net non-recourse borrowings of this concession amount to EUR 223.8 million.

- In late 2013 Concesionaria Mexiquense closed a major transaction to refinance its debt, amounting to approximately MXN 17,300 million.

It is a combination of various financial instruments (capital markets and bank financing), which very substantially lengthens the maturity profile of the concession operator's debt, thereby freeing up significant cash flows especially in the early years.

## **Construction**

Total Construction business sales were somewhat lower than in 2012, as the 9.0% increase in sales abroad failed to completely offset the decline in activity in Spain (which dropped by 34.2%), leading to an overall fall in sales of 2.5%.

There was scant year-on-year change in EBITDA and profit as a percentage of sales also remained similar. As mentioned earlier, a portion of the major international contracts obtained in 2011 were not reflected immediately in the income statement, since they are large construction projects that will take between three and five years to complete and normally include a preliminary design phase of between 12 and 18 months.

It should be noted that, within this activity, the change in scale arising from the considerable success achieved in project awards in 2011 is reflected in the significant Construction backlog figure, which amounted to EUR 8,059.7 million at 31 December 2013. This figure is equivalent to 36.2 months of sales, which ensures the continued growth of the construction activity in the future.

The current backlog consists of contracts with a high degree of technical quality, mostly linked to specialist niches in which OHL is particularly strong (railways, hospitals and roads). These are mainly large-scale, highly technical construction projects closely linked to specialist areas and, therefore, are expected to generate average margins in line with those obtained in the past.

The breakdown of the backlog, by geographical area, is as follows:

<b><u>Geographical area</u></b>	<b><u>Backlog</u></b>
- Central and Eastern Europe	27.9%
- US and Canada	22.5%
- Middle East and North Africa	19.3%
- Spain	18.5%
- Central and South America	11.5%
- Other	0.3%

The backlog includes most notably the Ural-Polar railway line in Russia, the CHUM hospital in Montreal (Canada), the Marmara tunnels in Turkey and the Mecca-Medina high-speed railway in Saudi Arabia.

Other significant awards obtained in 2013 were the construction work on Line 3 of the Santiago underground railway system in Chile, the Mushaireb and Education City underground railway stations in Qatar, the 72 Street subway station in New York, a toll road between Hubová and Ivachnová in the Slovak Republic and the Gustavo Fricke Hospital in Viña del Mar and Valparaíso Port, both in Chile. Together they add up to EUR 1,047.3 million and, along with other lesser awards, contribute EUR 3,048.6 million to the backlog. The Construction backlog abroad now accounts for 81.5% of the total.

### **Other business activities**

Revenue from Other business activities amounted to EUR 500.5 million, down 22.9% on 2012, due mainly to less activity in the Industrial division as a result of having completed major contracts and still being at the launch phase of the new projects awarded, particularly in Mexico.

EBITDA totalled EUR 12.2 million, which accounts for 1.0% of total Group EBITDA.

## **3. FINANCIAL STATEMENTS**

### **Consolidated income statement**

The OHL Group's **revenue** for 2013 amounted to EUR 3,684.2 million, down 8.6% on 2012.

Concessions revenue decreased by 20.0%, despite an 8.7% increase in actual concession sales, due to the change in the method of consolidation of the Poetas Luis-Cabrera toll road (proportionate consolidation to the equity method), and to the decline in construction activity (IFRIC 12) and other.

Construction division activity fell by 2.5% due to the decrease in the activity in Spain (34.2%), which was not offset by the notable increase in the international area (9%).

The other divisions -grouped under Other business activities- experienced a decline of 22.9%, mainly due to the Industrial division, since the completion of major projects in 2013 has not been followed by the start of new projects in the backlog. Special mention should be made of the activity of the Services division, which provides infrastructure maintenance and servicing of buildings, homes and offices and had a 20.0% increase in activity.

In 2013 74.7% of revenue was generated outside Spain compared to 66.8% in 2012, and of this revenue 59.5% of the total was earned by the Construction division.

As regards the distribution of sales by geographical area, Spain represented 25.3% of the total, Mexico 14.2%, the Czech Republic 13.4% and the US 12.2%.

**EBITDA** for 2013 amounted to EUR 1,215.1 million, which represents 33.0% of total revenue. The year-on-year increase of 15.4% was due mainly to the Concessions business, which accounts for 78.3% of the Group's total EBITDA and was up 27.0% on 2012, due to the growing contribution of the Mexican toll roads, substantially all of which are in operation.

Construction division EBITDA is virtually the same as in 2012 (-0.4%), and as a percentage of sales remains similar.

92.4% of the Group's total EBITDA was generated abroad with 74.6% generated in Mexico, 7.6% in Brazil and 7.2% in Peru.

In accordance with the disclosure obligations provided for in the Parent's bond issue agreements, in 2013 recourse EBITDA and the recourse consolidated interest expenses amounted to EUR 326.6 million and EUR 118.4 million, respectively, calculated on the basis of the definitions set forth in the agreements.

The OHL Group's **EBIT** amounted to EUR 1,031.4 million in 2013, representing 28.0% of revenue, and was also up 24.3% on 2012.

Noteworthy was the significant growth in the Construction division, up 31.5% on 2012, and which accounted for 85.1% of the Group's total EBIT. The Concessions division ended 2013 with a 5.7% increase on 2012.

Net **finance income and costs** in 2013 amounted to EUR -405.5 thousand, which is a virtual repetition of the amount recognised in 2012.

Gains (**Losses**) on remeasurement of financial instruments at fair value amounted to EUR -109.4 million. This heading most notably includes: (i) the early settlement amounting to EUR -104.0 million of the derivative linked to the previous financing of Concesionaria Mexiquense, S.A. de C.V., which was refinanced in December 2013, and (ii) the impact on results of the derivative linked to the financing of the concession operator Autopista Eje Aeropuerto amounting to EUR -33.5 million.

**"Impairment and Gains or Losses on Disposals of Financial Instruments"** amounted to EUR 26.8 million, of which EUR 22.3 million relate to the sale in November of the entire ownership interest in the concession operator Autopista Ezeiza-Cañuelas, S.A. (AECSA).

**"Result of Companies Accounted for Using the Equity Method"** stood at EUR 120.4 million in 2013, as compared with EUR 7.4 million in 2012. The increase of EUR 113.0 million was due to the contribution of the 18.93% stake in Abertis (in 2012 it accounted for only 10.24% of the result at December), and to the result of Autopista Poetas-Luis Cabrera, proportionately consolidated at December 2012 and currently accounted for using the equity method.

**Profit before tax** amounted to EUR 627.9 million, representing 17.0% of revenue and an increase of 123.6% with respect to 2012. Excluding the provisions recognised in 2012, pre-tax recurring profit amounted to EUR 450.4 million, up by 39.4%.

In 2012 "**Profit for the Year from Discontinued Operations Net of Tax**" of EUR 1,162.3 million corresponded to the profit, before non-controlling interests, obtained by the Environment division and the concession infrastructure in Brazil and Chile up to the date of the disinvestment, and to the gains obtained on the sale/swap shown in the following table:

	Environment	Brazil	Chile	<b>Total</b>
Profit/Loss up to the date of the sale or swap	2.3	118.3	-9.6	<b>111.0</b>
Gain on sale or swap	40.2	934.6	76.5	<b>1,051.3</b>
<b>Total profit from discontinued operations</b>	<b>42.5</b>	<b>1,052.9</b>	<b>66.5</b>	<b>1,162.3</b>

"**Profit for the Year Attributable to the Parent**" amounted to EUR 270.4 million, representing 7.3% of revenue and an increase of 492.8% compared with 2012.

Excluding the gain on sales of EUR 1,051.3 million in 2012 from the foregoing table and the non-recurring provisions recognised in 2012, the **recurring profit attributable to the Parent** for 2013 increased by 4.0% compared to 2012.

Millions of euros	2013		2012				% change (Recurring)	
	Total		Total		Non-recurring	Recurring		
	Amount	%	Amount	%	Amount	Amount	%	
Revenue	3,684.2	100.0%	4,029.6	100.0%	-	4,029.6	100.0%	-8.6%
Changes in inventories of finished goods and work in progress	7.5	0.2%	4.9	0.1%	-	4.9	0.1%	53.1%
In-house work on non-current assets	4.7	0.1%	4.2	0.1%	-	4.2	0.1%	11.9%
Procurements	-1,979.4	-53.7%	-2,388.7	-59.3%	-	-2,388.7	-59.3%	-17.1%
Other operating income	856.2	23.2%	644.3	16.0%	-	644.3	16.0%	32.9%
Staff costs	-670.9	-18.2%	-652.2	-16.2%	-	-652.2	-16.2%	2.9%
Other operating expenses	-707.6	-19.2%	-771.0	-19.1%	-138.3	-632.7	-15.7%	11.8%
Depreciation and amortisation charge	-168.3	-4.6%	-170.5	-4.2%	-	-170.5	-4.2%	-1.3%
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	2.4	0.1%	2.3	0.1%	-	2.3	0.1%	4.3%
Impairment and gains or losses on disposals of non-current assets	2.6	0.1%	-42.7	-1.1%	-31.3	-11.4	-0.3%	-106.1%
<b>PROFIT FROM OPERATIONS</b>	<b>1,031.4</b>	<b>28.0%</b>	<b>660.2</b>	<b>16.4%</b>	<b>-169.6</b>	<b>829.8</b>	<b>20.6%</b>	<b>24.3%</b>
Finance income	61.0	1.7%	67.2	1.7%	-	67.2	1.7%	-9.2%
Finance costs	-466.5	-12.7%	-473.8	-11.8%	-	-473.8	-11.8%	-1.5%
Change in fair value of financial instruments	-109.4	-3.0%	68.6	1.7%	-	68.6	1.7%	-259.5%
Exchange differences	-35.8	-1.0%	-27.1	-0.7%	-	-27.1	-0.7%	32.1%
Impairment and gains or losses on disposals of financial instruments	26.8	0.7%	-21.8	-0.5%	-	-21.8	-0.5%	-222.9%
<b>FINANCIAL LOSS</b>	<b>-523.9</b>	<b>-14.2%</b>	<b>-386.9</b>	<b>-9.6%</b>	<b>-</b>	<b>-386.9</b>	<b>-9.6%</b>	<b>35.4%</b>
Result of companies accounted for using the equity method	120.4	3.3%	7.5	0.2%	-	7.5	0.2%	N/A
<b>PROFIT BEFORE TAX</b>	<b>627.9</b>	<b>17.0%</b>	<b>280.8</b>	<b>7.0%</b>	<b>-169.6</b>	<b>450.4</b>	<b>11.2%</b>	<b>39.4%</b>
Income tax	-222.9	-6.1%	-341.9	-8.5%	-136.3	-205.6	-5.1%	8.4%
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>405.0</b>	<b>11.0%</b>	<b>-61.1</b>	<b>-1.5%</b>	<b>-305.9</b>	<b>244.8</b>	<b>6.1%</b>	<b>65.4%</b>
Profit for the year from discontinued operations net of tax	-	N/A	1,162.3	28.8%	1,051.3	111.0	2.8%	N/A
<b>PROFIT FOR THE YEAR</b>	<b>405.0</b>	<b>11.0%</b>	<b>1,101.2</b>	<b>27.3%</b>	<b>745.4</b>	<b>355.8</b>	<b>8.8%</b>	<b>13.8%</b>
Profit attributable to non-controlling interests	134.6	3.7%	95.7	2.4%	-	95.7	2.4%	40.6%
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>	<b>270.4</b>	<b>7.3%</b>	<b>1,005.5</b>	<b>25.0%</b>	<b>745.4</b>	<b>260.1</b>	<b>6.5%</b>	<b>4.0%</b>

## Consolidated balance sheet

The detail of the main headings in the consolidated balance sheet at 31 December 2013 and of the changes therein with respect to 31 December 2012 is as follows:

**"Concession Infrastructure"**: this heading includes all of the Group's concession infrastructure, relating to concession arrangements accounted for as intangible assets, financial assets or arrangements with guaranteed returns.

The balance of "Concession Infrastructure" at 31 December 2013 was EUR 6,351.1 million, of which 60.7% correspond to intangible assets and 9.3% to financial assets.

The year-on-year increase of EUR 600.5 million was due primarily to the increase in net investments in the period, mainly at Concesionaria Mexiquense S.A. de C.V., Autopista Urbana Norte S.A. de C.V. and Viaducto Bicentenario S.A. de C.V. The investment at source in these concessions accounts for 68.7% of concession infrastructure.

**"Investments Accounted for Using the Equity Method"**: the balance of this heading at 31 December 2013 amounted to EUR 1,979.5 million, of which EUR 1,778.1 million correspond to the ownership interest in Abertis Infraestructuras, S.A. Most of the increase of EUR 920.2 million compared to 31 December 2012 corresponds to the additional purchase of a 8.69% stake in Abertis, acquired in early 2013 and the result recognised by this investee for 2013.

**"Trade and Other Receivables"**: at 31 December 2013 the balance amounted to EUR 2,273.9 million, which accounted for 16.8% of total assets and was very similar to the figure for 2012.

Progress billings receivable and amounts to be billed for work performed represented 75.1% of the total "Trade and Other Receivables" balance and represented 5.6 months of sales (EUR 1,707.7 million).

This ratio is affected by balances of certain projects that are under discussion with, or subject to claims from, customers and the most significant amount of which corresponds to the Orán Convention Centre.

**"Other Current Financial Assets" and "Cash and Cash Equivalents"**: the balances of these headings at 31 December 2013 totalled EUR 1,083.9 million. 61.3% of the total (EUR 664.5 million) correspond to companies with recourse borrowings, and the other 38.7% (EUR 419.4 million) to companies with non-recourse borrowings which are mainly the reserve funds of concession operators.

The Group's recourse liquidity, measured as cash and cash equivalents and available recourse financing, amounted to EUR 1,900 million, a similar figure to 2012.

**"Total Equity Attributable to the Parent"**: the balance of this heading amounted to EUR 2,258.4 million at 31 December 2013, which represents 16.5% of total assets and an increase of EUR 123.2 million with respect to 31 December 2012, due to the net effect of the following:

- The attributable profit for 2013, which amounted to EUR 270.4 million.
- A reduction of EUR 64.5 million in reserves due to the dividend paid out of 2012 profit.
- The decrease in reserves of EUR 171.2 million arising from the translation of the financial statements in foreign currency due mainly to the effect of the Mexican peso.
- The increase of EUR 114.3 million in reserves due to the effect of the remeasurement of financial instruments.
- A reduction of EUR 14.2 million in reserves due to the expiration of the executive share-based payment plan in April 2013.
- The increase of EUR 21.3 million in reserves due to the effect of the capital increase at OHL México, S.A.B. de C.V. subscribed by third parties.

- An increase of EUR 7.8 million in relation to treasury shares. At 31 December 2013, treasury shares amounted to EUR 5.9 million, corresponding to 246,534 shares.
- A decrease of EUR 40.7 million relating to other changes in reserves, due mainly to changes in the scope of consolidation and other effects.

**"Non-Controlling Interests"**: the balance of this heading amounted to EUR 1,023.6 million and increased by EUR 437.5 million with respect to 31 December 2012 as a result of the net effect of:

- EUR 134.6 million in profit for 2013 attributable to non-controlling interests.
- The increase of EUR 357.9 million due to the effect of the capital increase at OHL México, S.A.B. de C.V. subscribed by third parties.
- A decrease of EUR 62.2 million arising from the translation of the financial statements in foreign currency.
- An increase of EUR 7.2 million due to the effect of the remeasurement of financial instruments and other changes.

**Bank borrowings** at 31 December 2013 compared with those at 31 December 2012 are as follows:

Gross borrowings (1)	Millions of euros			
	2013	%	2012	%
Recourse borrowings	1,572.6	24%	1,429.3	27%
Non-recourse borrowings	5,052.9	76%	3,893.6	73%
<b>Total</b>	<b>6,625.5</b>	<b>100%</b>	<b>5,322.9</b>	<b>100%</b>

(1) Gross borrowings groups together non-current and current borrowings, which include bank borrowings and bonds.

Net borrowings (2)	Millions of euros			
	2013	%	2012	%
Recourse borrowings	908.2	16%	588.8	14%
Non-recourse borrowings	4,633.4	84%	3,609.0	86%
<b>Total</b>	<b>5,541.6</b>	<b>100%</b>	<b>4,197.8</b>	<b>100%</b>

(2) Net borrowings comprise gross borrowings less other current financial assets and cash and cash equivalents.

Net recourse borrowings increased by EUR 908.2 million at 31 December 2013, compared to EUR 588.8 million in 2012. This EUR 319.4 million increase was due mainly to the net effect of: (i) the repayment by OHL Parent of EUR 436 million to OHL Concesiones (loaned prior to 31 December 2012) -for the acquisition by the latter of an additional 8.69% of Abertis- and, (ii) the funds contributed by OHL Concesiones to OHL Parent in 2013.

The gross non-recourse borrowings amounted to EUR 5,052.9 million and represent 76.3% of total gross borrowings. The increase of EUR 1,159.3 million with respect to 2012 was due to the following:

- A further drawdown of EUR 739.3 million against the credit facility maturing at three years secured by the shares of Abertis to finance the acquisition of the additional 8.69%. The credit facility totalled EUR 1,215.3 million at 31 December 2013.
- Issue of bonds of OHL Investments, S.A. exchangeable for shares of OHL México amounting to EUR 400.0 million at three years, secured by 16.9% of the shares of its subsidiary OHL México S.A.B. de C.V.
- Borrowings drawdowns made by the concession operators in the period and the effect of the exchange rate.

86.3% of the total gross bank borrowings falls due at long term and the remaining 13.7% matures at short term, which is a similar structure to 2012.

ASSETS	Millions of euros		
	2013	2012	% change
<b>NON-CURRENT ASSETS</b>	<b>10,103.6</b>	<b>8,622.1</b>	<b>17.2%</b>
Intangible assets	312.0	337.2	-7.5%
Concession infrastructure	6,351.1	5,750.6	10.4%
Property, plant and equipment	559.0	550.3	1.6%
Investment property	59.9	81.7	-26.7%
Investments accounted for using the equity method	1,979.5	1,059.3	86.9%
Non-current financial assets	193.9	171.1	13.3%
Deferred tax assets	648.2	671.9	-3.5%
<b>CURRENT ASSETS</b>	<b>3,576.0</b>	<b>3,584.6</b>	<b>-0.2%</b>
Inventories	173.1	143.9	20.3%
Trade and other receivables	2,273.9	2,262.7	0.5%
Other current financial assets	197.2	342.1	-42.4%
Other current assets	45.1	52.9	-14.7%
Cash and cash equivalents	886.7	783.0	13.2%
<b>TOTAL ASSETS</b>	<b>13,679.6</b>	<b>12,206.7</b>	<b>12.1%</b>

EQUITY AND LIABILITIES	Millions of euros		
	2013	2012	% change
<b>EQUITY</b>	<b>3,282.0</b>	<b>2,721.3</b>	<b>20.6%</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>2,669.5</b>	<b>2,491.3</b>	<b>7.2%</b>
Share capital	59.8	59.9	-0.2%
Share premium	385.6	385.6	N/A
Reserves	1,953.7	1,040.3	87.8%
Profit for the year attributable to the Parent	270.4	1,005.5	-73.1%
<b>VALUATION ADJUSTMENTS</b>	<b>-411.1</b>	<b>-356.1</b>	<b>15.4%</b>
<b>Equity attributable to the Parent</b>	<b>2,258.4</b>	<b>2,135.2</b>	<b>5.8%</b>
<b>Profit attributable to non-controlling interests</b>	<b>1,023.6</b>	<b>586.1</b>	<b>74.6%</b>
<b>NON-CURRENT LIABILITIES</b>	<b>7,310.4</b>	<b>6,383.8</b>	<b>14.5%</b>
Grants	53.2	53.4	-0.4%
Long-term provisions	211.1	217.2	-2.8%
Non-current bank borrowings	5,715.6	4,734.7	20.7%
Other non-current financial liabilities	130.8	316.2	-58.6%
Deferred tax liabilities	984.8	847.5	16.2%
Other non-current liabilities	214.9	214.8	N/A
<b>CURRENT LIABILITIES</b>	<b>3,087.2</b>	<b>3,101.6</b>	<b>-0.5%</b>
Short-term provisions	227.9	201.9	12.9%
Current bank borrowings	909.9	588.2	54.7%
Other current financial liabilities	50.7	62.1	-18.4%
Trade and other payables	1,555.1	1,831.8	-15.1%
Other current liabilities	343.6	417.6	-17.7%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,679.6</b>	<b>12,206.7</b>	<b>12.1%</b>

#### 4. BACKLOG

At 31 December 2013, the Group's backlog amounted to EUR 59,514.5 million.

13.9% of the total backlog related to short-term projects, with long-term projects accounting for the other 86.1%

The short-term backlog amounted to EUR 8,269.6 million, which represents approximately 27.0 months of sales and an increase of 2.9% with respect to 31 December 2012. 95.0% of total short-term backlog corresponds to Construction and is located mainly in Central Eastern Europe (27.9%), the US and Canada (22.5%) and the Middle East and North Africa (19.3%).

The long-term backlog amounted to EUR 51,244.9 million, up 12.9% on the long-term backlog at 31 December 2012.

BACKLOG	Millions of euros				
	2013	%	2012	%	% change
Short-term	8,269.6	14%	8,040.0	15%	2.9%
Long-term	51,244.9	86%	45,372.6	85%	12.9%
<b>TOTAL</b>	<b>59,514.5</b>	<b>100%</b>	<b>53,412.6</b>	<b>100%</b>	<b>11.4%</b>
Concessions	51,013.5	86%	44,932.8	84%	13.5%
Construction	8,059.7	14%	8,106.7	15%	-0.6%
Other business activities	441.3	1%	373.1	1%	18.3%

The most significant short-term construction projects contracted between 1 January and 31 December 2013 are as follows:

#### Construction:

Mushaireb and Education City underground railway stations (Qatar)  
 Port of Valparaiso (Chile)  
 72nd Street subway station in New York (US)  
 Concrete caissons for protection works at Granadilla port (Spain)  
 Gustavo Fricke Hospital (Chile)  
 Segment 4 of the Harris County US 290 toll road in Texas (US)  
 D1 toll road from Hubová to Ivachnová (Slovak Republic)  
 Canalejas Protect (Spain)  
 Medellín tramway (Colombia)  
 Line 1 Broadway - 7th Avenue subway station in New York (US)  
 Stretch of I-95 toll road until Brevard (US)  
 Modernisation of the signalling system on Dyre Avenue in New York (US)  
 Additional road network no. 4 (Peru)  
 Novosibirsk Hotel (Russia)  
 Santiago underground railway, Line 3 - Stretches 1 and 2 (Chile)  
 AET Broward toll road (US)  
 Expansion of the Baptist Cardiac and Vascular Institute in Florida (US)  
 Additional route 60 Stretch 2 Sector 1 (Chile)  
 Additions to Las Bambas Project (Peru)

## 5. STOCK MARKET INFORMATION

At 31/12/13, the share capital amounted to EUR 59,844,565, represented by 99,740,942 ordinary shares of EUR 0.60 par value each, with a market price of EUR 29.45 and a PER for 2013 of 10.4 times.

In 2013 a total of 145,016,653 shares were traded on the stock markets (145.4% of the total shares admitted for trading) with a daily average of 568,693 shares and a market appreciation of 34.1% in the year.

Since 2008 OHL has been listed on the IBEX 35 index and the FTSE4Good Ibex sustainability index. Also, since September 2011 OHL México, S.A.B. de C.V. has been listed on the Price and Quotation Index (IPC), the principal stock market index of the Mexican Stock Exchange (BMV).

OHL held 246,534 treasury shares at 2013 year-end.

SHARE PRICE						
OHL share price (euros)			Annual change			
Final	High	Low	OHL	Ibex-35	I. Construction industry	
29.445	31.300	21.510	34.10%	21.40%	26.50%	

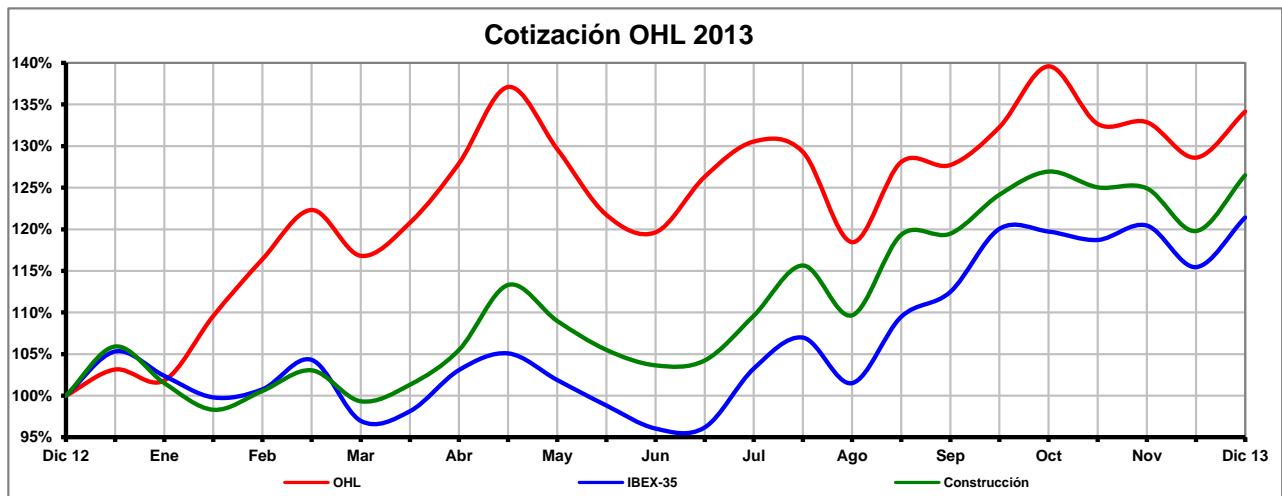
VOLUME TRADED		
No. of shares traded	Average daily volume of shares	(*) Average effective volume per day
145,016,653	568,693	15.5

(\*) Millions of euros

MARKET CAPITALISATION			
	2013	2012	% change
Market capitalisation	2,936.9	2,189.3	34.1%

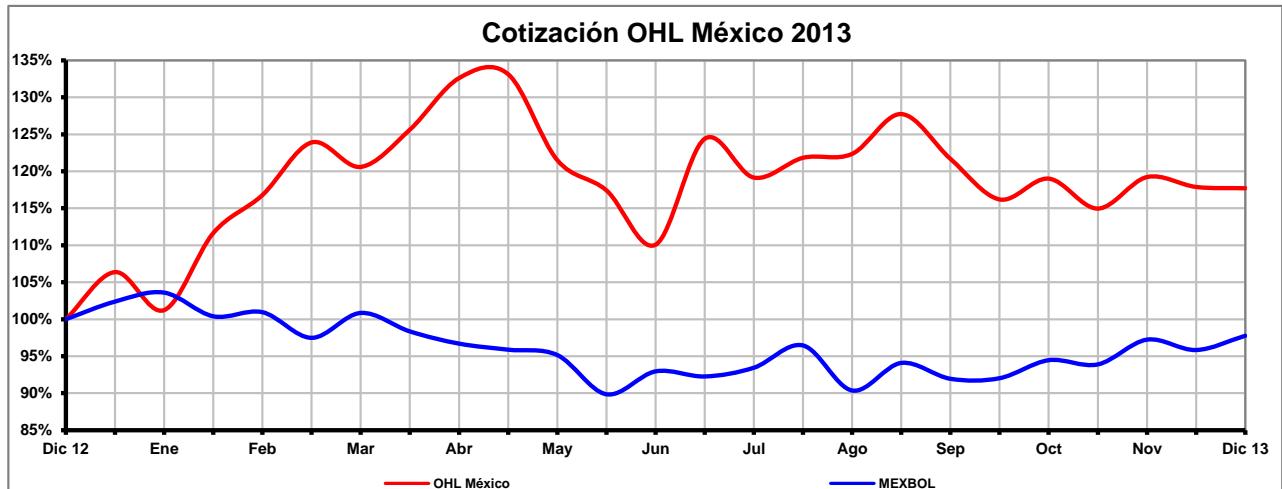
PERFORMANCE OF OHL BONDS						
Issue	Maturity	Date	Coupon	Beginning balance	Outstanding balance	Share price (31/12/13)
April 2010	April 2015			EUR 700 million	EUR 524 million	107.4%
March 2011	March 2018		8.750%	EUR 425 million	EUR 425 million	111.6%
March 2012	March 2020		7.625%	EUR 300 million	EUR 300 million	109.9%
March 2013*	March 2018		4.000%	EUR 400 million	EUR 400 million	104.3%

(\*) Issuer: OHL Investments, S.A.



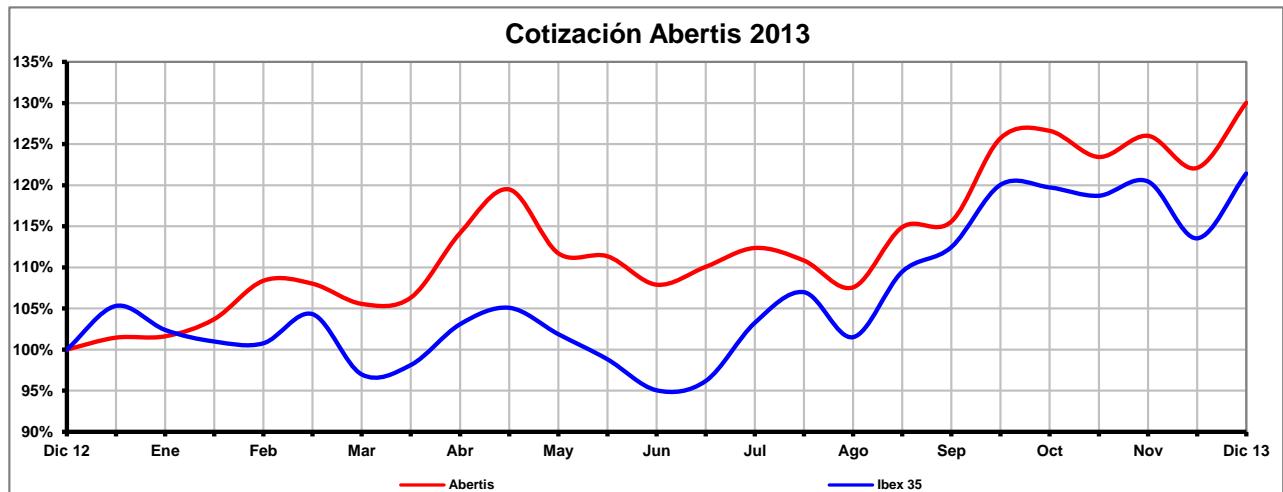
As part of its Concessions business, the OHL Group has a subsidiary OHL México S.A.B. de C.V. listed in Mexico, the main data on which are as follows:

<b>OHL MEXICO</b>	
Total number of shares	1,732,185,269
OHL's ownership interest at 31/12/13	63.64%
Share price at 31/12/13 (Mexican pesos)	33.43
EUR/MXN exchange rate at 31/12/13	18.04
Total market capitalisation (thousands of euros)	3,210,362
Value of OHL's ownership interest (thousands of euros)	2,043,079
Stock market performance since 31/12/12	17.71%



The OHL Group also holds an ownership interest in Abertis Infraestructuras, a company listed in Spain, the main data on which are:

<b>ABERTIS INFRAESTRUCTURAS</b>	
Total number of shares	855,528,612
OHL's ownership interest at 31/12/13	18.93%
Share price at 31/12/13 (euros)	16.15
Total market capitalisation (thousands of euros)	13,816,787
Value of OHL's ownership interest (thousands of euros)	2,614,857
Stock market performance since 31/12/12	30.03%



## 6. DEVELOPMENT

In 2013 the Group invested EUR 3,105 thousand in development projects and incurred expenditure of EUR 1,258 thousand. Also, EUR 25,859 thousand relating to research and development projects were capitalised to “Other Intangible Assets” in the consolidated balance sheet at 31 December 2013.

## 7. MAIN RISKS AND UNCERTAINTIES

In view of its activities, the Group is exposed to financial risk.

These financial risks affect mainly the obtainment of the necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant financial risks are as follows:

- Interest rate risk
- Foreign currency risk
- Credit risk
- Liquidity risk
- Risk relating to financial instruments associated with the Parent's shares
- Risk relating to financial instruments associated with the shares of Abertis Infraestructuras, S.A.

## **Interest rate risk**

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

This interest rate risk is particularly important in relation to the financing of infrastructure projects and other projects in which project profitability depends on possible changes in interest rates because it is directly linked to project cash flows.

Based on the Group's projections of the trend in interest rates and of debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks and a sensitivity analysis is conducted in this connection.

## **Foreign currency risk**

The Group operates on an international stage and, therefore, is exposed to foreign currency risk on the transactions performed by it in foreign currencies.

The foreign currency risks relate basically to:

- Debt denominated in foreign currencies arranged by Group companies.
- Payments to be made in international markets for the acquisition of procurements or non-current assets.
- Collections arising on projects tied to currencies other than the functional currency of the Parent or of the subsidiaries.
- Investments in foreign subsidiaries.

In order to mitigate foreign currency risk, the Group arranges currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets relating to net investments in foreign operations with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign operations on consolidation.

On other occasions, non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

## **Credit risk**

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Group has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of incurring losses in the event of non-compliance. The Group obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or the information it obtains from its own relationships with customers and third parties.

The Group's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Group's total exposure to credit risk.

The credit risk of hedging instruments with a positive fair value is limited by the Group, since derivatives are arranged with highly solvent counterparties with high credit ratings and no counterparty accounts for a significant percentage of the total credit risk.

### **Liquidity risk**

The liquidity risk arising from the financing requirements of the divisions due to timing mismatches between liquidity needs and the inflow of funds is managed by the Group by maintaining the appropriate level of cash and marketable securities as well as by arranging and maintaining sufficient lines of financing.

In order to improve this liquidity position, the Group takes measures in relation to:

- Trade and other receivables, actively managing collection from customers.
- Optimisation of all its companies' financial position through ongoing monitoring of cash projections.
- Management of the arrangement of lines of financing through capital markets.

The repayment schedule at 31 December 2013, of which EUR 909,903 thousand matures in 2013, is presented by the Group in Note 3.18 to the consolidated financial statements.

### **Risk relating to financial instruments associated with the Parent's shares**

The Group has a financial swap tied to the Parent's share price in order to hedge the potential loss that might arise from the exercise of the options under the incentive plan described in Note 3.24. With respect to the equity swaps tied to the Parent's share price, the commitment is to pay or receive the result of the change in the share price with respect to the reference price until the maturity of the derivative and to pay a floating interest rate during the term of the swap.

### **Risk relating to financial instruments associated with the shares of Abertis Infraestructuras, S.A.**

In 2012 the Parent arranged an equity swap tied to the share price of Abertis Infraestructuras, S.A., which was terminated in 2013.

There is also a financing agreement secured by the shares of Abertis Infraestructuras, S.A. (see Note 3.18.2.).

## **8. EVENTS AFTER THE REPORTING PERIOD**

On 5 March 2014, the Parent successfully completed a straight bond issue amounting to EUR 400 million, which matures in 2022. The bonds were issued at par and earn an annual rate of interest of 4.75% payable every six months. The last date of issue and payment therefor took place on 17 March 2014.

## **9. OUTLOOK**

In 2013 global activity was strengthened throughout the second half and this improvement is expected to continue in 2014 and 2015 thanks to the recovery in advanced economies. According to the latest report from the International Monetary Fund (January 2014), the advanced economies should maintain their focus on monetary policies while continuing fiscal consolidation. Meanwhile, the emerging and developing markets will benefit from the increase in external demand in advanced economies, although their internal weaknesses continue to be of concern.

According to IMF estimates, over the next two years the world economy will grow at a rate of 3.7% in 2014 and 3.9% in 2015. Two-speed growth is expected to continue during this period as a result of the high growth rates of 5.1% and 5.4% in emerging economies and lower rates of 2.2% and 2.3% in the advanced economies. In the eurozone, growth of 1.0% and 1.4% is expected, respectively, for 2014 and 2015

With regard to the geographical areas which most directly affect the Group, Spain is expected to return to positive growth rates of 0.6% in 2014 and 0.8% in 2015. In the eurozone, the IMF has also improved the prospects for GDP returning to positive rates of 1.0% for 2014 and 1.4% for 2015. Prospects for Mexico and the US are, however, much better. These are very important geographical areas for the Group as they account for 14% and 12% of sales, respectively, and growth of 3.0% and 3.5% are expected for 2014 and 2015, respectively.

## **10. OUTLOOK FOR THE NEAR FUTURE**

2013 was a year of continuity in the process of OHL's consistent and sustained growth, consolidation of its presence in Abertis as Industrial Partner and Reference Shareholder with an ownership interest of 18.93%, and compliance with financial policies.

OHL is now a major Concessions and International Construction Group that enjoys a significant and balanced geographical diversification with a presence in 27 countries across five continents, with 85% of its portfolio and 92% of its EBITDA generated outside Spain.

The Concessions business is currently the Group's main activity, accounting for 78% of EBITDA. It is financially and organically independent from Construction, and consists of two blocks of assets. On the one hand there is the ownership interest in Abertis, and on the other, the grouping of 16 direct concessions. Both blocks are highly complementary because while Abertis is eminently a concession operator with a very balanced geographical presence but with more experience in mature markets, OHL, through its own direct concessions, has traditionally played a more significant role as a concession developer rather than as an operator, and its experience is more focused on emerging economies than on developed ones. In terms of concession maturity they are also complementary, Abertis has more mature concessions and is therefore a generator of recurring dividends, while OHL has younger assets in its portfolio which provides a solid platform for growth.

OHL's direct concessions include ten toll roads (746 km), three ports, two railways and an airport located in strategic locations such as Mexico, Chile, Peru and Spain. The Mexican concessions are operated through OHL México, a listed company in which the Group has a 63.64% ownership interest. 2013 was a year of great transformation for OHL México through two financial transactions: the capital increase in June to cover its investment needs and raise additional funds to pre-finance potential new concessions, and the refinancing of its main concession, Conmex (Concesionaria Mexiquense S.A. de C.V.), which thanks to the lengthening of the average maturity of its borrowings from 5 to 23 years, and the consequent immediate release of cash flows, has been transformed into an Investment Grade asset and an engine of growth for OHL México .

The US, Canada and Colombia have been identified as new geographical areas in which OHL wishes to be present in the future. Several projects are being studied in these countries which will be pursued provided that the financing and contractual security standards applied by the Group are met. With respect to requirements relating to returns and foreign currency hedges, the same selective policies will continue to apply, targeting a return of more than 15% for the shareholder in euros and the financing of concessions without recourse to the Group in local currency, while maintaining the preference for majority ownership interests.

The Group, with more than one hundred years of experience, holds a very important position in the construction business. It leads emblematic projects worldwide and has expertise in highly technological segments such as railways, hospitals or intelligent buildings. That, added to its proven capacity to structure financing and the global management of the Group's excellent human capital through a technical office, places OHL in a highly advantageous position. The Group also has an adequate geographical presence, and makes a distinction between two types of markets -those in which its presence is permanent, and those in which it operates on an occasional basis.

In markets with a permanent presence, management is performed by taking advantage of local subsidiary resources and projects have a greater scope. These markets include Spain, Mexico, Peru and Chile, Central and Eastern Europe, the US and Canada.

The markets with an occasional presence are approached on a more selective and opportunistic basis, and the projects undertaken in such markets are usually unique and larger in scale. These markets are in geographical areas such as the Middle East, North Africa and Latin American countries other than those in which we habitually operate.

The organic growth of this division is ensured by the significant backlog which is equivalent to three years of sales and comprises major international contracts, mostly project design and execution.

OHL's Other business activities include Development, Industrial and Services activities that generate value added by building on OHL's experience as a constructor.

Development is involved in two unique mixed-use prime projects operated by the most prestigious hotel chains in the world:

- Mayakoba, a holiday resort in the Riviera Maya development positioned as one of the most exclusive in the world, and;
- The Canalejas development, destined to become the flagship project in Madrid, encompassing seven historic buildings in the city and including the only Four Seasons hotel in Spain, luxury residences, an exclusive shopping area and a car park.

The Industrial division takes responsibility for the design and execution of large turnkey industrial installations, with a clear international vocation through OHL Industrial.

The Services division counts on the contribution of Ingesan, a leading company in the field of facilities management, providing technical maintenance, cleaning and energy efficiency management.

As regards financial matters OHL has an excellent reputation and benefits from unhindered access to bank, corporate and project financing, as well as to the capital markets.

It has demonstrated its commitment to policies aimed at maintaining financial discipline, establishing the limit of the net recourse borrowing to recourse EBITDA ratio to less than three times and enjoys:

- The comfortable maturity schedule of its recourse borrowings. OHL makes an ongoing effort to optimise the financial structure, studying and implementing refinancing sufficiently early.
- A significant and stable liquidity position.

It has a strong presence in the stock market with listed equity of 18.93% in Abertis and 63.64% in OHL Mexico which together had a market value of EUR 4,658 million at year-end, and in the capital markets both at long term, with three bond issues listed on the London Stock Exchange amounting to EUR 1,249 million, and at short term, with a commercial paper program registered at the Irish Stock Exchange, under which it can issue short-term securities for a maximum amount of EUR 300 million.

Furthermore, throughout its history it has demonstrated its proven capacity to capitalise on the value generated in its various businesses, clear examples of which are the admission to listing of OHL Brazil (August 2005) and OHL Mexico (November 2010), and the asset swap transaction with Abertis (December 2012).

Lastly, in relation to its corporate strategy, the Group will continue to place special emphasis on boosting sustainable development and fostering R&D+i activities from its privileged position in terms of the design and organisation of its corporate governance, while specifically safeguarding its human resources and applied research policies and complying at all times with the related rules and recommendations.

## **11. PROPOSED DISTRIBUTION OF PROFIT AND DIVIDEND**

The distribution of the profit for 2013 that the directors of Obrascón Huarte Lain, S.A. will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
<b>2013 profit</b>	<b>101,902</b>
Distribution:	
Dividends	67,594
To voluntary reserves	34,308

The directors of Obrascón Huarte Lain, S.A. will propose to the shareholders at the Annual General Meeting the payment of a maximum total gross dividend of EUR 67,594 thousand, equal to EUR 0.6777 per share, with a charge to:

	Thousands of euros
2013 profit	67,594
<b>Total dividend</b>	<b>67,594</b>

The distribution of profit proposed by the directors does not include any appropriation to the legal reserve, since the stipulated level had been reached in prior years.

## **ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED LIABILITY COMPANIES**

The Annual Corporate Governance Report, which is an integral part of the directors' report of Obrascón Huarte Lain, S.A. for 2013, is available on the Spanish National Securities Market Commission's website ([www.cnmv.es](http://www.cnmv.es)) and the Company's corporate website ([www.ohl.es](http://www.ohl.es)) .

## **DECLARATION OF RESPONSIBILITY AND AUTHORISATION FOR ISSUE OF THE CONSOLIDATED DIRECTORS' REPORT**

The directors hereby declare that, to the best of their knowledge and belief, the consolidated directors' report presents fairly the performance, business results and position of Obrascón Huarte Lain, S.A. and Subsidiaries, together with a description of the main risks and uncertainties faced by them.

This consolidated directors' report was authorised for issue by the Board of Directors at its meeting held on 26 March 2014, for review by the auditors and subsequent submission for approval by the shareholders at the Annual General Meeting. This directors' report is set out on 98 sheets of paper, all of which have been signed by the Deputy Secretary of the Board of Directors. This last sheet number 99 has been signed by all the directors and by the Secretary of the Board of Directors.

Juan-Miguel Villar Mir

Juan Villar-Mir de Fuentes

Josep Piqué Camps

Tomás García Madrid

Javier López Madrid

Mónica de Oriol e Icaza

Juan Luis Osuna Gómez

Joaquín García-Quirós Rodríguez  
for  
Saarema Inversiones, S.A.

Luis Solera Gutiérrez

Alberto Terol Esteban

Silvia Villar-Mir de Fuentes

Álvaro Villar-Mir de Fuentes

Daniel García-Pita Pemán  
(Non-Director Secretary of the  
Board of Directors)